

## Background.

Envitec manufacture Oxygen sensors and Equipment.

have a large R&D department. seem to depend heavily on Government finance, especially grants awarded to German companies investing in the Former East Germany.

They are the main competitor to Teledyne in Oxygen sensors and have the European distributorship for Aristo. They have achieved the Full CE mark ( with the notified body number)on Aristo products as an OEM. They are unhappy with Aristo and like the quality of the samples I left them. They urgently require samples of the disposable probes.

They are well down the way to producing their own SpO2 probes .

They have information and prices on LED's (including UDT) cables and parts

They estimate about 12 months from now until production if they have to make their own moulds.

They have manufacturing facilities in Estonia, which has extremely low labour rates.

There is no duty on Estonian imports.

They are quoting manufacturing prices of \$5.5 for disposables.

These price levels are required if contracts are to be taken from Nellcor.

They have their own distribution network although it appears to be controlled by one German company Bio-Test. Bio-Test have a policy of exclusivity.

If they go with us they estimate it will take approximately 12 month from beginning to consolidate the dealer network.

They already have a subsidiary company in Hong Kong.

Asia has no problems with disposable patents and they could start immediately with our disposables.

They are interested in the complete range of Finger ,Y, re-usable, and disposable probes.

They would like to start be January 1st 1998 with the full range of probes.

## Options of Envitec.

1. Continue with Aristo
2. Manufacture their own
3. Joint venture with MCI/Viamed

## Points discussed

1. They can purchase the complete product bulk as a private label
  - a) They will need Full Technical File information in order to achieve a CE mark. We agree that the device is IIa and requires a Notified Body number.
  - b) The style would have to be substantially different in order to allow their existing distributor to have a unique product: How easy is it to change the mould style? c)

They prefer 3M Micofoam instead of the Nellcor type tape; This has proved to be a great advantage in selling Aristo. d)

Aristo have used a "C" shape disposable to avoid Nellcor patent complications. e)

Envitec are in discussion with Datex and Siemens..concerning SpO2 products f)

Siemens have asked them to design a SpO2 PCB so that Siemens can break free of Nellcor.

Aristo manufacture the disposables for Datex. This could be changed to Envitec but Datex would want an exclusive. Datex estimate 1million sensors per year This does not prevent us manufacturing a different design for MCI as a Datex compatible. g)

Aristo manufacture for Nonin

2. Envitec can purchase kits
  - a) Envitec have the facilities and ability to assemble the product very cheaply.
  - b) We would need to ship either individual parts or separate kits.
3. Joint venture based in Estonia so that we can have two centres of manufacture
4. Nonin is important.
5. Envitec can carry out EMC Testing

The course of the negotiations was lead by Envitec towards their involvement in manufacture. Bearing in mind the ability of Envitec to manufacture and their present involvement with Aristo I did not close any doors.

However I stressed the present arrangement had advantages allowing us to quickly get the product to market and the future choice of assembler had to be based on the price structure required by the market. I therefore suggested.

1. A meeting between Envitec/MCI/Viamed/ in the USA late September or early October. We need to build trust bridges and prove to Envitec that we can produce at the right price with consistent quality.
2. Initially we would supply a ready made product which they would label.
3. The products would be sufficiently different from our standards to satisfy BioTest.
4. We would discuss the possibility of assembly from kits once we had established the product was selling.
5. We would discuss the possibility of a joint venture in Estonia.

As you can see I have not made any promises or closed any doors however the options are very exciting  
The removal of a very aggressive potential competitor.

The switching from Aristo to MCI of the Envitec distributors.

A second low cost source of manufacture

UDT can still be involved in supplying large quantities of LED's and manufacturing for MCI/Viamed.

J.S.Lamb

11 August 1997