Biomed
Data Solutions LLC

Executive Summary

For more information about the company, please contact

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Perspectives on the market

Rapid Growth in Target Markets

The Health Care Advisory Board, which represents the nation's largest hospital organizations, predicts the mid-range growth in hospital beds to be 40 percent by 2010.

Solucient LLC, a healthcare consulting firm, estimates that demographic changes alone will require 46 percent more acute care beds during the period 2002-2027.

Asserting that the era of excess hospital capacity appears to have ended, a team of healthcare academics wrote in the authoritative, peer-reviewed journal *Health Affairs* that U.S. hospitals would need to increase capacity from 18 and 28 percent by the year 2012 to meet demand.

Medical IT Delivered via Software-as-a-Service: A Growth Industry

While nine out of 10 hospitals are using or considering adopting health information technology (IT) for clinical uses, most hospitals, especially small or rural hospitals, cite cost as a considerable barrier to broader implementation, according to an American Hospital Association (AHA) study.

"Report: Hospitals Are Embracing Information Technology"
Biomedical instrumentation & Technology Journal
March/April 2006

Biomed Data Solutions Meets These Needs

U.S. hospitals annually spend over $90 billion on medical equipment, supplies, and service contracts. The process for acquiring this vast array of technology, goods, and services is highly variable even within a single institution; and it creates inefficiencies for both hospitals and vendors.

Additional pressure comes from the Joint Commission, where current management standards require hospitals to have a process for medical equipment acquisition.

Hospitals are trying to stretch their dollars and vendors are trying to improve their sales volumes and profit margins. If managed correctly, these conflicting objectives can be merged to create a win-win for both parties and the best place to start is in the clinical engineering department

"Equipment Acquisition: How Clinical Engineering Can Help"
Bioinstrumentation & Technology Journal
March/April, 2007

In-Sourcing Reduces Costs, Improves Response

By eliminating service contracts and bringing service in-house, you can not only reduce cost, but also improve response time, because in-house staff can show up in minutes versus the hours that it takes an outside technician….

This can reduce the downtime of equipment used in the diagnosis, monitoring, or treatment of patients, potentially improving patient care and safety. In addition, the extra knowledge that in-house service staff has can allow them to directly assist clinical staff, again potentially improving patient care and safety.

"Solving the Puzzle: How to Cut Costs and Improve Service"
Bioinstrumentation & Technology Journal,
May/June, 2007

Biomed Data Solutions

Executive Summary

Overview

Health care institutions buy, manage and repair their multi-million-dollar inventories of patient-care equipment largely without the benefit of knowing and learning from the experiences of other institutions.

There are no readily available methods for hospitals to aggregate, analyze and collaborate on repair problems and solutions, create equipment performance trends, or develop uniform equipment management reports -- such as those required by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO).

These shortcomings reduce hospital efficiency, increase support and personnel costs, and may hinder timely delivery of high Standards of Care.

Biomed Data Solutions will resolve these problems.

Business Description & Opportunities

Biomed Data Solutions LLC (BDS) is a start-up company that will provide hospitals and other healthcare institutions with new services to help them better manage their increasingly complex inventories of medical devices. BDS's primary products — *BDS Analytics™* and *BDS Manager™* — will increase hospital productivity, reduce operating costs, improve capital equipment selection, increase patient safety and, ultimately, help healthcare professionals and administrators deliver the high standards of care — while complying with regulatory requirements — that are critical to their competitive success.

- *BDS Analytics™* utilizes a proprietary algorithm to investigate, organize and report on biomed queries during repair and management of thousands of healthcare devices. Its special value is the ability to take "everyday English" queries describing equipment problems, analyze those against all other previously reported occurrences throughout the BDS universe, then deliver an ordered set of recommendations.

- *BDS Manager™* provides an environment for lifecycle management and regulatory reporting of all healthcare equipment, a level of uniformity that is desired but not now available. This begins with evaluation and acquisition, continues through scheduled and emergency service of equipment, and ultimately to equipment resale or disposal.

The tangible benefits provided by the *BDS Analytics* and *BDS Manager* applications are improvements of the quality of equipment acquisition decisions, increases in equipment up-time, reductions in minimum equipment volumes, and decreases in service contract costs.

Collectively, these BDS benefits help healthcare professional assure quality patient care while containing operating expenses.

Additionally, BDS will leverage the value of its two core capabilities to generate new business opportunities in both the healthcare sector and in unrelated industries.

- Within healthcare, deployment of BDS's products will create an ever-expanding community of healthcare professionals that will: 1. Enhance the product's capabilities and 2. Create a network of individuals with well-defined interests, experiences and, in many cases, education. This "BDS Community" will constitute a subscriber base receptive to editorial, product and service offerings currently only addressed by the industry periodical *24/7,* and to a lesser extent by professional associations.

- Medical equipment is evolutionary in both its capabilities and in its utilization based on institutional resources and market focus. To accommodate the dynamics of the healthcare equipment market, the company anticipates creating the *BDS Xchange™*, which will provide a commercial online avenue for medical equipment resellers to connect with the "BDS Community" using a commission model.

- A fundamental strength of the BDS Semantic Equality (BDS-SE) search technology is its adaptability to multiple industries. BDS-SE is designed to provide highly qualified results within well-defined business environments with potentially vast scale. Therefore, it is vertically strong. This will allow BDS-SE algorithms to deliver uniquely valuable results for a vast array of vertically oriented industries with equipment management challenges. These range from civil engineering and construction, to industrial and contract manufacturing, to military equipment management and logistics, public works departments and colleges and universities.

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Incorporated as an Indiana-based commercial enterprise owned by founders and investors, Biomed Data Solutions will be the first provider of health care biomedical asset management products delivered through an open source-based Software-as-a-Service (SaaS) model. Users will need only a web browser and access to the web. This will add to the products' attractiveness in that hospitals will not need to invest in software licenses, upgrades, hardware, support and maintenance, saving them hardware and software costs as well as IT maintenance.

BDS products and services will transform the biomedical asset management field because currently there is no way for multiple hospitals to create, aggregate, analyze and collaborate on maintenance problems and solutions, equipment performance trends and uniform management reports. There is no way for them to easily search for solutions to maintenance-related problems within their own institution or from other hospitals. *BDS Analytics* and *BDS Manager* will provide these solutions.

Management

The CEO has a successful track record with all sizes of companies. This includes founding and developing a successful sales organization, building it to $18 M. Additionally, he has been a central figure in the success of two other start-up companies.

The CFO is a seasoned financial executive and entrepreneur with considerable experience working with growth companies and driving rapid expansion. His prior accomplishments include leading all financial, information technology and human resources operations for several companies.

The development manager has four years of experience in developing and delivering software applications in the Medical Services Industry. Those products are considered "Best of Class" by the industry and have been especially well received by the users.

By the end of 3Q07, the company expects to fill the position of Vice President of Sales and Strategic Development with a well-known and highly respected executive in the hospital administration, clinical engineering and biomedical device fields. This individual has more than 24 years of experience in clinical engineering and related industries, including a decade leading the clinical engineering department of a large healthcare system in the North East. He will leverage his extensive business contacts to secure customers and rapidly build BDS's marketplace profile.

The company will end the first year with a staff of 12 to 14. The split of employees will be four to six technical development and support, with as many as eight in business operations, including up to six sales people. This is consistent with the plan to rapidly roll out sales efforts nationwide.

Target Market

BDS will target the approximately 6,000 hospitals in the United States and 1,250 in Canada. This market includes public, private and Veterans Administration hospitals and so-called "zero-bed" hospitals, or outpatient clinics. These hospitals vary in size from small (less than 100 beds) to very large (more than 500 beds). This market is expected to grow, with estimates of increased hospital bed capacity of between 18 and 46 percent in this decade and beyond.

Based on research and discussions with industry experts, BDS believes that a substantial number of the hospitals in its target market will find immediate value for its products: *BDS Analytics* and *BDS Manager*. This is because no other resource currently exists to help hospital clinical engineering departments relieve increasing pressure to improve performance and maintain, if not reduce, costs.

The BDS solution will greatly enhance the proficiency of healthcare technicians by giving them access to a database of information and repair histories, which will expand over time. This is of particular interest to smaller hospitals, which have smaller technical staffs with limited experience.

Within the target market, some hospitals—generally the larger ones—have already deployed a tracking tool. But BDS believes its products are demonstrably superior because they are Web-

based, specifically designed for the healthcare environment, cost less to acquire and maintain, and require less operating overhead.

The company believes that healthcare managers will quickly recognize these advantages as significant aids to helping them achieve their individual missions of delivering high quality service to their medical teams. With such competitive superiority, BDS believes that healthcare institutions will choose BDS.

BDS products will be sold on a Software-as-a-Service (SaaS) basis, as opposed to the traditional sale-of-software convention. The SaaS model decreases development and deployment costs for BDS and significantly reduces usage and implementation costs for customers.

Potential competitors are few, and their entire businesses are built on the legacy model of development, manufacture and sales of software-as-a-product. That conventional approach— opposite to the Software-as-a-Service model—creates substantial "hidden costs." These require a commitment of funds for product acquisition, client-side administration to ensure proper installation and maintenance, continuing manual bug- and iteration- updating, and the acquisition of new computing and storage hardware to utilize the new software.

Because the BDS products are web-based, they also offer other significant advantages. They do not need to be loaded on customer computers or Personal Digital Assistants. And application updates will take effect automatically because the solution resides on BDS servers, which automatically, and transparently, update applications using conventional (and existing) Internet connections.

In legacy environments, the need for IT support is substantial. In the BDS model, however, this costly necessity is substantially reduced because of the Software-as-a-Service approach and the subsequent reduction in hardware, networking and software requirements.

BDS also sees additional sales opportunities with independent service organizations, which provide contract biomedical device maintenance services to hospitals and healthcare organizations of all sizes.

Financial Highlights

Results of Operations & Cash Flow Projections

BDS projects annual revenues of approximately $6.6 million at the end of year two of operations and $89 million by the end of year five of operations. It anticipates penetrating 40 percent of the U.S. hospital market by the end of year five. Total costs are expected to be $894,000 in the first year of operations and $1.7 million in the second year.

The company is expected to achieve positive cash flow in approximately 18 months to two years. Cash accumulated and the track record of success and acceptance will position the company to go to the investment community for the next round of funding if necessary. The amount of funding needed will depend on the market information the company has gleaned

concerning where to offer the products, what types of partnering will be required and the services necessary to return the greatest profitability.

Investment, Profitability & Return

The Company requires an initial investment of $2 million to successfully complete the initial development phase and for the entry into the market. This investment will be enough to complete a proof of concept, obtain at least three hospitals in the target market as beta users, create the initial hosting environment, and make the product generally available to market initially among the 6,000 U.S. hospitals.

We believe this market offers a fertile opportunity to provide a cost effective and needed service in the Health Care Biomedical Asset Management field.

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