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Opening Remarks

My name is Tom Fitzsimons and I am one of the founders of Kerathin, an early stage medical device company headquartered in the City of Chester. I have lived in Swarthmore for over 30 years.

I am a very fortunate person. Over the course of my life I have met people and gathered experiences that made it possible for me to start this company. I started out with a number of unearned assets: good genetics, a family that valued education and most importantly being born in a country with a stable political and economic system. I am primarily a health care technology person and that background will color my remarks.

The SE Pennsylvania region is a unique place. The congregation of large pharmaceutical and biotech companies along with the concentration of first tier universities has made this region a life sciences hub. But the recent consolidation in the pharma industry has, in my opinion, set the stage for significant and unsettling change in a traditionally strong sector of the region's economy. Fortunately, there is an abundance of talent and science in the region. Those assets can lay a firm foundation for a dynamic and renewed future of the life sciences industry in the region. How the State and the SE region position themselves to cope with these changes will affect us all for years to come. That is the reason I am here today.

Kerathin was started in my basement. I had a common infection of the foot, toenail fungus, and I built a tool to help me take care of it. I showed this tool to my doctor, who said "wow, I've never seen anything like that before". After hearing the same comment from a number of doctors we started to make better and more sophisticated prototypes. We were lucky enough to be able to pay for this ourselves, and fortunate that the tools we were making were basically simple electromechanical devices. But they were not products, they were prototypes.

Kerathin works in a regulated industry. We are a registered FDA facility with all the procedural overhead that implies. For an early stage company, building FDA Good Manufacturing Practices compliant products is a resource intense task. It requires knowledge, drive, talent and money. Without all of those elements you will surely fail, and even with all of those elements success is not assured. Interestingly, from my perspective and in this region, money is the hardest element to find.

We first approached the Ben Franklin Technology Partnership program in December 2010. We applied for and received a \$150,000 convertible loan. We had to match that loan with outside cash, in our case contributed by the founders, on a dollar for dollar basis. Fortunately we could do that. They recently added to their initial investment by contributing \$200,000 in Kerathin's most recent investment round.

We used BFTP's initial money to go from the garage to a professionally built unit we could take to trade shows and demonstrate to potential customers. But more importantly, the money we got from Ben Franklin was an indicator that Kerathin was "for real". Ben Franklin, through its internal due diligence process, gave our company much needed credibility; and that made it possible for Kerathin to grow by attracting additional outside investment capital. Historically in this region Ben Franklin has been involved in many of the early stage financings for companies like Kerathin and their participation is a critical factor in the early growth of many companies. If you search through the Price Waterhouse MoneyTree website you can see how critical their support is to early stage business growth in the region.

Kerathin's story is not unique. It is repeated throughout the state. Under the best of circumstances launching an early stage business is a challenge. Kerathin started 2011 with one person working in a basement and no payroll. We now have 3 full time and two part time employees. Our median salary is high; we need people who are multitalented, and they are expensive. Our products are built in Chester PA. Wherever possible we use skills available in PA. Ben Franklin's participation in the growth and development of our business has been a key factor.

Money for early stage businesses especially in the life science sector in Philadelphia has never been easy to raise. It is more difficult now than it has been in my memory. Access to capital should never be the gating factor in determining the success of a new enterprise. We should not make this process harder than it is by making early stage risk capital hard to find. Why it is so hard to find now, with record amounts of capital sitting on the sideline in the hands of both corporations and individuals is beyond the purpose of my remarks. But if we wish to capitalize on the opportunity we have in the life science sector, someone has to lead, and right now that someone is Ben Franklin.

Thank you for allowing me to speak, and for having the vision and drive to address this complex issue through the InnovatePA proposal. States, like families and individuals, need to make sound and judicious investments in their future. Finding money for this is just plain hard, especially when there is such vocal pressure to reduce deficits. I am no financial engineer, but I believe that we should not let the house rot because we don't like the balance on the credit card unless we have no other choice.

Thank you.