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R. Cromwell Coulson
President
Pink OTC Markets Inc.
304 Hudson Street
New York, NY 10013

Re: Recent Improper Actions with Caveat Emptor

Dear Mr. Coulson:

We have begun investigating improper placing of the Caveat Emptor designation by Pink Sheets.

Caveat Emptor

This is the official Pink Sheet explanation of Caveat Emptor:

Buyer Beware. There is a public interest concern associated with the company, which may include a spam campaign, questionable stock promotion, known investigation of fraudulent activity committed by the company or insiders, regulatory suspensions, or disruptive corporate actions. During the time it is

labeled Caveat Emptor, any stock that is not in the Current Information category will also have its quotes blocked on pinksheets.com.

Further, any investor who tries to get a quote on such a stock will read this:

Pink OTC Markets has discontinued the display of quotes on pinksheets.com for this security because it has been labelled Caveat Emptor (Buyer Beware) and because adequate current information has not been made available by the issuer of the securities. It has been labelled Caveat Emptor for one of the following reasons: Questionable Promotion — The security is being promoted to the public, but adequate current information about the issuer has not been made available to the public.

Spam — The security is the subject of spam promotion having the effect of encouraging trading of the issuer's securities.

Investigation of Fraud — There is a known investigation of fraudulent activity involving the company, its securities or insiders.

Suspension/Halt — A Regulatory Authority has halted or suspended trading for public interest concerns (i.e. not a news or earning halt).

Disruptive Corporate Actions — The security or issuer is the subject of corporate actions, such as reverse mergers or serial stocks splits and name changes, without adequate current information being publicly available.

Unsolicited Quotes — The security has only been quoted on an unsolicited basis since it entered the public markets and the issuer has not made adequate current information available to the public.

Other Public Interest Concern — There is, in Pink OTC Markets' view, a public interest concern.

Consequently, Pink OTC Markets has removed the quotes from this website until adequate current information is made available by the issuer pursuant to Pink

OTC Markets Guidelines for Providing Adequate Current Information (PDF) and until Pink OTC Markets believes there is no longer a public interest concern. Investors are encouraged to use care and due diligence in their investment decisions. Please read our Investor Protection page for more information.

As you may or may not be surprised to discover, our investigation has revealed many instances where the Pink Sheets has improperly placed Caveat Emptor designations on stocks that were obvious targets of naked short selling under circumstances that are mysterious and unexplained and at best indicate that the Pink Sheets is arbitrarily and extensively damaging legitimate companies.

All these instances follow the same pattern: These are all biotech stocks. These stocks had unexplained buying restrictions from brokers. Trading in these stocks strongly suggests illegal naked short selling. For the most part, these companies were penalized for announcing legitimate news that they were required to report as material information for investors. The Caveat Emptor designation was suddenly placed without warning to the company after unexpected good news pushed the price of the stock up in such a manner that would have placed short sellers in jeopardy of their positions. Finally, the reasons given for placing and/or maintaining the Caveat Emptor designation were obviously utterly without merit.

Case Number One: BIEL

Bioelectronics Corp. (BIEL) designs, manufactures and markets, under the trade name ActiPatch™ Therapy, a variety of proprietary, drug-free, anti-inflammatory patches that accelerate healing for a broad range of medical indications. The Company is developing new products for repetitive stress injuries, such as heel pain, carpal tunnel, back pain, sprains and strains and chronic wounds.

BIEL's CEO tells us that he believes that there is a massive short in his stock. The stock has had trading days of up to 250 million shares, 25% of the outstanding stock. One day 100% of the float traded.

Ameritrade put a "do not buy" restriction on the stock for several weeks. The restriction was placed when BIEL was waiting for some favorable decisions from the FDA. In addition, the company was on the verge of filing three additional applications with the FDA. It was reported that BioElectronics shares were apparently halted on Ameritrade because the Ameritrade was acting on information from Pink OTC Markets.

Pinks placed a Caveat Emptor on BIEL for the "promotional" activity of announcing information that had to be announced in order to provide investors with fair information on the company.

All this occurred at the end of August 2009.

Case Two: ASFX

At the same time, August 2009, American Scientific Resources (ASFX) received the same treatment. Ameritrade refused to allow buy orders and a Caveat Emptor was placed on the stock.

ASFX has refused to comment on the situation. We note that the stock has the same pattern as the rest – a run up on bona fide good news, only to be capped at \$0.08 by the Caveat Emptor and "do not buy" restriction and a subsequent fall to \$0.02.

Case Three: SCLZ

Stem Cell Assurance (SCLZ) is one of the nation's first companies to provide adult stem cell collection and banking service to the general adult population. The collection process that Stem Cell Assurance provides has been medically proven to be the least invasive, painless and the safest form of adult stem cell collection.

Pinks placed a Caveat Emptor on SCLZ even though by Pinks' own rules of Caveat Emptor, SCLZ did not qualify. Pinks reportedly placed Caveat Emptor on SCLZ for someone else's alleged promotional activity. Despite the fact that the company was not responsible, the Caveat Emptor remains to this day.

Caveat Emptor, as we have seen above, is not a designation of wrongful activity by others, it is a designation that the company itself is suspected of wrongful activity. Thus, the label slanders this innocent company.

More than a coincidence, this is another small biotech company.

Case Four: HTDS

Hard to Treat Diseases (HTDS) operates two medical subsidiaries. In Serbia the company's primary focus involves the enhancement and modification of existing approved drugs such as "Virazole" for the purpose of chemical repair of damage to the CNS (central nervous system), MS (Multiple Sclerosis), SARS, Hepatitis C and HIV. Other interests include an on line cosmetics company. In China, Mellow Hope is the biggest exporter of Biological Vaccines in China. It has a product line that encompasses vaccines for influenza, tetanus, diphtheria and other diseases.

When HTDS rose on news of progress with multiple sclerosis research, two major brokers placed "do not buy" restrictions on the stock. HTDS was warned by one broker that there was a large imbalance in the float, usually meaning that there was a large naked short interest. Further, affiliates of the company received a huge volume of calls from people seeking to get stock obviously to cover naked short positions at lower prices.

When the company announced more unexpected good news, as it was required to do by law, that it was approved to sell H1N1 vaccine in China, the stock went up again and the Pink Sheets responded by calling this "promotional activity" and placing a Caveat Emptor on the stock.

Moreover, when HTDS appealed the designation, the Pinks refused to rescind it and changed the reason for the designation. The Pink Sheets abandoned its earlier bogus reasoning and instead said that the designation was placed because there was a possible naked short interest in the stock.

Mr. Cromwell, we submit to you that this reason for keeping the Caveat Emptor designation is not mentioned nor addressed by your own rules. Of course, because that would sanction the punishment of the diligent, innocent companies working to uphold the rules. This current unfounded punishment is intensely exacerbating the damages inflicted by the hostile and possibly illegal short sellers, who are out to destroy: products, services, jobs and the futures of well-meaning individuals and organizations. It actually appears as if Pinksheets is determined to find an excuse to continue this bogus, destructive label by any means, fair or foul with no rules, regulations or guidelines of how to remove the extremely damaging designation.

When told that this designation was keeping the stock down, your organization arrogantly responded that the stock price had gone up enough in the past year. Mr. Cromwell, there is a long history of securities regulation in this country, but in no event we are aware of has it ever included regulating prices, especially regulating prices according to the whim of the regulator.

As a further sign of arrogance and lack of concern for the investors, we were told that the matter was under investigation and that he would report back to us. As many weeks have passed without any communication from him or anyone else, we now believe that this statement has resulted in an intolerable delay, extending the damages further and we doubt he had any intention of providing any further statement on his determination.

The “do not buy” and Caveat Emptor designations were also placed in the same time frame as BIEL and ASFX, August -- September 2009.

Similarities

All of these companies are biotech stocks. While all of these companies are relatively small, all of them have viable and promising business models.

Not only are these companies in the same industry, the designation was placed on these companies in the same basic time frame.

According to the information we have, the Caveat Emptor was placed without consulting with the company.

In three of the cases, the action was accompanied by “do not buy” restrictions from major brokers.

In all cases, the stocks would readily show up on the usual short seller’s stock screen -- \$50 million market capitalization, little income or book value in relation to market value, and a large run up in the last six months to a year.

In at least three of the cases, there is circumstantial evidence of naked shorting from excessive volume and calls looking for stock to borrow. The market action suggests that the naked shorts may have been suffering from unexpected increases in price. In three of these cases, there was unexpected good news that would have confounded any short sellers.

In at least three of these cases, the argument that Pinks was protecting investors is blatantly and nakedly false as the investors in these companies complained bitterly about not being allowed to buy stock.

In one case, the investors tried to protect their interest by creating a petition on the Internet to the Pink Sheets and the SEC to rescind the Caveat Emptor label. Over 1,000 investors have signed this spontaneous petition which was not at all the action of the company. This was ignored by the Pink Sheets which continued to claim that it was protecting these investors and had arrogantly substituted its own judgement that the stock had moved far enough. We need not tell you that nothing in the Pink Sheets mandate or agreements grants authority to so regulate prices. This action is entirely without justification of any kind.

In fact, we firmly believe that any such action to place an unwarranted label on a Pink Sheet company without justification simply to limit the price of the company’s stock because it has “gone far enough in the last year” constitutes wilful, deliberate, and illegal manipulation of security prices.

In fact, the only “investors” who could have benefitted from these actions are the illegal naked short sellers, and they would benefit substantially. As you will see below, the legitimate investors lost heavily.

Slander

Pink Sheets openly labels Caveat Emptor stocks as “TOXIC.” As Pink Sheets is well aware when it placed this designation, these companies find it impossible to attract serious investor interest, if any.

As anyone knows, the Skull and Crossbones of Caveat Emptor is tantamount to an allegation of criminal stock manipulation by the company.

However, by Pink Sheets’ own guidelines, the Caveat Emptor designation was improperly placed in all four cases.

By Pink Sheets own rules, Caveat Emptor is placed where there is a “public interest concern” associated with the company, which includes “ a spam campaign, questionable stock promotion, known investigation of fraudulent activity committed by the company or insiders, regulatory suspensions, or disruptive corporate actions.”

None of these four cases involved spam, questionable promotion, investigation of fraudulent activity, etc.

Finally, the more we look at the facts, the more we are compelled to the conclusion that these four companies were improperly slandered.

Reasonable Suspicion

Further, as we look at the similarities in these cases, we start to discover a troubling pattern:

All these stocks were biotech companies, an unexpected and unsettling coincidence. The stocks were placed on Caveat Emptor for no good reason. All of them had a pattern of price increase that most short sellers find attractive. Most of the stocks were known to have illegal naked short activity. Most of the stocks had valid good news that properly pushed prices higher which would have placed the naked short positions in jeopardy. For three of the stocks, the Caveat Emptor designation was placed in August or September, the exact same time frame. We see these patterns and we are compelled to come to the conclusion that the only benefit to any investors was that the illegal naked short “investors”, or others who

wanted to buy the stocks cheap, would be benefitted enormously by the improper actions of the Pink Sheets.

At this point, while we must bear in mind that there is no hard evidence of foul play, we must remember that there is no implication that the conclusion is inevitable that investors were deliberately or even negligently defrauded, and we are certainly not claiming that someone in the Pink Sheets is selling Caveat Emptor designations to naked short sellers in biotech companies on a daily basis, but it is not impossible to vividly imagine that there is an illegal naked short seller who specialized in small biotech companies who benefitted substantially from the improper actions of the Pink Sheets in all of these cases who would be motivated to influence the decision. We must ask ourselves, what else would cause these decisions to be made in this manner?

Losses Incurred

This conclusion is buttressed by the size of the market losses involved. We submit to you that the amounts involved in these actions are certainly sufficient to motivate anyone who does not wish to play by the rules to take improper action. The following losses were incurred in the market value of these companies with Caveat Emptor designations:

Stock	High Price	Current Price	Shares Outstanding	Market Loss
BIEL	\$0.12	\$0.07	894,255,462	44,712,773
ASFX	\$0.08	\$0.02	1,757,996,857	105,479,811
SCLZ	\$0.10	\$0.004	392,598,861	37,689,491
HTDS	\$0.02	\$0.009	4,897,378,191	53,871,160
Total Losses				\$241,753,235

Thus, we are now faced with actions that may have cost investors almost a quarter of a billion dollars! As you can easily see, this seriousness of this matter demands your immediate attention.

This is particularly true in view of your limited ability to make these companies whole. We note that the net worth of your company at the end of last year was only \$4.5 million. As a tiny company, you do not have the substantial wherewithal necessary to compensate these investors.

In fact, any litigation over this matter would wipe you out entirely only with legal costs before judgement was rendered against you, would it not? Lacking the ability to be financially responsible, do you not have a duty to at least investigate these matters?

Continuing Investigation

We believe that all of these facts force on us a duty to continue to investigate these matters. To this end, we are recommending that Pink Sheets hire an independent investigator with securities and white collar crime experience to investigate the placing of these and other Caveat Emptor designations.

Given the suspicious pattern revealed above, and adding a sense of shock and outrage over this damage to investors, and a feeling of awe over the large losses involved, we believe that anything less than an immediate investigation would warrant the Pink Sheets itself being placed under a Caveat Emptor designation for a “public interest concern” of possible suspicious activity and investigation.

As you no doubt are aware, we must regrettably tell you that as the market moves very rapidly and we must mitigate damages, if we do not hear from you in the near future, we will proceed to explore other avenues of remedying this situation.

Sincerely yours,

Bradley E. Essman
Attorney