Background and Objective. The McLean Group has been appointed exclusive financial advisor to Hypnos to render advisory services in connection with the licensing of the Company’s patent-pending technology, an outright sale of the Company or an investment/joint venture.

Five Key Points to Know about This Offering:
1. In 2009, the US healthcare industry is facing an *entirely new world where prevention is imperative*. The Centers for Medicare & Medicaid Services reported that in FY07, 257,412 preventable pressure ulcer diagnoses cost $11.1 billion to treat. Medicare mandates/Federal regulations now include *highly punitive sanctions* for healthcare providers that fail to prevent pressure ulcers in their patients.

2. Federal sanctions have brought unprecedented focus among healthcare providers to prevent pressure ulcer prevention, a $1.5 billion to $3.5 billion market that will grow significantly as baby boomers reach age 65 (starting 2011) and beyond. Of some 3 million to 7 million Americans at risk of pressure ulcers today, 1 million to 2.5 million contract pressure ulcers annually (a 31% overall incidence).

3. All of Hypnos’ pressure relieving, medical support surfaces products have *won Medicare certification for their ability to prevent pressure ulcers in at-risk individuals*. All products are manufactured using patent-pending, state-of-the-art, and energy-efficient “green” technologies making them significantly less expensive to produce than competitors’ products.

4. All Hypnos products use patented, hybrid soy-based foams resulting in more supportive, resilient and comfortable mattresses and cushions that *outperform* conventionally-produced, viscoelastic petroleum-based foam products produced by competitors.

5. All Hypnos products match or outperform competitive products costing up to 80% more in both comfort and pressure ulcer prevention. To date, the Company has priced and profitably sold all of its products at 80% of their respective Medicare Allowable prices, making them available to at-risk individuals, with a doctor’s prescription, with no co-pay.

Overview. Hypnos is a small business, minority woman-owned California corporation that contract manufactures patent-pending, therapeutic pressure-relieving mattresses and cushions for the health care industry. (Given its comfort and resiliency, the technology also is applicable to consumer bedding and cushion markets.) Hypnos is seeking to achieve rapid product expansion through strategic partnership, investment or purchase by the right investor/acquirer. Alternatively, the Company’s owners are willing to consider entering into a licensing agreement enabling a licensee to distribute products incorporating its patent-pending technologies to the health care and/or broader domestic/consumer markets.

Markets. Federal government mandates enhanced the pressure-relieving support surfaces (PRSS) market by requiring Medicare caregivers to provide PRSS products to patients “at-risk” for pressure ulcers. At-risk patients have sustained – or may sustain – pressure ulcers due to diabetes, heart disease, cancer, end-of-life hospice care and other infirmities. Effective 10/1/08, preventable secondary diagnoses of pressure ulcers in hospitalized patients – costing up to $50,000 on average to treat – will not be reimbursed by Medicare. Federal regulations also have impacted nursing homes/long-term care facilities dramatically. Based on scope & severity, incidences of preventable pressure ulcers may result in civil penalties of $100,000 (to $100,000 monthly), “bed holds” barring new nursing home admissions, and “holds” on Medicare/Medicaid reimbursements for 30 to 90 days or more, thus creating powerful incentives for health care providers to provide highly efficient PRSS products as preventive measures.

Strategy. Hypnos’ founders saw in Federal government regulations a paradigm shift in the Bedsore & Wound Management Devices Market and decided to create a complete line of Medicare-approved pressure-relieving support products. Hypnos’ medical products enjoy significant performance advantages vs. competitors’ products on the market today. Hypnos will leverage its primary vendor relationships, benefiting from significant competitive advantages such as price point and product superiority. The Company’s products include triple-layered construction of density-specific foams that enable them to outperform competitors’ single- or double-layered product offerings. All of Hypnos’ foam mattresses and cushions can be contract manufactured and profitably sold at 80% of Medicare Allowable rates, making them available to “at-risk” patients with a doctor’s prescription and no co-pay.

Financials. Given solid strategic execution, Hypnos expects to achieve a 5% market share as of year-end 2010 and a 1.0% market share as of year-end 2011. The Company projects 15% annual growth in the segment, achieving FY2010E and FY 2011E revenue of $8.5 million and $21 million, respectively. Hypnos expects revenue breakdown to be as follows: 80% from its primary products, 15% from tailbone and future seat RV’s and 15% from other cushions with Hypnos technology.