

DEPARTMENT OF DERMATOLOGY

THE SLADE HOSPITAL
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Mon, Jan 14, 1991

TEL: OXFORD (0865) 741841 EXT 499

Mr Andy S Brown
Densa Ltd

Fax: 03526 62092 / JOHN LAMB
JAMES 0535-635582

Dear Mr Brown,

Re: Densa Ltd / E LaMont Gregory - Heat Shield Proposal Agreement

In reference to our recent conversation concerning the neonatal heat shield, kindly consider the following proposal. This proposal is substantially an update of the 'Proposal Agreement' (2 August 1988) and with some modifications that of July 1989. The heat shield's 'observatory' shape conforms to current incubator canopy designs (Isolette-type sloping front) for increased visibility of the infant as shown in Figure 1. The heat shield is optically clear and transmits 90% of the electromagnetic spectrum between 400 and 1300 nm Figure 2. Therefore, this heat shield is ideal for those infants nursed in incubators just because they need phototherapy, these infants can now receive phototherapy while being cot-nursed, this is, of course, in addition to the well known advantages heat shields bring to the thermal care of distressed neonates.

Stage 1 - Development and Introduction

Summary

It is proposed that Densa Ltd assume distribution of the Neonatal Heat Shield as outlined in the following schedule:

This will commit Densa Ltd to: £4500 initial stock purchase (100 units) and up to £2500 consultancy fees
(No literature or promotion costs)

In return Densa Ltd would receive: the option of exclusive manufacturing and distribution rights to be exercised at any time at the discretion of Densa Ltd during the next two years (15 July 1993).

Densa Ltd will have access to ELG's trial centre results and personal contacts with the world's leading research neonatologists.

ELG will continue to have the first 400 - 500 units manufactured himself so that he can respond to feedback with minor design changes as necessary. These units are made on wooden; negative pressure, moulds.

There will be one size available initially, the standard-sized heat shield, which accounts for more than 90% of all shields used. Most heat shields in use are made by hospital mechanics with thick perspex joined together into a rectangular box. These units cost the neonatal units on average £100 and are frequently broken.

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will sell the standard sized heat shield to Densa Ltd at £45 each and will refer all enquiries to Densa Ltd.

Densa Ltd may sell direct to hospitals (ELG suggests UK £85 - 95)

Minimum order quantities for Densa Ltd stock purchases

Standard 100 off x £45 = 4 500. (Units will be packed in stacks of up to 10)

ELG to send specifications and drawings once design changes have been completed.
Densa to add serial no / part no label with Densa Ltd logo.

ELG to send A5 data sheet and references. ELG to send pre-publication draft of clinical papers.
First consultancy introduction of heat shield has been arranged in Amsterdam, AMC, with Professor J Koppe in February 1991.

Stage 2 - Volume Manufacture

On commencing Stage 1 Densa Ltd will be assigned the option to become either sole distributors and/or sole distributors and manufacturers (with design registration protection).

The option will be open until 15 July 1993 provided that Densa Ltd continues to purchase and supply according to Stage 1.

Cost of an 8 impression aluminium tool with life of 1 million units is less than £2000 including inserts for Densa Ltd and Aid Agency Logos.

Payment/Royalty

During stage 1 ELG will make himself and his research instrumentation available to assist research projects at major centres - England, The Netherlands, USA, and an Aid Agency associated Developing Country.

ELG will be paid on a consultancy basis for this support work for 2 - 3 days at four sites (12 days) at a fee of approximately £625 per site (max £2500). This would make a contribution to his expenses including the cost of overseas travel.

Densa Ltd will receive a report and a copy of the results of each of the four consultations.

Other consultations may be requested by Densa Ltd at a fee to be agreed between Densa Ltd, ELG and the Department of Dermatology.

We would obviously need to negotiate in detail when we have a better idea of volume, but an outline proposal is for a two tier royalty.

Aid Agencies	Prices to give not more than a 50% gross margin 5% Royalty to non-profit organisation specified by ELG.
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Other sales	No price limitation - (ELG suggests UK £85 - 95) 15% Royalty or lump sum +5%
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(Example - 4000 Aid Agency sales at cost £15 Special Price £30 (Stage 2) gives gross income to Densa Ltd of £120 000, net £60 000, Royalty to non-profit agency £6 000.

4000 other sales at £85 gives gross income of £340 000, costs including production and Royalty, £111 000.

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payments during Stage 1, heat shields and consultancy, to non-profit trust fund managed by Department of Dermatology and the Oxfordshire Health Authority, 'Renwick Vickers Research Fund', to support charitable health research. This should be of great advantage to Densa Ltd.

Best regards


E LaMont-Gregory MSc (Oxon)

Figure 1

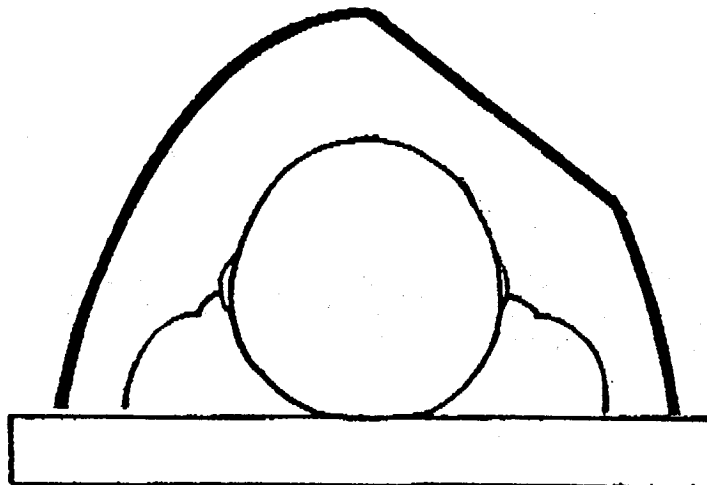


Figure 2 -

