



INVESTMENT LETTER

RESMED, INC. (NYSE: RMD)

***Our Motto:** To write investment letters that are readable,
without soporific jargon, but with pertinent facts not easily
obtained in the ordinary course of research*

Introduction

Man has always understood that sleep is indispensable, especially when he could not get enough of it. When Shakespeare, for example, was besieged by insomnia, he wondered whether he had done something to offend the powers that made sleep possible. He wrote: ‘O sleep, o gentle sleep, nature’s soft nurse, how have I frightened thee, that thou no more wilt weigh my eyelids down and steep my senses in forgetfulness?’

Shakespeare had no wish to offend the powers of sleep because he knew how important sleep is. Shakespeare knew that ‘sleep knits the raveled sleeve of care.’ Sleep, he understood was ‘the balm of hurt minds, great nature’s second course.’ Shakespeare knew that there was no substitute for sleep.

Today good sleep is more imperative than ever, yet it may be harder to get than ever. Many forces---the complexity and fast pace of our lives, noise, endless interruptions, and illnesses that compromise the quality of sleep, illnesses such as sleep apnea---often make a good night’s sleep painfully elusive.

Below I discuss the physiological dynamics of sleep apnea, the market for sleep apnea, and I write about my personal experience with sleep apnea. I also describe the work that ResMed, Inc. (NYSE: RMD) is doing to help me, and millions of others, to control sleep apnea and to get a good night’s sleep, work that makes ResMed, Inc. an excellent investment.

Wednesday, September 16, 2009 on the Turner Turnpike headed from Tulsa to Oklahoma City

I was headed west to Oklahoma City from Tulsa on the Turner Turnpike, a ninety one mile well maintained four lane toll road that connects Oklahoma’s two most important urban centers. The vista was flat. Occasionally I would see some horses, some cows, but otherwise the scenery was unremarkable, and so predictable as to encourage the drivers to move fast, to get to the end of the road so they could put an end to their boredom.

The Oklahoma Turnpike Authority keeps the Turner Turnpike in good shape and allows a seventy five mile an hour speed limit. Virtually all drivers ignore the limit, especially when they are headed to Oklahoma City and then on to Norman, Oklahoma on a Saturday to watch the Sooners play football. This flouting of the law can produce some uncomfortable moments, especially if you are headed back to Tulsa on a Saturday evening when the Sooners, playing a home football game in Norman (which is thirty miles south of Oklahoma City) have lost. When this cataclysmic event occurs, the fans that live in Tulsa, understandably frustrated with the game’s disappointing outcome, drive carelessly and aggressively, with their reckless driving aggravated by significant amounts of liquor consumption. At these times it is best to be in the right hand lane, obeying the speed limit, and not looking for trouble.

You may read more about us, find other investment letters and the details of our record on our website:
www.fredricerussell.com



Today there was no football game but it was raining, and therefore it was smart to be cautious. I was in the right hand lane, driving a little under the speed limit, and virtually every car and truck was passing me. This was fine with me; I was not in a rush, I was not competing with the other drivers to see who could get to [Oklahoma City](#) first. I was happy to concede the passing lane to the other drivers as I had all I could handle trying to stay alert as the big trucks, when they passed me, would spin off rivers of rain, making it difficult to steer and making it difficult to see, forcing my heart rate up. As the trucks passed me, I marveled at the great responsibility that the drivers had for everyone's safety, and I thought of how much energy it took to drive their trucks the distances they did every day. And I was reminded of an article that I had read the week before about [sleep apnea](#).

I stayed alert and soon I was at the end of the turnpike. A few miles later, I was at the [Metro Wine Bar and Bistro](#) in [Nichols Hills](#) where I had a most enjoyable dinner with my longtime friend.

Drinking some coffee the next morning in [Tulsa](#) I had some time to think about the previous day's experience on the [Turner Turnpike](#) and to think about the danger that the truck drivers represented: [twenty eight per cent of truck drivers in the United States](#) have [sleep apnea](#). Unfortunately, truck drivers are by no means the only group suffering from [sleep apnea](#). In the United States, one in five adults, in fact, has some form of [sleep apnea](#).

Equally disturbing, ignorance about [sleep apnea](#) is widespread. Despite the high prevalence of [sleep apnea](#) in the United States, there is a deep lack of awareness of it among the medical community and the public. It is estimated that less than ten per cent of those with [sleep apnea](#) have been diagnosed or treated. Many healthcare professionals are often unable to diagnose [sleep apnea](#) because they are unaware that such non-specific symptoms as excessive daytime sleepiness, snoring, hypertension and irritability are characteristic of [sleep apnea](#). Furthermore, medical schools give little attention to [sleep apnea](#).

[Sleep apnea](#) is a highly debilitating condition but it is often suffered silently. [Sleep apneas](#) or awakenings savagely compromise the quality of sleep and its repair factor but the individual is often not aware of the awakenings or the interruptions caused by breathing difficulties even though these disruptions can be frequent, occurring more than ten times per hour. Even when he awakens the sufferer is often not aware of these breathing difficulties. Symptoms may be present for years without identification, during which time the sufferer may become conditioned to the daytime sleepiness and fatigue that comes with significant sleep disturbance or sleep inefficiency.

What Is Sleep Apnea?

There are three forms of [sleep apnea](#): [central](#), [obstructive](#), and [complex](#) (i.e., a combination of [central](#) and [obstructive](#)), with [obstructive sleep apnea](#) constituting the vast majority of [apneas](#), or more than eighty per cent of the cases.

In [obstructive sleep apnea](#) breathing is interrupted by a physical block to airflow despite respiratory effort. The breathing passage narrows and the [apnea](#) sufferer cannot breathe and then awakens, gasping for breath. (*ResMed, Inc., Form 10-K for the Fiscal Year Ended June 30, 2009, page four*)

Sleep is a complex neurological process that includes two distinct states: rapid eye movement, or REM sleep, and non-rapid eye movement, or non-REM sleep. REM sleep, which is about twenty to twenty five per cent of total sleep experienced by adults, is characterized by a high level of brain activity, bursts of rapid eye movement, increased heart and respiration rates, and paralysis of many muscles. Non-REM sleep is

**You may read more about us, find other investment letters and the details of our record on our website:
www.fredricerussell.com**

To read the full Investment Letter, please email us at contact@ferimc.com or call (918) 743-5959. You could also fill out your contact information at <http://www.ferimc.com/contact.html>, we will contact you as soon as possible.