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Background

Sincere thanks for providing me with this opportunity. My name is Adam Dakin, and my company, Bioconnect Systems, has pioneered an entirely new technique for performing micro vascular surgery. Bioconnect's initial products have the potential to dramatically improve the quality of life for nearly 400,000 U.S. and 2 million patients worldwide suffering from End Stage Renal Disease (ESRD). The company was founded in 2007 and has raised approximately \$12 million financing.

My career has focused almost exclusively on developing innovative medical technology. In the last twenty years, I co-founded three device companies, raised over \$30 million in early stage capital, served on several boards of directors, and led multiple M&A transactions. I have had the honor of helping develop new products in the fields of orthopedics, cardiology, neurology, and vascular surgery. The vision and support of PA based clinicians, academicians, and medical centers were the genesis for many of these products.

The medical technology industry is bound by a universal belief that what we do matters—our innovation results in earlier diagnosis of disease, the elimination of pain and suffering, faster recovery, and more appropriate cost-effective care. However, the med-tech industry is at a major cross roads and initiatives such as Innovate PA have never been more important.

Funding Environment

As any investor knows, the three legged stool for innovation is management, technology, and capital.

In Pennsylvania, we have motivated entrepreneurs and an abundance of technology. Pennsylvania is home to many of the world's leading medical centers and universities. I work closely with many of these institutions, serving on the PACT (Pennsylvania Alliance for Capital and Technology) Medical Technology Advisory Board and the Penn State College of Medicine Commercialization Committee. The spirit to improve the human condition with technology is alive and well in Pennsylvania. There is no shortage of innovation and intellectual property in Pennsylvania. Our challenge is access to capital.

The funding environment for early stage life science companies has never been more challenging. Unfortunately, traditional sources of funding such as venture capital have pulled back from medical technology investing. According to the National Venture Capital Association, 2012 had the fewest number of med-tech financings in since 1997. A difficult and unpredictable regulatory environment, the medical device excise tax, a change in hospital purchasing methods, and a shift by the multinationals to later stage acquisitions have created a "perfect storm." As a result, many lifesaving technologies of tomorrow are simply not being funded, or they are being developed off-shore. In 2007, I presented to 62 venture funds to get to two to invest in my company. I doubt very much if this same funding would be available today.

Programs such as Innovate PA and organizations like Ben Franklin Technology Partners play a critical role in addressing the seed and early stage funding gap. For example, my company was very fortunate to have received a \$500,000 investment from BFTP during the early stages of product development. The funding from BFTP enabled us to complete our first generation product design and a critical clinical trial. This trial generated data which enabled us to attract an additional \$2.4 million in investment capital from institutional investors. We have a staff of six highly compensated professionals, with plans to add an additional four employees in the next 12 months. We work predominantly with Pennsylvania based vendors, clinicians, and consultants. We estimate total expenditures on PA based employees and vendors to be in excess of \$8 million.

There are many other important benefits that result from state-supported funding. These investments are subject to rigorous due diligence by experienced professionals. As a result, companies selected to receive funding gain credibility, facilitating access to additional sources of funding. Monitoring and reporting requirements of these investments also instill a culture of accountability and discipline in these young companies. BFTP companies also gain access to an expansive network of resources including advisors, vendors, and professional support services.

The relationships and input from PA based clinical thought leaders often translates into clinical studies conducted within their respective institutions. In addition to supporting clinical research jobs at these institutions, these trials enable our medical centers to provide patients with access to cutting edge technology.

I want to thank the committee members for your time and consideration. I am glad to address any questions.