Date: **January 1, 2017**
Title: **Blue Belt Technologies, Inc. - Robotically Assisted Handheld Device for Bone Based Surgery**

1. **What is the problem you are solving?**

   Blue Belt Technologies, Inc. is a medical device company that was founded in 2003 as a spin-off from Carnegie Mellon University. Blue Belt has developed proprietary technologies and tools to improve minimally invasive computer-assisted techniques in orthopedic surgery and other surgical specialties where precise removal of bone is critical to improving patient outcomes. The Company's handheld robotically assisted device (Navio) produces precise and repeatable results not available via conventional instruments and approaches.

2. **How is your solution unique, sustainable and profitable?**

   Blue Belt's proprietary (multiple patents issued) Navio technology represents a game-changing opportunity in the field of orthopedics by integrating robotically controlled handheld instruments with surgical planning and navigation capabilities. As a result, the Company's technology enables more accurate and consistent clinical outcomes, faster procedure times, and reduced revision rates. The technology provides many benefits across the spectrum of healthcare:

Constituents	Benefits
Patients	■ Better surgical outcomes ■ Less invasive surgery ■ Shortened recovery time
Hospitals	■ Improves patient marketing and referral opportunities ■ Reduces instrument sterilization & processing costs ■ Improves workflow and procedure profitability
Payors	■ Reduces cost from revision surgery ■ Reduces rehabilitation costs
Surgeons	■ Improves outcomes ■ Shortens learning curve ■ Allows opportunity for complex surgery
Manufacturers	■ Reduces instrument working capital costs ■ Improves R&D activities ■ Competitive advantage / improved image

3. **How big is the market you are addressing and who are your customers?**

   Arthritis is the largest cause of disability in the United States. A 2002 study by the Centers for Disease Control and Prevention indicated that 70 million American adults (33% of the population) suffer from arthritis and/or chronic joint problems. This problem will only worsen with an aging population. Osteoarthritis, also known as degenerative arthritis, is the most common form of arthritis, and surgery is the recommended treatment for more severe cases. Surgical solutions ultimately involve removal and replacement of the diseased or disruptive bone.

Blue Belt is initially focused on the Uni-compartmental Knee Replacement ("UKR") market and estimates its global target market opportunity at more than $4 billion. The Navio technology is an open architecture platform and is complementary to all existing UKR implants. In addition, Blue Belt has developed its proprietary STRIDE Unicondylar Knee System that is optimized for the Navio platform and provides anatomy-derived geometry to allow for minimal bone resection and optimal bone

coverage. Blue Belt will continue to evolve its Navio platform technology by pursuing additional applications for other procedures in the orthopedic market.

4. How will you generate revenue?

Navio is sold as capital equipment to hospitals via a direct sales model. In addition, there is a disposable component tied to use per surgical case as well as the opportunity to put an annual service contact in place for installed systems. The STRIDE implant is sold on a per case basis as is the standard in the industry.

5. Who is your competition and what is your competitive advantage?

There are several established players in the surgical robotics space, most notably Intuitive Surgical and Mako Surgical (Stryker). In addition, there are several smaller players in the space working to establish a meaningful presence in the market.

Navio enjoys many significant advantages over these competitive systems including:
   a. Image-free robotics which can save the patient from radiation exposure
   b. Hand-held robotics which allows for ease of set up and use
   c. Open platform allowing for use with a variety of implant
   d. Significant cost advantages since the MSRP of the system is less than major competitors

6. Who are the members of the team?

Blue Belt is led by an experienced group of professionals with deep domain expertise in the industry as well as a successful history of commercialization and growth. In addition, the company has a full complement of advisors and board members adding significant value to the company's efforts. The full team and detailed bios are available on the company's website.

7. What is the concept's current status and what are the most important next steps?

Blue Belt is currently in the market, selling products in the U.S. and international markets, and is experiencing significant market interest and revenue growth.

Significant milestones include:
   a. Company formation, license agreement executed with CMU
   b. Secured initial funding and hired staff
   c. Established relationships with a variety of funding sources and strategic partners
   d. Secured FDA and CE Mark approvals allowing for worldwide product sales
   e. Built deep IP portfolio and experienced management team to execute strategy

    f.   Executed a merger agreement with private equity to provide growth capital and access to additional resources

Blue Belt has been resourceful and creative with respect to funding the business. Sources have ranged from SBIR/STTR grants, convertible debt from economic development agencies, traditional Series A funding, private equity recapitalization and generating cash flow from service and product sales. These efforts have brought $30+ million into the company and have fueled growth to this point.
The current funding need is expected to be in the tens of millions and is projected to take the company to exit.

New funding will be used to fund market growth and expansion (in the U.S. and abroad), product development to allow for application expansion, facilities/staff expansion to support projected growth and resources to allow for additional clinical validation studies and publications.

8. **What is the exit plan in terms of timing, candidates and value?**
Blue Belt is actively exploring options related to exit scenarios including strategic opportunities and the public markets. As the company's sales volume increases, enterprise value and market interest will grow exponentially. There are a number of comparable transactions that can be used to assess exit viability. Most noticeably is the Stryker acquisition of Mako Surgical for over $1.6 billion in late 2013. Blue Belt will continue to evaluate options and remains opportunistic to the right deal at the right time for the right valuation. All major players in orthopedics and medical devices represent candidates for exit.