FORM 8-K

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SECOND STAGE VENTURES INC

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date Earliest Event Reported): July 28, 2004

SECOND STAGE VENTURES, INC.
(Exact Name of Registrant as Specified in its Charter)

Nevada	000-32903	98-0233859
(State of other jurisdiction of incorporation or organization Number)	(Commission File Number)	(I.R.S. Employer Identification No.)

c/o Gary Henrie, Esq., 10616 Eagle Nest St., Las Vegas, Nevada 89141
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (702) 616-3093

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(Former name or former address, if changed since last report)

Item 2. Acquisition or Disposition of Assets.

Overview.

On July 28, 2004, Second Stage Ventures, Inc. ("we", "us", "our" or the "Company") entered into an Asset Purchase Agreement with Encapsulation Systems, Inc. and its wholly owned subsidiary, Echo RX, Inc. (collectively, "ESI"), pursuant to which we acquired certain intellectual property encompassing patents pending filed with the US Patent and Trademark Office and other proprietary technology and information which cover a new type of non-invasive drug delivery system more commonly known as a transdermal patch.

Also on July 28, 2004, we sold certain assets relating to our

easytrivia.com business to a former director of the Company who developed that business concept.

Asset Purchase.

Pursuant to the Asset Purchase Agreement ("Purchase Agreement"), we acquired from ESI all of its right, title and interest in and to all intellectual property relating to a device and process allowing for the non-invasive delivery of large molecule drugs through a proprietary transdermal patch. These assets comprise patents pending filed with the US Patent and Trademark Office and several other jurisdictions, including the European Community, and other proprietary technology and information ("Intellectual Property"). We paid an aggregate purchase price for the Intellectual Property of $20,500,000 payable as follows:

- $2,500,000 in cash, $500,000 of which has been paid to date, $1 million of which payable in four installments during 2005 and $1,000,000 of which is payable in four installments during 2006, all evidenced by a promissory note in the amount of $2 million bearing interest;

- the issuance of 12,000,000 shares of our Common Stock (the "ESI Shares") having an aggregate value of $18 million (based upon the closing price of our common stock on the Over-the-Counter Bulletin Board); and

- the payment of an annual royalty equal to 2.5% of gross revenues derived from the Intellectual Property to be paid for the life of all related patents, and any allowable regulatory extensions, or for 20 years, whichever is longer.

As of the date of the Purchase Agreement, ESI was an involuntary debtor under Chapter 7 of the United States Bankruptcy Code, pending in the United Stales Bankruptcy Court for the Eastern District of Pennsylvania ("Bankruptcy Court"). The sale by ESI of the Intellectual Property on the terms provided in the Purchase Agreement was made upon order of the Bankruptcy Court issued on July 13, 2004 (the "Order"). Under the Order, we are entitled to all of the protections provided to a good faith purchaser of assets out of bankruptcy. Moreover, all non-debtor parties to executory contracts with ESI which were given adequate notice of the sale are forever precluded from asserting against us any default under such contracts as of the date of the Order and objecting to the sale of the Intellectual Property to the Company.

Under the Purchase Agreement, we delivered the ESI Shares to a third party escrow agent to hold the said shares in escrow and released therefrom as follows:

(A) ESI shall be entitled to distribute a number of the ESI Shares as may be required in order to satisfy claims of non-affiliates of ESI, as provided in a plan of reorganization of ESI to be approved by the Bankruptcy Court.

(B) Commencing after July 28, 2005, one ESI Share shall be released to ESI for each dollar of gross revenue derived by the Company from the commercial exploitation of the Intellectual Property.

(C) On February 28, 2007 any ESI Shares held in escrow shall be released to ESI.

ESI shall not be entitled to vote the ESI Shares held in escrow on any matters put to the Company's shareholders, except as to any proposed capital reorganization or reclassification with respect to the Company's equity securities, until they are release from escrow as described above. While the ESI Shares are held in escrow, the holders shall be entitled to participate in any dividends or distributions made by the Company to all holders of Common Stock and to any payment or distribution upon the liquidation or winding-up of the Company.

The promissory note ("Note") we executed in favor of ESI provides that we shall pay an aggregate of $2 million in eight equal installments over two years ("ESI Note"). In the event of a default under the Note, the entire amount then owing will become due and payable immediately, together with all costs incurred by ESI and reasonable attorneys' fee. The following constitute events of default under the Note: (i) if we fail to make any payment due within thirty (30) days after the date on which we receive notice of such failure, (ii) if we fail to observe and perform any of the covenants or agreements on its part to be observed or performed under the Note or the Security Agreement (described below), (iii) if we default under the terms of the Security Agreement, or (iv) if we take steps that evince bankruptcy or liquidation.

In order to fund the initial amount we were required to pay required under the Purchase Agreement, we borrowed the principal sum of $500,000 from a third party evidenced by a promissory note dated June 30, 2004 bearing interest at the rate of 10% per annum, payable in full, with interest, on the earlier of the date on which we closed the acquisition of the Intellectual Property or July 31, 2004. By amendment dated as of July 28, 2004, the lender agreed to extend the time in which to repay the note until September 15, 2004, in consideration of a payment of $50,000.

We also executed a Patent Security Agreement in favor of ESI securing our obligations under the Purchase Agreement and the Note and granting to ESI a security interest in and to the Intellectual Property (the "Security Agreement"). Under the Security Agreement, if we commit an act of default under the Note or if we fail to pay the trailer fee within thirty days after we receive written notice from ESI of such failure, ESI shall have the right to take back the Intellectual Property. ESI's right to take back the technology is evidenced by a Patent Assignment Agreement dated July 28, 2004.

As further provided under the Purchase Agreement, we entered into an

employment agreement with Bruce K. Redding, Jr. Mr. Redding is one of the inventors of the technologies encompassing the Intellectual Property and the author or co-author of the various patents pending transferred to the Company under the Purchase Agreement. Mr. Redding's employment agreement provides that he will serve as our Vice President of Licensing and Corporate Strategy for a period of three years at a salary of $125,000 in the first year, $150,000 in the second year and $175,000 in the third year. The agreement is renewable for two one-year terms at salaries of $200,000 and $225,000 unless either party shall give the other 90 days prior notice of its intent not to renew the agreement. Under the employment agreement, the Company will pay Mr. Redding a signing bonus of $80,000 in eight equal installments. The Company also will provide Mr. Redding with (i) the use of a car during the term of the agreement, (ii) errors and omissions insurance for the term of his employment and (iii) a $1 million life insurance policy payable at Mr. Redding's discretion. Under the agreement, Mr. Redding is obligated to transfer and assign to the Company all inventions and improvements relating to the Intellectual Property. Mr. Redding is obligated

to maintain all information relating to the Intellectual Property and the Company in confidence during the term of the agreement or thereafter. The Company may terminate Mr. Redding's employment at any time upon notice from the Company either (i) upon the determination by the Company that his performance is not satisfactory for any reason (other than justifiable cause, as described below) and the giving of notice specifies with reasonable particularity how such performance is not satisfactory, and Mr. Redding has failed to remedy his performance to the reasonable satisfaction of the Company within thirty (30) days of such notice; or (ii) upon the determination by the Company that there is justifiable cause, such as his conviction of any crime involving the Company's money or other property or which constitutes a felony or the unauthorized disclosure of confidential information, any attempt to secure improper personal profit in connection with the business of the Company or his repeated and willful failure to comply with his duties under the employment agreement. If we terminate Mr. Redding's employment for reasons other than justifiable cause, disability or death, he will be entitled to receive severance pay in an amount equal to one-twelfth of the sum of his then annual salary plus the amount of the last bonus awarded to him for a period equal to one month for each month that he was employed by the Company, provided however, that in no event shall such period be less than six (6) months nor more than twelve (12) months. Mr. Redding may terminate his employment at any time upon thirty (30) days' prior written notice to the Company.

As an adjunct to the Order and at the direction of the Bankruptcy Court, we entered into a stipulation with ReactMed, Incorporated and ESI ("Stipulation") which was the result of an objection by ReactMed to the sale of the Intellectual Property which would affect its rights under an agreement between ESI and ReactMed. Pursuant to the Stipulation, the parties agreed that ESI was in default under a joint development and license agreement with ReactMed (the "ReactMed Agreement") in which ESI (i) agreed to jointly develop the

Intellectual Property with ReactMed for the purpose of commercializing the Intellectual Property for certain military and Homeland defense uses and granted a license to ReactMed to sell products based upon the Intellectual Property within the such area. In the Stipulation, we agreed to assume ESI's obligations under the ReactMed Agreement, including, providing ReactMed with technical assistance in connection with its development of the Intellectual Property as provided in the ReactMed Agreement, providing ReactMed with a sample of our transducer array and certain other equipment specified under the ReactMed Agreement for the purpose of testing components of the Intellectual Property, and extending the term of ReactMed's license to sell the specified products under such agreement to April 30, 2005. ESI also agreed to transfer to ReactMed a number of the shares of our Common Stock it received under the Purchase Agreement equal to $150,000 (101,078 shares).

The Intellectual Property.

Overview of Transdermal Technology.

Transdermal systems deliver drugs through the skin into the bloodstream. Medications delivered via skin patches avoid liver metabolism, a necessary feature for drug molecules to metabolize easily, and allows for lower dosing of medications. There are two types of transdermal delivery systems, passive and active. In passive transdermal systems, the drug diffuses through the skin where it can act locally or penetrate the capillaries for systemic effect. Active patches require a physical force to facilitate the movement of drug molecules across the skin. By using an applied force (such as ultrasound or an electrical current) active transdermal systems are capable of delivering proteins and other large molecules.

Existing "passive" patch technologies are subject to numerous obstacles to the successful transmission of drugs transdermally, including the fact that the size and shape of the pharmaceutical compound itself prevent it from physically passing through the pore opening due to size limitations and lack of motivation (push). Passive patches have been successfully commercialized because they provide a slow, steady release and avoid the blood level peaks and valleys associated with oral dosing. However, we believe that their applications are limited to drug compounds comprised of small molecules. Passive

drug delivery patches have applications in smoking cessation (nicotine), birth control and hormone replacement therapy (estradiol), and angina (nitroglycerine).

By contrast, using active transdermal drug delivery, certain drugs can be delivered through the skin many times faster than by passive transdermal patches. Moreover, this technology may allow for the delivery of a wider variety of drugs than existing passive transdermal technology and is programmable to allow a variety of different dosing profiles. For example,

active transdermal delivery can non-invasively duplicate the steady or periodic delivery patterns of intravenous infusion.

Our Technology.

Overview.

The Intellectual Property we acquired encompasses a drug delivery system incorporating a transdermal patch in combination with microelectronics and ultrasonic technology. Our technology represents an active transdermal drug delivery process by which drugs can be transported through the skin by applying a low-level ultrasonic wave. This process differs significantly from passive transdermal drug delivery that relies on the slow, steady diffusion of small molecule drugs through skin. The technology we are developing advances transdermal drug delivery system technology by allowing for the non-invasive delivery of macromolecular pharmaceutical formulations, i.e., drugs constituted from large molecules. We expect to utilize sub-miniature, high-powered ultrasonic devices, coupled with a modified transdermal patch, in the devices we will seek to commercialize.

We believe that this platform technology can be used to non-invasively administer approximately 175 existing drugs that cannot presently be effectively delivered through the pores of the skin using conventionally available transdermal technology due to their large molecular size. We believe the control and convenience enabled by our technology has the potential to:

- improve therapeutic outcomes;
- reduce side-effects;
- increase patient compliance; and
- improve overall cost-effectiveness of drug therapies.

Our drug delivery technology constitutes a "medical device" as defined by the United States Food and Drug Administration ("FDA") and is subject to FDA approval prior to public distribution. As yet the device has not been approved by the FDA and is subject to significant clinical trials on human beings, a procedure that could encompass several years and may never result in approval of the device for use on human beings. To date, we have conducted only limited laboratory tests of the technology for the purposes of determining the viability and efficacy of the scientific theories and technologies embodied in the technology. We also have performed limited testing of the abstract facets of the technology on humans and animals and do not possess sufficient information to support an application to the FDA. We have not yet constructed a prototype of the device utilizing the miniature technology to be incorporated into the product we hope to offer commercially.

Management expects initially to focus on and pursue regulatory approval for the transdermal delivery of insulin for diabetics utilizing our device. In management's estimation, this field not only represents a potentially large market for the device but also is an area in which users could obtain relief from the significant pain and discomfort experienced as they continually monitor their condition by testing blood samples they must obtain by pricking their skin

several times a day and then injecting themselves with insulin.

What it Does.

Our technology utilizes a transdermal patch with an attached ultrasonic device that we expect will overcome the problems of passive patch technology. The device is designed to generate ultrasonic transmissions of variable intensity and frequency which are transmitted through a modified transdermal patch. In theory, the ultrasound will dilate the skin's pores, which allows for the delivery of pharmaceutical compounds composed of large molecules and is expected to increase the absorption of the drug through the skin. The device will be programmable to deliver a prescribed amount of active pharmaceutical agents on a programmed drug delivery regimen which can be customized for each patient. The projected portability of this drug delivery system, in contrast to other clinical systems employing ultrasound devices which are fixed in place, can improve the quality of life for many patients with chronic diseases. Moreover, we have designed the system to be programmable, which will provide more flexibility and control over an individual patient's dosing needs.

Our proprietary drug delivery technology offers the potential to expand the applications for transdermal patches to a broader array of drugs across a wider variety of therapeutic indications. We believe that our active ultrasonic transdermal drug delivery system will retain the advantages of passive patches in that it will be comfortable, non-invasive, easy to use, and convenient. In addition, our transdermal delivery system is being designed to be precise, controllable and programmable because the drug will be delivered only when the device is activated. We believe that these are distinct advantages for the administration of many drugs where achieving optimal blood levels will greatly improve therapeutic outcomes as well as reduce or eliminate side effects. These features also improve overall cost-effectiveness of drug therapies.

The ultrasonic waves produced by our device will force (push) the drug either through a user's hair follicles or sweat pores. Ultrasonic waves will be used to "enlarge" the skin's pathway and then to drive the drug through the opening. Mechanically, the drug follows the hair follicles to the bloodstream (equivalent of a near intravenous injection) or the sweat pores to the fatty tissue (equivalent of a sub-coetaneous injection).

We believe that existing conventional ultrasound and other active transdermal technology therapies are ineffective at pore expansion and can cause damage to drug formulations and skin irritation, discoloration and damage. Our limited clinical testing of supports our belief that the ultrasonic transmission methodology we will incorporate into our device reduces the thermal effects of ultrasound without damaging the target drug or the skin of the subject. Volunteers report an inability to sense or hear the sonic transmission.

Hardware.

To date, product research has focused on creating the hardware required to construct a small, wearable, lightweight insulin delivery system that is durable enough to be worn on a patient's arm on a full-time basis. The inventors of the technology expect that the application of the technology could extend beyond insulin and serve as a platform for the delivery of a myriad of existing drugs that can not be delivered utilizing current passive transdermal technology.

We have not yet fabricated a device incorporating the miniaturized technology which we propose to utilize in the product we expect to submit to the FDA for approval. Management believes that the miniaturized hardware, circuitry and power source (battery) we will require to produce a comfortable, wearable and effective device as described in our patent applications is commercially available.

Accordingly, once the efficacy of the theories underlying our technology are proven to our satisfaction, we believe that we will be able to employ off-the-shelf components in the development of a final product.

The hardware elements we will seek to incorporate into our transdermal drug delivery device encompass an ultrasonic applicator, a flat transducer and a modified patch.

The ultrasonic applicator will consist of a device that generates ultrasonic transmissions and a keypad to operate and control the dosage level and frequency. The dose controller will contain a miniature battery and circuitry that precisely control the rate, dosage and pattern of drug delivery through the skin. The user or his physician will be able to program the unit to provide for multiple dosage levels so that, for example, in the case of diabetics, the device could be programmed to deliver additional insulin during mealtime. A large display will provide a message center which will allow the wearer to see existing device settings and reprogram the device as necessary and prescribed by his physician. The patient or his physician will be able to program the unit manually but the device will be fitted with a radio frequency receiver which will allow for radio signals to be received from a remote sensor device to automatically adjust the device to the patient's needs in real time, minimizing patient interaction.

The ultrasonic applicator unit will record the dose delivered and stores the information in memory for 60 days. It will be capable of downloading, via modem, a dose report to the physician to enable individualized dose tracking and individualized dose management. We expect to utilize a mini-transducer to produce ultrasonic signals with sufficient intensity to transverse the patch using minimal power.

A flat transducer will generate the alternating ultrasonic waveform effect necessary to enlarge the pores of the skin and also drive or push the medication through the patch into the skin's pores, in what can be referred to as an "active" transdermal delivery system. Our transducer will emit an ultrasonic

transmission that enlarges the pores of the skin without damaging the pharmaceutical preparation being delivered, one of the primary deficiencies of existing ultrasonic patch technology. The modified transducer system is designed to deliver a prescribed dose of medicine on demand as a result of the ultrasonic excitation of the patient's skin. The device delivers the drug in an array which enables sequencing upon the skin and prevents over-exerting one skin transport site. Alternatively, the transducers in the array can be operated in tandem increasing the dose quantity through the patient's skin. Our transducers can be battery powered.

We expect that our transdermal drug delivery system will employ either a traditional flexible patch design or a proprietary two-part system called the Medi-Cap (TM). The Medi-Cap(TM) transdermal drug delivery system has been designed to use a two-part modified transdermal patch consisting of a patch cap (into which the medicated patch is placed) and the transducer coupler which contains the transducer array. The patch cap will store the pharmaceutical preparation and connect to the transducer coupler to complete the system. It will be removable and disposable.

The design of our active transdermal drug delivery systems is intended to maximize overall delivery system efficiency while addressing commercial requirements for reproducibility, formulation stability, safety, convenience and low cost. To achieve this goal, our delivery system is designed to integrate proprietary and patent pending technology with commercially available, off-the-shelf components. We believe our active transdermal approach will offer a level of portability, convenience, control and programmability not available with other methods of drug delivery.

We believe the controllability and programmability offered by our technology offer a competitive advantage that will enable our products to deliver more consistent and predictable results for a broad range of existing and new drugs. Using this technology, we believe we can create a variety of cost-effective, wearable, drug delivery systems that are non-invasive, discreet and easy to use in both a clinical

environment as well as for day-to-day self-medication programs such as insulin administration, high cholesterol therapies; gastro-intestinal system treatments; oncology drug delivery; cardiovascular care; chronic pain control and treatment; fertility drugs for women; hormone treatment; and pain management.

We believe the key clinical advantages of our drug delivery technology will be:

- Highly controllable - Enables accurate control over dosage and duration of delivery - drugs can be delivered fast or slow, in a single dose or in several doses over time at selected intervals.

- Programmable - Electronic controllers can be programmed to handle a

wide variety of drug delivery dosage profiles with or without manual adjustment.

- Non-invasive and comfortable - Achieves comparable results to injections and IV administrations without the pain, and therefore the anxiety, associated with those methods.

- Consistent and reliable - Enables highly controlled delivery of intended doses systemically or a specified target area, producing predictable results.

- Broadly applicable - Potentially useful for delivery of a wide range of drugs.

- Verifiable - Our systems are capable of automatically capturing and storing information regarding the exact time and dosage of drug delivered. This information can be used in disease management to verify that patients comply with drug therapy regimens.

We believe our active transdermal drug delivery will overcome the limitations of traditional, passive transdermal delivery systems, such as patches or creams, that are slow to take effect, difficult to control, and useful for only a limited number of drugs with small molecular structures.

Market Analysis.

In 2002, the drug delivery market in the United States accounted for roughly 6 percent of the pharmaceutical industry revenues with sales of pharmaceutical products which utilize advanced drug delivery technology reaching approximately $38 billion. Some observers project that this market will grow at an average rate of 28% over the next 5 years and expect that drug delivery will account for 39% of all pharmaceutical sales by 2007. The fast growth of this industry sector can be attributed to the following major developments:

- The need for effective delivery of new biopharmaceuticals;
- Upcoming patent expirations driving pharmaceutical companies to reformulate their products to extend product life cycles;
- Manufacturers of generic drugs are also increasingly interested in novel drug delivery technologies for making their products competitive; and
- New technologies can minimize side effects and lead to better patient compliance.

Other market drivers include expansion of company pipelines, product differentiation, and reduction of health care costs. Since the 1970s, more than 35 drug delivery systems have been marketed, including transdermal patches, time-release pills, osmotic pumps and depot implants.

In the US, the overall market for drug delivery technologies is expected to increase from $19 billion in 2000 to more than $41 billion by 2007, with revenues expected to increase at a compound annual growth rate of roughly 11 percent.

Over 300 companies are currently known to be involved in drug delivery research and development. In addition, universities, foundations and small private companies and laboratories unknown to us are researching new drug delivery systems.

Market Opportunity.

We believe that there exists a significant market opportunity for a non-invasive, programmable drug delivery system which is worn by the patient. Our technology will have application in a variety of healthcare settings and for a variety of compounds and therapies.

We believe the market for our technology is driven by the following factors:

- Pharmaceutical companies looking (i) to extend the life cycle of existing FDA approved drugs through the utilization of new drug delivery systems and (ii) for ways to effectively deliver new biopharmaceuticals and other drugs comprised of macromolecular proteins and peptides.

- Physicians who are seeking to deliver drugs (i) more effectively, without side effects, (ii) more economically and (iii) by minimizing patient interaction in the daily medication process which will increase therapeutic compliance and promote proper dosing.

- Patients, who are demanding pain-free, less complicated delivery systems.

We believe that our active transdermal drug delivery system will be capable of satisfying each of the participants in the health-care chain.

The market for our ultrasonic drug delivery system extends to all pharmaceutical companies that manufacture drugs that otherwise would be subject to delivery by way of a transdermal patch but which cannot be delivered in such fashion because the molecules comprising the formulation are too large for existing transdermal technology. Our technology can provide a means of extending the life cycle of drugs which cost many millions of dollars to develop, test and bring to market. It also may provide a means to deliver new biopharmaceuticals and other drugs comprised of macromolecular proteins and peptides which are not subject to delivery by passive transdermal technology. Management estimates that there are approximately 175 existing pharmaceutical compounds that cannot be effectively delivered through the pores of the skin using conventionally available transdermal technology due to their large molecular size but which could be capable of being delivered by our transdermal system, and our research and business development efforts are geared towards

quantifying the opportunities and moving forward with the most promising of them. We expect this number to increase as pharmaceutical companies continue to develop new drugs.

We believe that physicians will be satisfied with the improved therapeutic outcomes that result from the use of our transdermal technology, the reduced side-effects which sometimes accompany other forms of drug delivery, increased patient compliance with therapeutic regimens, and the improvement in overall cost-effectiveness of drug therapies. All of these factors are achieved because our device delivers the precise dosage of a drug at the proper time without over-medicating a patient.

We believe that patients will benefit most from our drug delivery system. Our technology would replace self-administered injections and large content capsules for many of the therapeutically prescribed

pharmaceuticals now used to battle chronic illnesses. The technology is appealing to patients because it is designed to be:

- non-invasive, needle-free and therefore pain-free;
- programmable to meet each patient's individual patient's requirements for the specific pharmaceutical therapy prescribed; and
- wearable and thus offers the patient portability, providing freedom from periodic injection or clinic visits.

An aging yet active US population demands changes in the drug delivery regimen and techniques customary in the past. Traditionally, drug delivery took the form of tablets, elixirs, inhalants, injections, or transdermal patches. However, each of the delivery methods has its deficiencies, including:

- many pharmaceutical formulations are not well suited to oral dosage forms (tablets or elixirs) because these products may be damaged in the gastrointestinal tract of the patient;

- the use of encapsulation and special gel-cap forms to provide release of a drug after it has by-passed the stomach have proven difficult to produce because inaccuracies of the dosing and to the use of materials which may not be approved by the US Food and Drug Administration ("FDA");

- inhalants involve placing a drug through the lung lining into the bloodstream, however problems with dosing and the fact that a patient who simply has a cold could reduce a drug's efficiency and limit the potential applications of this approach to drug delivery;

- injectable drug delivery is invasive and painful; and

- transdermal patches offer non-invasive drug delivery but are limited to "small molecule" drugs, limiting the number of medications which can be administered through conventional "passive" patch products.

We believe that active transdermal patches are the only effective non-invasive drug delivery method available, offering many key advantages:

- the set-it-and-forget-it appeal of transdermal patches has been well demonstrated in such applications as motion sickness, cardiac drug administration, hormone delivery and nicotine patches;

- patients prefer the non-invasive nature offered by transdermal patches and therefore compliance is generally high with a patch regimen as opposed to injectable, oral or even inhaled drug delivery techniques, where the patient needs to remember to follow a predetermined schedule;

- transdermal patches can offer several days of drug delivery with little or no maintenance from the patient, in essence offering a programmed automatic drug delivery; and

- transdermal patches provide consistent dosage delivery to ensure the patient is receiving the proper amount of the prescribed drug.

Business Strategy.

Management expects that the Company will generate revenues from the following sources:

- A testing program to assess the feasibility of drugs subject to delivery by way of our transdermal delivery system; and

- License and royalty fees.

Our objective is to exploit our technology through the development and commercial introduction of products incorporating existing FDA-approved compounds into our drug delivery systems. Our business strategy is to (i) define products that address unmet medical needs, (ii) analyze the market potential of such defined products, (iv) develop the products with and through an appropriate clinical stage partner, (vi) collaborate with our partners to complete the development of such products, and (vii) launch such products on a commercial basis through our marketing partners.

We expect to focus our efforts on applying our platform technology in therapeutic areas where our approach to drug delivery can substantially improve a drug therapy, offering therapeutic, economic and lifestyle advantages over

existing methods of delivering the same drug. We will seek to partner with pharmaceutical and other healthcare companies that are market leaders in the specific therapeutic areas and which can provide immediate market access and financial support during the later stages of clinical studies. We propose to focus on existing FDA-approved drugs. We believe this approach reduces clinical risks and eliminates certain costly and time consuming pre-clinical and clinical studies, thereby shortening time to approval and materially reducing costs.

To achieve our objectives, we plan to implement the following business strategy:

- Use our technology to create products that improve therapy, thereby improving drug efficacy, while limiting side effects, reducing patient discomfort and inconvenience, which will improve compliance and lowering healthcare costs.

- Focus on applying our technology to a broad range of macromolecular pharmaceutical compounds that have not been subject to delivery by way of passive transdermal technology.

- Select FDA-approved drugs in order to reduce the development risk and costs of our products.

- Seek to develop and enter collaborative and marketing arrangements with leaders in specific therapeutic areas that can provide established, significant market access as well as finance late stage clinical trials. We will expect our partners to handle sales, marketing and distribution.

- Focus on areas where we believe the United States market potential is large and well-established and where we believe we can materially increase, or even create, the market. For this reason, we have elected to focus on the market for insulin delivery to diabetics.

Suitability Testing.

We expect to establish a laboratory to offer a screening program to pharmaceutical companies to determine whether existing and newly developed drugs are candidates for delivery by way of our active transdermal device. We will negotiate with manufacturers of successful candidates to enter into long-term development agreements that may include funding milestones. A typical structure could include a technology marketing agreement with research grants and milestone payments at each major step in the pre-clinical and clinical path.

License and Royalty Fees.

Management anticipates that the Company will generate the preponderance of its revenues from licenses and accompanying royalty streams. The Company will

seek to negotiate with drug manufacturers that have the potential to reach the market quickly and which would be favorably received by physicians and patients. Specifically, we intend to target pharmaceutical companies which manufacture formulations which not only are subject to delivery utilizing our transdermal systems but which already are FDA approved and widely distributed.

Initially, we will focus on developing an insulin delivery system based upon the economics of the diabetes industry, domestically and world-wide, and the need to relieve the physical discomfort experienced by patients associated with maintaining a treatment regimen. In 2003, more than 95 million people worldwide suffered from diabetes and received some form of therapeutic care and treatment from healthcare professionals. In the United States, more than 17 million people are treated daily for the disease, with 31% receiving insulin or oral delivery drug therapies (5.4 million) to control the rise and fall of their blood glucose levels. Of that population, 20% (3.4 million) are insulin-only users, with 2% (340,000) using insulin pumps as their primary delivery method device. Currently the direct cost for treating diabetes in the United States exceeds $44 billion per year.

Diabetes sufferers represent a potentially large and lucrative market for our device. We believe that physicians and patients will respond favorably to and support a non-invasive, needle-free and therefore pain-free painful drug delivery system.

Thereafter, we intend to target manufacturers of other well-known, widely distributed pharmaceutical formulations currently approved by the FDA. We expect to target the following markets, all of which represent multi-billion dollar annual industries:

- high cholesterol drugs;
- gastro-intestinal system treatments;
- central nervous system treatments;
- oncology drug delivery;
- cardiovascular care;
- chronic pain control and treatment; and
- fertility drugs for women.

A number of the drugs developed to treat these conditions are subject to delivery by way of our transdermal ultrasonic drug transport delivery system. Many of these drugs must be delivered in precise doses at specific times while other drugs must be modulated to achieve the most efficacious effect. Patients could benefit from many of the anticipated benefits derived from the use of our technology, including:

- in the case of persons seeking to control high cholesterol, caregivers can be certain that patients are receiving their medication in a consistent and predictable manner which accounts for variable factors introduced by the patient during the normal course of daily activities such as exercise, food consumption and alcohol consumption;

- in the case of drugs developed to treat gastro-intestinal conditions, certain foods can trigger a negative gastro-intestinal reaction that may require an unanticipated dose of medicine, which our device is capable of delivering;

- people suffering from central nervous system disorders, such as epilepsy, Parkinson's disease or other psychiatric disorders, may not be capable of remembering multiple daily doses of their medicine, our transdermal technology obviates the need to remember when and how much of a given formulation to take;

- cancer treatments sometimes incorporate complex multi-drug regimens that require specific precise dosages of multiple and varying drugs at specific times.

We will seek to license our technology to the companies that manufacture these drugs and receive a continuing royalty. The terms of any license will be negotiated after we have received FDA approval of our transdermal ultrasonic drug transport delivery system. We may seek to enter into collaborative relationships with pharmaceutical companies prior to the receipt of FDA approval from which we would receive funds to complete testing of our technology and pursue FDA approval and for which the pharmaceutical company would be granted.

Research and Development Activities.

To date, we have focused our research and development activities on verifying the theories underlying our drug delivery system. We have only conducted limited laboratory tests of the technology for the purposes of determining the viability, safety and efficacy of the scientific theories and technologies embodied in the technology for the delivery of insulin. We also have performed limited testing of the abstract facets of the technology on humans and animals. We have not yet constructed a prototype of the device utilizing the miniature technology to be incorporated into the product we hope to offer commercially.

Substantial additional research and development efforts are required to complete the development of the device prior to submission to the FDA for approval. These activities will consist of, among other things, conducting extensive additional animal and human trials and developing a prototype of the device which we hope to commercialize. We can not estimate the time required to complete these activities or when we will submit a device to the FDA to commence the approval process.

Government Regulation.

Our proposed drug delivery system constitutes a "medical device" as defined by the FDA and is subject to extensive regulation by the FDA and other regulatory bodies. In nearly all cases, medical devices which are distributed

in the United States require either a 510(k) clearance or pre-market approval (PMA) from the FDA. Under the Food, Drug and Cosmetic Act, as amended, medical devices are classified into one of three classes depending on the degree of risk imparted to patients by the medical device. Class I devices are those for which safety and effectiveness can be assured by adherence to General Controls, which include compliance with Quality System Regulations ("QSRs"), facility and device registrations and listings, reporting of adverse medical events, and appropriate truthful and non-misleading labeling, advertising and promotional materials. Some Class I devices also require pre-market review and clearance by the FDA through the 510(k) Pre-market Notification process described below. Class II devices are subject to General Controls, as well as pre-market demonstration of adherence to certain performance standards or other special controls as specified by the FDA. Pre-market review and clearance by the FDA is accomplished through the 510(k) Pre-market Notification procedure. In the 510(k) Pre-market Notification procedure, the manufacturer submits appropriate information to the FDA in a Pre-market Notification submission. If the FDA determines that the device is "substantially equivalent" to a device that was legally marketed prior to May 28, 1976, the date upon which the Medical Device Amendments of 1976 were enacted, or to another similar commercially available device

subsequently cleared through the 510(k) Pre-market Notification process, it will grant clearance to commercially market the device. It generally takes three to six months from the date of submission to obtain clearance of a 510(k) Pre-market Notification submission, but the process may take longer. If the FDA determines that the device, or its "labeled" intended use, is not "substantially equivalent," the FDA will automatically place the device into Class III.

A Class III product is a product that has a wholly new intended use or is based on advances in technology for which the device's safety and effectiveness cannot be assured solely by the General Controls, performance standards and special controls applied to Class I and II devices. These devices often require formal clinical investigation studies to assess their safety and effectiveness. A Pre-market Approval ("PMA") from the FDA is required before the manufacturer of a Class III product can proceed in marketing the product. The PMA process is much more extensive than the 510(k) Pre-market Notification process. In order to obtain a PMA, Class III devices, or a particular intended use of any such device, must generally undergo clinical trials pursuant to an application submitted by the manufacturer for an Investigational Device Exemption ("IDE"). An IDE allows the investigational device to be used in a clinical study in order to collect safety and effectiveness data required to support a PMA application or a 510(k) Pre-market Notification submission to the FDA. Only a small percentage of 510(k) Pre-market Notification submissions require clinical data to support the application. Investigational use also includes clinical evaluation of certain modifications or new intended uses of legally marketed devices. All clinical evaluations of investigational devices, unless exempt, must have an approved IDE before the study is initiated. An approved IDE permits a device to be shipped lawfully for the purpose of conducting

investigations of the device without complying with other requirements of the Food, Drug and Cosmetic Act that would apply to devices in commercial distribution.

Any devices manufactured or distributed by us pursuant to FDA clearances or approvals will be subject to extensive and continuing regulation by the FDA and certain state agencies. We will be subject to inspection by the FDA and state health inspectors and have to comply with various other regulatory requirements that usually apply to medical devices marketed in the United States. These regulatory requirements include, among others, manufacturing and design control regulations, labeling, Medical Device Reporting regulations which require that a manufacturer report to the FDA certain types of adverse events involving its products, and the FDA's prohibitions against promoting approved products for unapproved, or "off-label," uses. Our failure to comply with applicable regulatory requirements could result in enforcement action by the FDA, which could have a material adverse effect on us.

Unanticipated changes in existing regulatory requirements, failure to comply with such requirements or adoption of new requirements could have a material adverse effect on us. We also are subject to numerous federal, state and local laws relating to such matters as safe working conditions, good manufacturing practices, environmental protection, fire hazard control and hazardous material disposal. There can be no assurance we will not incur significant costs to comply with such laws and regulations in the future or that such laws or regulations will not have a material adverse effect upon our business, financial condition and results of operations.

We cannot assure you that any of our potential drug delivery systems will be approved by the regulatory bodies or approved on a timely or accelerated basis, or that any approvals received will not subsequently be revoked or modified. See also Risk Factors.

Product Liability and Insurance

The development, manufacture and sale of our drug delivery system will expose us to an inherent risk of product liability claims. We will seek to obtain general liability insurance and product liability insurance. Coverage is expensive and difficult to obtain and there can be no assurance that such coverage

will be available to us. Any claims or series of claims against us, regardless of their merit or eventual outcome, could have a material adverse effect on our business, financial condition and results of operations.

Competition.

We face competition from medical product companies, as well as from universities and other non-profit research organizations in the field of drug

delivery systems and individual industries in which intend to introduce our product as a platform for treatment delivery systems. Many emerging medical product companies have corporate partnership arrangements with large, established companies to support the research, development, and commercialization of products that may be competitive with our products. In addition, a number of large established companies are developing proprietary technologies or have enhanced their capabilities by entering into arrangements with or acquiring companies with technologies applicable to drug delivery. Many of our existing or potential competitors have substantially greater financial, research and development, regulatory, marketing, and production resources than we have. Other companies may develop and introduce products and processes competitive with or superior to those of ours.

For our proposed products, an important factor in competition is the timing of market introduction of our products or those of our competitors' products. Accordingly, the relative speed with which we can develop products, complete the regulatory clearance processes and supply commercial quantities of the products to the market is an important competitive factor. We expect that competition among products cleared for marketing will be based on, among other things, product efficacy, safety, reliability, availability, price, and patent position.

Our proposed current product, and any future products which we may develop, will likely compete with both conventional drug delivery methods and advanced drug delivery methods.

Conventional Drug Delivery Methods

Traditionally, the pharmaceutical industry has relied on oral delivery and injection as the primary methods of administering drugs:

Conventional Oral Method. Conventional, oral drug dosage forms, such as pills and capsules, are the most common types of drug delivery. Oral drug delivery methods are easy to administer, but their efficacy can be limited because drugs must first pass through the digestive system and liver before being absorbed into the bloodstream. Orally delivered drug dosages must, therefore, be large to overcome the degradation that occurs in the gastrointestinal tract and liver. As a result, conventional oral dosage forms often produce higher initial drug levels than are required to achieve the desired therapeutic effects, thereby increasing the risk of side effects, some of which can be serious. Also, it is difficult to maintain therapeutically optimal drug levels using oral drug delivery methods. Further, oral drug delivery methods can require patients to follow inconvenient dosing routines, which may diminish patient compliance with self-medication schedules.

Injection Methods. Injectable drug dosage forms generally provide rapid onset of therapeutic action and offer many of the same advantages as conventional oral drug dosage methods. Injectable drug delivery methods use needles, raising the possibility of needle-stick injuries, as well as the risk of infection to the caregiver and the patient. The use of needles also increases patient anxiety due to the pain of injection. Further, patients often find self-injectable therapies unpleasant. As a result, injected drugs for many

diseases meet with varying degrees of patient acceptance and compliance with the prescribed regimens, which can lead to increased incidence of medical complications and potentially higher disease

management costs. In addition, some elderly, infirm or pediatric patients cannot administer their own injections and require assistance, thereby increasing both the inconvenience to these patients and the cost of therapy.

Advanced Drug Delivery Technologies

The limitations of conventional forms of drug delivery, such as oral and injection methods, have driven demand for advanced drug delivery alternatives that are safer, more effective and more convenient. Advanced drug delivery technologies have improved oral and injection methods as well as offering new means of administering drugs, such as through the skin and the respiratory system. Advanced drug delivery technologies include sustained release pills and injectables, passive transdermal patches, infusion pumps, as well as pulmonary, nasal and transmucosal methods. In some cases, these technologies offer better control over the release of drugs into the bloodstream, thereby improving therapeutic efficacy and reducing side effects and risks. In other cases, advanced drug delivery technologies make therapies easier to administer and support more complex therapeutic regimens. Innovative drug delivery technologies can offer many advantages over traditional methods, including ease of use and administration, greater control of drug concentration in the blood, improved safety and efficacy, improved patient compliance, expanded indications for certain therapies, and totally new therapies using drugs that cannot be delivered otherwise.

Patents and Proprietary Rights.

We regard the establishment of a strong intellectual property position in our technology as an integral part of the development process. We attempt to protect our proprietary technologies through patents and intellectual property positions. Patent applications covering eleven of the key elements of our technology have been filed in the U.S. and internationally, including the European Community and China. In addition, the inventors of the Intellectual Property claim 57 new inventive concepts which may be subject to patent protection.

As of the date hereof, no patents have issued in favor of the technologies for which have submitted applications.

The patent position of medical device firms, including our company, generally is highly uncertain and may involve complex legal and factual questions. Potential competitors may have filed applications for, or may have been issued patents, or may obtain additional patents and proprietary rights relating to products or processes in the same area of technology as that used by our Company. The scope and validity of these patents and applications, the

extent to which we may be required to obtain licenses thereunder or under other proprietary rights, and the cost and availability of licenses are uncertain. We cannot assure you that our patent applications will result in additional patents being issued or that any of our patents will afford protection against competitors with similar technology; nor can we assure you that any of our patents will not be designed around by others or that others will not obtain patents that we would need to license or design around.

We also rely upon unpatented trade secrets. We cannot assure you that others will not independently develop substantially equivalent proprietary information and techniques, or otherwise gain access to our trade secrets, or disclose such technology, or that we can meaningfully protect our rights to our unpatented trade secrets.

We require our employees, consultants, advisers, and suppliers to execute a confidentiality agreement upon the commencement of an employment, consulting or manufacturing relationship with us. The agreement provides that all confidential information developed by or made known to the individual during the course of the relationship will be kept confidential and not disclosed to third parties except in

specified circumstances. In the case of employees, the agreements provide that all inventions conceived by the individual will be the exclusive property of our company. We cannot assure you, however, that these agreements will provide meaningful protection for our trade secrets in the event of an unauthorized use or disclosure of such information.

Management and Staff

Upon the closing of the Purchase Agreement, the officers and directors of the Company resigned and Bruce Haglund was appointed to serve as the sole director of the Company until funding had been received.

In order to implement our business plan, which includes completing the development of our technology, obtaining appropriate FDA and other regulatory approvals and successfully initiating marketing activities, we will require significant additional staff. Current management expects that we will have to retain additional experienced personnel in the following areas: research and development, regulatory affairs, marketing, and financial and administrative operations. We may be constrained in our ability to engage such personnel both by financial limitations and competitive nature of the market for qualified personnel in each of the afore-mentioned areas. We cannot be certain that we will obtain the capital required to engage the staff required to complete development of our technology, that we will identify and be able to engage the qualified staff necessary to commercialize our technology, apply to obtain the required regulatory approvals or successfully market our technology nor can we be certain that qualified personnel will be available to us on acceptable terms or at all.

Facilities.

We currently are seeking to identify facilities suitable for all aspects of our business operations. We expect to locate our facilities in the Philadelphia metropolitan area. We will require a multi-use facility consisting of office and administrative facilities and laboratory space.

We expect to require (i) a chemistry laboratory for the purpose of conducting experiments to examine the compatibility of therapeutic compounds with the ultrasonic transdermal delivery system (ii) an electrical engineering laboratory to undertake the development of ultrasonic drivers, which provide the low-level power to the miniature transducers which serve as the catalyst for transdermal delivery of drugs and (iii) a center to complete the design of our patch technology.

We expect that manufacturing of our drug delivery system will be undertaken by third parties.

Risk Factors.

An investment in our common stock is highly speculative, involves a high degree of risk, and should be made only by investors who can afford a complete loss. Investors should carefully consider the following risk factors, together with the other information in this report before you decide to buy our Common Stock. Our most significant risks and uncertainties are described below; however, they are not the only risks we face. If any of the following risks actually occur, our business, financial condition, or results of operations could be materially adversely affected, the trading of our Common Stock could decline, and you may lose all or part of your investment therein.

WE WILL REQUIRE SIGNIFICANT FINANCING TO FUND OUR OPERATIONS, INCLUDING IMPLEMENTING OUR BUSINESS PLAN AND SEEKING FDA APPROVAL FOR OUR DEVICE, AND WITHOUT IT WE WILL NOT BE ABLE TO CONTINUE OPERATIONS.

We do not currently have sufficient financial resources to fund our operations. We will require significant additional capital to fund our future operations. To date, we have not generated any revenues from operations. The success of our business depends on our ability to develop products based on our drug delivery technology, retain qualified personnel, subject the product to rigorous, costly and time-consuming clinical testing, and obtain regulatory approval for and manufacture those products. We will require significant additional capital to: satisfy our payment obligations under the Purchase Agreement; repay a lender the sum of $550,000, plus interest, which is due by September 15, 2004; and fully implement our business, operating and development plans, including capital to engage required staff, obtain office and laboratory space, complete the development and clinical trials required to submit our drug delivery device to the FDA for clearance (or approval, if the FDA does not

accept our contention that our device is subject to 510(k) clearance), and commercialize our technology. If we are unable to locate funding and default on our financial obligation under the Purchase Agreement or the Note, we may have to relinquish the Intellectual Property to the seller.

The exact amount of our current and future capital requirements will depend on numerous factors, some of which are not within our control, including the progress of our research and development efforts, the costs of testing and manufacturing products, and changes in governmental regulation. We expect to finance a portion of our product development through collaborations with pharmaceutical companies. We cannot guarantee that such collaborations will be successful. Our ability to raise additional financing depends on many factors beyond our control, including the state of capital markets, the market price of our common stock and the development or prospects for development of competitive technology by others. The necessary additional financing may not be available to us or may be available only on terms that would result in further dilution to the current owners of our Common Stock. If we are unable to raise additional funds when we need them, we may have to curtail or discontinue our operations.

WE ARE IN A HIGHLY REGULATED BUSINESS AND COULD FACE SEVERE PROBLEMS IF WE DO NOT COMPLY WITH ALL REGULATORY REQUIREMENTS APPLICABLE TO OUR BUSINESS. OUR ULTRASONIC DRUG DELIVERY SYSTEM HAS NOT BEEN APPROVED FOR USE BY THE FDA OR ANY OTHER REGULATORY AUTHORITY. WE MAY NEVER OBTAIN THE REQUIRED FDA APPROVAL TO SELL OUR PRODUCT.

The FDA regulates our products in the United States. We do not currently have products available for public sale. Prior to bringing our product to market in the United States, we must obtain FDA approval. The approval process will require the further development of our product, significant clinical testing and trials and potentially lengthy FDA submissions and review, all of which will require substantial funding. Although we believe that our device is substantially similar to existing products previously approved by the FDA, which could abridge the time required to obtain FDA clearance, we cannot be certain that the FDA will agree with our assessment. Under such circumstances, the time required to prove the efficacy and safety of our product could be lengthy and costly.

In addition, our Company and the device we have developed are subject to extensive FDA regulations. Failure to comply with these and other current and emerging regulatory requirements in the global markets in which our products are sold could result in, among other things, warning letters, fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, refusal of the government to grant pre-market clearance for devices, withdrawal of clearances, and criminal prosecution.

We can not be certain that the FDA will approve our product for public use. If the FDA does not approve our product for public use or if we otherwise fail to comply with FDA regulations, you could lose the entire amount of your investment in the Company.

WE ARE A YOUNG COMPANY WITH A LIMITED OPERATING HISTORY AND HAVE NOT GENERATED ANY REVENUES FROM OPERATIONS. THEREFORE, IT IS DIFFICULT FOR YOU TO ASSESS OUR COMPANY.

To date, our operations have consisted primarily of analyzing and acquiring the Intellectual Property, conducting an analysis of our industry and developing our business model. Accordingly, we have only a limited operating history on which you can base an investment decision in our securities. Since our inception, we have not generated any revenues from operations. We expect to incur operating losses for the foreseeable future.

We cannot assure you that we will be able to execute our business model on a wide-scale basis or that we ever will achieve profitability. The likelihood of our success must be considered in light of the problems, expenses and complications frequently encountered in connection with the development of a new business and the competitive environment in which we operate.

OUR PRODUCTS MAY NOT ACHIEVE THE BROAD MARKET ACCEPTANCE THEY NEED IN ORDER TO BE A COMMERCIAL SUCCESS.

To date, we have not received FDA approval for the use of devices that incorporate our technology and, consequently, we are not yet distributing any products. The success of our drug delivery devices greatly depends on the medical community's acceptance of them as reliable, safe and cost effective alternatives to drug delivery methods. If our products based upon our technology are not accepted by the medical community and are not widely used, our business and results of operations would negatively and materially affected.

WE EXPECT TO RELY ON THIRD PARTIES TO MARKET AND DISTRIBUTE PRODUCTS BASED ON OUR TECHNOLOGY, AND THEY MAY NOT BE SUCCESSFUL IN SELLING OUR PRODUCTS.

We expect to distribute our products incorporating our drug delivery systems through partners which will be responsible for marketing and distributing these products. We expect that our partners will assume direct responsibility for business risks associated with these activities, including, risks related to credit, currency exchange, foreign tax laws or tariff and trade regulation. We cannot be certain that our distribution partners will succeed in marketing our products effectively. If this happens, we may not be able to successfully market our products, which would decrease our revenues.

WE EXPECT TO RELY ON THIRD PARTIES TO MANUFACTURE OUR PRODUCTS AND OUR BUSINESS WILL SUFFER IF THEY DO NOT PERFORM.

We do not anticipate manufacturing products based upon our technology. Rather, we expect to rely on independent contract manufacturers or business partners for the manufacture of our drug delivery systems. Our business will suffer if our contract manufacturers have production delays or quality problems. Furthermore, medical device manufacturers are subject to the manufacturing regulations of the

FDA, international quality standards, and other regulatory requirements. If our contractors or business partners do not operate in accordance with regulatory requirements and quality standards, our business will suffer.

WE MAY LOSE OUT TO LARGER AND BETTER-ESTABLISHED COMPETITORS.

The medical device industry is intensely competitive. Most of our competitors have significantly greater financial, technical, manufacturing, marketing and distribution resources as well as greater experience in the medical device industry than we have. The particular medical conditions our product lines address can also be addressed by other medical devices, procedures or drugs. Many of these

alternatives are widely accepted by physicians and have a long history of use. Physicians may use our competitors' products and/or the products we develop may not be competitive with other technologies. If these things happen, we will not meet sales and revenues targets. In addition, our current and potential competitors may establish cooperative relationships with large medical equipment companies to gain access to greater research and development or marketing resources. Competition may result in price reductions, reduced gross margins and loss of market share.

THE PRODUCT WE ARE DEVELOPING MAY BE DISPLACED BY NEWER TECHNOLOGY.

The medical device industry is undergoing rapid and significant technological change. Third parties may succeed in developing or marketing technologies and products that are more effective than those we propose to develop and market, or that would make our technology and products obsolete or non-competitive. Additionally, researchers could develop new technologies and medications that replace or reduce the importance of our technology. Accordingly, our success will depend, in part, on our ability to respond quickly to medical and technological changes through the development and introduction of new products. We may not have the resources to do this. If our product becomes obsolete and our efforts to develop new products do not result in any commercially successful products, our sales and revenues will decline.

OUR INTELLECTUAL PROPERTY MAY NOT HAVE OR PROVIDE SUFFICIENT LEGAL PROTECTIONS AGAINST INFRINGEMENT OR LOSS OF TRADE SECRETS.

Our success depends, in part, on our ability to secure and maintain patent protection, to preserve our trade secrets, and to operate without infringing on the patents of third parties. While we seek to protect our proprietary positions by filing United States and foreign patent applications for our important inventions and improvements, domestic and foreign patent offices may not issue these patents. Third parties may challenge, invalidate, or circumvent our patents or patent applications in the future. Competitors, many of which have significantly more resources than we have and have made substantial investments in competing technologies, may apply for and obtain patents that

will prevent, limit, or interfere with our ability to make, use, or sell our products either in the United States or abroad.

In the United States, patent applications are secret until patents issue, and in foreign countries, patent applications are secret for a time after filing. Publications of discoveries tend to significantly lag the actual discoveries and the filing of related patent applications. Third parties may have already filed applications for patents for products or processes that will make our products obsolete or will limit our patents or invalidate our patent applications.

We typically require our employees, consultants, advisers and suppliers to execute confidentiality and assignment of invention agreements in connection with their employment, consulting, advisory, or supply relationships with us. They may breach these agreements and we may not obtain an adequate remedy for breach. Further, third parties may gain access to our trade secrets or independently develop or acquire the same or equivalent information.

OUR PRODUCT SALES MAY BE ADVERSELY AFFECTED BY HEALTHCARE PRICING REGULATION AND REFORM ACTIVITIES.

The healthcare industry is undergoing fundamental changes resulting from political, economic and regulatory influences. In the United States, comprehensive programs have been proposed that seek to increase access to healthcare for the uninsured, control the escalation of healthcare expenditures within the economy and use healthcare reimbursement policies to balance the federal budget.

We expect that Congress and state legislatures will continue to review and assess healthcare proposals, and public debate of these issues will likely continue. We cannot predict which, if any, of such reform proposals will be adopted and when they might be adopted. Other countries also are considering healthcare reform. Significant changes in healthcare systems could have a substantial impact on the manner in which we conduct our business and could require us to revise our strategies.

WE COULD BE DAMAGED BY PRODUCT LIABILITY CLAIMS.

Our proposed product is intended to be used by persons who require a steady and precise dosage of medicine to maintain their health and life. If our product were to malfunction or a physician or patient were to misuse it and injury results to a patient or operator, the injured party could assert a product liability claim against our company. We will seek to obtain product liability insurance in an amount that we believe is adequate for our current activities. Insurance may not be sufficient to cover all of the liabilities resulting from a product liability claim, and we might not have sufficient funds available to pay any claims over the limits of our insurance. Because personal injury claims based on product liability in a medical setting may be very large,

an underinsured or an uninsured claim could financially damage our company.

WE MAY HAVE TROUBLE ATTRACTING AND RETAINING QUALIFIED PERSONNEL AND OUR BUSINESS MAY SUFFER IF WE DO NOT.

Our business requires additional staff in all areas to successfully bring our technology to market. Our success depends on our ability to attract and retain technical and management personnel with expertise and experience in the medical device business. The competition for qualified personnel in the medical device industry is intense and we may not be successful in hiring or retaining the requisite personnel. If we are unable to attract and retain qualified technical and management personnel, we will suffer diminished chances of future success.

OUR COMMON STOCK IS TRADED OVER THE COUNTER, WHICH MAY DEPRIVE STOCKHOLDERS OF THE FULL VALUE OF THEIR SHARES.

Our Common Stock is quoted via the National Association of Securities Dealers' Over The Counter Bulletin Board (OTCBB). As such, our Common Stock may have fewer market makers, lower trading volumes and larger spreads between bid and asked prices than securities listed on an exchange such as the New York Stock Exchange or the Nasdaq Stock Market. These factors may result in higher price volatility and less market liquidity for the Common Stock.

A LOW MARKET PRICE MAY SEVERELY LIMIT THE POTENTIAL MARKET FOR OUR COMMON STOCK.

Our Common Stock is currently trading at a price substantially below $5.00 per share, subjecting trading in the stock to certain SEC rules requiring additional disclosures by broker-dealers. These rules generally apply to any non-NASDAQ equity security that has a market price share of less than $5.00 per share, subject to certain exceptions (a "penny stock"). Such rules require the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and institutional or wealthy investors. For these types of transactions, the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. The broker-dealer also must disclose the commissions payable to the broker-dealer, current bid and offer quotations for the penny stock and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Such information must be provided to the customer

orally or in writing before or with the written confirmation of trade sent to the customer. Monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. The additional burdens imposed upon

broker-dealers by such requirements could discourage broker-dealers from effecting transactions in our common stock.

THE PRICE OF OUR COMMON STOCK LIKELY WILL BE HIGHLY VOLATILE.

The price of our Common Stock likely will be highly volatile. Some of the factors leading to the volatility could include:

- price and volume fluctuations in the stock market at large which do not relate to our operating performance;
- FDA and/or international regulatory actions;
- fluctuations in our operating results;
- financing arrangements we may enter that require the issuance of a significant number of shares in relation to the number of shares currently outstanding;
- announcements of technological innovations or new products which we or our competitors make;
- developments with respect to patents or proprietary rights;
- public concern as to the safety of products that we or others develop; and
- fluctuations in market demand for and supply of our products.

AN INVESTOR'S ABILITY TO TRADE OUR COMMON STOCK MAY BE LIMITED BY TRADING VOLUME.

The trading volume for our Common Stock has been relatively limited. A consistently active trading market for our Common Stock may never occur on the OTCBB.

BECAUSE WE WILL NOT PAY DIVIDENDS, STOCKHOLDERS WILL ONLY BENEFIT FROM OWNING COMMON STOCK IF IT APPRECIATES.

We have never paid dividends on our Common Stock and we do not intend to do so in the foreseeable future. We intend to retain any future earnings to finance our growth. Accordingly, any potential investor who anticipates the need for current dividends from his investment should not purchase our common stock.

Sale of Easytrivia.com Subsidiary.

Upon the closing of the Asset Purchase Agreement and transfer of the U-Strip Technology to us, we sold all of the shares of our EasyTrivia.com subsidiary (being all of the issued shares of that company) to one of our directors for a price of $200. We had not derived any revenues from the

EasyTrivia operations and did not expect to generate any revenues from that company's operations in the near future, if ever, the primary factor driving the sale of this subsidiary.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends affecting the financial condition of our business. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including, among other things:

- our ability to obtain financing to support our operations;
- general economic and business conditions, both nationally and in our markets;
- the receipt or denial of regulatory approvals;
- our expectations and estimates concerning future financial performance, financing plans and the impact of competition,
- our ability to implement our growth strategy,
- anticipated trends in our business,
- advances in technologies, and
- other risk factors set forth under "Risk Factors" in this report.

In addition, in this report, we use words such as "anticipates," "believes," "plans," "expects," "future," "intends," and similar expressions to identify forward-looking statements.

We undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this report. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements.

Item 5. Other Events and Regulation FD Disclosure

The Issuer attaches hereto as Exhibit 99.1 a copy of a press release dated August 12, 2004 relating to the acquisition of the Intellectual Property.

Item 7. Financial Statements and Exhibits.

(a) Exhibits.

Exhibit Number	Description
3.1(1)	Articles of Incorporation
3.2(1)	Articles of Incorporation, as amended
3.3(1)	First Amended and Restated Bylaws
4.1(1)	Form of Subscription Agreement
10.1(1)	Promissory Note payable to Ms. Zennie Morris issued by Second Stage Ventures, Inc. issued October 24, 2000
10.2(1)	Promissory Note payable to Lindlay Equity Fund issued by Second Stage Ventures, Inc. on September 15, 2000
10.3(1)	Promissory Note payable to Second Stage Ventures, Inc. issued by EasyTrivia.com, Inc. on September 25, 2000
10.4(1)	Share Purchase Agreement dated October 5, 2000 by and among Second Stage Ventures, Inc., EasyTrivia.com, Inc., Brad W. Rudover and Brent Snejdar
10.5(1)	Financing Agreement dated October 5, 2000 by and among Second Stage Ventures, Inc., EasyTrivia.com, Inc., Brad W. Rudover and Brent Snejdar
10.6(1)	Consulting Agreement dated October 5, 2000 by and between EasyTrivia.com, Inc., and Brent Snejdar
10.7(1)	Consulting Agreement dated October 5, 2000 by and between EasyTrivia.com, Inc., and Brad W. Rudover
10.8(1)	Assignment and Release Agreement dated October 27, 2000 by and between Brad W. Rudover and Brent Snejdar.
10.9(1)	Website development contract between EasyTrivia.com, Inc. and Niche Enterprises dated July 24, 2000.
10.10(1)	Promissory Note payable to Ms. Zennie Morris issued by Second Stage Ventures, Inc. on January 12, 2001.

10.11(1)	Modification Agreement dated January 19, 2001 by and between Brad W. Rudover, EasyTrivia.com, Inc., and Second Stage Ventures Inc.
10.12(1)	Modification Agreement dated February 6, 2001 by and between Brad W. Rudover, EasyTrivia.com, Inc., and Second Stage Ventures Inc.
10.13(1)	Penny Web Inc. Terms and Conditions.
10.14(1)	Click Agents Corp. Banner Placement Rules.
10.15(1)	Lindlay Equity Fund Letter of March 7, 2001.
10.16(2)	Memorandum of Engagement by and between EasyTrivia.com, Inc., and Sage Internet Solutions Ltd. dated July 2, 2001.
10.17(2)	Modification Agreement dated September 30, 2001 by and between Brad W. Rudover, EasyTrivia.com, Inc. and Second Stage Ventures Inc.
10.18(3)	Modification Agreement dated June 30, 2002 by and between Brad W. Rudover, EasyTrivia.com, Inc. and Second Stage Ventures Inc.
10.19(3)	Agreement with AdDynamix dated October 29, 2002.
10.20(4)	Modification Agreement dated June 30, 2003 by and between Brad W. Rudover, EasyTrivia.com, Inc., and Second Stage Ventures Inc.
10.21(5)	Modification Agreement dated September 30, 2003 by and between Brad W. Rudover, EasyTrivia.com, Inc. and Second Stage Ventures Inc.
10.22(5)	Promissory Note payable to Ms. Zennie Morris issued by Second Stage Ventures, Inc. on October 20, 2003.
10.23 (6)	Letter of Intent dated January 5, 2004, as amended January 29, 2004.
10.24(7)	Promissory Note payable to Ms. Zennie Morris, issued on March 1, 2004 by Second Stage Ventures, Inc.
10.25(8)	Promissory Note payable to Ms. Zennie Morris, issued on May 14, 2004 by Second Stage Ventures, Inc.

10.26(8)	Asset Purchase Agreement dated June 9, 2004 by and among Second Stage Ventures, Inc., Encapsulation Systems, Inc. and Echo RX, Inc.

10.27(8)	Promissory Note in the principal amount of $500,000 dated June 30, 2004 made by Second Stage Ventures, Inc. in favor of Gary Scott.
10.28(8)	Amendment to Asset Purchase Agreement dated July 28, 2004 by and among Second Stage Ventures, Inc., Encapsulation Systems, Inc. and Echo RX, Inc.
10.29(8)	Promissory Note dated July 28, 2004 made by Second Stage Ventures in favor of Encapsulation Systems, Inc.
10.30(8)	Patent Security Agreement dated July 28, 2004 made by Second Stage Ventures, Inc. in favor of Encapsulation Systems, Inc.
10.31(8)	Employment Agreement date July 28, 2004 between Second Stage Ventures, Inc. and Bruce K. Redding, Jr.
16.1(1)	Letter on Change of Certifying Accountant
21.1(1)	Subsidiaries of the Registrant.

(1) Previously filed as an exhibit to the registrant's registration statement on Form SB-2 on March 12, 2001 as amended May 10, 2001.

(2) Previously filed as an exhibit to the registrant's annual report on Form 10-KSB on December 28, 2001.

(3) Previously filed as an exhibit to the registrant's Form 10-QSB for the period ended June 30, 2002.

(4) Previously filed as an exhibit to the registrant's Form 10-QSB for the period ended June 30, 2003.

(5) Previously filed as an exhibit to the registrant's Form 10-KSB for the fiscal year ended September 30, 2003.

(6) Previously filed as an exhibit to the registrant's Form 8-K on January 7, 2004.

(7) Previously filed as an exhibit to the registrant's Form 10-QSB for the period ended March 31, 2004.

(8) Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SECOND STAGE VENTURE, INC.

Dated: August 12, 2004

By: /s/Bruce Haglund

Bruce Haglund, Sole Director

PROMISSORY NOTE

To: ZENNIE MORRIS
(the "Creditor")
Providenciales
Turks & Caicos Islands, B.W.I.

Principal Amount: USD $9,500.00
Expiry Date: July 31, 2004

FOR VALUE RECEIVED, SECOND STAGE VENTURES, INC. (the "Debtor") does hereby promise to pay to, or to the order of, the Creditor, the principal sum of USD $9,500.00 on or before July 31, 2004, without interest.

The Debtor hereby waives presentment, protest, notice of protest and notice of dishonor.

This note is not assignable.

Payments made or notices given by a party hereto must be given to the other party at its address appearing above (or such other address as that party may have provided in writing).

Dated effective as of the 14th day of May, 2004.

THE CORPORATE SEAL OF SECOND STAGE VENTURES, INC. was hereunto affixed in the Presence of:

Authorized Signatory

Authorized Signatory

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT ("Agreement") dated June 9, 2004, by and between Second Stage Ventures, Inc., a Nevada corporation ("Purchaser"), on the one hand and Encapsulation Systems, Inc., a Pennsylvania corporation ("ESI"), as of February 12, 2004, an involuntary debtor under Chapter 7 of the United States Bankruptcy Code, Case No. 04-12089 (the "Case"), pending in the United Stales Bankruptcy Court for the Eastern District of Pennsylvania ("Bankruptcy Court"), and Echo RX, Inc., a Pennsylvania corporation and wholly owned subsidiary of ESI ("Echo" and collectively with ESI, the "Company").

As used in this Agreement, capitalized terms have the meanings ascribed to them in Section 2.06.

W I T N E S S E T H:

WHEREAS, the Company has developed and owns the certain Intellectual Property which it refers to as the "U-Strip Technology," as described in Schedule A hereto, including, without limitation, the Patent Rights, Proprietary Rights, Technology and Technology Know- How enumerated therein;

WHEREAS, the Company desires to sell and Purchaser desires to purchase the Intellectual Property on the terms and subject to the conditions set forth herein; and

WHEREAS, an involuntary petition under chapter 7 of title 11 of the United States Code was filed against ESI in the United States Bankruptcy Court for the Eastern District of Pennsylvania ("Bankruptcy Court") on February 12, 2004; and

WHEREAS, by order dated April 30, 2004, the Bankruptcy Court granted ESI's motion to convert the bankruptcy case to a case under Chapter 11 of title 11 of the United States Code.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I
PURCHASE AND SALE OF INTELLECTUAL PROPERTY AND ASSUMPTION OF CERTAIN LIABILITIES

1.01. Assets To Be Sold. On the terms and subject to the conditions hereof, on the Closing Date (as hereinafter defined) the Company shall sell, assign, transfer, convey and deliver to Purchaser, and Purchaser shall purchase, acquire and accept from the Company, all of the Company's right, title and interest in and to those certain assets described on Schedule A (the "Intellectual Property").

1.02. Consideration. Subject to the terms and conditions of this Agreement, in reliance on the representations, warranties and agreements of the Company contained herein, and in consideration of the sale, assignment, transfer and delivery of the Intellectual Property in the manner described in Section 1.03(a). The Purchaser agrees to pay the Company the sum of $20,500,000. and other good and valuable consideration payable as follows:

(a) Cash. Purchaser shall pay to the Company an aggregate of $2,500,000 in cash as follows:

(i) (A) During 2004, Purchaser shall pay to the Company the sum of $500,000, as follows:

(I) On or before June 21, 2004 (and subject to entry of the Scheduling Order), Purchaser shall deliver the Escrow Deposit to ESI's counsel pursuant to the terms of the Escrow Agreement.

(II) Upon the entry of the Approval Order and at Closing the Escrow Deposit shall be paid over by Escrow Agent to the Company.

(III) .

(B) During 2005, Purchaser shall pay to the Company the sum of $1,000,000, as follows:

March 1	$250,000
June 1	$250,000
September 1	$250,000
December 1	$250,000

(C) During 2006, Purchaser shall pay to the Company the sum of $1,000,000, as follows:

March 1	$250,000
June 1	$250,000
September 1	$250,000
December 1	$250,000

(ii) To the extent that Purchaser assumes and effects primary repayment of any liabilities or obligations of the Company as provided in the Instrument of Assumption, then the aggregate amount payable by Purchaser to the Company pursuant to Section 1.02(a)(i)(C) shall be reduced by such amount. Under such circumstance, each quarterly payment to be made by Purchaser to the Company under section 1.02(a)(i)(C) shall be reduced by the quotient derived by dividing the total amount of the liabilities and obligations of the Company assumed by Purchaser in the Instrument of Assumption by four.

(iii) The payment terms and conditions of the balance of the purchase price set forth in (i)(B) and (C) above shall be memorialized in a promissory note in form and substance satisfactory to ESI and Purchaser (the "Promissory Note"). To secure the balance of the purchase price set forth in (i)(B) and (C) above, Purchaser shall grant ESI a first priority security interest in and lien upon the Intellectual Property pursuant to a security agreement in form and substance satisfactory to ESI and Purchaser (the "Security Agreement"), which security agreement will, among other things, provide for a prohibition on Purchaser from selling or transferring its ownership interest in the Intellectual Property until the entire purchase price has been paid in full, other than to a wholly owned subsidiary and only if Purchaser retains primary liability with respect to making the payments under the Promissory Note. The Promissory Note shall provide, among other things, that in the event that Purchaser fails to make any payment set forth in (i)(A)-(C), above, and such default remains uncured for a period of thirty days after the receipt by Purchaser of written notice from ESI of such default, ESI shall be permitted to exercise all of its rights and remedies under the Promissory Note, Security Agreement and/or under applicable law. The Promissory Note shall further provide that in the event of a default thereof, Purchaser agrees to cooperate with ESI by surrendering all of its right, title and interest in and to the Intellectual Property, including, without limitation, an assignment of all rights to payment otherwise payable to Purchaser as a result of Purchaser's licensing or grant of similar rights to any third party, and Purchaser shall not be entitled to commercially exploit the Technology.

(b) Trailer Fee.

(i) Purchaser shall pay the Company a trailer fee equivalent to 2.5% of that portion of Purchaser's gross annual revenue that is directly attributable to Purchaser's commercial exploitation of the U-Strip Technology (the "Trailer Fee"). For greater certainty, the term "commercial exploitation" shall be defined in this and any successor document to include, at a minimum, all revenues received by Purchaser and all affiliates of Purchaser that are attributable to either direct commercial sales of the U-Strip Technology or any licensing or sublicensing of the U-Strip Technology. The Trailer Fee shall continue to be paid for the life of all related patents, and any allowable regulatory extensions, or for 20 years, whichever is greatest. Evolutions of the U-Strip Technology shall not act to reduce the dividend or royalty payment. All payments required hereunder shall be made quarterly and to be accompanied by the appropriate accounting statements.

(ii) Purchaser shall pay the Trailer Fee to ESI within thirty days of the close of each quarter and shall deliver to ESI therewith a statement setting forth Purchaser's determination of the Gross Revenues for such preceding quarter, accompanied by a certificate, executed on behalf of Purchaser by an officer of Purchaser, to the effect that, to the best of such officer's knowledge, said

determinations were made in accordance with Generally Accepted Accounting Principles.

(iii) In the event that facts come to the attention of Purchaser that the Trailer Fee paid in any quarter requires adjustment (meaning an increase or decrease) for any reason, it shall calculate the amount thereof and forward a notice of adjustment to ESI along with the documentation evidencing the manner in which it calculated such adjustment and the adjustment shall be made in the ensuing quarter.

(iv) At any time within fifteen days after the end of each fiscal quarter and within thirty days after the end of Purchaser's fiscal year, Purchaser shall permit ESI and its auditors and authorized representatives to have access to and examine and take copies of all books and records of Purchaser for the purpose of conducting an independent audit of that portion of Purchaser's books an records necessary to enable ESI confirm the accuracy of the calculation of any or all Trailer Fees paid during the applicable period; provided, however, that any such analysis and audit shall have been completed, in the case of a quarterly review, within thirty-five days of the end of the fiscal quarter, and, in the case of annual analysis and audit, within sixty days after the end of Purchaser's fiscal. Purchaser agrees to make any such underpayment within fifteen days of any determination that any such payment was less than that which should have been paid by Purchaser to ESI. ESI shall be responsible for all costs and expenses incurred in connection with this Section; provided, however, that if the Trailer Fees paid by Purchaser to Company are less than or equal to 98% of that which should have been paid to ESI, then within fifteen days thereof Purchaser shall reimburse ESI for all costs and expenses incurred by ESI. If ESI fails or elects not to exercise any of its rights set forth in this paragraph, then Purchaser's determinations (as set forth in such statement) shall be final, conclusive, and binding on the parties hereto.

(c) Issuance of Shares.

(i) Purchaser shall pay the Company a minimum of $18,000,000 through the issuance and delivery to ESI of 12 million fully paid and non-assessable shares of Common Stock of the Purchaser which shall be held by the Escrow Agent pursuant to the Escrow Agreement and which

shall have a minimum market value of $15,000,000 on the Closing Date.

(ii) Release of Shares upon Issuance of Approval Order. Upon issuance of the Approval Order, the Shares shall be released by the Escrow Agent to a third party mutually agreeable to ESI and the Purchaser which shall act as an escrow agent to hold the Shares in escrow (the "Post Approval Order Escrow") pursuant to a Post Approval Order Escrow Agreement (the "Post Approval Order Escrow

Agreement") mutually acceptable to the Purchaser and ESI. The Shares shall be released from the Post Approval Order Escrow as follows:

(A) Such number of Shares may be released from the Post Approval Order Escrow in order to satisfy claims of non-"insiders" (as such term is defined in the Bankruptcy Code) of ESI, as provided in a Plan of Reorganization pursuant to, and as may be required by, ESI under a confirmed Plan of Reorganization of ESI approved by the Bankruptcy Court.

(B) Upon the conclusion of the Purchaser's first fiscal year following issuance of the Approval Order, one share of Common Stock shall be released to ESI from the Post Approval Order Escrow for each dollar of gross revenue derived by the Purchaser from the commercial exploitation of the U Strip Technology. On the third anniversary of the date the Post Approval Order is issued, any Shares held in the Post Approval Escrow shall be released to ESI.

(iii) The Shares held in the Post Approval Escrow shall not be entitled to vote on any matters put to the shareholders of the Purchaser, except as to any proposed capital reorganization or reclassification with respect to equity securities of the Purchaser.

(iv) During such time as the Shares are held in the Post Approval Escrow, the Shares shall be entitled to participate in all dividends or distributions made by the Purchaser to all holders of Common Stock and to any payment or distribution upon the liquidation or winding-up of the Purchaser.

(v) All fees payable to and expenses incurred by the escrow agent selected to hold the Shares after issuance of the Approval Order shall borne equally by the Purchaser and ESI.

(d) Recipient of Consideration. For purposes of this Section 1.02, the parties hereto acknowledge and agree that all consideration heretofore paid or transferred to Echo shall be deemed to have been paid or transferred to ESI, given that Echo is wholly owned by ESI, it being understood that Echo has no liabilities or any other impediment that would prevent it from upstreaming any such consideration to ESI as its parent.

1.03. Closing. The Closing of the transactions contemplated by this Agreement will take place at the offices of Smith, Giacometti & Chikowski, LLC, The Land Title Building, Suite 1200, 100 South Broad Street, Philadelphia, PA 19110 no later than two days after the Approval Order at such time as the parties mutually agree.

(a) At the Closing, the Company will deliver to Purchaser (i) a duly executed Bill of Sale in form and substance to be agreed upon by the parties prior to the Closing; (ii) assignments of all patents, trademarks, trade names, assumed names and copyrights and all applications therefor described in Schedule A; (iii) all documents containing or relating to the Technology, the Technology Know-How and Products being purchased by Purchaser pursuant

hereto; (iv) all such other deeds, endorsements, assignments and other instruments , including an appropriate security agreement in the intellectual property as, in the opinion of Purchaser's counsel and Sellers counsel, are necessary to vest in Purchaser good and marketable title to the Intellectual Property; and (v) a copy of the resolution authorizing consummation of the transactions certified by ESI's Secretary.

(b) At the Closing, there will be delivered to the Company by Purchaser, (i) a duly executed Instrument of Assumption in form and substance to be agreed upon by the parties prior to the Closing, (ii) the Security Agreement and Promissory Note, (iii) the consideration referred to in Section 1.02 hereof and (iv) a copy of the resolution authorizing consummation of the transactions certified by Purchaser's Secretary.

1.04. Further Assurances. After the Closing, the Company and Purchaser shall from time to time, at the request of the other and without further cost or expense, execute and deliver such other instruments of conveyance and transfer and take such other actions as the other may reasonably request, in order to more effectively consummate the transactions contemplated hereby and to vest in the Purchaser good and marketable title to the Intellectual Property.

ARTICLE II
RELATED MATERS

2.01. Sales, Use and Other Taxes. Provided that the Bankruptcy Court so authorizes, the transactions contemplated by this Agreement shall be exempt from any sales, purchase, transfer, fixed asset, stamp, documentary stamp, use or similar taxes which may be payable by reason of the sale of the Intellectual Property pursuant to Section 1146(c) of the Bankruptcy Code as provided by the Approval Order. Any such taxes or expenses shall be paid by Purchaser.

2.02. Competition The Company covenants and agrees that for a period of five years from the Closing Date, neither the Company nor any Affiliate of the Company (except to the extent any such Affiliate shall be retained by the Purchaser) shall engage in competition with, or own an aggregate of more than five percent of the stock issued by any person, firm or corporation that engages in competition with, the business that is the same or substantially similar to the business used in connection with the Intellectual Property within a radius of 150 miles from any area where such business is presently conducted. The Company represents that it has been duly authorized by all present Affiliates of the Company to make the aforesaid agreement and to bind all present Affiliates of the Company thereto. If Purchaser has reason to believe that the Company has violated or is about to violate the provisions of this Section 2.02, Purchaser shall be entitled to bring an action for an injunction in the proper court within the State of New York, and the Company hereby submits to the jurisdiction of any such court. In addition, inasmuch as it would be impracticable to determine the damages to Purchaser by reason of the Company's breach of this Section 2.02 before such injunction could be obtained, the Company hereby agrees to pay to Purchaser $10,000 in liquidated damages for each day in which such breach shall continue until the date on which such breach is discontinued. Notwithstanding anything to the contrary contained herein, this Section 2.02 shall be null and void upon a default by Purchaser

under the Promissory Note or Security Agreement, as determined by a final court of competent jurisdiction.

2.03. Access to Books and Records.

(a) The Company agrees that on and after the Closing, during normal business hours, it will permit Purchaser and their auditors, through their authorized representatives, to have access to and examine and take copies of all books and records of the Company relating to the Company's assets which are delivered to Purchaser pursuant hereto (including but not limited to correspondence, memoranda, books of account and the like) and relating to events occurring prior to the date hereof and to transactions or events occurring subsequent to the date hereof which are related to or arise out of transactions or events occurring prior to the date hereof.

(b) Purchaser agrees to cooperate with the Company, at the Company's expense, and to make available to the Company such documents, books, records or information relating to the Intellectual Property prior to the Closing as the Company may reasonably require and after the Closing in connection with any tax determination or contractual obligations to third parties or to defend or prepare for the defense of any claim against the Company or to prosecute or prepare for the prosecution of claims against third parties by the Company relating to the conduct by the Company of that portion of its business in which it utilized the Intellectual Property or in connection with any governmental

investigation of the Company or any of its affiliates.

(c) Each party will direct its employees to render any assistance which the other party may reasonably request in examining or utilizing records referred to in this Section 2.03, provided that each party shall be reimbursed by the other for any out-of-pocket expenses which it may incur in rendering the services provided for in this Section 2.03. Each party agrees not to destroy any files or records which are subject to this Section 2.03 without giving reasonable notice to the other, and within 15 days of receipt of such notice, such other party may cause to be delivered to it the records intended to be destroyed, at such other party's expense.

2.04. Confidentiality. Each party hereto will hold and will cause its consultants and advisors to hold in strict confidence, unless compelled to disclose by judicial or administrative process or, in the opinion of its counsel, by other requirements of law, all documents and information concerning the other party furnished it by such other party or its representatives in connection with the transactions contemplated by this Agreement (except to the extent that such information can be shown to have been (i) previously known by the party to which it was furnished, (ii) in the public domain through no fault of such party, or (iii) later lawfully acquired from other sources by the party to which it was furnished), and each party will not release or disclose such information to any other person, except its auditors, attorneys, financial advisors, bankers and other consultants and advisors in connection with this Agreement. If the transactions contemplated by this Agreement are not consummated, such confidence shall be maintained except to the extent such information comes into the public domain through no fault of the party required to hold it in confidence, and such information shall not be used to the detriment of, or in relation to any investment in, the other party and all such documents (including copies thereof) shall be returned to the other party immediately upon the written request of such other party. Each party shall be deemed to have satisfied its obligation to hold

confidential information concerning or supplied by the other party if it exercises the same care as it takes to preserve confidentiality for its own similar information.

2.05. Accounting Records.

In order to satisfy its obligations to Seller under Section 1.02(b)(iv), Purchaser shall prepare and maintain, in accordance with generally accepted accounting principles consistently applied, complete and accurate books of account and records covering all transactions arising out of or relating to this Agreement. All such books of account, records and documents shall be kept available by Purchaser for at least three years after the end of the calendar year to which they relate.

2.06. Definitions.

The terms "Affiliate" and "Associate" have the meanings prescribed by Rule
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12b-2 of the regulations promulgated pursuant to the Securities Exchange Act.

"Affiliated Companies" means (i) any corporation that owns, directly or
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indirectly, more than fifty (50) percent of the outstanding capital stock of the Purchaser entitled to vote in the election of directors; (ii) any corporation of which the Purchaser owns, directly or indirectly, more than fifty (50) percent of the outstanding capital stock entitled to vote in the election of directors; and (iii) any other corporation of which a corporation described in clause "(i)" above owns, directly or indirectly, more than fifty (50) percent of the outstanding capital stock entitled to vote in the election of directors.

"Approval Order" means the order of the Bankruptcy Court approving the sale
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of the Intellectual Property contemplated by this Agreement which order shall be final and nonappealable [or which contains a waiver of the 10-day stay requirement contained in Federal Rule of Bankruptcy Procedure 6004(g)] in form and substance satisfactory to the Purchaser, approving the asset sale under Section s 363(b), 363(f), and 365 free and clear of all liens, claims, encumbrances and interests and finding among other things, that the Purchaser is a good faith purchaser entitled to the protection of Section 363(m) of the Bankruptcy Code and that all parties in interest have been properly served and notified of the sale proceedings.

"Closing" means the closing of the transactions contemplated by this
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Agreement.

"Closing Date" means a date two days after entry of the Approval Order.

"Common Stock" means the common stock, par value $0.01 per share, of the
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Purchaser.

"Company Subsidiary" means any corporation of which the Company (a)
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directly or indirectly owns or controls at the time outstanding shares of stock which have in ordinary circumstances (not dependent upon the happening of a contingency) voting power to elect a majority of the board of directors of said corporation, or (b) of which shares of stock of the character described in the foregoing clause (a) shall at the time be owned or controlled directly or

indirectly by the Company and one or more Company Subsidiaries as defined in the foregoing clause (a) or by one or more such Company Subsidiaries.

"Escrow Agent" means Smith, Giacometti & Chikowski, LLC.

"Escrow Agreement" means the escrow agreement to be negotiated and executed among Smith, Giacometti & Chikowski, LLC, ESI and the Purchaser pursuant to which Smith, Giacometti & Chikowski, LLC agrees to act as the escrow agent to accept from Purchaser (i) the sum of $500,000 and (ii) the Shares and to hold said property in Purchaser's behalf until the occurrence of either (x) the issuance of the Approval Order, at which time the escrow agent will release the escrowed funds to ESI and the Shares to an escrow agent which will agree to hold the Shares as described in Section 1.02(c),, or (ii) the termination of this Agreement in accordance with the provisions hereof, in which case the Escrow Agent will return the escrowed funds and the Shares to the Purchaser.

"Escrow Deposit" means the sum of $500,000 to be delivered by Purchaser to ESI's counsel pursuant to section 1.02(a)(i)(A)(I) and held in escrow pursuant to the terms of the Escrow Agreement.

"Gross Revenues" means the gross revenues generated by the Purchaser from the commercial exploitation of the Intellectual Property.

"Instrument of Assumption" means that certain agreement, in form and substance mutually acceptable to the parties, to be executed on the Closing Date pursuant to which the Purchaser agrees to assume certain specified and agreed upon liabilities and obligations of the Company in an amount not to exceed $500,000.

"Intellectual Property" means the information set forth and described in Schedule A hereto, including, without limitation, the Patent Rights, Products, Proprietary Rights, Technology and Technology Know-How to be sold by the Company to the Purchaser pursuant to this Agreement as fully enumerated on Schedule A hereto.

"Patent Rights" means any (i) patent applications filed and to be filed identified on Exhibit A hereto; (ii) any other United States or foreign patent application or patent that is owned by the Company as of the date of this Agreement or that may in the future be owned and that relates directly or indirectly to the Technology or the design, development, manufacture, testing, or use of any Product; and (iii) any United States or foreign patent application

or patent that is acquired by the Company on or after the date of this Agreement and that relates directly or indirectly to any Technology, any improvements to the Technology, any Products, or the design, development, manufacture, testing, or use of any Products.

"Products" means: (a) any products that are based on or incorporate the Technology, and (b) any products that otherwise utilize the methods described in the Technology within the scope of the Patent Rights, the Technology Know-How or any Technology Improvements (regardless of whether such methods or products are currently in existence or are developed hereafter).

"Proprietary Right" means any existing or future patent application, patent, trademark, trade name, service mark, trade secret, copyright, or other proprietary right that relates directly or indirectly to any Patent Right, any Technology Know-How, or any Product.

"Shares" means the 12 million shares of Common Stock issuable to the Company by the Purchaser on the Closing Date in partial consideration for the purchase of the Intellectual Property.

"Scheduling Order" means the Order of the Bankruptcy Court scheduling the hearing to approve this Agreement and the sale of the Intellectual Property which Order shall be in form and substance satisfactory to the parties hereto.

"Technology" means all inventions, discoveries, techniques, systems, methods, processes and know-how (whether or not patentable, commercially useful, or reducible to writing or practice) described in Schedule A.

"Technology Know-How" means know-how relating to the Technology and shall include all confidential, technical, or proprietary information and knowledge not generally known to the public (including, without limitation, information and knowledge regarding inventions, discoveries, techniques, systems, methods and processes of any type, technical data, drawings, designs, manufacturing and design information, computer programs, and other information), whether or not patentable and whether or not in written form, that relates directly or indirectly to (i) any technology described in Schedule A or any product, process, design or other matter covered by any Patent Rights; or (ii) the design, development, manufacture, testing, use, or sale of any Products.

"Technology Improvements" means all inventions, discoveries, techniques, systems, methods, processes, improvements, developments, enhancements, and

modifications (whether or not patentable, commercially useful, or reducible to writing or practice) that the Purchaser may hereafter, either solely or jointly with others, acquire, discover, invent, originate, make, develop, conceive or have rights to, in whole or in part, including any such invention or other item the practice of which would fall within the scope of a claim of any Patent Right, any Technology Know-How, any of the Proprietary Rights, or any Product.

ARTICLE III
OTHER AGREEMENTS OF THE PARTIES

The parties hereby further agree as follows:

3.01. Engagement of Bruce K. Redding, Jr. On the Closing Date, the Purchaser shall enter into an employment agreement with Bruce K. Redding, Jr. on terms and conditions commercially reasonable and mutually agreeable to the parties.

3.02. Designee to Board of Directors of Purchaser. For a period of five (5) years after the Closing Date, the Company shall be entitled to designate, and the Purchaser shall be obligated to nominate and shall use its best efforts to cause the appointment or election of, as the case may be, one person to serve as a member of the Board of Directors of Purchaser.

3.03. Cancellation of Shares of Common Stock. On the Closing Date, the Purchaser shall cause the cancellation and return to treasury of 500,000 shares of Common Stock.

3.04. Legend on Certificates Evidencing the Shares.

(a) The Company acknowledges and agrees, and shall cause each person to whom Shares are distributed to acknowledge and agree, that the Shares are "restricted securities" as defined by Rule 144 of the Rules and Regulations promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and that each certificate evidencing the Shares shall be imprinted with a restrictive legend substantially in the following form:

> "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER

THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS."

(b) The Company acknowledges and agrees, and shall cause each person to whom Shares are distributed to acknowledge and agree, that the Shares may be disposed of only pursuant to an effective registration statement under the Securities Act or pursuant to an available exemption from or in a transaction not subject to the registration requirements thereof and (ii) in connection with any transfer of any Shares other than pursuant to an effective registration statement, the Purchaser may require the transferor thereof to provide to the Purchaser with an opinion of counsel selected by the transferor, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration under the Securities Act. Purchaser shall not be obligated to register or recognize any transfer of Shares if such transfer is not affected as provided herein and shall not be liable to any party in connection therewith.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents, covenants and warrants to Purchaser as follows:

4.01. Corporate Organization; Etc. ESI and Echo are corporations duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and have full corporate power and authority to carry on their businesses as they are now being conducted and to own the properties and assets they now own; are duly qualified or licensed to do business as foreign corporations in good standing in the jurisdictions in which such qualification is required, except jurisdictions in which the failure to qualify to do business will have no material adverse effect on the business of ESI or Echo.

4.02. Authorization, Etc. ESI and Echo have full corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. The respective Boards of Directors and stockholders, if necessary, of ESI and Echo have taken all action required by law, their Articles of Incorporation, By-Laws or otherwise to be taken by them to authorize the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, and, this Agreement is a valid and binding agreement of each of ESI and Echo enforceable in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect

relating to creditors' rights, and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefore may be brought.

4.03. No Violation. Neither the execution and delivery of this Agreement
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nor the consummation of the transactions contemplated hereby will violate any provision of the Articles of Incorporation or By-Laws of ESI or Echo, or, will violate, or be in conflict with, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or cause the acceleration of the maturity of any debt or obligation pursuant to, or result in the creation or imposition of any security interest, lien or other encumbrance upon any property or assets of ESI or Echo under, any agreement or commitment to which ESI or Echo is a party or by which ESI or Echo is bound, or to which the property of ESI or Echo is subject, or violate any statute or law or any judgment, decree, order, regulation or rule of any court or governmental authority.

4.04. Title to Properties; Encumbrances. Each of ESI and Echo, as the case
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may be, has good, valid and marketable title to all of the Intellectual Property being sold pursuant to this Agreement free and clear of all title defects or objections, liens, claims, charges, security interests or other encumbrances of any nature whatsoever including, without limitation leases, chattel mortgages, conditional sales contracts, collateral security arrangements and other title or interest retention arrangements.

4.05. Representations Relating to the Intellectual Property.

(a) The Company is the sole owner of all title and interest in the Patent Rights, Proprietary Rights, Products, Technology and Technology Know-How and has not assigned or hypothecated any rights in or to any of said assets.

(b) The Company does not have rights to any other trade secret, or other proprietary information, patents, copyrights, patent applications, or other patentable inventions in the same field as the Intellectual Property.

(c) To the best of knowledge of management of the Company, without having conducted any special investigation, the Intellectual Property does not infringe upon any letters patent heretofore issued in the United States or upon any other applications for letters patent.

(d) To the best of knowledge of management of the Company, the manufacture, marketing, and use of products embodying the Intellectual Property will not require the unauthorized use of any technology to which any third

parties have proprietary rights, and, to the best of such management's knowledge, without having conducted any special investigation, that such manufacturing, marketing, and use will not involve infringement or claimed infringement by the Company of any patent, copyright, trademark, trade name, service mark, trade secret, or other proprietary right of any other person.

(e) There are no outstanding options, licenses, or agreements of any kind relating to the Intellectual Property or to the manufacture, use, or sale of the Intellectual Property or improvements thereto, other than those listed in Exhibit-B.

4.06. Good Title Conveyed, Etc. The Company has complete and unrestricted power and the unqualified right to sell, assign, transfer and deliver to the Purchaser, and upon consummation of the transactions contemplated by this Agreement, Purchaser will acquire, good, valid and marketable title to, the Intellectual Property, free and clear of all mortgages, pledges, liens, security interests, conditional sales agreements, encumbrances or charges of any kind. The Bill of Sale and the deeds, endorsements, assignments and other instruments to be executed and delivered to Purchaser by the Company at the Closing will be valid and binding obligations of the Company, respectively, enforceable in accordance with their terms, and will effectively vest in Purchaser good, valid and marketable title to all the Intellectual Property.

4.07. Litigation. Except for the Case, there is no action, suit, inquiry, proceeding or investigation by or before any court or governmental or other regulatory or administrative agency or commission pending or threatened against or involving the Company or any Company Subsidiary, or which questions or challenges the validity of this Agreement or any action taken or to be taken by the Company or any Company Subsidiary pursuant to this Agreement or in connection with the transactions contemplated hereby; nor is there and the Company does not know or have any reason to know of any valid basis for any such action, proceeding or investigation. Except as set forth in Section 4.07 of the Disclosure Schedule hereto, neither the Company nor any Company Subsidiary is in default under or in violation of, or knows of any valid basis for any claim of default under or violation of, any contract, commitment or restriction to which it is a party or by which it is bound. Neither Company nor any Company Subsidiary is subject to any judgment, order or decree entered in any lawsuit or proceeding which may have an adverse effect on its business practices or on its ability to acquire any property or conduct its business in any area.

4.08. Consents. No consent of any person is necessary to the consummation of the transactions contemplated hereby, including, without limitation,

consents from parties to loans, contracts, leases or other agreements and consents from governmental agencies, whether federal, state or local.

4.08. Brokers and Finders. Neither the Company nor any of its officers, directors or employees has employed any broker or finder or incurred any liability for any brokerage fees, commissions or finders' fees in connection with the transactions contemplated by this Agreement other than those listed in Exhibit-C.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to the Company as follows:

5.01. Corporate Organization; Etc. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. All the issued and outstanding shares of capital stock of Purchaser have been duly authorized by all necessary corporation action and are validly issued, fully paid and nonassessable and are owned by Purchaser.

5.02. Authorization; Etc. The Purchaser has full corporate power and authority to enter into this Agreement and to carry out the transactions contemplated hereby. The Board of Directors of the Purchaser has taken all action required by law, its Articles of Incorporation and By-Laws or otherwise to authorize the execution and delivery of this Agreement and the transactions contemplated hereby, and this Agreement is a valid and binding agreement of the Purchaser enforceable in accordance with its terms except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights, and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought.

5.03. No Violation. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will violate any provisions of the Articles of Incorporation or By-Laws of the Purchaser, or violate, or be in conflict with, or constitute a default under, or cause the acceleration of the maturity of any debt or obligation pursuant to, any agreement or commitment to which the Purchaser is a party or by which the Purchaser is bound, or violate any statute or law or any judgment, decree, order, regulation or rule of any court or governmental authority.

5.04. Valid Issuance of the Shares. Upon issuance in accordance with the

terms of this Agreement, the Shares will be duly and validly issued and outstanding, fully paid and nonassessable.

ARTICLE VI
COVENANTS OF THE COMPANY

6.01. Full Access. The Company shall afford to Purchaser, its counsel, accountants and other representatives full access to the offices, properties, books and records of the Company in order that Purchaser may have full opportunity to make such investigations as it shall desire to make of the affairs of the Company; and the Company will cause its officers and accountants to furnish such additional financial and operating data and other information as Purchaser shall from time to time request provided, however, that any such investigation shall be conducted in such a manner as not to interfere unreasonably with the operation of the businesses of the Company.

6.02. Execution of Revised Asset Purchase Agreement Upon Entry of Approval Order. Within two days after the entry of the Approval Order, ESI, Echo and Bruce K. Redding, Jr. agree to execute a new Asset Purchase Agreement identical hereto except as same may be revised to incorporate the practical and legal results and effects of the issuance of the Approval Order.

6.03. Covenant to Satisfy Conditions. The Company will use its best efforts to insure that the conditions set forth in Article VIII hereof are satisfied, insofar as such matters are within the control of any of them.

6.04. Certificates. At the Closing the Company will furnish Purchaser with such certificates of its officers and others to evidence compliance with the covenants set forth in this Article VI as may be reasonably requested by Purchaser, including a certificate affirming the representations and warranties made in Article IV hereof.

6.05. Execution of Approval Order. The Company will use its best efforts to cause the Bankruptcy Court to execute and deliver the Approval Order as soon as possible after the date hereof.

ARTICLE VII
CONDITIONS TO THE COMPANY'S OBLIGATIONS

Each and every obligation of the Company under this Agreement to be performed on or before the Closing shall be subject to the satisfaction, on or

before the Closing, of each of the following conditions, unless waived in writing by the Company:

7.01. Bankruptcy Court Approval of Sale Procedures.

(a) Timing. The Company shall have obtained a date for a hearing to approve the sale no later than July 12, 2004 and the Closing shall have occurred no later than July 13, 2004.

(b) Approval. The sale and purchase of the Intellectual Property contemplated hereby is contingent upon entry of the Approval Order.

(c) Termination. Purchaser shall have the right to terminate this Agreement on the earlier of: ((a) if Purchaser is not the winning bidder in the Auction, (b) if the Closing has not occurred by July 13, 2004 or (c) any date that the Company receives a stay of the Approval Order. Upon any termination of this Agreement, Purchaser shall have no further liability with respect to the Company.

7.02. Representations and Warranties True. The representations and warranties of Purchaser contained herein shall be in all material respects true and accurate as of the date when made and at and as of the Closing as though such representations and warranties were made at and as of such date.

7.03. No Governmental Proceeding or Litigation. No suit, action, investigation, inquiry or other proceeding by any governmental body or other person or legal or administrative proceeding shall have been instituted or threatened which questions the validity or legality of the transactions contemplated hereby.

ARTICLE VIII
CONDITIONS TO PURCHASER'S OBLIGATIONS

Each and every obligation of the Purchaser under this Agreement to be performed on or before the Closing shall be subject to the satisfaction, on or before the Closing, of each of the following conditions, unless waived in writing by Purchaser:

8.01. Issuance of Approval Order. The Company shall have received the Approval Order described in Section 7.01 of this Agreement.

8.02. Representations and Warranties True. The representations and warranties contained in Article IV hereof and in all certificates and other

documents delivered and to be delivered by the Company to Purchaser or its representatives pursuant hereto or in connection with the transactions contemplated hereby shall be true, complete and accurate as of the date when made and at and as of the Closing Date as though such representations and warranties were made at and as of such date, except for changes expressly permitted or contemplated by the terms of this Agreement.

8.03. Performance. The Company shall have performed and complied with all agreements, obligations and conditions required by this Agreement to be performed or complied with by them on or prior to the Closing.

8.04. Investigations; Etc. Neither any investigation of the Company by Purchaser, nor any other document delivered to Purchaser as contemplated by this Agreement, shall have revealed any facts or circumstances which, in the sole and exclusive judgment of Purchaser, reflect in a material adverse way on the Intellectual Property.

8.05. No Proceeding or Litigation. There shall not be threatened, instituted or pending any suit, action, investigation, inquiry or other proceeding by or before any court or governmental or other regulatory or administrative agency or commission requesting or looking toward an order, judgment or decree which (a) restrains or prohibits the meeting of the Company's shareholders or the transactions contemplated hereby, (b) in the sole and exclusive judgment of Purchaser materially impairs Purchaser's ability to exercise control over the Intellectual Property after the Closing or (c) in the judgment of Purchaser might have a material adverse effect on Purchaser or any of its affiliates.

8.06. No Injunction. On the Closing Date there shall be no effective injunction, writ, preliminary restraining order or any order of any nature issued by a court of competent jurisdiction directing that the transactions provided for herein or any of them not be consummated as so provided or imposing any conditions on the consummation of the transaction contemplated hereby which the Purchaser deems unacceptable in its sole discretion.

ARTICLE IX
CONDUCT OF THE COMPANY'S BUSINESS PENDING THE CLOSING

Pending the Closing, and except as otherwise expressly consented to or approved by Purchaser in writing:

9.01. Organization. Each of ESI and Echo shall use its best efforts to

preserve its corporate existence and business organization intact, to keep available to Purchaser its officers and key employees, and to preserve for Purchaser its relationships with licensors, suppliers, distributors, customers and others having business relations with it.

9.02. Certain Changes. Neither ESI nor Echo will:

(a) Permit or allow any of its property or assets (real, personal or mixed, tangible or intangible) to be subjected to any mortgage, pledge, lien or encumbrance;

(b) Dispose of or permit to lapse any rights to the use of any Patent Right, Proprietary Right, trademark, trade name or copyright, or dispose of or disclose to any person any trade secret, formula, process or know-how not theretofore a matter of public knowledge;

(c) Grant or extend any power of attorney or act as guarantor, surety, co-signer, endorser, co-maker, indemnitor or otherwise in respect of the obligation of any person, corporation, partnership, joint venture, association, organization or other entity; or

(d) Agree, whether in writing or otherwise, to do any of the foregoing.

9.03. Contracts. Neither ESI nor Echo shall enter into any contract nor otherwise make a sale of any or license of the Intellectual Property.

9.04. No Default. Neither ESI nor Echo shall do any act or omit to do any act, or permit any act or omission to act, which will cause a breach of any material contract or commitment of either of them or which would cause the breach of any warranty made hereunder.

9. 05. Compliance With Laws. ESI and Echo shall duly comply with all laws applicable to it and its properties, operations, business and employees.

ARTICLE X
MISCELLANEOUS PROVISIONS

10.01. Amendment and Modification. Subject to applicable law, this Agreement may be amended, modified and supplemented by written agreement of the respective Boards of Directors of the Company and Purchaser or by their respective officers authorized by such Boards of Directors at any time prior to

the Closing with respect to any of the terms contained herein, provided, however, that no such amendment or modification shall be entered into on or after the date the shareholders consent to transactions contemplated by this Agreement.

10.02. Waiver of Compliance. Any failure of the Company, on the one hand, or Purchaser, on the other, to comply with any obligation, covenant, agreement or condition herein may be expressly waived in writing by the Chairman of the Board, President or a Vice President of Purchaser or the Company, respectively, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

10.03. Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified in this Section prior to 4:30 p.m. (New York City time) on a Business Day, (ii) the Business Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile telephone number specified in the Purchase Agreement later than 4:30 p.m. (New York City time) on any date and earlier than 11:59 p.m. (New York City time) on such date, (iii) the Business Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as follows:

(a) If to ESI or Echo, to: Encapsulation Systems Inc.
Bldg. 109
Mills of Victoria
1489 Baltimore Pike
Springfield, PA. 19064
Attn.: Mr. Bruce K. Redding, Jr.
Facsimile No.: (610) 543-0688

(with a copy to:) Smith, Giacometti & Chikowski, LLC

The Land Title Building
Suite 1200
100 South Broad Street
Philadelphia, PA 19110
David B. Smith, Esq.
Facsimile No.: (215) 496-1915

or to such other person or address as the Company shall furnish to Purchaser in writing.

(b) If to Purchaser, to: Second Stage Ventures, Inc.
c/o Gary Henrie, Esq.
10616 Eagle Nest St.
Las Vegas NV. 89141
Facsimile No.:

(with a copy to:) Ruffa & Ruffa, P.C.
150 East 58th Street
New York, New York 10155
Attn.: William P. Ruffa, Esq.
Facsimile No.: (212) 759-7696

And

Todtman, Nachamie, Spizz & Johns, P.C
425 Park Avenue
New York, New York
10022 Barton Nachamie, Esq.
Facsimile No.: (212) 754 6262

or to such other person or address as Purchaser shall furnish to the Company in writing.

10.04. Assignment. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties, except by operation of law. If such assignment shall be made by Purchaser, such subsidiary shall be entitled to all of the rights and shall assume all of the obligations of Purchaser hereunder, provided that Purchaser shall guarantee the performance of such subsidiary's obligations under this Agreement and shall deliver evidence thereof reasonably satisfactory to the Company.

10.05. Publicity. Neither the Company nor Purchaser shall make or issue, or cause to be made or issued, any announcement or written statement concerning this Agreement or the transactions contemplated hereby for dissemination to the general public without the prior consent of the other party. This provision shall not apply, however, to any announcement or written statement required to be made by law or the regulations of any federal or state governmental agency or any stock exchange, except that the party required to make such

announcement shall, whenever practicable, consult with the other party concerning the timing and content of such announcement before such announcement

is made.

10.06. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of New York without regard to the principles of conflicts of law thereof, pending confirmation of a plan of reorganization or dismissal of the case, the parties agree and submit to the jurisdiction of the Bankruptcy Court for the Eastern District of Pennsylvania. Each party hereby irrevocably submits to the non-exclusive jurisdiction of the state and federal courts sitting in the City of New York, borough of Manhattan, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law.

10.07. Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature page were an original thereof.

10.08. Headings. The headings of the Sections and Articles of this Agreement are inserted for convenience only and shall not constitute a part hereof or affect in any way the meaning or interpretation of this Agreement.

10.09. Entire Agreement. This Agreement, including the Exhibits hereto, the Disclosure Schedule and the other documents and certificates delivered pursuant to the terms hereof, set forth the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein, and supersede all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto.

10.10. Third Parties. Except as specifically set forth or referred to herein, nothing herein expressed or implied is intended or shall be construed to

confer upon or give to any person or corporation other than the parties hereto and their successors or assigns, any rights or remedies under or by reason of this Agreement.

10.11 Bankruptcy. Notwithstanding anything to the contrary contained herein, Purchaser acknowledges that as on February 12, 2004, an involuntary bankruptcy petition was filed against ESI under chapter 7 of the Bankruptcy Code and that such chapter 7 case has been converted by ESI to a case under chapter 11 by Bankruptcy Court order dated April 30, 2004; accordingly, all aspects of this Agreement, including the representations and warranties made by ESI herein are subject in all respects to all conditions, obligations and responsibilities of ESI under the Bankruptcy Code. Notwithstanding the foregoing, ESI agrees to undertake all appropriate steps to obtain Bankruptcy Court approval of and consistent with this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and their respective corporate seals to be affixed hereto, all as of the day and year first above written.

ENCAPSULATION SYSTEMS, INC.

[Seal] By: _____

Title:

Attest:

_____

Title:

ECHO RX, INC.

[Seal] By: _____

Title:

Attest:

Title:

As to the provisions of Sections 3.01 and 6.02 and Article IV:

BRUCE K. REDDING

SECOND STAGE VENTURES, INC.

[Seal] By:

Title:

Attest:

Title:

EXHIBITS

PROMISSORY NOTE

DATE OF ISSUE:	JUNE 30TH, 2004	PRINCIPAL:	$500,000.
MATURITY DATE:	CLOSING DATE(AS DEFINED) OR JULY 31ST, 2004	INTEREST:	10% PER ANNUM

1. INDEBTEDNESS

The Borrower, Second Stage Ventures Inc., a corporation incorporated pursuant to the laws of the State of Nevada, for value received, hereby acknowledges itself indebted to Gary Scott, Businessman, of Munich, Germany, (the "Holder"), and the Borrower together with Kay S. Jessel, Businessman, of the City of Port Coquitlam in the Province of British Columbia (Guarantor1) and Thomas E. Barton Chown, Businessman, of the City of Toronto in the Province of Ontario (Guarantor2) (hereinafter jointly and severally referred to as the "Guarantors") covenant with the Holder that they will, on or prior to the Maturity Date, pay to the Holder the Principal amount of $500,000. in lawful currency of the United States of America on presentment and surrender of this Note at the address specified for notice to the Borrowers in Section 6.8 herein together with interest on the said Principal at the rate of ten percent (10%), calculated half-yearly not in advance, both before and after, default or judgment.

2. DEFINITIONS

In this Note, except as otherwise expressly provided or unless the context otherwise requires, the following words will have the following meanings unless otherwise indicated:

"NOTE" means this Promissory Note in the Principal amount of $500,000. dated the Date of Issue.

"CLOSING DATE" means the day upon which the Borrower acquires certain intellectual property rights known as the U-Strip technology from Encapsulation Systems Inc.

"BUSINESS DAY" means any day other than a Saturday, Sunday or statutory holiday in Las Vegas, Nevada.

"INTEREST" means the rate of ten percent (10%) calculated half-yearly not in advance on Principal and payable together with the Principal, Interest to accrete to the date of payment. For purposes of calculating, a 365 day year will be used.

"MATURITY DATE" means the earlier of the Closing Date or July 31st, 2004.

"PERSON" means an individual, Borrower, a partnership, a trustee or any

unincorporated organization.

"PRINCIPAL" means that amount set out above.

3. INTERPRETATION

In this Note:

(a) the headings are for convenience only and are not intended as a guide to interpretation of this Note or any portion thereof,

(b) the word "including", when following any general statement or term, is not to be construed as limiting the general statement or term to the specific items or matters set forth or to similar items or matters, but rather as permitting the general statement or term to refer to all other items or matters that could reasonably fall within its broadest possible scope,

(c) all accounting terms not otherwise defined herein have the meanings assigned to them, and all calculations to be made hereunder are to be made, in accordance with generally accepted accounting principles applied on a consistent basis,

(d) all references to currency mean American currency,

(e) a reference to a statute includes all regulations made thereunder, all amendments to the statute or regulations in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulations,

(f) a reference to an entity includes any successor to that entity,

(g) words importing the masculine gender include the feminine or neuter, words in the singular include the plural, words importing a corporate entity include individuals, and vice versa, and

(h) a reference to "approval", "authorization" or "consent" means written approval, authorization or consent.

4. PAYMENT TERMS

The Principal and Interest due on this Note will be payable by the delivery of a check for such Principal and Interest to the Holder on the following terms and conditions:

(a) Interest will accrete and be payable together with Principal, and in the event Principal and Interest have not been paid prior to or on the Maturity Date, Interest at the Default Rate will be payable on overdue Interest and Principal.

(b) The Borrower and Guarantors may, at their option and without prior notice to the Holder, pay Principal and Interest accreted thereon to the date of payment on any Business Day at the address of the Holder or on such alternative basis as may be directed by the Holder, which Business Day is prior to the Maturity Date.

(c) The Borrower and Guarantors will, and hereby jointly and severally covenant to, pay to the Holder the Principal and Interest accreted thereon on the Maturity Date.

(d) The completion of a wire transfer of a sum equivalent to the total of the Principal and Interest accreted thereon (with immediately subsequent delivery by facsimile transmission to the Holder of confirmation particulars as to the wire transfer) shall satisfy and discharge the liability of the Borrowers on this Note to the extent of the sum represented thereby unless such wire transfer transmission is not paid at par on presentation at any branch of a chartered bank in the United States of America.

5. DIRECT OBLIGATIONS OF BORROWER

This Note is a direct obligation of the Borrower.

GENERAL

6.1 WAIVER BY HOLDER The Holder's failure, at any time or times hereafter, to require strict performance by the Borrower of any provision of this Note shall not constitute a waiver, or affect or diminish any right of the Holder thereafter to demand strict compliance and performance herewith. Any suspension or waiver by the Holder of a default under this Note shall not suspend, waive or affect any other default under this Note, whether the same is prior or subsequent thereto and whether of the same or of a different type. No default under this Note shall be deemed to have been suspended or waived by the Holder, unless such suspension or waiver is by an instrument in writing signed by the Holder and directed to the Borrower and the Guarantors specifying such suspension or waiver.

6.2 TRANSFER This Note will only be transferable upon receipt by the Borrower of notice in writing from the Holder to be delivered to the Borrower as provided for in Section 6.8 hereinafter.

6.3 SEVERABILITY Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Note.

6.4 PARTIES, ENTIRE NOTE This Note shall be binding upon and inure to

the benefit of the respective successors and permitted assigns of the Borrower, the Guarantors and the Holder. This Note and any amendments hereto and supplements hereto are the complete statement of the agreement by and between the Borrower, the Guarantors and the Holder in connection with the payment of the monies secured hereby and supersede all prior negotiations, understandings and representations between them with respect to the subject matter of this Note.

6.5 WAIVER BY THE BORROWERS Except as otherwise provided for in this Note, the Borrower and the Guarantors waive presentment, demand and protest, notice of protest, notice of presentment, default, non-payment, maturity, release, compromise, settlement, extension or renewal.

6.6 GOVERNING LAW, VENUE This Note shall be governed by and construed in accordance with the laws of the State of Nevada as the same may from time to time be in effect and the Holder hereby submits and attorns to the jurisdiction of the courts of Nevada

6.7 COUNTERPARTS This Note may be executed in any number of counterparts by the Borrower and the Guarantors either by original or facsimile signature and each of such counterparts, when executed and delivered, shall be an original but such counterparts together shall constitute one and the same instrument.

6.8 NOTICE Except as otherwise provided herein:

(a) All notices, requests, demands, directions and other communications provided for hereunder must be in writing and must be mailed, telecopied or delivered to the appropriate party at the address set forth below or, to any other address as may be designated by a party in a written notice sent to the other party in accordance with this Section; and

(b) Any notice shall be deemed to have been effectively given on the earlier of:

(i) the date of delivery, if delivered during normal business hours of the Borrowers (and, if not, on the next following Business Day);

(ii) the Business Day immediately following the day of sending, if sent by telecopier or other electronic communication (with receipt confirmed), or

(iii) on the fifth (5th) business day after mailing in the United States of America.

If to the Holder, at:

Gary Scott,
Munich, Germany
Telephone: 011 49 89 457 10790
Telecopier; 011 49 89 963 065

If to the Borrower, at:

Second Stage Ventures Inc.,

c/o Gary Henrie, Attorney-at-Law,
10616 Eagle Nest Street,
Las Vegas, Nevada 89141

Telephone: (702) 616-3093
Telecopier: (702) 263-8102

Kay S. Jessel
(Gaurantor1)
Port Coquitlam, B.C.,
Canada

Telephone: (604) 552-6173
Telecopier: (604) 552-6174

Thomas E. Barton Chown
(Guarantor2)
79 Leuty Avenue,
Toronto, Ontario,

Telephone: (416) 690-2400
Telecopier: (416) 690-2409

6.9 WAIVERS OF USURY AND EXTENSION LAWS The Borrower and the Guarantors agree (to the extent it may lawfully do so) that it will not at any time insist upon, plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law or any usury law or other law which would prohibit or forgive the Borrower and/or the Guarantors from paying all or a portion of the principal of or interest on the Note as contemplated herein, wherever enacted, now or at any time hereinafter in force, or which may materially now or any time hereafter affect the covenants in the Note. The Borrowers expressly waive all benefit or advantage of any such laws. If a court of competent jurisdiction prescribes that the Borrowers may not waive its rights to take the benefit or advantage of any stay or extension law or any usury law or other law in accordance with this Section, the obligation to pay interest on the Note shall be reduced to the maximum legal limit under applicable law governing the interest payable in connection with the Notes.

6.10 TIME OF THE ESSENCE Time is of the essence hereunder.

IN WITNESS WHEREOF the Borrowers have hereunto set their respective hands and seals this 30th day of June, 2004.

SECOND STAGE VENTURES INC.

PER:

ZENNIE MORRIS, PRESIDENT

WITNESS

KAY S. JESSEL
(GUARANTOR1)

WITNESS

THOMAS E. BARTON CHOWN
(GUARANTOR2)

AMENDMENT TO ASSET PURCHASE AGREEMENT

THIS AMENDMENT TO ASSET PURCHASE AGREEMENT ("Amendment") dated July ___, 2004, by and between Second Stage Ventures, Inc., a Nevada corporation ("Purchaser"), on the one hand, and Encapsulation Systems, Inc., a Pennsylvania corporation ("ESI"), as of February 12, 2004, an involuntary debtor under Chapter 7 of the United States Bankruptcy Code, Case No. 04-12089 (the "Case"), pending in the United Stales Bankruptcy Court for the Eastern District of Pennsylvania ("Bankruptcy Court"), and Echo RX, Inc., a Delaware corporation and wholly owned subsidiary of ESI ("Echo" and collectively with ESI, the "Company").

BACKGROUND

WHEREAS, the Company and Purchaser are parties to a certain Asset Purchase Agreement (the "Agreement"), pursuant to which, among other things, the Company agreed to sell to Purchaser certain assets more full described in the Agreement. Capitalized terms that are not otherwise defined herein shall have the meaning ascribed to such terms in the Agreement.

WHEREAS, at a hearing on July 12, 2004 (the "Sale Hearing"), the Bankruptcy Court approved ESI's request for authority to enter in the transactions contemplated by the Agreement.

WHEREAS, subsequent to the Sale Hearing, the Company and Purchaser agreed to clarify certain understandings reached between the parties, pursuant to the terms and subject to the conditions set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. AMENDMENTS TO AGREEMENT.

a. The introductory paragraph of the Agreement is hereby amended to clarify that Echo is a Delaware corporation, not a Pennsylvania corporation.

b. The Agreement as a whole is amended to clarify that upon subsequent review by the Company, the Company does not believe that its attempt to assign certain of the Assets to Echo was effective inasmuch as Echo rejected the attempted assignment. To the extent that Echo's rejection of the assignment was ineffective, the Agreement will remain unaffected; otherwise, the Agreement will be amended to clarify that ESI is the sole seller of the Assets, not ESI and Echo.

c. Paragraph 1.02(c)(ii)(B) of the Agreement is hereby amended by

deleting the final sentence thereof and replacing it with the following: "At the conclusion of the thirtieth month after Closing, any Shares held in the Post Approval Escrow shall be released to ESI."

d. Paragraph 3.02 of the Agreement is hereby amended by

2. RATIFICATION AND CONFIRMATION. Except as amended and supplemented hereby, all of the terms and provisions of the Agreement shall remain in full force and effect and, except as expressly amended hereby, are hereby ratified and confirmed. The parties hereto hereby ratify and confirm that the Agreement is a valid and binding obligation and enforceable in accordance with its terms. This Amendment does not constitute a novation of the obligations under the Agreement. In the event and to the extent of any conflict between the provisions of this Amendment and the provisions of the Agreement, the provisions of this Amendment with respect thereto shall govern.

IN WITNESS WHEREOF, the parties to this Amendment have caused this Amendment to be executed by their duly authorized officers on the date first above written.

ENCAPSULATION SYSTEMS, INC.

[Seal] By: _____
Title:

Attest:

_____
Title:

ECHO RX, INC.

[Seal] By: _____
Title:

Attest:

_____
Title:

SECOND STAGE VENTURES, INC.

[Seal]

By:

Title:

Attest:

Title:

PROMISSORY NOTE

$2,000,000.00 Pennsylvania

July 28, 2004

FOR VALUE RECEIVED, SECOND STAGE VENTURES, INC., a Nevada corporation with a mailing address at c/o Gary Henrie, Esquire, 10616 Eagle Nest Street, Las Vegas, NV 89141 ("Maker"), promises to pay to the order of ENCAPSULATION SYSTEMS, INC., a Pennsylvania corporation with offices at Building 109, Mills of Victoria, 1489 Baltimore Pike, Springfield, PA 19064 ("Payee"), at Payee's offices or at such other place as Payee may designate from time to time in writing, the principal sum of TWO MILLION ($2,000,000.00) DOLLARS lawful money of the United States of America as follows:

1. Payments. Maker shall pay to Payee the sum of TWO MILLION ($2,000,000.00) DOLLARS in equal installments of TWO HUNDRED FIFTY THOUSAND ($250,000.00) DOLLARS each on the following dates: March 1, 2005, June 1, 2005, September 1, 2005, December 1, 2005, March 1, 2006, June 1, 2006, September 1, 2006 and December 1, 2006. Maker shall have the privilege of prepaying the obligation in whole or in part, at any time and from time to time without premium or penalty.

2. Security. This Note, and the due performance by Maker of all of its obligations hereunder, is secured by a certain Patent Security Agreement dated this date. This Note and the Security Agreement are hereinafter referred to individually as a "Loan Document" and collectively as the "Loan Documents." "Collateral" shall mean the property securing any of Maker's obligations under any of the Loan Documents.

3. Late Charge. If any installment due to Payee hereunder shall not be paid on its due date, Maker shall pay Payee on demand a late charge assessed at the rate of twelve percent per annum computed over the actual number of days that said payment is late based upon a 360-day year.

4. Events of Default. The occurrence of any one or more of the following shall constitute an event of default ("Event of Default") hereunder:

(a) Maker shall fail to make any payment due to Payee under this Note or under any of the other Loan Documents within thirty (30) days after the date on which Maker receives notice of its failure to make any such payment;

(b) Maker shall fail to observe and perform any of the covenants or agreements on its part to be observed or performed under this Note or under any of the other Loan Documents (other than as set forth in subparagraph (a) hereof) within thirty (30) days of Maker's receipt of written

notice thereof; provided, however, that if the event is one which cannot with diligence be cured within such thirty (30) day period, then such failure shall not constitute an Event of Default if Maker commences to cure such default and pursues such cure in good faith and with commercially reasonable diligence within such thirty (30) day period and achieves a cure within forty-five (45) days of receipt of Payee's written notice;

(c) Any Event of Default shall occur under the terms of any of the other Loan Documents, subject to applicable grace periods stated therein; or

(d) Maker shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent and such order, judgment or decree shall continue unstayed and in effect for a period of sixty (60) days or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Maker for the purposes of effecting any of the foregoing.

5. Remedies.

(a) Upon the occurrence of any Event of Default, the entire unpaid sum hereunder plus all other sums due and payable to Payee under the Loan Documents shall, at the option of Payee, become due and payable immediately, together with all costs incurred by Payee and a reasonable attorneys' fee for collection of 5% of the total amount then due by Maker to Payee.

(b) Upon the occurrence of any Event of Default, Payee may exercise any and all rights and remedies available to Payee under any of the Loan Documents or available to Payee under applicable law.

6. Miscellaneous.

(a) No right or remedy conferred upon or reserved to Payee is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and concurrent, and shall be in addition to every other such right or remedy, and may be pursued singly, concurrently, successively or otherwise, at the sole discretion of Payee, and shall not be exhausted by any one exercise thereof but may be exercised as often as occasion therefor shall occur. The failure to exercise or delay in exercising any such

right or remedy, or the failure to insist upon strict performance of any term of any of this Note or any other Loan Document, shall not be construed as a waiver or release of the same, or of any Event of Default hereunder or thereunder, or of any obligation or liability of Maker hereunder or thereunder.

(b) The exercise by Payee of its rights and remedies and the entry of any judgment by Payee shall not affect in any way the late fee payable hereunder or under any of the other Loan Documents on any amounts due to Payee.

(c) Maker hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor, and any and all other notices in connection with any default (except as provided in this Note) in the payment of, or any enforcement of the payment of, all amounts due under the Loan Documents. To the extent permitted by law, Maker waives the right to and stay of execution and the benefit of all exemption laws now or hereafter in effect. To the extent permitted by law, Maker further waives and releases all procedural errors, procedural defects and procedural imperfections in any proceedings instituted by Payee under the terms of any Loan Document or with respect to any Collateral.

(d) Maker agrees that any action or proceeding against it to enforce this Note may be commenced in the Court of Common Pleas of Delaware County, Pennsylvania or the United States District Court for the Eastern District of Pennsylvania, and Maker waives personal service of process and agrees that a summons and complaint commencing an action or proceeding in any such court shall be properly served if served by registered or certified mail in accordance with the notice provisions set forth herein and Maker expressly waives any and all defenses to an exercise of personal jurisdiction by any such court. MAKER HEREBY WAIVES, AND PAYEE BY ITS ACCEPTANCE HEREOF HEREBY WAIVES, TRIAL BY JURY IN ANY LEGAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF OR RELATED TO THIS NOTE OR THE RELATIONSHIP EVIDENCED HEREBY. THIS PROVISION IS A MATERIAL INDUCEMENT FOR PAYEE TO ENTER INTO, ACCEPT OR RELY UPON THIS NOTE.

7. Severability. If for any reason one or more of the provisions
---
of this Note or their application to any person or circumstance shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provision shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

8. Successors and Assigns. This Note inures to the benefit of
---
Payee and binds Maker, and their respective successors and assigns, and the words "Payee" and "Maker" whenever occurring herein shall be deemed and

construed to include such respective successors and assigns. Notwithstanding anything to the contrary contained herein or in any other Loan Document, Maker shall not be permitted to assign this Note or any other Loan Document without the prior written consent of Payee and any such attempted assignment in violation hereof shall be null and void ab initio.

9. Notices. All notices required to be given to any of the parties hereunder shall be in writing and shall be deemed to have been sufficiently given for all purposes when presented personally to such party, with proof of delivery, sent by recognized overnight delivery service or sent by certified or registered mail, return receipt requested, postage prepaid to such party at its address set forth in the initial paragraph of this Note. Such notice shall be deemed to be given when received if delivered personally, on the next business day if sent by overnight delivery or three (3) business days after the date mailed if sent by certified or registered mail, return receipt requested. Any notice of any change in such address shall also be given in the manner set forth above. Whenever the giving of notice is required, the giving of such notice may be waived in writing by the party entitled to receive such notice.

10. Captions. The captions or headings of the paragraphs in this Note are for convenience only and shall not control or affect the meaning or construction of any of the terms or provisions of this Note.

11. Governing Law. This Note shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, Maker has executed this Promissory Note in the date and year first above written.

SECOND STAGE VENTURES, INC.

Attest:

By: _____
President

PATENT SECURITY ASSIGNMENT

This PATENT SECURITY ASSIGNMENT ("Agreement") is made and entered into as of the 28th day of July, 2004 between ENCAPSULATION SYSTEMS, INC. a Pennsylvania corporation with an address at Building 109, Mills of Victoria, 1489 Baltimore Pike, Springfield, PA 19064 (collectively, "Assignee") and SECOND STAGE VENTURES, INC., a Nevada corporation, with an address c/o Gary Henrie, Esquire, 10616 Eagle Nest Street, Las Vegas, NV 89141 ("Assignor").

BACKGROUND

A. Assignee, its subsidiary, Echo RX, Inc. ("Echo"), and Assignor are parties to a certain Asset Purchase Agreement dated this date (the "Sale Agreement"), pursuant to which Assignee and Echo have agreed to sell certain "Patents" (hereinafter defined) to Assignor for, among other things, (1) the sum of $2,000,000.00 payable in cash in eight quarterly installments in the years 2005 and 2006; and (2) a Trailer Fee (as defined in the Sale Agreement) (the "Obligations"). Payment of the Obligations set forth in subpart (1) of the preceding sentence is memorialized in a certain Promissory Note dated this date (the "Note").

B. In order to induce Assignee to enter into the Note, Assignor has agreed to assign to Assignee a security interest in certain patent rights, as herein provided.

C. Any term used but not defined herein shall have the meaning given to such term in the Sale Agreement.

NOW THEREFORE, incorporating the Background section herein, and in consideration of the premises, and of the mutual covenants of the parties hereto, and intending to be legally bound hereby, it is hereby agreed as follows:

1. Assignment of Patents. To secure the complete and timely payment and satisfaction of all Obligations, Assignor hereby grants, assigns and conveys to the Assignee a security interest in and to the patent applications and patents of the Assignor, which are listed in Schedule A hereto (collectively called the "Patents"), including without limitation, all rights owned by Assignor corresponding thereto throughout the world and all reissues, divisions, continuations, renewals, extensions and continuations-in-part and all proceeds thereof.

2. Warranties and Representations. The Assignor covenants and warrants that the Assignor has the unqualified right to enter into this Agreement and perform its terms.

3. Right to Benefits. If, before the Obligations shall have been satisfied in full, the Assignor shall obtain rights to any patentable inventions, or become entitled to the benefit of any patent application or patent for any reissue, division, continuation, renewal, extension, or continuation-in-part of any Patent or any improvement on any Patent, the provisions of paragraph 1 shall automatically apply thereto and the Assignor shall give to the Assignee prompt written notice thereof.

4. Future Patents. The Assignor authorizes the Assignee to modify this Agreement by amending Schedule A to include any future patents and patent applications which are Patents under paragraph 1 or paragraph 3 hereof.

5. Events of Default. The term "Event of Default", as used herein, shall mean: (a) failure to pay any Trailer Fee within thirty (30) days after the date on which Assignor receives written notice from Assignee of Assignor's failure to do so; (b) any Event of Default under the Note; and (c) any violation by the Assignor of any representation, warranty or covenant contained in this Agreement and any modification or amendment hereof which is not waived or cured and remedied within thirty (30) calendar days after receipt by Assignor of written notice thereof.

6. Assignor's Right to Use Patents. Unless and until an Event of Default shall occur and be continuing, the Assignor shall retain the legal and equitable title to the Patents and shall have the right to use the Patents in the ordinary course of its business but shall not be permitted to sell, assign, transfer or otherwise encumber the Patents or any part thereof; provided, however, that nothing herein contained shall prohibit the Assignor from failing to renew or otherwise abandoning any item included within the Patents if, in the Assignor's good judgment, the retention of such item is not material to the proper conduct of its business, provided, however, that Assignor shall give the Assignee thirty (30) days' prior written notice of any abandonment or failure to renew of any item included within the Patents, and Assignor shall have the unfettered right to take any and all steps necessary to become the owner of such abandoned or unrenewed Patent.

7. Assignee's Rights As Secured Party. If any Event of Default shall have occurred and be continuing, the Assignee shall have, in addition to all other rights and remedies given it by this Agreement and the Note, those allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which the Patents may be located and, without demand of performance and without other notice (except as set forth next below) or demand whatsoever to the Assignor, all of which are

hereby expressly waived, and without advertisement, sell at public or private sale or otherwise realize upon, in Delaware County, Pennsylvania or elsewhere, the whole or from time to time any part of the Patents, or any interest which the Assignor may have therein, and after deducting from the proceeds of sale or other disposition of the Patents all expenses (including all reasonable expenses for brokers' fees and legal services), shall apply the residue of such proceeds toward the payment of the Obligations. Notice of any sale or other disposition of the Patents shall be given to the Assignor at least five (5) calendar days before the time of any intended public or private sale or other disposition of the Patents is to be made, which the Assignor hereby agrees shall be reasonable notice of such sale or other disposition. At any such sale or other disposition, the Assignee may, to the extent permissible under applicable law, purchase the whole or any part of the Patents sold, free from any right of redemption on the part of Assignor, which right is hereby waived and released.

8. Power of Attorney. If any Event of Default shall have occurred and be continuing, the Assignor hereby authorizes and empowers the Assignee to make, constitute and

appoint any officer or agent of the Assignee as the Assignee may select in its exclusive discretion, as the Assignor's true and lawful attorney-in-fact, with the power to endorse the Assignor's name on all applications, documents, papers and instruments necessary for the Assignee to use and sell the invention disclosed and claimed in the Patents, or to grant or issue any exclusive or non-exclusive license under the Patents to any third person, or necessary for the Assignee to assign, pledge, convey or otherwise transfer title in or dispose of the Patents to any third person. The Assignor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable for the life of this Agreement.

9. Termination. At such time as the Assignor shall completely satisfy all of the Obligations and all other liabilities of the Assignor to the Assignee, the Assignee shall execute and deliver to the Assignor all deeds, assignments and other instruments as may be necessary or proper to re-vest in the Assignor the full unencumbered title to the Patents, subject to any disposition thereof which may have been made by the Assignee pursuant hereto.

10. Fees and Expenses of Assignee. If an Event of Default shall have occurred and be continuing, any and all fees, costs and expenses, of whatever kind or nature, including reasonable attorney's fees and legal expenses, incurred by the Assignee in connection with the payment or discharge of any taxes, counsel fees, maintenance fees, encumbrances or otherwise protecting, maintaining, preserving the Patents, or in defending or prosecuting any actions or proceedings arising out of or related to the Patents, shall be borne and paid by the Assignor on demand by the Assignee, and until so paid shall be added to

the principal amount of the Obligations and shall bear interest at the highest rate prescribed in the Note.

11. Protection of Patents.

(a) The Assignor shall take all actions reasonably necessary to protect and defend the Patents and shall institute such proceedings to enforce the Patents and any licenses thereunder as it, in its reasonable business judgment, deems appropriate. The Assignee shall, upon the reasonable request of the Assignor, do any and all lawful acts and execute any and all proper documents in aid of such protection, defense and enforcement, and the Assignor shall promptly, upon demand, reimburse and indemnify the Assignee for all costs and expenses incurred by the Assignee in connection therewith.

(b) If an Event of Default shall have occurred and be continuing, the Assignee shall have the right but shall in no way be obligated to bring suit in its own name to enforce the Patents and any license thereunder, in which event the Assignor shall at the request of the Assignee do any and all lawful acts and execute any and all proper documents required by the Assignee in aid of such enforcement, and the Assignor shall promptly, upon demand, reimburse and indemnify the Assignee for all costs and expenses incurred by the Assignee in the exercise of its rights under this paragraph 11.

12. No Waiver. No course of dealing between the Assignor and the Assignee nor any failure to exercise, nor any delay in exercising, on the part of the Assignee, any right, power or privilege hereunder or under the Note shall operate as a waiver thereof; nor shall any single or

partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise or the exercise of any other right, power or privilege.

13. Cumulative Rights. All of the Assignee's rights and remedies with respect to the Patents, whether established hereby or by the Note, or by any other agreements or by law shall be cumulative and may be exercised singularly or concurrently.

14. Severability. The provisions of this Agreement are severable, and if any clause or provision shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Agreement in any jurisdiction.

15. Amendment. This Agreement is subject to modification only by a writing signed by the parties, except as provided in paragraph 4.

16. Successors and Assigns. The benefits and burdens of this Agreement shall inure to the benefit of and be binding upon the respective successors and permitted assigns of the parties; provided, however that Assignor shall not assign this Agreement without the prior written consent of Assignee and any such attempted assignment without Assignee's prior written consent shall be null and void ab initio.

17. Governing Law. The validity and interpretation of this Agreement and the rights and obligations of the parties shall be governed by the laws of the Commonwealth of Pennsylvania.

18. Judicial Proceedings. Each party to this Agreement agrees that any suit, action, or proceeding, whether claim or counterclaim, brought or instituted by any party hereto or any successor or assign of any party, on or with respect to this Agreement or the dealings of the parties with respect hereto, shall be tried only by a court and not by a jury. EACH PARTY HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. Further, the Assignor waives any right it may have to claim or recover, in any such suit, action or proceeding, any special, exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages. THE ASSIGNOR ACKNOWLEDGES AND AGREES THAT THIS PARAGRAPH IS A SPECIFIC AND MATERIAL ASPECT OF THIS AGREEMENT AND THAT THE ASSIGNEE WOULD NOT EXTEND CREDIT TO THE ASSIGNOR IF THE WAIVERS SET FORTH IN THIS PARAGRAPH WERE NOT A PART OF THIS AGREEMENT.

19. Indemnification. Assignee shall defend, indemnify and hold harmless Assignor, its affiliated companies and their respective officers, directors, shareholders, employees, licensees, agents, successors and assigns from and against any and all loss, damage, liabilities and expenses whatsoever, including, without limitation, claims, lawsuits, arbitration demands,

judgments, awards, settlements, investigations, court costs and other costs and attorneys' fees and disbursements (collectively, "Claims") which any of them may incur or become obligated to pay arising out of or resulting from (a) the noncompliance of any Patent with any applicable law, regulation or order relating to the advertisement and sale of the Patent or the product of any such Patent (a "Product"); (b) any Product design element which is introduced by or for Assignee by any third party; or (c) any defect in any Product to the extent such defect is attributable to defects created by or from Assignee's manufacturing of such Product.

Assignee shall have no duty to defend, indemnify or hold harmless with respect to any Claims which arise out of or result from any fraud, knowing misrepresentation or deception by or on behalf of Assignor with respect to its rights in the Products.

Promptly after learning of the occurrence of any event which may give rise to its rights under the provisions of this Section, Assignor shall give written notice of such matter to Assignee. Assignor shall cooperate with Assignee in the negotiation, compromise, and defense of any such matter. Assignee shall be in charge of and control such negotiations, compromise and defense and shall have the right to elect counsel with respect thereto, provided that the Assignee shall promptly notify Assignor of all developments in the matter. In no event shall the Assignor compromise or settle any such matter without the prior consent of the Assignee, which shall not be bound by any such compromise.

20. Insurance. For so long as Assignee continues to sell the Product, Assignee shall maintain product liability insurance in amounts and of a type customarily maintained by manufacturers or sellers similarly situated. Assignor and the original inventor, Bruce Redding, shall be named as an additional insured on all such liability insurance policies maintained. Such policy shall be endorsed so as to provide notice to Assignor and Bruce Redding of its cancellation, termination, or non-renewal. All such insurance shall be placed with one or more carriers reasonably acceptable to Assignor. Upon request, Assignee shall deliver to Assignor a certificate of such insurance.

WITNESS the execution hereof under seal as of the day and year first above written.

ATTEST:

SECOND STAGE VENTURES, INC.

By: ----------

Name: ----------

Title: ----------

ATTEST:

ENCAPSULATION SYSTEMS, INC.

By: ----------

Name: ----------

Title:

SCHEDULE A

Application or Patent No.(1)	Country	Issue or Filing Date	Expiration Date	Title

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1 Attached hereto a copy of the Letters Patent as issued by the U.S. or foreign Patent Office.

CERTIFICATE OF ACKNOWLEDGMENT

TURKS AND CAICOS ISLANDS :
: SS.
BRITISH WEST INDIES :

Before me, the undersigned, a Notary Public in and for the Turks and Caicos Islands, B.W.I., on this 28th day of July, 2004, personally appeared Zennie Morris who is known to me personally, and who, being by me duly sworn, deposes and says that she is the President and a Director of Second Stage Ventures Inc., a Nevada corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and that she acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

CERTIFICATE OF ACKNOWLEDGMENT

COMMONWEALTH OF PENNSYLVANIA :
: SS
COUNTY OF :

Before me, the undersigned, a Notary Public in and for the county aforesaid, on this ____ day of _____, _____, personally appeared _____ to me known personally, and who, being by me duly sworn, deposes and says that (s)he is the _____ of _____, a _____ corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and that (a)he acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission Expires:

EMPLOYMENT AGREEMENT

AGREEMENT made as of July 29, 2004, by and between
SECOND STAGE VENTURES, INC., a Nevada corporation, (the "Company")
and
BRUCE K. REDDING, JR. (the "Executive").

W I T N E S S E T H:

WHEREAS, the Company desires that Executive be employed to serve in a senior executive capacity with the Company, and Executive desires to be so employed by the Company, upon the terms and conditions herein set forth.

NOW, THEREFORE, in consideration of the premises and of the mutual promises, representations and covenants herein contained, the parties hereto agree as follows:

1. EMPLOYMENT.

The Company hereby employs Executive and Executive hereby accepts such employment, subject to the terms and conditions herein set forth. Executive shall hold the office of Executive Vice President of Licensing and Corporate Strategy.

The Executive shall report directly to the Chief Executive Officer of the Company and will be working under his direction within the following guidelines: the Executive shall receive bi-annual performance evaluations as reported to the Board of Directors of the Company; the Executive shall take direction for the performance of his duties and the requirements therein as outlined at the commencement of his employ with the Company, to be modified periodically as required; the Executive shall not be empowered to enter into any binding agreements on the behalf of the Company.

2. TERM.

The initial term of employment under this Agreement shall begin on the date hereof (the "Employment Date") and shall continue for a period of three (3) years from that date, subject to prior termination in accordance with the terms hereof. Thereafter, this Agreement shall automatically be renewed for successive one (1) year terms unless either party shall give the other ninety (90) days prior written notice of its intent not to renew this Agreement.

3. COMPENSATION.

(a) As compensation for the employment services to be rendered by Executive hereunder, the Company agrees to pay, or cause to be paid, to Executive, and Executive agrees to accept, payable in equal installments in accordance with Company practice, an initial annual salary of US$125,000. Executive's annual salary hereunder for the remaining years of employment shall follow the schedule as outlined in the attached Exhibit to this Agreement.

(b) The Company warrants and guarantees that the annual salary of the Executive as listed above and further detailed in Exhibit A shall never, during the term of this Agreement, be more than $100,000.00 less than that of any other employee of Dermisonics.

4. EXPENSES.

The Company shall pay or reimburse Executive, upon presentment of suitable vouchers, for all reasonable business and travel expenses that may be incurred or paid by Executive in connection with his employment hereunder. Executive shall comply with such restrictions and shall keep such records, as the Company may deem necessary to meet the requirements of the Internal Revenue Code of 1986, as amended from time to time, and regulations promulgated thereunder. The Company will only accept, and be liable for expenses incurred by Executive after the date on which this Agreement becomes effective. Qualifying expenses shall be paid out to the Executive within thirty (30) days of signature approval.

5. OTHER BENEFITS.

(a) Executive shall be entitled to a vacation allowance of not less than four (4) weeks per annum in addition to company holidays as outlined in the Dermisonics Employee Handbook; and to participate in and receive any other benefits customarily provided by the Company to its senior management personnel (including any profit sharing, pension, short and long-term disability insurance, hospital, major medical insurance, dental insurance and group life insurance plans in accordance with the terms of such plans) and including bonus, stock option and/or stock purchase plans, all as determined from time to time by the Chief Executive Officer and the Board of Directors of the Company. Unused annual vacation may not be carried over to other years. See Exhibit A for other Benefits.

(b) During the term of his employ, and for a period of one (1) year thereafter, the Company warrants and guarantees that it will, within 30 (thirty) days of the date of hire of the Executive, have in place an insurance that will cover the Executive for errors and omissions in the execution of his duties.

(c) During the term of his employ, and for a period of time further defined as the effective life plus three (3) years of the patents (assets) being sold to Dermisonics by Encapsulation Systems, Inc. and its subsidiary company

known as EchoRx, Inc. (see attached Exhibit - Asset Purchase Agreement), the Company warrants and guarantees that it will indemnify the Executive against liabilities that may arise from product liability issues and patent infringement matters; defend him when necessitated by legal attack from outside persons or entities arising from those same issues; and serve to hold him harmless if rulings against him and the Company carry monetary awards or damages.

6. DUTIES.

(a) Executive shall perform such duties and functions as normal and customary for an individual holding Executive's position to perform, and Executive shall comply in the performance of such duties and functions with the policies of the Company. Without limiting the generality of the foregoing, the Executive shall be specifically responsible for:

See attached Exhibit B.

(b) Executive agrees to devote his entire working time, attention and energies to the performance of the business of the Company and of any of its subsidiaries by which he may be employed; and Executive shall not without the approval of the Chief Executive Officer first, and then the Board of Directors, directly or indirectly, alone or as a member of any partnership or other business organization, or as an officer, director or employee of any other corporation, partnership or other business organization, be actively engaged in or concerned with any other duties or pursuits of a business nature which interfere with the performance of his duties hereunder, or which, even if non-interfering, may be, in the reasonable determination of the Board of Directors of the Company in its sole discretion, inimical, or contrary, to the best interests of the Company.

The Company recognizes that the Executive, at the time of his hire and for the period of one (1) year from that date, has obligations outside of the scope of Dermisonics' basic business, and that the Executive will be required, from time to time, to attend to those duties on an 'as-needed' basis. The Company agrees, for the purpose of defining this allowable time away from Dermisonics business, that the Executive can allot up to twenty (20) working hours each month, during the term of this Agreement, for these tasks, and that these hours will simply be documented for the record, but will not detract from any of the Executive's plan for compensation as written above. These hours do not accrue from month-to-month.

(c) All fees, compensation or commissions received by Executive during the term of this Agreement for personal services (including, but not limited to, commissions and compensation received as a fiduciary or a director) rendered at the request of the Company shall be paid to the Company when received by Executive, except those fees that the Board of Directors determines may be kept by Executive.

(d) The principal location at which the Executive shall perform his duties hereunder shall be at the Company's offices in Conshohocken, Pennsylvania or at such other locations as from time to time. Notwithstanding the foregoing, Executive shall perform such services at such other locations as may be required from the proper performance of his duties hereunder, and Executive recognizes that such duties may involve significant travel.

7. TERMINATION OF EMPLOYMENT; EFFECT OF TERMINATION.

(a) Executive's employment hereunder may be terminated at any time upon written noticefrom the Company to Executive:

(i) upon the determination by the Company, after Executive has received notice that his performance is not satisfactory for any reason which would not constitute justifiable cause (as defined in 7(d)) and which notice specifies with reasonable particularity how such performance is not satisfactory, that Executive has failed to remedy performance to the reasonable satisfaction of the Company within thirty (30) days of such notice; or

(ii) upon the determination by the Company that there is justifiable cause (as defined in 7(d)) for such termination and upon ten (10) days' prior written notice of same to Executive.

(b) Executive's employment shall terminate upon:

(i) the death of Executive; or

(ii) the "disability" of Executive (as defined in 7(c)) pursuant to 7(f) hereof.

(c) For the purposes of this Agreement, the term "disability" shall mean the inability of Executive, due to illness, accident or any other physical or mental incapacity, substantially to perform his duties for a period of six (6) consecutive months or for a total of nine (9) months (whether or not consecutive) in any twelve (12) month period during the term of this Agreement, as reasonably determined by the Board of Directors of the Company in its sole discretion after examination of Executive by an independent physician reasonably acceptable to Executive.

(d) For the purposes hereof, the term "justifiable cause" shall mean and be limited to:

(i) Executive's conviction (which, through lapse of time or otherwise, is not subject to appeal) of any crime or offense involving the Company's or its subsidiaries' money or other property or which constitutes a felony in the jurisdiction involved;

(ii) Executive's performance of any act or his failure to act, for

which it is determined by independent counsel retained by the Board of Directors (which counsel shall not be an individual or firm which at any time within the prior three (3) years has represented the Company, any executive employed by the Company, the Board of Directors or any individual Director), after due inquiry in which Executive is given the opportunity to be heard and represented by counsel, that if Executive were prosecuted, a crime or offense involving money or property of the Company or its subsidiaries, or which would constitute a felony in the jurisdiction involved, would have occurred and Executive would, in all reasonable probability, be convicted; provided, however, that if such independent counsel does not make such determination, then the Company shall pay Executive's reasonable counsel fees and expenses incurred in defending Executive during such inquiry;

(iii) any disclosure which has not been authorized or subsequently ratified by the Company or which is not required to be made pursuant to any judicial proceeding or by statute or regulation, by Executive to any person, firm or corporation other than the Company, its subsidiaries and its and their directors, officers and employees, of any confidential information or trade secret of the Company or any of its subsidiaries;

(iv) any attempt by Executive to secure any improper personal profit in connection with the business of the Company or any of its subsidiaries; or

(v) Executive's repeated and willful failure to comply with his duties under 6(a) or 6(b) (other than failure to comply with instructions or policies which are illegal or improper) where such conduct shall not have ceased or been cured within thirty (30) days following receipt by Executive of written warning from the Board of Directors.

Upon termination of Executive's employment for justifiable cause, this Agreement shall terminate immediately and Executive shall not be entitled to any amounts or benefits hereunder other than such portion of Executive's annual salary as has been accrued through the date of his termination of employment and reimbursement of expenses pursuant to Section 4 hereof.

(e) If Executive shall die during the term of his employment hereunder, this Agreement shall terminate immediately. In such event, the estate of Executive shall thereupon be entitled to receive such portion of Executive's annual salary as has been accrued through the date of his death and such bonus, if any, as the Board of Directors in its sole discretion may determine to award taking into account Executive's contributions to the Company prior to his death. If Executive's death shall occur while he is on Company business, the estate of Executive shall be entitled to receive, in addition to the other amounts set forth in this subsection (e), an amount equal to one-half of his then annual salary.

(f) Upon Executive's "disability", the Company shall have the right to

terminate Executive's employment. Notwithstanding any inability to perform his duties, Executive shall be entitled to receive his compensation (including bonus, if any) as provided herein until he begins to receive long-term disability insurance benefits under the policy provided by the Company pursuant to Section 5 hereof (the period during which Executive continues to receive his compensation hereunder being the "Transition Period"). During the Transition Period, the Company shall (i) allow Executive to participate in the Company's 401k plan to the extent permitted by such plan and (ii) at Company's expense and to the same extent that Executive had participated, prior to termination of his employment, in the Company's health insurance, dental insurance, life insurance and disability insurance programs, continue Executive's participation in such programs. Any termination pursuant to this subsection (f) shall be effective on the date thirty (30) days after which Executive shall have received written notice of the Company's election to terminate.

(g) Notwithstanding any provision to the contrary contained herein, in the event that Executive's employment is terminated by the Company at any time for any reason other than justifiable cause, disability or death:

(i) each month during the Severance Period, the Company shall pay to Executive, in full satisfaction and in lieu of any and all other payments due and owing to Executive under the terms of this Agreement (other than any payments constituting reimbursement of expenses pursuant to Section 4 hereof), an amount equal to one-twelfth of the sum of his then annual salary plus the amount of the last bonus awarded to Executive (less all amounts, if any, required to be withheld), payable bi-weekly;

(A) The "Severance Period" shall commence on the date of termination and shall comprise one month for each month that Executive was employed by Company, provided however, that in no event shall such period be less than six (6) months nor more than twelve (12) months.

(ii) Executive shall have a right to exercise any options, which are exercisable as of the date of termination at any time during a period of six (6) months following the effective date of termination;

(iii) the Company shall continue to allow Executive to participate in the Company's 401k plan to the extent permitted by such plan for twelve (12) months following the effective date of termination; and

(iv) the Company shall continue to allow Executive to participate, at the Company's expense and to the same extent that Executive had participated prior to termination of his employment, in the Company's health insurance, dental insurance, life insurance and disability insurance programs, to the extent permitted under such programs, until the earlier of the

expiration of the Severance Period or until such time as Executive becomes eligible to participate in another employer's group health, dental and disability insurance plans; provided, however, that Executive shall notify the

Company of his acceptance of a position with a new employer, together with the specific date on which Executive shall become eligible for coverage in such new employer's health, dental, life and disability insurance programs, such notice to be given within fifteen (15) days following commencement of such employment.

(h) Executive may terminate his employment at any time upon thirty (30) days' prior written notice to the Company. Upon Executive's termination of his employment hereunder, this Agreement (other than Sections 4, 7, 10, 11, 12 and 13, which shall survive) shall terminate immediately. In such event, Executive shall be entitled to receive such portion of Executive's annual salary as has been accrued to date. Executive shall be entitled to reimbursement of expenses pursuant to Section 4 hereof and to participate in the Company's benefit plans to the extent participation by former employees is required by law or permitted by such plans, with the expense of such participation to be specified in such plans for former employees.

8. REPRESENTATIONS AND AGREEMENTS OF EXECUTIVE.

(a) Executive represents and warrants that he is free to enter into this Agreement and to perform the duties required hereunder, and that there are no employment contracts or understandings, restrictive covenants or other restrictions, whether written or oral, preventing the performance of his duties hereunder or requiring him to perform employment, consulting, business related or similar duties for any other person.

(b) Executive agrees to submit to a medical examination and to cooperate and supply such other information and documents as may be required by any insurance company in connection with the Company's obtaining life insurance on the life of Executive, and any other type of insurance or fringe benefit as the Company shall determine from time to time to obtain.

9. REPRESENTATIONS OF COMPANY.

The Company represents and warrants that the Board of Directors has consented to the Company entering into this Agreement with Executive on the terms set forth herein and that all written consents, resolutions and approvals required to give full force and effect to this Agreement and to the Company's obligations hereunder have been obtained.

10. NON-INTERFERENCE.

Executive agrees that for a period of one (1) year following the termination of Executive's employment hereunder, Executive shall not, directly or indirectly, request or cause collaborative partners, universities, governmental agencies, contracting parties, suppliers or customers with whom the Company or any of its subsidiaries has a business relationship to cancel or terminate any such business relationship with the Company or any of its subsidiaries or solicit, interfere with or entice from the Company any employee (or former employee) of the Company.

11. INVENTIONS AND DISCOVERIES.

(a) Insofar as is related to the principal business activities and products of the Company and any of its subsidiaries or joint ventures, Executive shall promptly and fully disclose to the Company, and with all necessary detail for a complete understanding of the same, all

developments, know-how, discoveries, inventions, improvements, concepts, ideas, writings, formulae, processes and methods of a financial or other nature (whether copyrightable, patentable or otherwise) made, received, conceived, acquired or written during working hours, or otherwise, by Executive (whether or not at the request or upon the suggestion of the Company) during the period of his employment with, or rendering of advisory or consulting services to, the Company or any of its subsidiaries, solely or jointly with others (collectively the "Subject Matter").

(b) Executive hereby assigns and transfers, and agrees to assign and transfer, to the Company, all his rights, title and interest in and to the Subject Matter, and Executive further agrees to deliver to the Company any and all drawings, notes, specifications and data relating to the Subject Matter, and to execute, acknowledge and deliver all such further papers, including applications for copyrights or patents, as may be necessary to obtain copyrights and patents for any thereof in any and all countries and to vest title thereto to the Company. Executive shall assist the Company in obtaining such copyrights or patents during the term of this Agreement, and any time thereafter on reasonable notice and at mutually convenient times, and Executive agrees to testify in any prosecution or litigation involving any of the Subject Matter; provided, however, that if these efforts are required after this Agreement has been terminated that the Executive shall be compensated in a timely manner at the rate of $250.00 per hour (with a maximum of $1500 per day), plus out-of-pocket expenses incurred in rendering such assistance or giving or preparing to give such testimony if it is required of his employment hereunder.

(c) The Company acknowledges that the Executive has certain intellectual properties outside of the basic business and technology that are the principal business activities of the Company, and therefore need to be listed and considered exempt from any obligation(s) the Executive may have as written in Sections 11 (a) and 11 (b) of this agreement.

The Executive warrants and guarantees that in the delivery of this listing (see attached Exhibit C) to the Company, that none of the specific inventions, technologies, intellectual properties, know-how and trade secrets relate in any way to the Company's principal business activities, known as the transdermal delivery (patch) of pharmaceutical compounds using ultrasonic technologies in its processes. If any of the listed items in Exhibit C are found in the future to be useful or beneficial to the Company's pursuit of its principal business, the Executive agrees herein that those specific inventions, technologies, intellectual properties, know-how and trade secrets will be made available to the Company free of any costs, fees, royalties, commissions or charges.

The Company acknowledges the existence of certain relationships now in effect by and between the Executive and companies and/or individuals as outlined in Exhibit C; that there may be revenues generated from those relationships that flow to the Executive; that those relationships may generate future revenues that flow to the Executive from business activities outside of the scope of this Agreement relating to certain inventions, technologies, intellectual properties, know-how and trade secrets as listed herein in Exhibit C; and that the Company will not interfere, nor object to these pursuits as outlined.

12. NON-DISCLOSURE OF CONFIDENTIAL INFORMATION.

(a) Executive shall not, during the term of this Agreement, or at any time following termination of this Agreement, directly or indirectly, disclose or make accessible (other than as is required in the regular course of his duties, including, without limitation, disclosures to the Company's advisors and consultants), or as may be required by law or regulation or pursuant to a judicial proceeding (in which case Executive shall give the Company prior written notice of such required disclosure) or with the prior written consent of the Board of Directors of the Company),

to any person, firm or corporation, any confidential information acquired by him during the course of, or as an incident to, his employment or the rendering of his advisory or consulting services hereunder, relating to the Company or any of its subsidiaries, or any corporation, partnership or other entity owned or controlled, directly or indirectly, by any of the foregoing, or in which any of the foregoing has a beneficial interest, including, but not limited to, the business affairs of each of the foregoing. Such confidential information shall include, but shall not be limited to, proprietary technology, trade secrets, patented processes, research and development data, know-how, market studies and forecasts, competitive analyses, pricing policies, employee lists, personnel policies, the substance of agreements with customers and others, marketing or dealership arrangements, servicing and training programs and arrangements, customer lists and any other documents embodying such confidential information. This confidentiality obligation shall not apply to any confidential information which thereafter becomes publicly available other than pursuant to a breach of this Section 12(a) by Executive.

(b) All information and documents relating to the Company and its affiliates as hereinabove described shall be the exclusive property of the Company, and Executive shall use commercially reasonable best efforts to prevent any publication or disclosure thereof. Upon termination of Executive's employment with the Company, all such documents, records, reports, writings and other similar documents containing confidential information, including copies thereof, then in Executive's possession or control shall be returned and left with the Company.

13. SPECIFIC PERFORMANCE.

Executive agrees that if he breaches, or threatens to commit a breach of, any of the provisions of Sections 10, 11 or 12 (the "Restrictive Covenants"), the Company shall have, in addition to, and not in lieu of, any other rights and remedies available to the Company under law and in equity, the right to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. Notwithstanding the foregoing, nothing herein shall constitute a waiver by Executive of his right to contest whether a breach or threatened breach of any Restrictive Covenant has occurred.

14. AMENDMENT OR ALTERATION.

No amendment or alteration of the terms of this Agreement shall be valid unless made in writing and signed by both of the parties hereto.

15. GOVERNING LAW.

This Agreement shall be governed by the laws of the Commonwealth of Pennsylvania applicable to agreements made and to be performed entirely therein.

16. SEVERABILITY.

The holding of any provision of this Agreement to be invalid or unenforceable by a court of competent jurisdiction shall not affect any other provision of this Agreement, which shall remain in full force and effect.

17. NOTICES.

Any notices required or permitted to be given hereunder shall be sufficient if in writing, and if delivered by hand, or sent by certified mail, return receipt requested, to the addresses set forth below or such other address as either party may from time to time designate in writing to the other, and shall be deemed given as of the date of the delivery or date of receipt.

Bruce K. Redding, Jr. (The Executive)
One Kathryn Lane
Broomall, PA. 19008

Second Stage Ventures, Inc. (The Company)
c/o Gary Henrie, Esq.
10616 Eagle Nest Street
Las Vegas, NV 89141

Address effective September 1, 2004 (The Company)
Second Stage Ventures, Inc. (anticipated name change: Dermisonics, Inc.)
Lee Park at Spring Mill Corporate Center
1001 E. Hector Street

Conshohocken, PA 19428

Please note: If notice of the anticipated address and name change of the Company is not delivered to the Executive on or before September 1, 2004, the address for service and notice for the Company will remain the Las Vegas address listed.

18. WAIVER OR BREACH.

It is agreed that a waiver by either party of a breach of any provision of this Agreement shall not operate, or be construed, as a waiver of any subsequent breach by that same party.

19. ENTIRE AGREEMENT AND BINDING EFFECT.

This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, heirs, distributors, successors and assigns. Notwithstanding the foregoing, any prior agreements between Executive and the Company relating to the confidentiality of information, trade secrets, patents, indemnification, and stock options shall not be affected by this Agreement.

20. SURVIVAL.

The termination of Executive's employment hereunder or the expiration of this Agreement shall not affect the enforceability of Sections 4, 7, 9, 10, 11, 12 and 13 hereof.

21. FURTHER ASSURANCES.

The parties agree to execute and deliver all such further documents, agreements and instruments and take such other and further action as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

22. HEADINGS.

The Section headings appearing in this Agreement are for the purposes of easy reference and shall not be considered a part of this Agreement or in any way modify, demand or affect its provisions.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

(Executive) Second Stage Ventures, Inc.

_____	_____
Bruce K. Redding, Jr.	Name: _____
	Title: _____
_____	_____
Dated	Date

EXHIBIT A

BRUCE K. REDDING, JR.
(The Executive)

EMPLOYMENT COMPENSATION PLAN

1/ The Company shall pay the Executive annualized salaries as per the following schedule:

-	Year 1 (pro rated for Aug 01 hire date)	$125,000.00
-	Year 2	$150,000.00
-	Year 3	$175,000.00
-	Option Year 4	$200,000.00
-	Option Year 5	$225,000.00

2/ The Executive will be covered during the term of his employment by the Company for errors and omissions in the performance of his duties as per the policy in effect at any and all times.

3/ The Company will provide, at no additional cost to the Executive, insurance on the life of the Executive in the amount (face value) of $1,000,000.00, the beneficiaries of the policy to be named at the sole discretion of the Executive. In the event of termination of this Agreement, said life insurance policy shall be made available to the Executive for assumption at his option and cost for a period of 60 days time.

4/ The Company will pay a signing bonus of $80,000.00 to be paid in equal monthly installments of $10,000 (ten thousand dollars) each until paid in full to the Executive, such payments beginning September 1, 2004. Further the

Company agrees to immediately assume from the Executive, and cause to be paid off in a timely manner, a certain loan known as the ABC loan.
See attached Exhibit D.

5/ The Company will provide the Executive an automobile leased for his exclusive use, both in the execution of his duties as listed above and for his personal use.

EXHIBIT B

ROLES AND RESPONSIBILITIES OF THE EXECUTIVE

#1 INTELLECTUAL PROPERTY

The Executive would be responsible for immediately beginning the process of detailing and documenting all patent, trademark and copyright assets of the company, facilitating the delivery of same to the Company in their original format(s). Copies of all would be retained by ESI for their records.

The Executive will have staff assigned and budgeted to assist him with this task.

Then, once organized, The Executive would be expected to develop the long and short term operational plans for:

a/ Refining existing applications to ensure that they are robust and effectual;
b/ Looking out to key and critical filings and planning the activities around same for all existing applications;
c/ Creating an IP protocol for the company that would ensure that any new inventions are documented and accredited in real time for the purpose of disclosure and protection from patent applications where applicable;
d/ Establishing an IP review process for the company that would have constant market diligence showing competitive technologies as they present themselves and evaluating their possible impact on ours;
e/ Building a team to assist the Executive in this pursuit. From the beginning, staff for admin and program manager, then add IP administrator.

#2 LICENSING AND CORPORATE STRATEGY

The Executive will chair the Licensing Committee (overseen by the Board of Directors and seeking board approval) that will, in its first iteration, be responsible for:

a/ Identifying local counsel (it could be ReedSmith if they're good at this) to work with you as you identify licensing methodologies to take us forward;

b/ Mapping a corporate licensing strategy (the Hub/Spoke - Wheel concept) and presenting it to the committee;
c/ Identifying licensing opportunities and cultivating them;
d/ Working with the business development people to incorporate licensing as a key component of that group's endeavors to land revenue generating contracts/partnerships moving forward;
e/ Negotiating licenses for the company.

#3 TECHNOLOGY TRANSFER AND OVERSIGHT

The Executive will first and foremost, head the effort to transfer the technology knowledge base that is the U-Strip and its components to the Company for its further development and research. Dermisonics' board of directors will immediately begin the process of hiring in a Chief Science Officer and it will be that person who will be responsible for working closely with you in the first months to be certain these materials successfully transfer to the Company.

EXHIBIT C

PATENTS OR PENDING PATENTS HELD BY BRUCE K. REDDING, JR.

(NOT INCLUDING THE U-STRIP RELATED TECHNOLOGIES)

BRUCE REDDING ISSUED PATENTS IN MICROENCAPSULATION

AS OF APRIL 28, 2004

1. US Patent No. 4, 978,483: "Apparatus And Method For Making Microcapsules"/ Bruce Redding, December 18, 1990

- Describes method for using high-pressure pulses to form microcapsules

2. US Patent No. 5,271,881 "Apparatus And Method For Making Microcapsules"/ Bruce Redding, December 21, 1993

- Describes method for using high-pressure pulses to form microcapsules
- Covers ultrasonic encapsulation process
- M-Cap Machinery Design

3. US Patent No. 5,209,879 "Method For Inducing Transformations In Waxes"/ Bruce Redding, May 11, 1993

- Describes method for using high-pressure pulses to adjust the crystal

Polymorphic structure of wax materials

4. US Patent No. 5,460,756 "Method For Entrapment Of Liquids In Transformed Waxes" / Bruce Redding, Oct. 24, 1995

- Describes method for using high pressure pulses to adjust the crystal Polymorphic structure of wax materials while entrapping volatile liquids, such as flavors and fragrances

5. US Patent No. 5,455,342, " Method And Apparatus For The Modification Of Starch And Other Polymers"/ Bruce Redding, October 3, 1995

- Describes a method to apply high-pressure pulses to alter the physical properties of starch and other polymers. Starch is made more compressible as a result.

6. US Patent No. 6,110,501, "Seeded Microcapsules For Use In Tablets, Pharmaceutical Agents And Nutritional Compounds", Bruce K. Redding, Jr., August 29, 2000

- Describes a method of seeding the shell of microcapsules to apply strength to the capsule construction.
- Enables microcapsules to survive tableting.

7. US Patent No. 6,149,953, "Seeded Microcapsules", Bruce K. Redding, Jr., November 21, 2000.

- Describes a method of seeding the shell of microcapsules to apply strength, weight and offer a two-stage release to the capsule construction.
- Enables microcapsules to be used in leavening and baking applications

8. US Patent No: 6,716,453, "Method For Increasing The Active Loading Of Compressible Composition Forms" Bruce K. Redding, Jr., Jerome Harden and Duane Glover, April 6, 2004

- Teaches the discovery that pressure treated starch from US Patent No. 5,455,342, " Method And Apparatus For The Modification Of Starch And Other Polymers, could be used to reduce the ratio of excipient in pharmaceutical tablets, thereby reducing the size of the tablet.

PENDING PATENTS
AT
NOTICE OF ALLOWANCE STAGE

9. US Patent Serial No: 09/921,980, " Ready To Use Food Product" Bruce K. Redding, Jr., Filed August 3, 2001:

- Teaches a means of providing a ready to pour batter with long shelf life while using an isolator oil product along with microencapsulated leavening agents.

PROVISIONAL PATENTS

10. "Apparatus And Method For Making Microcapsules using Cavitation Forces"/ Bruce Redding

- Describes a method to apply cavitation forces to make microcapsules
- High-speed treatment process jumps production capacity from 1 gal/hr. to 35 gals/hr.

11. Method For Inducing Transformations In Waxes and Meltable Polymers using Cavitation Forces"/ Bruce Redding,

- Describes a method to apply cavitation forces to alter the physical properties of wax materials and meltable polymers.
- High-speed treatment process jumps production capacity from 1 gal/hr. to 35 gals/hr.

12. " Method And Apparatus For The Modification Of Starch And Other Polymers using Cavitation Forces"/ Bruce Redding,

- Describes a method to apply cavitation forces to alter the physical properties of starch and other polymers. Starch is made more compressible as a result.
- High-speed treatment process jumps production capacity from 1 gal/hr. to 35 gals/hr.

13. "Seeded Microcapsules For Use In Tablets, Pharmaceutical Agents And Nutritional Compounds Employing A Particle Embedding Process/ Bruce Redding,

- Describes a method of seeding the shell of microcapsules to apply strength

to the capsule construction.
- Enables microcapsules to survive tableting.
- Particle embedding process provides greater control over the seeding process

14. "Method For Increasing The Active Loading Of Compressible Composition Forms through the use of Cavitation treated pharmaceutical excipients/ Bruce Redding

- Teaches the discovery that pressure treated starch made according to the new cavitation treatment process could be used to reduce the ratio of excipient in pharmaceutical tablets, thereby reducing the size of the tablet.
- Enables far more materials to be processable than just starch in an effort to improve tableting dynamics.

15. Encapsulated Insulin/ Bruce Redding,

- Microencapsulated insulin for use in solid dosage forms.
- Primary applications are for Type-2 human diabetics and for animal diabetes

16. Cellulose Sphere Encapsulation Process/ Bruce Redding,

- Teaches a new encapsulation process involving manufacture of cellulose spheres using spray-chilling technique. Cellulose spheres used to manufacture base absorbent sphere for encapsulated insulin and other drugs for oral use.

17. Method For The Encapsulation Of Pharmaceutical Actives Employing Acrylic Polymers /Ram B. Roy and Bruce Redding

- Teaches a method for encapsulating pharmaceutical actives (Ibuprofen in particular) with acrylic polymers (Eudragit in particular) through the use of a coacervation method involving an acid to non-acid encapsulation process.

EXISTING LICENSEE'S
OF
BRUCE K. REDDING, JR. TECHNOLOGIES

JULY 16, 2004

1. E.I.DuPont De Nemours and Company Inc.

2. ConAgra

3. M-Cap Technologies International and DCV Inc.

4. Delta Food Group, Inc

5. Verion, Inc. (A division of Delta Food Group)

6. Church and Dwight Inc. (Sub-Licensee to M-Cap Technologies)

7. Ottens Flavors Inc. (Sub-Licensee to Delta Food Group)

8. lan Pharmaceuticals (Sub-Licensee of Verion)

9. General Nutrition Centers (Sub-Licensee to Delta Food Group)

EXISTING CUSTOMERS OF ENCAPSULATION SYSTEMS WITH POTENTIAL LICENSE TRANSACTIONS FROM BRUCE K. REDDING JR.

1. General Mills and the Pillsbury subsidiary of General Mills
2. Aurora Foods
3. Pharmaceutical Links
4. E.I. DuPont De Nemoours and Company Inc. (Drug Delivery)
5. Church and Dwight Inc.
6. Primera Foods