



Business Plan

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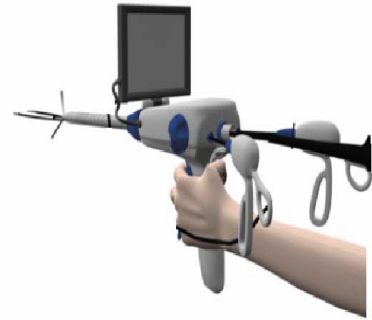
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I. Executive Summary

***Trocamera*TM is a new, patented medical device that will revolutionize diagnosis and treatment of abdominal pain in Latin American (LA) countries.** EndoWays' *Trocamera*TM system will provide Emergency Room (ER) healthcare personnel with a portable, minimally invasive instrument that allows direct visualization of the abdominal cavity and which may also be used to perform surgery, at a reasonable cost for hospitals in Latin America.

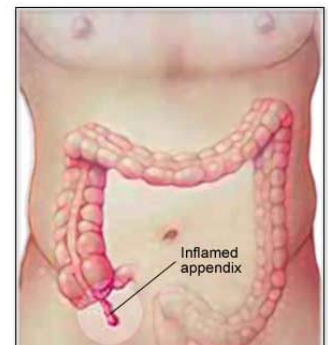
*Trocamera*TM is a portable, low-cost medical device that provides direct visualization of the abdominal cavity in the Emergency Room.



Initially targeting the market for open appendectomies, **EndoWays will begin sales in February of 2008, and will attain breakeven with sales of US\$ 1.4 million in that same year.** Additionally, the widespread use of *Trocamera*TM could save Latin American health care systems over US\$100 million that are spent on unnecessary surgeries each year. A highly competent management team will execute the strategy, **offering initial investors an IRR of 89% and an exit by sale of the company in five years.**

The leading surgical pathology related to abdominal pain is acute appendicitis, an inflammation of the appendix. There is no effective medical therapy, so appendicitis is considered a medical emergency. Once diagnosed, the appendix must be removed surgically. Every year, almost **500,000 appendectomies are performed in Latin America¹**, most of them by the traditional (open) approach using a transverse incision in the abdominal wall. Less than 20% of all

Appendicitis is the most common acute surgical emergency of the abdomen



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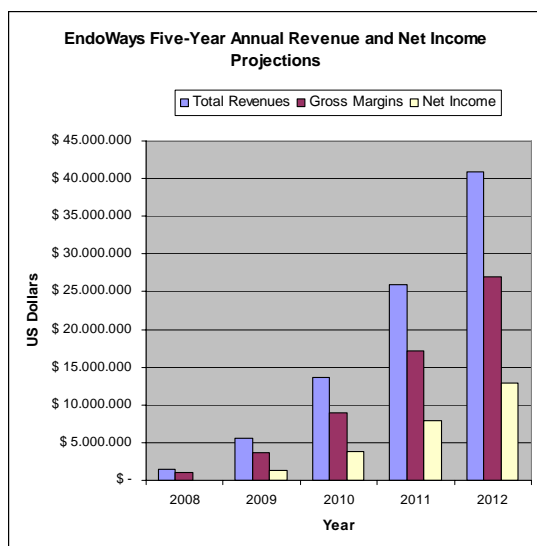
¹ / Source: Survey carried out by Manuel Camargo, MD, at “Centro de Gestión Hospitalaria”, a private, non-profit organization dedicated to the promotion of best practices in hospital management, Bogotá, Colombia

appendectomies are performed by laparoscopy (small 1.0-1.5cm incisions in the abdominal wall), mainly due to the lack of availability of proper equipment in Latin American healthcare institutions.

*Trocamera*TM, which has re-usable and disposable components, provides the attending doctor in the ER with direct visualization of the abdominal cavity, so that he or she may explore it and determine the cause of the pain, reducing the amount of time that a patient spends in observation in the ER, thus averting potentially life-threatening complications due to delay in diagnosis. Furthermore, its use will avoid unnecessary surgeries. In those cases in which a surgery is prescribed, the patient is taken to the Operating Room, where a surgeon with *Trocamera*TM training performs the appendectomy, using the same equipment that was used for diagnosis, and through the same small incision.

The founding members of EndoWays invented *Trocamera*TM and own the intellectual property of the technology. The device's design is the result of extensive market research with surgeons, physicians and paramedics at hospitals in Colombia and is based on modern techniques for user experience design. Moreover, EndoWays has first mover advantage in the design of disruptive innovation for the Emergency Room.

Our recurring revenue business model is anchored in a simple, straightforward system for acquiring new customers: EndoWays provides hospitals the reusable components of *Trocamera*TM with no charge, and charges for the consumable components. Trocamera is a high margin business, with gross margins over 60%. Endoways will market in **Colombia, Mexico, and Brazil**. These countries account for 77% of all appendectomies performed in Latin America, representing a **\$78 million market potential every year**. A small, highly professional sales staff will focus on high-volume, low-income hospitals in large cities, where a large percentage of open appendectomies are performed.



Using conservative estimates, by the fifth year EndoWays will attain market penetrations of 44% in Colombia, 20% in Mexico, and 9% in Brazil. Assuming that LCD screens and flexible scopes are provided free of charge, **the net margin by year five will be 31%, and amount to US\$12.8 million.** At the end of year five, the negotiations for **sale of the company** will be completed at an

estimated value of US\$99 million (five times the company EBITDA, comparable with similar medical devices acquisitions). **The initial investment required is US\$650,000 in Year 1.** This money will be spent on product development, setting up an assembly plant (components are sourced from different countries), and working capital to start. **An additional US\$1 million is required in Year 2,** to pursue an aggressive sales effort in Colombia, Mexico, and Brazil. Our managerial team has proven experience in marketing and sales of portable medical equipment in Latin America, and in the creation of businesses. Our advisory board has ample medical and entrepreneurial experience.

II. Management and Organization

EndoWays, has a strong, experienced, profit-oriented management team, key personnel, and advisory board. The management team currently consists of Marcela Cardenas –CEO-, Rafael Arango -VP of Sales and Marketing-, and Jaime Gonzalez -CFO. The Company will immediately begin the process of recruiting a Director of Product Development and Engineering.

Management Team: **Marcela Cardenas** is the President and CEO of the Company. She received her EMBA from Los Andes University, in March 2007. Marcela holds a degree in Computer

and Systems Engineering from the same university, and a M.Sc. in Computer Science from George Washington University. At the Corona Foundation, she led the first private sector program aimed at improving hospital management in Colombia; and, participated actively in the design of healthcare reform.

Rafael Arango is Vice President of Sales and Marketing of the Company. Rafael received his MBA from Los Andes University in March 2007. He holds an Economics degree from Javeriana University in Bogotá. He worked over 16 years in Johnson & Johnson Medical Devices Latin America, where he had a successful career in Sales and marketing; he served as Marketing Manager for LA during five years. Rafael is an expert in minimally invasive surgery.

Jaime González is the Chief Financial Officer of EndoWays. Jaime receive his EMBA from Los Andes University in March 2007. He holds a degree in Finance from Tadeo Lozano University in Bogotá, and a Dentistry degree from the University of Cartagena. For the past twelve years, Jaime has served as General Manager of one of Colombia's leading regional HMOs. Jaime has launched several successful businesses.

Medical Advisory Board: **María Fernanda Jiménez**, MD: General Surgeon, Fellowship in Adult Critical Care at Toronto General Hospital, Toronto University. Doctor Jiménez is a member of the American College of Surgeons; Surgical Infection Society; Colombian Society of Surgery (Member of the Surgical Infection Committee); Colombian Society of Trauma. Doctor Jiménez is attending surgeon and assistant professor of surgery at Javeriana Medical School -San Ignacio Hospital in Bogotá. She has served several times as Director of the Emergency Room of San Ignacio Hospital, one of the largest university hospitals in Colombia.

Juan David Hernández, MD. General Surgeon, Javeriana University; Fellowship in Laparoscopic and Esophageal Surgery, St. Mary's Hospital, Royal Free Hospital, and Royal Surrey County Hospital in the UK. Doctor Hernández is assistant professor at the Universidad de los Andes Medical School and works as general surgeon at the Central Police Hospital in Bogotá.

Alberto García, MD: General Surgeon and Intensive Care Specialist. Professor of Surgery and Intensive Care, Universidad del Valle in Cali, Colombia. Doctor García is presently the Director of the Emergency Department of Fundación Valle de Lili, one of the leading providers of tertiary care.

Legal Support: EndoWays has retained **Contexto Legal** and **Contexto Intelectual**, two Colombian law firms with experience in IP. Furthermore, at the McGinnis Venture Competition in March, 2007, the company won the Life Sciences Award, which includes US\$15,000 in IP related legal services by the Fish & Neave IP group of **Ropes&Gray LLP**, and US\$5,000 for corporate and legal support from **Morgan Lewis & Bockus LLP**.

Product Development and Design: **Natalia Agudelo**, Designer, MSc in integrated product design with specialization in Medical Design, Tübingen, The Netherlands; full-time tutor, Universidad de los Andes Department of Design.

Juan Carlos Briceño, Mechanical Engineer, MSc (December 1990), Ph.D. (August 1994) Biomedical Engineering, University of Texas, Austin; Full Professor, Department of Mechanical Engineering, University of Los Andes; currently Vice Dean for Graduate Studies and Research.

III. Market Opportunity

While every year there are more than 11 million visits to the Emergency Rooms (ERs) of Latin American hospitals due to acute abdominal pain, between thirty and fifty percent of these patients

are dismissed from the ER without a diagnosis². This happens because it is quite difficult for doctors to arrive to a definitive diagnosis without recurring to expensive exams such as CT Scans, which are available in less than 20% of all hospitals in the region, mainly due to the cost of the equipment. EndoWays' present and planned products offer effective alternatives for early diagnosis and treatment of acute abdominal pain in hospital emergency rooms in developing nations. Initially, we will concentrate on the diagnosis and treatment of appendicitis. Four key factors drive demand for our products:

- **Cost Savings**– avoiding unnecessary surgeries, providing a lower cost of treatment, decreasing costs of length of stay, and days of paid work leave if surgery is required.
- **Increased access to care**– increasing the accuracy of appendicitis diagnosis by using a low-cost tool that permits direct visualization of the abdominal cavity, and allowing more surgeons to perform minimally invasive appendectomies.
- **Greater quality of care**- allowing doctors to diagnose appendicitis early on during the patient's stay at the ER, thus reducing overcrowding, staff stress, eliminating unnecessary surgeries, avoiding complications, and reducing the number of patients that are discharged without a specific diagnosis.
- **Increased Productivity** – liberating time of surgeons dedicated to unnecessary appendectomies.

Cost Savings: The Trocamera advantage is direct visualization of the abdominal cavity, guaranteeing greater diagnostic accuracy and immediate results. If an appendectomy is prescribed, Trocamera appendectomy costs 42% less than open surgery, and 23% less than laparoscopic appendectomy. The widespread use of **Trocamera will result in savings of US\$194.6 million for Latin American healthcare systems**, compared to the open surgery approach, even assuming that the amount reimbursed to hospitals is the same for the three types of procedure. Trocamera does

² / Salem, T. A., Molloy, R.G., and O'Dwyer, P.J. "Prospective study on the role of the CT scan in patients with an acute abdomen", in Colorectal Disease, 7, pp.460-466. Blackwell Publishing Ltd., 2005.

not require initial capital investment in equipment, compared to the \$25,000 minimum investment in equipment required for laparoscopy.

Increased access to care: The leading surgical pathology related to abdominal pain is acute appendicitis. Every year, 500,000 appendectomies are performed in Latin America. The direct cost of this procedure amounts to **US\$ 462 million**³ for the health systems of the region. Although the most effective diagnostic tool in cases of appendicitis is a thorough clinical examination, only very experienced surgeons achieve 80% accuracy in their diagnoses based on clinical examination alone; 50% accuracy is the average. When appendicitis cannot be diagnosed immediately, the patient goes through a series of laboratory tests (urinalysis, blood tests), X-rays, ultrasound exams, and even a CT Scan, before a conclusive diagnosis is reached. If the equipment required for these exams is available in the hospital, the cost of diagnosis could add up to at least US\$240. Yet, less than 20% of LA hospitals have imaging diagnostic tools available. The most frequent situation is that a patient remains in observation in a crowded ER for approximately 12 hours, and if symptoms of appendicitis persist, a surgery is recommended. Appendectomy performed through laparotomy (open appendectomy) is the surgery of choice in most hospitals, because the majority of surgeons are trained in this technique and also because only 20% of hospitals have laparoscopic equipment available. A simple version of the laparoscopic tower costs US\$25,000, which is a high cost for most Latin American hospitals. The *Trocamera*TM system solves this problem by providing ER healthcare personnel a minimally invasive, low-cost, portable tool, with reusable components. After a short period of training, *Trocamera*TM allows the surgeon to explore the abdominal cavity, determine the cause of the abdominal pain, and proceed with a surgery if necessary.

³ This estimate is based on reimbursement rates for appendectomy in the Colombian Health system (US\$667), which is one of the lowest in LA, assuming that 80% of all appendectomies are performed using the traditional open surgery approach, while the remaining 20% are performed using laparoscopy. If all appendectomies were performed with open surgery, the cost to the system amounts to US\$ 480 million.

Greater quality of care- The use of Trocamera will increase patient safety by eliminating missed cases of appendicitis in the ER and avoiding life-threatening peritonitis. A patient with abdominal pain typically spends 12 hours in observation on an uncomfortable stretcher placed along the ER hallways. Patient discomfort in the overcrowded ERs of Latin America is increased due to the general practice of not administering pain killers during diagnosis to avoid masking symptoms. The use of the Trocamera system will increase the accuracy of diagnosis by enabling the doctor to see the appendix directly. Also, patient discomfort will be reduced because a diagnosis will be reached earlier, and because patients are sedated during diagnosis with Trocamera. More importantly, diagnosis with Trocamera will avoid between 65,000 and 100,000 unnecessary appendectomies each year, **saving the healthcare system between US\$ 43 and \$67 million each year**⁴.

Increased Productivity –The work of general doctors and surgeons in Latin American hospitals is limited by the lack of diagnostic tools to help them decide therapeutic conduct in cases of acute abdominal pain. Even in hospitals where the most advanced diagnostic aids are available, they are not cost-effective for the diagnosis of appendicitis. Also, imaging devices require expert technicians to handle them. The Trocamera system will increase to 99% the accuracy of diagnosis in the ER, and will eliminate unnecessary appendectomies, thus freeing over 97,000 surgeon-hours each year for more complex surgical procedures. As a result, the hospital's general productivity will increase. An additional benefit provided by Trocamera is that resources spent on diagnosis may be part of the surgical treatment. Moreover, Trocamera will make minimally invasive appendectomy available to a much larger group of patients due to

⁴ The internationally accepted rate of false positives in appendectomy is between 13% and 20%. Due to the lack of accuracy of available diagnostic aids, surgeons may decide to open up the patient and remove the appendix, even if it is not apparently ill. "When in doubt, remove it" is commonly accepted practice.

shorter training for use in surgery. At present, only 20% of all potential surgeries are performed using minimally invasive techniques.

IV. Products and Product Development

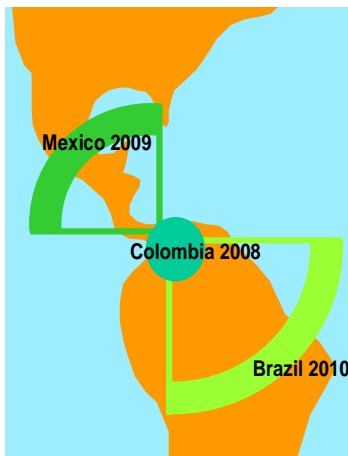
Our business model is anchored in a simple, straightforward system for acquiring new customers: we provide hospitals the reusable and more costly components of *Trocamera*TM -LCD Screen and Flexible scope- at no charge, and we charge for the consumables. *Trocamera*TM is sold at a fraction of the cost of conventional laparoscopic devices (US\$203 compared to US\$25,000). Our set up program, *Trocamera*TM -Readiness will provide training to ER healthcare personnel.

How the TrocameraTM System Works: The *Trocamera*TM system has reusable and disposable components: the main body of the device is a disposable trocar handle that has a transparent tip which includes a camera and its light source, to allow the surgeon to see the abdominal cavity. The camera and its light source are part of a flexible scope which is attached to the *Trocamera*TM handle; a reusable LCD screen is also attached to the handle, to allow direct visualization of the abdominal cavity, as if looking through a window, inside the patient. The *Trocamera*TM handle, the camera protective sheet, and the instruments required for diagnosis and treatment of appendicitis -scissors, graspers, and dissectors- are disposable. Unlike the current laparoscopic procedure, in which a laparoscopic tower needs to be set up, this device is much simpler to put together. The fact that the screen is directly above the patient further simplifies the surgical technique because it recreates the same experience of a surgeon performing open surgery (thus less training is needed). With the current laparoscopic equipment, the surgeon needs to look up to a screen while his/her hands are down manipulating the instruments. This unnatural motion needs quite a lot of training to be

mastered and introduces a high level of difficulty, because the eye-hand-objective axis of coordination is broken.

V. Market Analysis

Trocamera™ will target the high volume, low income hospitals in 3 countries:



- **Colombia 2008**
 - 120 ERs: Bogota, Medellin, and Cali.
 - More than 80% of all appendectomies
 - POS
- **Mexico 2009**
 - 200 ER's: Mexico City, Nuevo Leon, Cohauila
 - Cuadro Basico
- **Brazil 2010**
 - 150 ER's: Sao Paulo, Rio de Janeiro and Minas Gerais
 - SUS

Trocamera™ bases its initial market analysis on the 500,000 appendectomies that are performed in Latin America every year. Brazil, Mexico, and Colombia account for 384,000 of these procedures, most of which are open surgeries. In these countries, the market opportunity is US\$78 million in consumable components of the *Trocamera™* system.

Abdominal pain in general, and specifically appendicitis, affects men and women of all ages and socio-economic conditions. The market for appendectomies will continue to grow with the population. In addition, every year, between 3.3 million and 5.5 million cases of acute abdominal pain are dismissed from the ER without a definitive diagnosis. If *Trocamera™* were used as a diagnostic tool in only 10% of these cases (330,000), the additional market amounts to US\$33 million each year. In five years, we expect the total market of *Trocamera™* to grow from 8,000 to 218,000 units for diagnosis of abdominal pain, and from 2,400 to 68,800 units for treatment of appendicitis.

There are more possible uses for *Trocamera*[™]. Within the category of abdominal pain, two promising uses for diagnosis and treatment are gynecology and trauma. Considering these procedures, the market opportunity could be as high as \$300 million. We did not elaborate the business plan based on this number, however, because we want to develop our business model initially based on the straightforward opportunity offered by appendicitis; in addition, we need to concentrate our effort in precise, attainable goals defined at the outset.

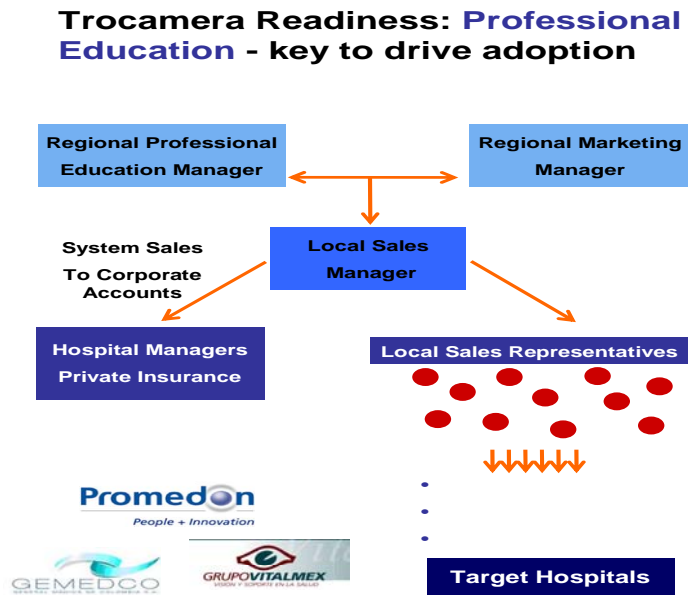
Market Segmentation: The market for Trocamera will be segmented geographically, targeting hospitals in large Latin American cities (Sao Paulo, Mexico City, Bogotá). We will select hospitals which have a good reputation, and where a large number of appendectomies are performed, especially serving low-income patients. Within the hospital, three major buyers will be addressed: (i) the surgeon, -the technical buyer- who has to be convinced of the efficacy and safety of the device; (ii) the purchase manager, who compares prices among the different options available in the market; and, (iii) the hospital administrator who looks for overall hospital savings, and shall be convinced that by improving the accuracy of diagnosis in the ER, the hospital will save on surgeon time and other resources spent on unnecessary surgeries..

VI. Marketing and Sales Strategy

Trocamera Readiness -Endoways' Professional Education Program- will be the key to drive adoption

Sales Channels: Sales staff will be managed by a Sales Manager located in each one of the countries selected: Colombia, Mexico and Brazil, who in turn reports to the VP of Sales and Marketing. Sales staff will have the support of the professional education manager to convert a new account. Highly experienced sales reps in the field of medical devices will be recruited beginning on the fourth quarter of our first year. The sales staff will grow conservatively and will be located in key

Latin American cities. A detailed plan of our human resources, may be found in Appendix C. Sales representatives will be responsible for a sales territory and for the conversion of hospitals within it. When new opportunities are identified, sales reps will set up a Trocamera Readiness training workshop with the help of the Professional Education Manager.



Sales reps will follow up on the advance of the surgical teams, and will maintain close communication with the Medical distributors who are in charge of delivering hospital purchase orders. A conservative productivity per sales rep is planned: during the first year they will drive the adoption of 600 procedures in 10 hospitals.

Customer Profile: Two different types of customers will buy our device:

- 1) **Hospitals** (Public and Private): large institution with a large number of procedures will be initially targetted. The trocamera system will allow the institution to adopt a minimally invasive procedure with no investment in Capital equipment. Within the hospital 3 major buyers will have to be addressed:
 - Surgeon: technical buyer who must be convinced of the convenience and safety of the device.
 - Purchase Manager: Compares prices among the different options available in the market.

- Hospital Administrator: Looks for savings for the hospital; has to be convinced that improving the accuracy of diagnosis in the ER, the hospital will save on surgeon time and OR time spent on unnecessary surgeries..

2) Out of Pocket: It is not uncommon in Latin American hospitals to ask patients to buy their supplies for surgeries. Under medical prescription, Trocamera will be available for the public at authorized distributors of medical devices.

Promotional Strategy: EndoWays will focus the promotional effort of its sales force in accounts that perform the largest number of appendectomies:

- Sales staff will conduct product demonstrations for surgeons working in the Emergency Department and offer free trial periods. Surgeons will be trained in the new diagnostic method with demo kits. . During the first round of procedures, we will offer the service of a visitor preceptor or the possibility of having a remote preceptor (via internet)
- Marketing efforts will be aimed at ER managers, nursing managers, and surgeons. These efforts will include trade show attendance as well as focused direct mailing, and direct contact by company representatives and outside manufacturer representatives.
- Trocamera Readiness program: Hospital administrators and surgery departments will be educated on the safety and cost-saving benefits that the system offers.
- In addition to marketing and promotion to hospitals, the company will institute an aggressive lobbying campaign to educate the general public about the benefits of minimally invasive procedures and the possibility of avoiding an appendectomy thanks to the accurate diagnosis provided by Trocamera in the ER.

Market Research: EndoWays conducted a number of interviews and discussion exercises with experts in Colombia, including the heads of two of the ERs of the most important clinics in the country. They were all very excited about the possibility of trying this new tool, not only in for the targeted procedure, but also for trauma cases in the emergency room and gynecology. They also provided us with valuable information to enhance our product and gave us information about new procedures where they thought our approach could add significant value. New and promising applications, as well as a better design interface for Trocamera in therapeutics is being designed. This new generation of the Trocamera System will be ready by the end of the year.

Pricing Strategy: The cost per procedure will be \$203; the reusable instruments will be provided with no charge to early adopters as part of the Trocamera-Readiness program. The Trocamera system has the following pricing structure:

Razor Blade revenue model

	Type	Sale Price	Product Cost	Gross Margins
LCD Screen	Reusable	\$250	\$200	20%
Flexible Camera	Reusable	\$600	\$500	16%
Trocamera Handle	Disposable	\$80	\$25	63%
Cam Protective Sheet	Disposable	\$3	\$1	63%
5MM Flexible Grasper	Disposable	\$40	\$15	63%
5MM Flexible Dissector	Disposable	\$40	\$15	63%
5MM Flexible Scissor	Disposable	\$40	\$15	63%

Margins: The cost of our reusable instruments is going to be absorbed by the sale of our disposable instruments. Taking this into account, our Gross Profit for the first year is 65.2% which is similar to the industry average in Latin America. For the following years, our Gross Profit continues to increase and by year five it will be 66%. Our prices are kept the same during the years included in the financial projections. Net income after taxes will become positive during our second year of operation, reaching 31.4% by year five (US\$12.8 million).

VII. Design, Manufacturing and Operations

Development Schedule: The Trocamera prototype for diagnosis of abdominal pain in the ER will be completed in July, 2007. Component suppliers will be selected from various countries and Trocamera will be assembled in Colombia, in order to protect our intellectual property. The estimated cost of product development, regulatory approval, and IP protection amounts to US\$300,000. A multidisciplinary group of designers, engineers, and managers, and medical doctors who work at Los Andes University in Bogotá is participating in the project.

Component suppliers: Following is a list of possible component suppliers and their origin:

Trocamera Suppliers		
<i>System or Component</i>	<i>Supplier</i>	<i>Location</i>
Reusable Components		
LCD Screen	Shenzhen Xinjuding Optronics Technologies Co., Ltd	China
	Shenzhen Techstar Electronics Co., Ltd	China
	Shenzhen Kadick Industry Co., Ltd	China
Flexible Scope	Given Imaging	Israel
	DYNATEC INTERNATIONAL CO LTD	Taiwan
	Zhejiang Loen Endotech Co., Ltd	China
Disposable Instruments		
Flexible Scissors	Precision Endoscopy Instruments Pty Ltd	Australia
Flexible Graspers	Snaa Industries	Pakistan
Flexible Disector	Primed Instruments Inc.	Canada
Disposable Components		
Cam protective sheet	Proquinal SA	Colombia
Trocamera handle	Tromoplast LTDA	Colombia
	Qingdao Hichanse Group Co., Ltd	China

VIII. Health Agency Approval Process

INVIMA is the agency in Colombia in charge of approving new drugs or medical devices (the Colombian equivalent to the United States Food and Drug Administration). Trocamera falls into the category of automatic approval for medical devices. Thus, INVIMA is closely monitoring our activities and results in order to get the approval just in time for the device's launch in 2008. The agency is invited to participate during our first product testing and will review the findings. The commercialization approval is expected for the end of 2007, just in time for the launch the following year.

IX. Intellectual Property






Trocamera is proprietary technology, in process of registration and patenting. Versions of the components -such as the trocar, the miniature camera, the LCD screen- are available in the market, but they are put together in an innovative, patentable way in Trocamera. The technology has a new form and incorporates innovative elements. In addition, Trocamera allows direct visualization of the abdominal cavity, thus superseding the type of image provided by diagnostic tools such as ultrasound or the CT Scan. Compared to these diagnostic tools, Trocamera also allows therapeutic intervention, through the same incision made for diagnosis.

Trocamera is being registered as a model of utility in Colombia. This type of protection of intellectual property grants coverage during 10 years. In addition, the brand Trocamera is under registration in Colombia, and will be registered shortly in Mexico and Brazil. An additional important aspect of intellectual property of our technology is copyright protection of the instructions of assembly and the operation manual, which will be secured once the prototype is developed.

X. Competition

Defining the cause of abdominal pain in hospital emergency rooms in Latin America is a process that lasts over 8 hours, implies a battery of laboratory exams, and at least 4 clinical examinations by general doctors, surgeons, and other medical specialists. This holds true in at least 50% of all cases. In addition, the patient must be prepared to withstand pain, because it is general practice not to administer pain killers, which could hide symptoms. Ultrasound and CT Scans provide non-invasive images of the abdominal cavity. While the CT Scan is the exam of choice for diagnosis of abdominal pain in the U.S., less than 20% of the hospitals in developing countries have access to these equipments, mainly due to their cost. In addition, these equipments require specialists (radiologists) who perform and interpret the results. If appendicitis is diagnosed and a surgery is ordered, 80% of the patients will have their appendix removed by an open surgery (laparotomy).

The Trocamera Advantage: It can be used in the ER, early in the diagnostic process, and if a surgery is required, the same equipment may be used to perform minimally invasive removal of the appendix, through the same incision made in the umbilicus.

		Diagnostic Capabilities In the ER	Therapeutic Capabilities In the OR	Inexpensive Capital Equipment cost	Lower Total Procedure Cost
Trocamera TM		✓	✓	✓	✓
Laparoscopic Appendectomy			✓		
Open Appendectomy			✓	✓	
CT Scan		✓			
Ultrasound		✓			

XI. Deal Structure and Exit Strategy

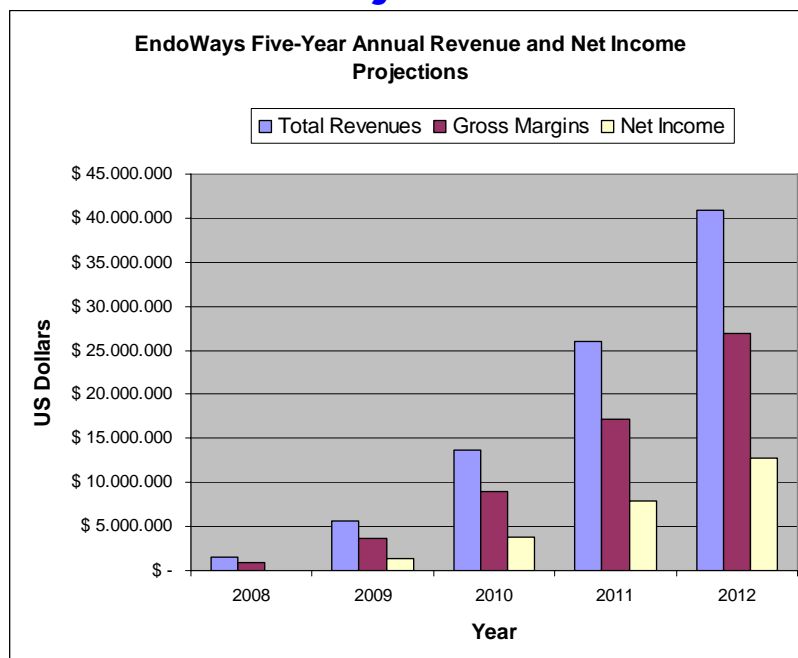
EndoWays seeks investment partners with experience in the life sciences, particularly medical devices to execute this opportunity. In order to achieve our growth expectations, the company will need

investments for US\$1,650,000. Seed investors will receive an IRR of 89% by the end of year five, when the company will be ready to be sold for a price of US\$ 99 million. The funding shall be provided in two payments to cover different stages of the company, as follows:

- June 2007: US\$650,000 for product development, market research, patent registers and regulatory approval processes, and working capital to begin sales.
- June 2008: US\$1,000,000 to launch an aggressive marketing and sales effort. We need one Seed Funding of \$650,000 in the first year and \$1,000,000 in the second year.

EndoWays aims to become the preferred source of innovative, affordable solutions in the diagnosis and treatment of abdominal pain in the Emergency Rooms of hospitals of developing countries. Companies like Ethicon Endosurgery, Tyco, and Storz, are important participants in the laparoscopic field. The value proposition of EndoWays will be appealing to diversify their portfolio in developing countries, as their purchasing behavior in the last few years demonstrates.

XII. Financial Projections



Assumptions

Potential Number of procedures		Appendectomy	Diagnosis				
	Colombia	52.000	171.600				
	Mexico	122.000	402.600				
	Brasil	210.000	693.000				
		2007	2008	2009	2010	2011	2012
Total targeted Hospitals			30	110	240	370	470
	Colombia		30	60	90	120	120
	Mexico			50	100	150	200
	Brazil				50	100	150
Productivity							# Sales reps
	Colombia		600	1.400	2.800	4.200	6.000
	Mexico			600	1.400	2.800	4.200
	Brasil				600	1.400	2.800
Total Productivity							
	Colombia		2.400	5.600	11.200	16.800	24.000
	Mexico		-	3.600	8.400	16.800	25.200
	Brasil		-	-	4.200	9.800	19.600
Penetration Goals							
	Colombia		4,57%	10,56%	20,91%	31,05%	43,91%
	Mexico			2,89%	5,68%	13,23%	19,65%
	Brasil				1,94%	4,48%	8,88%
Procedures with Trocamera							
Diagnosis	Colombia		7.921	18.302	36.240	53.815	76.103
	Mexico			11.751	23.096	53.797	79.902
	Brazil				13.579	31.357	62.154
Treatment	Colombia		2.400	5.602	11.203	16.802	23.998
	Mexico			3.597	7.140	16.796	25.196
	Brazil			-	4.197	9.790	19.599
Reusable Components							
	LCD Screen	\$	250				
	Flexible Scope	\$	600				
Consumables			Sale price	Cost	Logistic Expenses		
	Diagnostic Kit	\$	123	\$ 41	\$	10	
	Cam protective sheet	\$	3	\$	1		
	Trocamera handle	\$	80	\$	25		
	Flexible Graspers	\$	40	\$	15		
	Treatment Kit	\$	203	\$	71		
	Cam protective sheet	\$	3	\$	1		
	Trocamera handle	\$	80	\$	25		
	Flexible Scissors	\$	40	\$	15		
	Flexible Graspers	\$	40	\$	15		
	Flexible Disector	\$	40	\$	15		
Education & Training				# Professional Education Workshops			
Cost of training session	US\$		2007	2008	2009	2010	2011
Colombia	\$	3.556		12	12	12	12
Mexico	\$	5.333			12	12	12
Brazil	\$	5.333				12	12

Appendix A: The Trocamera Advantage

Strengths

- ❖ Minimize the time that a patient spends in observation in the ER before obtaining a diagnosis
- ❖ Minimize patient pain and discomfort during diagnosis
- ❖ Minimize the time required to adopt therapeutic conduct
- ❖ Speed to Market ◇ Begin sales in January 2008
- ❖ Disruptive innovation in the ER - first movers in ER solutions
- ❖ Portability: weight and size
- ❖ Affordable solution: Trocamera costs 20 times less than laparoscopy
- ❖ High margin business - Gross margins over 60%
- ❖ Recurring revenue model through consumables
- ❖ Easily targeted major customers - busiest ER in the region.
- ❖ Colombian management team with experience in Latin America
- ❖ Hospitals do not pay for capital equipment

Barriers to competition

- ❖ EndoWays owns the Intellectual property of the technology
- ❖ No initial capital investment for hospitals
- ❖ Our market is the base of the Pyramid. (Trocamera will not be perceived as a threat by large players)
- ❖ Trocamera Readiness Program will drive adoption and assure medical loyalty
- ❖ Ample experience in sale of medical devices in the region
- ❖ Knowledge of the healthcare systems;
- ❖ Investment in R&D from day 1
- ❖ EndoWays will keep key core functions: Research and Development, Assembly of devices, Training of our customers

Appendix B: Risk Factors

Type of Risk	Evaluation
No patentability	This is the main possible risk. All countries reserve the right to award or deny protection. If you do not obtain the patent you loose the potential income that would have compensated for the risk assumed when you financed the project.
Of the patenting periods	If the paperwork to obtain the patent is not done within the stipulated periods, you will loose the opportunity to obtain protection. This can happen if there is a lack of investment capital.
Exchange Rate	This factor is very important because most of our components come from overseas. A change in currency value can dramatically change the cost

	structure. In the last 2 years though, the Colombian economy has shown a nice growth and this trend has increased the value of our peso, making importation less expensive than before. Economists believe the trend will continue for the following years and the appreciation of the peso will remain, impacting our cost structure in a very positive way.
Reuse	Reuse of medical devices is common practice in Latin America. Trocars, for instance, in laparoscopic surgery, are being reused at least 3 times; instruments are being reused at least 5 times. Reuse has many problems: the most important one is the safety of the patient. Once a hospital decides to reuse a disposable device, it assumes the legal responsibility.
New product in the market with no previous company history	The company is new and the Trocamera system is a totally new concept for the ERs in Latin America. Although EndoWays secured legal counsel for all the matters related to protecting the company's intellectual property, there can be no assurance that any issued or pending patents will protect our products, especially in foreign markets like Mexico and Brazil.
Possible law suits	Since this is a medical device, EndoWays is not free of possible lawsuits due to wrong usage of the device. For this reason, the company has made sure that there is clarity in the instructions and on the limitations of the use of Trocamera . Furthermore, it is contemplating buying civil liability insurance to avoid this risk.

Appendix C: Human Resources Projection

Management	Base Salary/ Year	2007				2008				2009				2010				2011			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
General manager	\$ 64.000		1	1		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Financial Manager	\$ 53.333					1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Marketing & Sales manager	\$ 53.333					1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Logistics Manager	\$ 53.333								1	1	1	1	1	1	1	1	1	1	1	1	1
Production Manager	\$ 53.333													1	1	1	1	1	1	1	1
Sales Reps	\$ 10.667					4	4	4	4	10	10	10	10	17	17	17	17	17	17	17	17
Sales Managers	\$ 32.000									1	1	1	1	2	2	2	2	2	2	2	2
Professional Education Manager	\$ 42.667					1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Account Clerk	\$ 10.667			0,5		0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5	0,5
Lead Engineer	\$ 37.333		1	1		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Design Director	\$ 37.333		1	1		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Assembly employee	\$ 5.333									2	2	2	2	2	2	2	2	2	2	2	2
Total Salary Expenses		0	0	34.667	36.000	84.000	84.000	84.000	97.333	124.000	124.000	124.000	124.000	164.000	164.000	164.000	164.000	164.000	164.000	164.000	164.000

Appendix D: Key Ratios and Financial Projections

EndoWays: Key Financial Ratios and Figures

	2007	2008	2009	2010	2011	2012
Current Ratio		7,624	6,062	6,913	8,163	9,856
D/E	0	14,8%	19,6%	16,9%	14,0%	11,3%
D/A	0	12,9%	16,4%	14,4%	12,2%	10,1%
Return to Assets	-303,7%	1,4%	44,0%	51,4%	48,9%	42,8%
Return on Equity	-303,7%	1,7%	52,6%	60,1%	55,7%	47,6%
Average Collection Period		60	60	60	60	60
Inventory turnover (days)		36	36	36	36	36
Asset Turnover	0	1,09	1,88	1,87	1,62	1,36

	8%	10%	12%	15%	20%
NPV ('000S)	13.283	12.179	11.181	9.855	8.022
Payback (years)	3	3	3	3	3

Break-Even Annual Sales Volume	7.012	Disposable
Break-Even Costumers	30	Hospitals

Lifetime Customer Value (\$ million)

Exit Value (\$ thousand)	99,334		Yr 5 EBITDA	19,745
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Seed Investor IRR	89%		Exit Multiple	5
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Cash Flow Statement

Operation	2007	2008	2009	2010	2011	2012
Net Income	\$ -489.000,00	\$ 19.560,22	\$ 1.312.563,38	\$ 3.760.610,00	\$ 7.866.904,32	\$ 12.827.449,29
Adjusted by depreciation	\$ 3.333,33	\$ 13.333,33	\$ 16.666,67	\$ 16.666,67	\$ 10.000,00	\$ 10.000,00
Changes in Accounts Receivables	\$ -	\$ -247.076,64	\$ -689.563,92	\$ -1.335.884,09	\$ -2.059.434,15	\$ -2.479.461,51
Changes in Inventory	\$ -	\$ -51.615,38	\$ -142.512,14	\$ -273.957,30	\$ -418.836,12	\$ -502.960,79
Changes in Accounts Payable	\$ -	\$ 93.194,44	\$ 257.313,59	\$ 494.645,13	\$ 756.231,89	\$ 908.123,64
Changes from Accrued Expenses	\$ -	\$ 81.500,00	\$ 57.234,39	\$ 72.119,08	\$ 157.745,73	\$ 163.643,62
Net Cash from Operating Activities	\$ -485.666,67	\$ -91.104,03	\$ 811.701,96	\$ 2.734.199,48	\$ 6.312.611,66	\$ 10.926.794,26
Cash Flow From Investing Activities						
Plant and Equipment	\$ -10.000,00	\$ -30.000,00	\$ -10.000,00	\$ -10.000,00	\$ -10.000,00	\$ -10.000,00
Net cash from Investing Activities	\$ -10.000,00	\$ -30.000,00	\$ -10.000,00	\$ -10.000,00	\$ -10.000,00	\$ -10.000,00
Cash Flow from Financing Activity						
Funding from Investors	\$ 650.000,00	\$ 1.000.000,00	\$ -	\$ -	\$ -	\$ -
Bank Line of Credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash from Financing Activities	\$ 650.000,00	\$ 1.000.000,00	\$ -	\$ -	\$ -	\$ -
Net change in Cash	\$ 154.333,33	\$ 878.895,97	\$ 801.701,96	\$ 2.724.199,48	\$ 6.302.611,66	\$ 10.916.794,26
Cash at the Beginning		\$ 154.333,33	\$ 1.033.229,30	\$ 1.834.931,27	\$ 4.559.130,75	\$ 10.861.742,41
Cash at the End	\$ 154.333,33	\$ 1.033.229,30	\$ 1.834.931,27	\$ 4.559.130,75	\$ 10.861.742,41	\$ 21.778.536,67

Income Statement Projections

Sales Volumes						
Reusables						
LCD Screen		30	80	130	130	100
Flexible Scope		30	80	130	130	100
Consumables						
Diagnosis		7.921	30.054	72.915	138.968	218.159
Treatment		2.400	9.198	22.540	43.388	68.793
Total Sales		10.321	39.252	95.455	182.356	286.952
Sales Revenues						
Reusables						
LCD Screen		\$ 6.000	\$ 16.000	\$ 26.000	\$ 26.000	\$ 20.000
Flexible Scope		\$ 15.000	\$ 40.000	\$ 65.000	\$ 65.000	\$ 50.000
Disposables						
Diagnosis		\$ 974.227	\$ 3.696.600	\$ 8.968.591	\$ 17.093.077	\$ 26.833.538
Treatment		\$ 487.233	\$ 1.867.243	\$ 4.575.557	\$ 8.807.676	\$ 13.964.983
Total Sales Revenues		\$ 1.482.460	\$ 5.619.843	\$ 13.635.148	\$ 25.991.753	\$ 40.868.522
Cost of Goods Sold						
Reusables						
LCD Screen		\$ 6.000	\$ 16.000	\$ 26.000	\$ 26.000	\$ 20.000
Flexible Scope		\$ 15.000	\$ 40.000	\$ 65.000	\$ 65.000	\$ 50.000
Disposables						
Diagnosis		\$ 324.742	\$ 1.232.200	\$ 2.989.530	\$ 5.697.692	\$ 8.944.513
Treatment		\$ 170.412	\$ 653.075	\$ 1.600.318	\$ 3.080.517	\$ 4.884.305
Total Cost of Goods Sold		\$ 516.154	\$ 1.941.275	\$ 4.680.848	\$ 8.869.209	\$ 13.898.817
Contribution Margin GP		\$ 966.306	\$ 3.678.568	\$ 8.954.300	\$ 17.122.543	\$ 26.969.704
Contribution Margin GP%		65,2%	65,5%	65,7%	65,9%	66,0%
Administrative Expenses						
SG & A	\$ 59.333	\$ 301.547	\$ 773.645	\$ 1.783.691	\$ 3.277.194	\$ 5.067.445
Salary Expenses	\$ 70.667	\$ 349.333	\$ 496.000	\$ 656.000	\$ 656.000	\$ 656.000
Training and Education		\$ 42.667	\$ 106.667	\$ 170.667	\$ 170.667	\$ 170.667
IP & Legal Counsel	\$ 34.000	\$ 34.000	\$ 34.000	\$ 46.000	\$ 46.000	\$ 46.000
Marketing Expenses	\$ 25.000	\$ 46.000	\$ 81.000	\$ 116.000	\$ 116.000	\$ 95.000
Research and Development	\$ 300.000	\$ 150.000	\$ 168.595	\$ 409.054	\$ 779.753	\$ 1.226.056
Total Administrative Expenses	\$ 489.000	\$ 923.547	\$ 1.659.906	\$ 3.181.412	\$ 5.045.614	\$ 7.261.167
Net Income Before Taxes	\$ -489.000	\$ 30.093	\$ 2.019.328	\$ 5.785.554	\$ 12.102.930	\$ 19.734.537
EBITDA	\$ -485.667	\$ 43.426	\$ 2.035.995	\$ 5.802.221	\$ 12.112.930	\$ 19.744.537
Provision for Taxes	\$ 0	\$ 10.532	\$ 706.765	\$ 2.024.944	\$ 4.236.025	\$ 6.907.088
Net Income after tax	\$ -489.000	\$ 19.560	\$ 1.312.563	\$ 3.760.610	\$ 7.866.904	\$ 12.827.449
Net Income % after tax	0,0%	1,3%	23,4%	27,6%	30,3%	31,4%

Balance Sheet Projections

ASSETS	2007	2008	2009	2010	2011	2012
Cash	\$ 154.333,33	\$ 1.033.229,30	\$ 1.834.931,27	\$ 4.559.130,75	\$ 10.861.742,41	\$ 21.778.536,67
Accounts Receivable	\$ -	\$ 247.076,64	\$ 936.640,56	\$ 2.272.524,65	\$ 4.331.958,80	\$ 6.811.420,31
Inventory	\$ -	\$ 51.615,38	\$ 194.127,53	\$ 468.084,83	\$ 886.920,95	\$ 1.389.881,74
Current Assets	\$ 154.333,33	\$ 1.331.921,33	\$ 2.965.699,36	\$ 7.299.740,22	\$ 16.080.622,16	\$ 29.979.838,72
Property Plant and Equipment	\$ 10.000,00	\$ 40.000,00	\$ 50.000,00	\$ 60.000,00	\$ 70.000,00	\$ 80.000,00
Accumulated Depreciation	\$ 3.333,33	\$ 16.666,67	\$ 33.333,33	\$ 50.000,00	\$ 60.000,00	\$ 70.000,00
Net Nonrecurrent assets	\$ 6.666,67	\$ 23.333,33	\$ 16.666,67	\$ 10.000,00	\$ 10.000,00	\$ 10.000,00
Total Assets	\$ 161.000,00	\$ 1.355.254,66	\$ 2.982.366,02	\$ 7.309.740,22	\$ 16.090.622,16	\$ 29.989.838,72
LIABILITIES						
Accounts Payables		\$ 93.194,44	\$ 350.508,03	\$ 845.153,16	\$ 1.601.385,05	\$ 2.509.508,69
Accrued Expenses		\$ 81.500,00	\$ 138.734,39	\$ 210.853,47	\$ 368.599,19	\$ 532.242,82
CurrentPortion, LT Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current Liabilities	\$ -	\$ 174.694,44	\$ 489.242,42	\$ 1.056.006,63	\$ 1.969.984,24	\$ 3.041.751,50
Long Term Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ -	\$ 174.694,44	\$ 489.242,42	\$ 1.056.006,63	\$ 1.969.984,24	\$ 3.041.751,50
OWNER'S EQUITY						
Common Stocks	\$ 650.000,00	\$ 1.650.000,00	\$ 1.650.000,00	\$ 1.650.000,00	\$ 1.650.000,00	\$ 1.650.000,00
Retaining earnings	\$ -489.000,00	\$ -469.439,78	\$ 843.123,60	\$ 4.603.733,60	\$ 12.470.637,92	\$ 25.298.087,21
Total Owner's Equity	\$ 161.000,00	\$ 1.180.560,22	\$ 2.493.123,60	\$ 6.253.733,60	\$ 14.120.637,92	\$ 26.948.087,21
Total Liabilities/Owner's Equity	\$ 161.000,00	\$ 1.355.254,66	\$ 2.982.366,02	\$ 7.309.740,22	\$ 16.090.622,16	\$ 29.989.838,72

Appendix E: Comparison of Techniques for Surgical Removal of the Appendix⁵

Appendectomy	Amount Reimbursed to hospital	Length of hospital stay	Days of paid work leave	Cost of hospital stay	Cost of paid work leave	Total cost per patient	Total cost per year
Conventional-open surgery	\$ 667	4	20	\$ 335,68	\$ 180	\$ 1.183	\$ 454.088.649
Laparoscopic	\$ 667	2	5	\$ 167,84	\$ 45	\$ 880	\$ 337.747.027
Trocamera	\$ 667	0	1	0	\$ 9	\$ 676	\$ 259.459.459

Conventional vs Laparoscopic	\$ 116.341.622	25,6%
Conventional vs Trocamera	\$ 194.629.189	42,9%
Laparoscopic vs Trocamera	\$ 78.287.568	23,2%

⁵ Our calculations are based on the reimbursement rates of the Colombian healthcare system, which are the lowest when compared to those of Mexico and Brazil.