Hi Jim:

I've looked at the paperwork. I could be wrong, but it seems to me that in important places regarding IP it feels vague with regard to what Leader really gets... although it is really clear what Leader has to give!

Here are my thoughts for the "ideal" arrangement.

BENEFITS TO LEADER: The Smart Camera brings a significant value to Leader. Streaming video media will have a myriad of uses within an enterprise that deploys Leader2Leader(tm). Leader Smart Camera (tm) can be deployed in varied applications such as national defense, intelligence, security, warehousing and distribution, construction, site monitoring, transportation, video conferencing, virtual classroom, etc.

LEADER'S INTEREST: Leader's interest is in owning the IP rights to this technology. Since streaming media is such a complex integration of technologies, the ideal offering is one in which Leader controls the manufacturing of the Smart Camera, in much the same way that Microsoft controls the technology built into Microsoft Mouse in a way that totally integrates with Windows features.

THE IDEAL LEADER-LLNL DEAL:

The business question for me is one of resource allocation and timing. The more in-built dollars associated with this project, the more of my R&D time I can devote specifically to it in the short term. My ideal circumstance would be to devote full time resources to integrating the Smart Camera into Leader2Leader(tm) now... while we are nailing down all the primary database architecture. Next to telephony integration, video integration is the next great challenge. It would be worth it for Leader to delay launch of Leader2Leader(tm) to inegrate Smart Camera and streaming media capabilities.

SCENARIO #1 -- We get adequate dollars devoted to this development and deployment. I think we're talking 6 months of Leader effort to fully shake out all the Smart Camera technology and issues. At our $250K burn rate, that's $1.5M (let's round to $2.5M) to get all our technology ducks in a row for a fully scalable, rapid deployment smart camera system. (Of course, this doesn't count the patent and trademark legal cost involved which need to be added on top of this number.) This also doesn't count the money to market it. However, we have a Leader investor-advisor, Lew Churlin, who is totally involved in this market. Preliminary discussions with Lew indicate that we will be able to assign the license to him to manufacture and distribute the technology and that he will eerily run with it. My conversation with him just today is that their is a huge market for this kind of video technology.

SCENARIO #2 -- We build the small-dollars prototype. In this "low and slow" scenario LLNL throws small dollars at it, Leader throws small dollars at it, and we simply push it along. At some point somebody needs to take the reins. This scenario is sort of a small-dollars, relationship-starter scenario to "see what happens." If that works for a relationship-building perspective, that's fine, but at some point dollars have to be spent by somebody.

LEADER'S INVESTMENT IN THE PROJECT: Not counting in-kind hours on both sides, I think the question on LLNL spending $97,216 of Leader's money is, What does that get Leader? Without definitive IP rights to the Smart Camera, it probably doesn't make sense to spend any out-of-pocket dollars on this CRADA for LLNL to spend since Leader's best shot is simply to license some software to the government and/or to a third party that gets these IP rights.

Here's what I think could work well:
1. LEADER OUT-OF-POCKET -- Leader pays the $97,216 to LLNL to build appropriate modules for integration with Leader platform.

2. IP RIGHTS -- Leader get worldwide IP rights to the Smart Camera and any CRADA IP developed.

3. US GOVT RIGHTS -- US Govt gets unlimited internal rights to the CRADA IP and a development license to Leader platform.

4. LEADER PAYMENTS ACCRUE -- The $97,216 Leader obligation accrues and is paid to LLNL at the time that a $2.5M grant is received by Leader to enable Leader to fully deploy the Smart Camera platform.

5. LEADER BUSINESS PLAN -- Leader will license its platform and the Smart Camera Manufacturing and Distribution to its Smart Camer subsidiary or Master Agent. If LLNL personnel wish to become an Agent, we will arrange for that Agency to have purchase the manufactured cameras and Leader platform technology on a preferred licensing status.

6. LLNL INVENTOR PARTICIPATION -- Leader will offer the LLNL inventor of the Smart Camera either a full or part time consultant/employee relationship complete with equity participation, a bonus based on sales volume, and a bonus based upon incremental sales increases resulting from further enhancements to the system made by the inventor.

7. LLNL NON-TECHNICAL PARTICIPATION -- Non-technical LLNL persons wishing to be involved in this technology will be hired as consultants or employees and compensated at industry standards plus equity incentives plus other incentives for value-added person productivity.

6. LEADER SMART CAMERA -- Leader or a subsidiary or a manufacturing and distribution third party will arrange for the manufacturing and distribution of the Smart Camera platform.

7. US GOVT SALES -- The US Government will have the right to buy the Smart Camera and Smart Camera Leader platform at a special US Government rate.

What do you think?

--Mike

--------------------

Michael T. McKibben
Chairman & CEO
Leader Technologies LLC
Spectrum Commerce Center
921 Eastwind Drive, Suite 118
Westerville, Ohio 43081
(614) 890-1986 Voice
(614) 864-7922 Fax
mmckibben@leader.com Email
www.leader.com WWW

This message contains proprietary and confidential inf of the intended recipient(s). This message is protected and the Economic Espionage Act of 1996 which stipulates may be subject to penalties of $10M and up to 15 years penalties. This message is also subject to the Leader P Agreement. If you have received or are viewing this me, error, please delete it immediately and kindly notify the Leader CEO, Michael T. McKibben at (614) 890-1986 or mmckibben@leader.com. Abuse of Leader copyrights, trademarks, service marks, trade secrets and all other proprietary property rights will be prosecuted to the fullest extent of the law. Click on "Report a Security Incident" at www.leader.com if you have knowledge of improper use of this information.