

NEWS RELEASE

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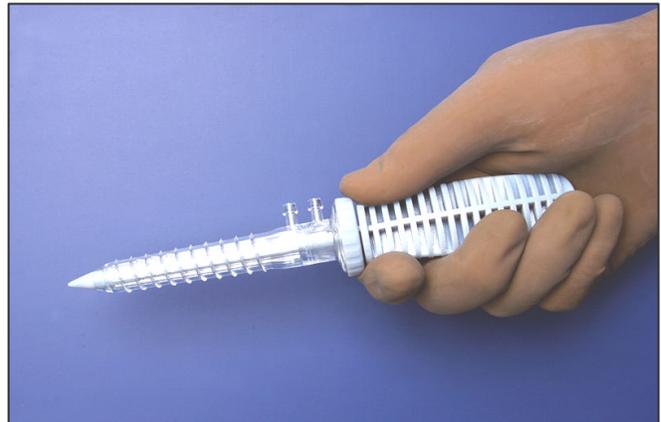
Cannuflow

Cannuflow Featured in Wall Street Journal Article on Onshore/Offshore Manufacturing

U.S. developers of specialized medical devices now leaning toward manufacturing both locally and offshore

SAN JOSE, Calif. – (BUSINESS WIRE) – August 31, 2006 – The next time you look at the country of origin information on a new specialty medical device, chances are it will read “Made in the U.S.A, India and Taiwan,” according to a recent article in the Wall Street Journal.

Silicon Valley-based Cannuflow Inc. was prominently featured in the article, which covered changes in current manufacturing practices for high-tech medical devices developed in the U.S. The privately held startup specializes in innovative fluid management arthroscopy instruments.



Cannuflow chose to have the mold for the simple handle for its new Extravastat product manufactured in Taiwan, enabling them to reduce its cost by 38%.

The article cited Cannuflow as an example of a leading-edge developer of specialized medical devices that has product tooling and parts manufactured both in the U.S. and offshore. In deciding on what to have manufactured where, the complexity of the tool or part to be made is frequently weighted more than potential cost and time savings.

“With our products, we now have the simpler parts of the tooling and the products manufactured offshore. With the more complex parts, which generally have a zero tolerance for error, we have them manufactured in the U.S.,” says Ted Kucklick, Cannuflow’s chief technology officer. “Having

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the option to manufacture locally or offshore allows us to make more capital-efficient decisions,” he adds.

In the past, most U.S. developers of medical devices traditionally had most of their manufacturing done locally to ensure they meet the medical industry’s exacting quality, regulatory and intellectual property standards. However, their customers’ increasing price sensitivity, as well as the general globalization of their industry, is prompting them to outsource more of their manufacturing to countries like India, Taiwan and China.

According to the Wall Street Journal article, if cost reduction is a major issue, many companies are going to India and China. If both speed and cost are an issue, Taiwan is a better choice for some.

Cannuflow looks to Pacific Plastics & Engineering, a privately held California manufacturer specializing in medical devices, to handle its manufacturing. At Cannuflow’s choice, PP&E had the mold for one of the two main parts of its latest fluid drainage device manufactured in Taiwan. Called Extravastat, the device reduces swelling during shoulder surgeries using an innovative technique to evacuate fluids.

By having the mold for the simple handle used to insert the device’s complex fluid management tube manufactured in Taiwan, Cannuflow was able to reduce its cost by roughly 38%. The mold for the tube was made at PP&E’s Soquel, California, manufacturing facilities. Assembly of the Extravastat device, which retails for \$45, is handled in the U.S.

According to Mr. Kucklick, driving down costs is now taking precedence over considerations like “Made in the U.S.A.” The article quotes him as saying, “Nobody looks for a 'Made in the USA' label anymore. With the customers we have, the sensitivity is to price," he added.

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About Cannuflow

A privately held Silicon Valley-based company, Cannuflow develops, manufactures and markets specialty arthroscopy medical products that deliver innovative solutions to the chronic arthroscopic fluid-management problems of flow, visibility and extravasation. Designed to enhance procedure efficiency and safety, the company’s ClearVu™, TwoVu™ and Extravastat™ devices easily integrate into surgeons’ existing surgical techniques. For more information on Cannuflow and its complete line of products, visit the Cannuflow website at www.cannuflow.com.