

**SERVICE AGREEMENT FOR MANUFACTURING OF PRINTED CIRCUIT BOARDS
SUB-ASSEMBLIES**

THIS SERVICE AGREEMENT is entered into as of December 23, 2004, by and between Electro Biology, Inc., a corporation organized and existing under the laws of the State of Delaware, with its principal place of business located at 100 Interpace Parkway, Parsippany, New Jersey 07054, USA and its Manufacturing Facility located in # 1 Electro Biology Blvd., Guaynabo, Puerto Rico 00969 (“EBI” the buyer), hereby represented by its Vice-President and General Manager, Bartolomé Gamundi; and the University of Puerto Rico Mayaguez Campus, an educational institution organized and existing under the laws of the Commonwealth of Puerto Rico, with its principal office located at Mayaguez, Puerto Rico and its Model Factory at the School of Engineering (“UPRM” the supplier), hereby represented by its chancellor, Jorge I. Vélez-Arocho.

WHEREAS, EBI desires to have UPRM manufacture certain printed circuit board subassemblies (“Products”), more specifically identified in Section One of this agreement and UPRM desires to manufacture the Products upon the terms set forth in this agreement.

WHEREAS, prior to executing this contract, EBI donated \$62,000 to UPRM to allow it to acquire feeders (equipment parts) needed to manufacture the Products.



WHEREAS, All Printed Circuit Boards Sub Assemblies (“Products”), as more specifically described in Section One on this agreement, to be manufactured by UPRM are exclusively for EBI. None of the processes, procedures, work instructions, patents, production records, shipping records, customer data, electronic mail or any other manner of records available, is to be shared under any circumstances with other than EBI representatives. This information is privileged and Confidential of EBI.

WHEREAS the parties have agreed to enter into this Service Agreement intending to comply with all the requirements set forth in this agreement and with all the regulatory requirements concerning the manufacturing the Products.

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NOW THEREFORE, the parties hereby agree as follows:

SECTION ONE PRODUCTS AND PRICING

EBI agrees to purchase from UPRM the following Products subject to the terms set forth in this agreement:

Part Number	PCB Description	Price	
		First 45,000	After 45,000
102975.D00A	Display Sub-assembly	\$1.49	\$1.95
102965.D00A	Charger Sub-assembly	\$1.40	\$1.83
102970.D00A	Driver Sub-assembly	\$1.59	\$2.07

SECTION TWO SERVICE AGREEMENT REQUIREMENTS

I - RAW MATERIALS, AND CONSUMABLES

EBI shall supply all the Raw and Consumable Materials specified in the Bill of Materials (BOM) for the Products ("Raw Materials"). In addition, EBI will supply other consumable materials required such as the solder paste, anti-static bags and the nitrogen gas ("Consumable Materials"). UPRM shall be responsible to coordinate the nitrogen gas replenishment directly with the specialty gas provider. The gas provider will invoice EBI directly for payment.

UPRM shall be responsible for protecting the Raw and Consumable Materials and Products from electrostatic discharge ("ESD") UPRM and its personnel will follow ESD preventive practices.

UPRM shall handle and store temperature and humidity sensitive Raw and Consumable Materials and Product in accordance with the manufacturer's specifications.

UPRM shall request replenishment of Raw and Consumable Materials from EBI and allow sufficient time to avoid interruption in the supply of Products to EBI. UPRM shall keep a minimum of four weeks on inventory and/or at least one unused reel of each Raw and Consumable Material (whichever is greater) in stock at all times. The Raw and Consumable Materials should be stored and maintained in a restricted area. The Raw and Consumable Materials will remain in the same packaging container provided by EBI until loaded into the surface mount insertion equipment.

EBI shall be responsible for coordinating and providing transportation (door to door) of the Raw and Consumable Materials to be replenished to UPRM. EBI shall be responsible to deliver the requested materials within five working days. EBI shall pay for this transportation cost.

UPRM shall be responsible for properly handling and legally disposing of any hazardous material that could be generated by the manufacturing process and for any fees and expenses associated therewith.

II - EQUIPMENT

UPRM shall ensure that all assembly and test equipment listed in Addendum I are kept in good working condition. Records on equipment shall meet proper requirements as per GMP/QSR and ISO standards and should be available to EBI if requested.

UPRM shall maintain a preventive maintenance and calibration program. A file for the maintenance and calibration records must be created and available for EBI verification.

III - QUALITY

UPRM shall insure that all Products/processes must conform to specifications supplied by EBI.

UPRM shall maintain lot traceability as specified by EBI on all Products/processes.

UPRM shall meet proper requirements as per GMP/QSR, ISO standards and any other local/federal regulatory agency.

UPRM shall establish a procedure to handle internal rejections including the development of corrective and preventive action plans.

UPRM shall maintain a control of all the documents provided by EBI and is responsible to keep the latest revision in use.

UPRM shall ensure that all operators and personnel working in their Model Factory facility are trained and certified in accordance with the latest procedures revision in use. Training records for each operator shall be made available for review by an EBI representative upon reasonable request during UPRM's regular business hours.

Any deviations, changes or modifications to the product specification must be evaluated and approved by an EBI representative prior to final implementation.

All manufacturing records shall be stored in a safe, clean environment for a minimum of five (5) years shall be made available for review by an EBI representative upon reasonable request during UPRM's regular business hours.

EBI shall invoice to UPRM the re-work labor cost of Products delivered to EBI and found to be non-conforming to specification such as but not limited to missing components, wrong components, wrong polarity, defects on the soldering process, etc. The re-work cost will be at EBI labor cost. Such rework cost will apply if UPRM does not comply with the quality targets agreed upon by EBI and UPRM. The target established during the validation process and was a maximum of six defects per PCB.

**SECTION THREE
PAYMENT**

UPRM shall deliver the Products to EBI's Guaynabo, PR facility. Within seven days after delivery, EBI shall inspect the Products in accordance with its internal Quality System Procedures and either accept or reject the Products based on whether they are found to conform with EBI's specifications. Within thirty days after it has inspected and accepted the Products, EBI shall pay UPRM for all conforming Products. Payment shall be made from EBI's home office in Parsippany, New Jersey. On a weekly basis, UPRM shall invoice EBI for all accepted Product. Invoices shall be sent to EBI Guaynabo facility.

**SECTION FOUR
DELIVERY SCHEDULE**

UPRM shall commence the manufacturing of the Products after EBI authorization to manufacture by product description. EBI shall give these authorizations upon completion of the product transfer validation process. EBI shall commence the authorization notices by January 2005 and complete this process not later than February 2005.

UPRM shall deliver the Products in the provided containers (bins) on a weekly basis and/or at the replenishment signal issued by EBI. This process shall commence after the contract has been signed. UPRM shall coordinate the delivery to EBI.

UPRM shall ensure the assembly and delivery of Products will not be interrupted between semesters or other periods when the University is not in session. The Products delivery cost to EBI will be paid by EBI. The selected transportation company shall invoice EBI directly. UPRM shall assist in identifying suitable, reliable and cost effective transportation sources.

**SECTION FIVE
TERM OF SERVICE AGREEMENT AND TERMINATION**

This service agreement is for a period of three years after the initial contract is signed by both parties, EBI and UPRM. Thereafter, the service agreement may be renewed for additional one-year terms upon the terms and conditions set forth herein. Renewal shall require a written agreement signed by both EBI and UPRM. JA!

EBI shall terminate the contract at any time for UPRM's failure to produce and meet the quality, quantity, or delivery requirements established by EBI. In such event, EBI shall pay any outstanding invoices to UPRM.

EBI shall have the right to terminate this Agreement in the event that the Products are subject to a major re-design by EBI Design Development Department at Parsippany, New Jersey. In such event, EBI shall pay any outstanding invoices to UPRM.

UPRM shall have the right to terminate this agreement by written notification to EBI, three months prior to the expected termination date, if any unexpected decision is made by the higher ranks of the UPR System, such as but not limited to canceling the Factory Model initiative.

**SECTION SIX
CONTACTS PERSONS**

Any notice or other communication under this Service Agreement shall be given as follows:

To the supplier (UPRM)
School of Engineering
Attn: Dr. Pedro Resto, UPRM Model Factory Lead
Tel (787)265-3819 (Industrial Engineering Department office)
Fax: (787)265-3820 (Industrial Engineering Department office)
E-mail: presto@ece.uprm.edu

To the buyer (EBI)
Electro Biology, Inc.
Attn: Mr. Jorge O'Neill, Materials Director
Tel: (787)720-6855 x7155, (787)622-6844
Fax: (787) 720-6859
E-mail: Jorge_O'Neill@ebimed.com

The following are named as contact persons for the **Buyer (EBI)**:

Quality Management: Eugenio Vives
Job Title/Description: Senior Director of Quality Assurance and Technical Services
Phone: 787-720-6855

Project Management: Roberto Perez
Job Title/Description: Technical Services Manager
Phone: 787-720-6855

Supply Chain: Jorge O'Neill
Job Title/Description: Materials Director
Phone: 787-720-6855

Logistics: Leticia Chevres
Job Title: Inventory Control and Warehouse Manager

The following are named as contact persons for the **Supplier (UPRM)**:

Quality Management: Dr. Pedro Resto
Job Title/Description: Associate Professor
Phone: (787)265-3819, (787)464-3163

Project Management: Dr. Pedro Resto
Job Title/Description: Associate Professor
Phone: (787)265-3819, (787)464-3163

IN WITNESS WHEREOF, the parties hereto have, through their respective duly authorized representatives, executed two counterparts of this Agreement as of date first written above.

In Guaynabo, Puerto Rico, this _____ of _____, 200__

EBI

By: 

Name Bartolomé Gamupel

Title: VP and General Manager

In Mayaguez, Puerto Rico, this 23 of December, 2004

UPRM Model Factory

By: 

Name Jorge I. Velez Arocho

Title: UPRM Chancellor