

## Contract Manufacturer of Electrodes for Diagnostic Sensors, Devices that Deliver Energy to the Body and Cardiology Devices



**David Sheraton**  
President and CEO

**CEOCFO:** *Mr. Sheraton, would you tell us about R&D Medical Products?*

**Mr. Sheraton:** We are a contract manufacturer. Our core technology, between two other principals and I, is that we have over one hundred years of experience in the biomedical electrode manufacturing. Electrodes related mostly to diagnostic type sensors as well as electrodes that deliver energy to the body. Most of them are surface mount and disposable. We have some that are actually in vivo, with about 90% of the electrodes related to cardiology devices.

**CEOCFO:** *With technology evolving, why is it so important to have that 100 years plus experience and do your customers appreciate the history?*

**Mr. Sheraton:** A lot of people that come to us do not always have a good grasp on what they want. They have a wish list that they cannot really put into a prototype. Our expertise is to be able to grasp what their wish list is and get them a working model prototype in a short period of time. We can probably get it on the first revision within 90% of their expectations. Then they will spend the next several years in development fine-tuning that until they get something that they can market and then sell.

**CEOCFO:** *Are there many companies that work on electrodes?*

**Mr. Sheraton:** What differentiates us is that we are a contract manufacturer. Therefore, we do not sell anything and we do not have a brand where other electrode manufacturers do and people that make electrodes are pretty much in the business of selling and developing their brand out in the market where we specialize in finding out what the client's manufacturer wants and focus on making that client successful. We end up developing more of a partnership rather than a customer/vendor relationship.

**CEOCFO:** *What should we know about electrodes?*

**Mr. Sheraton:** For the most part in our business it has always been centered around a diagnostic evaluation for someone that has some kind of cardiac pathology going on. We also use these in a diagnostic procedure with babies that are born prematurely and they need to be watched closely. Where the technology seems to be going and where we seem to be going in this market is that there are a lot of opportunities in tying together new technology. People that are not aware that they have a cardiac event going on, we will be able to let these people know by them just having a monitor on them that is very convenient where they almost do not know that they are wearing it. If they start to have some kind of event, they can be notified through a lot of modalities. Whereas, in the past people would not know that until for example they all of a sudden have chest pains and they are laying on the floor from cardiac arrest. We are expecting to target a large portion of the population especially in the elderly where they can wear something that is benign as jewelry and they can just go on with their normal course of business. In the event that something happens, somebody can be notified and they can will get a message on their television or cell phone and let them know that they are having an event and need medical attention right away. Those avenues have not been available in the past so we are starting to focus in on driving this new area of prevention.

**CEOCFO:** *How do you keep up with the technology before you get to the manufacturing process?*

**Mr. Sheraton:** I think how it gets driven for us is we are not so much on the research end but because we have been out in the market for so long as a research and development company. When somebody has an idea and needs assistance, they will use Google; we are going to jump in there quickly because of our history. They will find us quickly.

**CEOCFO:** *What would people Google to find you?*

**Mr. Sheraton:** Our typical client is usually an engineer or a physician that has an idea and says, "Hey I have been in the practice long enough and I have an idea, I think I want to start a company". If they need some type of electrode they tend

to find us quickly. We will investigate this new potential client. Usually about one out of forty will be a successful project. We do not actually spend too much effort in trying to look for a potential client but they seem to come to us. Because of the length of time it takes to develop a product, we do not have the resources to work with a lot of clients but we have a success ratio of 1 in 40. We have to be careful with who we work with. The stream of new potential clients that come to us is more than we desire.

**CEOCFO: R&D manufactures the smallest electrode in the world. How is this electrode used?**

**Mr. Sheraton:** It is used in a larger portion of populations than we expected. We have a small market for infants that are only 500 grams when they are born prematurely but the current electrodes that are used on these infants is way too large and covers way too much real estate for their size. R&D being a contract manufacturer and a small company of 35 employees, we are not so much interested in the high volume projects even though we do have them. We will take on small niche markets as long as it fits in with our core technology. We developed a small electrode for those one pound babies. It worked very well and it was a small part of our business but eventually a lot of the physicians and healthcare practitioners in the neonatal world found these to be very effective when used on larger babies. We unexpectedly ended up having an electrode that was sold in a large market. The amount we had to manufacture is way beyond our expectations. This small electrode seems to be doing the job even though its size is small.

**“Those avenues have not been available in the past so we are starting to focus in on driving this new area of prevention.”- David Sheraton**

**CEOCFO: How do you ramp up to accommodate a large quantity in manufacturing when that is not what you typically do?**

**Mr. Sheraton:** We have had to take on emergency clients where the client came to us for example and they were having a lot of problems with their current source and their volume was high. They needed to switch out suppliers that would correct the problem yet at the same time be able to manufacture at the volume they were currently using. How we do that is we are very automated and that is part of the reason why I can stay and say my products are made in the USA, specifically in southern California. I can compete worldwide very well because we are automated. Even though we may get a new product, once the production tooling to make the product is completed, we can ramp up very fast.

**CEOCFO: Would you tell us about the hydrogel side of R&D Medical?**

**Mr. Sheraton:** On the hydrogel side up until a few years ago, there were not too many players in that market. It has been pretty much for the last twenty years mainly about three manufacturers out there. The other two that were out there manufacturing the hydrogels were doing it as a company with their own brand. We had the same technology but what we decided to do since we do not have a brand is that we would focus in on making these hydrogel customer formulas very specific for a client's application. Where a typical company that manufactures hydrogel that is used in wound care and electrodes, they tend to be focused on not too much variety. Whereas, we have the ability to tailor and custom make a very specific hydrogel that will out-perform anything in that particular niche. That has been our strength, to be able to adapt and modify our existing hydrogels to somebody's requirement and expectations.

**CEOCFO: Why are there so many variations and so much customization in hydrogel?**

**Mr. Sheraton:** There is a lot of parameters that have to be addressed. For example, with the patients there are a lot of different of skin types. The type of electrode that it may be used with the duration of the application can vary from a few minutes to sixty days so there are a lot of things related to the amount of skin irritation. How the conductive bridge penetrates and saturates the skin has to be well defined.

**CEOCFO: Are your customers typically in the US or do you work with people worldwide?**

**Mr. Sheraton:** We work with people worldwide. Our products are in about 200 countries. The majority of our clients are still in the US but Europe is catching up quickly. Until about six years ago, I did not have much interest in exploring clients outside the US. Six years ago we were at a show in Europe, in Dusseldorf, Germany called Medica. We exhibited at another show as well. It has not been our interest in the past to exhibit but we wanted to let the world know that we are out there and started to see if we could find some innovative products that we could work on. What we found in exhibiting in Europe and in the Middle East, is that there are a lot of people in this world that would like to do business with a USA manufacturer. We found out by accident that the USA integrity is very much under-marketed. No one realizes how much the integrity with the FDA, how tough they are with American companies, that it sends a message that if you are working with an American company, you are going to get a high quality product and you are going to get a company that is watched very carefully by an agency that cannot be bought. We know a lot of people that put Made in America on their

packaging when we do the final packaging. Our name never goes on anything because we do not exist in the market. It was interesting to see how many companies outside the USA wanted us to guarantee that we are going to put Made in USA on their product.

**CEOCFO: *How have you maintained the level of excitement over the years?***

**Mr. Sheraton:** I always get involved in a frontier technology. There is always something new. I have had many of my clients for many years. I have one product that was in development for 22 years before we got it to work right. Once it started to work, it really took off. For me, even though I am now 63 years old, I tell everybody that I want to have my funeral in the afternoon so I can at least get a half a day's work done.

Interview conducted by: Lynn Fosse, Senior Editor, CEOCFO Magazine

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**For more information visit:  
[www.rdmedicalproducts.com](http://www.rdmedicalproducts.com)**

**Contact:  
David A. Sheraton, Sr.  
(949) 472-9346  
[dsheraton@rdmedicalproducts.com](mailto:dsheraton@rdmedicalproducts.com)**