

How to Use Checks and Balances in Your Medtech Start-Up: Interview with Michael Tozzi, President, and CEO of TAS Medical

In today's program. We've got Michael Tozzi, the President, and CEO of TAS Medical. Mike specializes in investor relations, commercial readiness, and improving the commercial execution of early-stage medical device companies. Previous to TAS Medical. Mike served as Chief Commercial Officer at Carevoyance where he and his team created groundbreaking analytical tools designed to help medical device companies better understand their markets and execute their commercial goals. Prior to this Mike helped to build Cardiovascular Systems or CSI from the ground floor, taking the company from an early-stage to over \$1.3 billion in market cap in just seven years. At CSI, Mike held various executive roles in sales and marketing. In this conversation here are some of the things we're going to cover:

- The origin story of TAS Medical, including the early product concept and how Mike got involved with the company.
- Mike's strategic approach towards taking the product from initial idea to eventual commercialization, including the regulatory and clinical paths that were considered.
- How much did coverage and reimbursement or lack thereof factor into Mike's early decision-making process?
- His approach to raising capital for TAS medical, as well as other med tech startups he's worked with.
- Mike's favorite business book
- The leader he admires most
- The advice he'd give to his 30-year-old self.

Alright. Without further ado, let's get the interview.

Scott Nelson: All right, Mike, welcome to Medsider. Appreciate your coming on.

Michael Tozzi: Pleasure to be here, Scott

Scott Nelson: Norbert, you ready to rock there in your and your captain's chair?

Norbert Juist: Ready to rock and roll.

Scott Nelson: It should be a fun conversation because I know you guys go back a bit. So, I'm anxious to have hopefully an entertaining but yet informative conversation about Mike. What you're doing with TAS Medical as well as just your extensive background in the medtech space. So, without further ado to set the right context, I mentioned in the intro that you're the President

and CEO of TAS Medical. So, to give everyone the listeners a better idea of what you're doing now, could you maybe walk us through your technology and maybe even just use a hypothetical patient as an example, just so everyone gets an understanding of what you're doing today.

Michael Tozzi: TAS Medical, by the way, stands for Trans Abdominal Strap. We've got a great concept. It's a medical-grade zip tie, zip strap technology and we seek to eliminate the need for surgical mesh in abdominal surgery. So, it's probably good to also mention the unfortunate reality that there are currently 54,000 pending lawsuits in hernia surgery with regard to mesh. For those listeners tuned into a medical device for a little while you'll remember that there were quite a few lawsuits in the pelvic floor reconstruction space and stress urinary incontinence space. This is just hernia. So, hernia is the next frontier unfortunately for litigation.

So, we'll also be talking a little bit about a ventral hernia and most people know what a hernia is, but a ventral hernia starts with the reality that there are 5 million laparotomies every year in the US and so a laparotomy is just when a general surgeon has to open you up for either exploratory or trauma or hernia surgery and then of those 5 million, laparotomies that the number one complication is an eventual hernia. So, 11% of them turn into a hernia. So, it's a big patient population. There are over a million ventral hernias around the globe every year.

Norbert Juist: That's a big number.

Michael Tozzi: Yeah, it is. That's 350,000 just here in the United States.

Scott Nelson: I'm sure a lot of the listeners are semi-familiar with some of that hernia related litigation. I mean, I'm not, I wouldn't consider myself an expert in the space by no means, but it's hard to keep up with the medtech space and not have some sort of like idea of kind of what's been going on there. So, can you maybe speak to that Mike and a little bit more detail and maybe contrast that to like how your technology is resonating with people who are very familiar with the associated litigation risks specific to the hernia space?

Michael Tozzi: Yeah, I will, and by the way, now that I've mentioned it to you guys, I guarantee you you'll see it, especially if you turn on the TV after 11 p.m. You'll see these commercials, these attorneys that are herding for these hernia patients. So, when you talk to general surgeons, they'll tell you that they spend a ton of time with their patients in the clinic. Patients will come in, have a hernia and patients don't want mesh anymore. They're scared of it in large part, probably because of these commercials after 11 p.m.

So, there's not an alternative to it. So, general surgeons will spend a significant amount of time in their clinic just trying to educate their patients on the complications of mesh and what to expect. But yeah, most often it results from pain and infection in the body just fighting this foreign material. Unfortunately, a lot of times the mesh has to be removed and so our trans abdominal strap will allow for an alternative to mesh and a number of other things too. We're also going to convert a ton of procedures from open procedures to minimally invasive procedures. So, yeah, we're excited about our value proposition and excited to bring this product to market.

Norbert Juist: Can you speak to like the development of it. How it came about how you got involved with it and so forth?

Michael Tozzi: It was fun. I was helping other companies to raise money or early-stage medical device companies to raise money and I came across Dr. Chin. Dr. Chin is a prolific medical device inventor. So, he's got over 200 patents to his name and him and our chief operating officer, Tom Kramer collectively they've had 20 other concepts or ideas that have made it from a patent or an idea all the way through to commercialization. So, talking to Dr. Chin and Tom about helping them to raise money and one thing led to another. Just became more and more interested in their innovation and their journey. So, that's how I became part of the company. I decided to take it on as an entrepreneur and help them to raise money. So, here we are two years later and we're just less than a year away from FDA clearance and commercialization.

Scott Nelson: That's super interesting and Mike had a curiosity I'm sure. Well, I mean, we'll get into this a little bit more with respect to your experience helping early-stage medical device companies raise money, but I'm sure you came and maybe still do come across a lot of different ideas or maybe different early-stage business ideas or concepts. What particularly attracted you to the technology at TAS versus other concepts or ideas that came across your desk.

Michael Tozzi: Yeah. You know, I think it was the fact that the more I learned about it, I realized that this unmet need was not just large, but obvious and present. I'm talking about this opportunity to provide for a full-thickness abdominal wall closure, if you will, a hernia closure, and do it in a minimally invasive manner. That's not happening today. Almost all of these ventral hernias are being done as open surgery. So, this presents an opportunity to not just present clinical advocacy for the patient, but huge, huge healthcare savings, literally hundreds of millions of dollars per year to save healthcare. Then also to do away this issue of mesh.

It excited me that there are no other companies or innovations that are trying to eliminate mesh. There's a ton of ideas to make mesh safer or to make a better mesh, but it's going to be a great journey to actually eliminate it. I should also say that it was Dr. Chin and Tom Kramer that interest me to work with them. These guys just have a great track record. They're real pros at what they do. They're just great, great guys to work with.

Norbert Juist: It almost sounds like you to some degree like Dr. Chin had the concept but that you almost pitched them on picking the idea to market. Is that accurate?

Michael Tozzi: Yeah. You know, they have the concept down and the IP down and the track record to develop these technologies. Tom Kramer, for example, owns and operates a medical device manufacturing facility and he and his engineers specialize in early design and development. But it was exciting for me because I saw this value proposition kind of come together and this concept of being able to give surgeons something to offer their patients other than mesh and also to convert this large procedure volume over to minimally invasive surgery.

For those of us that have been in a medical device for a long time, know how much fun that is. To convert a procedure from open to minimally invasive surgery is just a win, win, win for

everybody. So, yeah it all came together and it's just a ton of fun working with Dr. Chin and Tom Kramer.

Scott Nelson: That's super interesting and I think we will have enough time to kind of dig into some of the lessons learned during your time at Kinetics and kind of what you saw whether it was the issues that a lot of medtech startups face or just other lessons learned in general. I think that will allow us to kind of dig into your background a little bit more Mike. But specific to TAS while we're on this topic and you mentioned you're very close to 510 K clearance with the FDA. Walk us through your general approach from when you first sort of begin to collaborate with Dr. Chin on this idea. Walk us through maybe your high-level thoughts and then how you begin to put together a strategic approach to commercialization.

Michael Tozzi: If you were to ask Dr. Chin and Tom they would tell you that their concept is to take class two 510 K products. So, class two, 510 K meaning that you find a good solid predicate device and you can gain FDA clearance much faster, than having to do some of the longer pathways for FDA approval. So, TAS is a class two, 510 K with regard to going to market or thoughts around commercialization. We plan to, and I should mention we planned to gain FDA clearance and Q3 of next year Q3 of '20 and then start a soft commercial launch a year from right now, Q4 of 2020. So, that'll essentially be a post-market registry and we want to figure out what is the niche for this transabdominal strap and ventral hernia and exactly how many patients did we eliminate the need for a mesh.

We'll want to prove that. We'll want to prove how many patients did we convert from an open ventral hernia to a minimally invasive ventral hernia. Once we know that we'll also be able to figure out what was the cost savings for each hospital at the hospital level. Then beyond that, well, we're just super excited to take this product to market and we'll use business drivers just as we have in the past and I've worked with Norbert. Norbert's seen some of this but now business drivers are basically when a sales rep or a marketing representative does something that there's no right behind it. There's sticky adoption and nice clean revenue to follow. So, it's things like medical education and market development as well as just disciplined sales management and execution.

Scott Nelson: I think that your point about devices that Dr. Chin looks for as an example. Can you provide a little bit more context around that because I think that's interesting and the reason it stands out to me is Norbert and I are going to have another chat with Duke Rohlen here in another couple of weeks I know with what he's doing with Ajax Health, his new venture firm, his new medtech venture firm, I should say? One of his niches is specializing in funding or leading, I should say, early rounds and companies that have a clear business model.

I think it's amazing how many especially, maybe it's more common in the medtech space, how many early-stage founders don't consider the business model. They're stuck on the innovative idea and maybe it doesn't have legs at all when it comes to commercialization. So, is there a lot more like filtering criteria than just 510 K devices when it comes to what you look for or maybe what Dr. Chin looks for as an example?

Michael Tozzi: Yeah, I would say that there is. So, Dr. Chin started by working with a guy by the name of Fogarty. So, I think a lot of people are familiar with Dr. Fogarty and so early in his career, they worked together on a number of different innovations including the Fogarty Chin Catheter. So, over the years since then, he's had I want to say a dozen products that have made it through to commercialization. In large part what we do. We look for 510 K technologies that provide disruptive solutions to large unmet needs and ideally carry with them cost savings to healthcare. If we could, we'd also prefer there to be a reimbursement play as well, that sometimes in today's age a little bit more difficult and time-consuming to generate. It used to be the opposite where regulatory and FDA clearance and approval was the big obstacle but now it's CMS. So, we take all of those things into consideration and we feel lucky and fortunate with TAS in that we feel like we have all of those pieces in play. So, we're excited to tell the story and bring this product to market.

Norbert Juist: That's interesting.

Scott Nelson: Go ahead, Norbert.

Norbert Juist: So, with the reimbursement side of it. I mean, with Dr. Chin, you said, has at any one time 20 patents or something with this particular product. Was this one kind of a darling, or was this one that was attractive to you for all those reasons? Because Scott and I have done other calls where we talked about how going through the FDA clearance process and CMS clearance process and all that is just so costly and time-consuming.

Michael Tozzi: Indeed. No, for sure. Yeah. So, reimbursement, I think that's what you're asking about Norbert is a huge component. So, with TAS we're in a good spot in that because most of these procedures are still being done open there's an opportunity to convert them to minimally invasive surgery and there's reimbursement there. So, there's already a substantial increase in reimbursement for hospital centers and surgical centers for doing a laparoscopic ventral hernia compared to that of an open ventral hernia. So, we're lucky in that respect.

For those listeners who've launched a lot of disruptive medical device technologies. It's a ton of fun when you've got something that's disruptive and going to meet a big unmet need, but that doesn't mean it's already a grand slam. You've got other obstacles especially now getting through different product committees to get your product on the shelf. They want to see healthcare savings They want to see that their global population of patients is going to have a positive outcome not just acutely but chronically after this procedure. And occasionally if you can launch technology and on day one has a reimbursement story, that's always a treat. It's rare but in this case, we're excited about that.

Scott Nelson: Just to follow up on that, Norbert and I had a chat with Dan Rose recently and by this podcast is out that one should be up as well. He kind of referred to that period of time when it comes to commercialization as the valley of death. When you've got regulatory clearance, whether it's 510 K, Denovo, PMA, and then that time between approval clearance or whatever and when you actually can obtain coverage and reimbursement as that valley of death for a lot of companies.

They just don't consider the resources, the time that's needed to actually make that a reality. So, I just think it's super interesting that you're trying to leverage or that you're thinking very far ahead in terms of, or well beyond just the regulatory constraints that you may encounter, but also coverage reimbursement. So, just to clarify with your existing technology with TAS, are you leveraging an existing CPT code?

Michael Tozzi: Yes. Yeah. Existing CPT codes for laparoscopic surgical repair of a ventral hernia. Yup.

Scott Nelson: And then when you think about the commercial model you're making sure that that's priced in a way where it's economically positive for the hospital, the physician, etc.

Michael Tozzi: Yeah. Well, Scott, it's great and it's easy for us right now to do that because the cost savings of a patient who's going to have an open ventral hernia compared to that of a laparoscopic it's a \$5,000 savings per procedure. So, not only will we save healthcare \$5,000 for every conversion but we'll also be able to help hospitals to receive higher reimbursement to the tune of about \$4,000 by the way of a higher reimbursement for a laparoscopic repair compared to that of an open ventral hernia.

Norbert Juist: And that doesn't even factor in the 11% infection rate and how much that costs the hospital as well.

Michael Tozzi: No doubt, no doubt.

Scott Nelson: So, Mike, it seems like this is a bit of a no brainer. I mean, if you think about the pitch to the value analysis team or any sort of influencer or stakeholder that's going to make a decision around bringing in this type of technology. So, using that as kind of a reference point, how are you thinking about building out a US salesforce? I mean, we all know that that's incredibly expensive. So, are you thinking about ways to do it differently in order to stay lean, but also still experience strong commercial traction as well?

Michael Tozzi: Yeah. Yeah. Great question by the way and I appreciate you sharing your optimism. I'll have to send you a term sheet. [19:34 inaudible].

Scott Nelson: Well, I'm just interviewing here, Mike. I mean, I'm interviewing for a sales gig but...

Michael Tozzi: You're interviewing and I'm closing. So, I'll send you a term sheet and we'll get this thing going.

Scott Nelson: There you go.

Michael Tozzi: It's a good question with regard to thinking about commercialization and with it being as early as a year away. It's definitely something that we talk about and think a lot about. So, I'm fortunate in that I've worked with some of the most sought after medical device executives and sales reps in the industry today. So, relationships matter and a lot of these folks I've worked with, with Norbert, he's helped to introduce me to a lot of them. So, what we plan

to do is once we gain FDA clearance, we'll spend the first nine months and do what we call a soft commercial launch. There'll be a post-market registry where we'll prove out all of the things that we're trying to accomplish before we do a large launch. So, this post-market registry is going to be super important to us. It'll give us the opportunity to show hospitals and to show physicians what the metrics look like. So, that'll be a big part of our early commercial launch and that should start as early as a year from now.

Scott Nelson: And Mike that soft launch was that largely driven by the data that you need to collect post-market as part of that 510 K clearance or is this like more of a strategic lever that you're pulling?

Michael Tozzi: You know what man, it's like all of the above. I think we owe it to the space to be responsible and have launched a lot of exciting, innovative, disruptive technologies. That's great. It's fun to do that, but with a paradigm-changing approach to something, you also have to make sure that you're niching it to the right patient. So, I always believe that a niche is a great thing. Even if it's a small niche, it's a great thing. You want to use your technology in its sweet spot and let people experiment with it when you know, you're going to have a good patient outcome. So, it's driven largely for that. We want to make sure we get it right to the patient. Also, given that we have a class two 510 K technology, we have the benefit of gaining FDA clearance in the absence of human trials. So, we will limit the use of our technology to just our medical advisory board during that first nine months, complete a good hopefully responsible post-market registry, and then once we take the learnings from that, we'll take it large scale and look to change the space.

Scott Nelson: I love the approach because immediately my head goes towards hearing you kind of describe the path to the soft launch. My head is like why not go big. Why not start building out a sales force and start to put the foot on the gas pedal so to speak. But I love the approach because there's a lot of synergy in doing kind of all of the above. You're sort of how you put it, Mike like it's good for space because it's good for the patient. It's good in terms of proving out the efficacy and cost savings to the hospital stakeholders. It's good from a regulatory standpoint. It's kind of all of the above. So, it's interesting to kind of hear you kind of describe that because it definitely resonates.

Michael Tozzi: Well, thanks. Yeah. We're looking forward to executing on it and we've got a complex healthcare system right now, but it still does have all of its checks and balances to make sure that patients are getting the right treatment. Healthcare is not being drained and we want to make sure that we launched this thing the right way and the right patients are treated with our technology.

Scott Nelson: Right. I guess what I'm trying to say is this sounds like maybe a soft launch formula. You can call it the Tozzi soft launch formula for medical devices and trademark that.

Michael Tozzi: I don't know about that. I'm following the lead of other great medical device technologists that have paved the way for us.

Scott Nelson: Yeah, no doubt. Joking aside. I love the approach and I just think it's interesting especially when you compare it to other spaces, right. Other spaces outside of healthcare and that's just kind of the reality of operating within a regulated environment with a lot of different dynamics to consider as part of a traditional product launch that you wouldn't otherwise have to in the world of SAS or something like that. So, very interesting, nonetheless. But Norbert, anything else that you want to chat about with respect to TAS Medical before we kind of get into Mike's background in a little bit more detail?

Norbert Juist: Yeah. So, with respect let's say you have a crystal ball and you were to predict being acquired, which seems to be the growing trend among startup companies. I mean, obviously, it has always happened, but it seems like it happens more frequently and quicker in today's society. How much does that play a role in your thought process or do you not think about that and you focus on the path at hand and if that happens, it happens. How do you strategize for that?

Michael Tozzi: I guess I don't think about it too much. I feel blessed and lucky to have known and worked with a great CEO. His name was Dave Martin. I just remember Dave always talking about how to build solid companies, not for acquisition. So, clearly, our model is to be acquired and I've got great, exciting interaction with a lot of the strategies in the space. They're super interested in what we're involved in. So, we're going to build TAS Medical. We're going to build our company and try to build a solid company. We know that if we do that and we serve the patient well, and we provide innovation to a general surgeon that they currently don't have which is an alternative to mesh then there's a great chance that we will get acquired but it's not something that we think a lot about here today, for sure.

Norbert Juist: Something that just popped in my mind about that is if a current mesh company let's say, BD, the old [25:19 inaudible] or somebody like that. Would that almost be admitting that their infection rates and the problems with their mesh if they were to acquire kind of a backup plan technology?

Michael Tozzi: You know what I call that Norbert? I think that's pretty much the definition of the word disruptive. So, yeah. No, you're right though. It is sometimes interesting to see the responses of folks whenever they hear that our value prop is to eliminate the need for a mesh. Certainly, there's always synergies and so they'll, there'll be many patients where we work hand in hand and we'll absolutely need mesh to complete a procedure, but our goal to eliminate it for as many patients as possible. But there's a great chance that there'll be some, some good synergy for a lot of patients between our trans abdominal strap and the use of mesh in the right setting.

Norbert Juist: So, on that note talking about acquisition versus expansion and so forth. How does international factor into things? We mentioned that we talked to Dan Rose recently and he was kind of informing us about how once upon a time getting approval in Europe, getting the CE mark was much easier than FDA approval but that is not the case anymore. It's almost the exact opposite anymore. So, there's going into Europe factor into your thought process and decision making. I shouldn't just say Europe. Anywhere internationally Asia and wherever, or again, are you pretty much focused on the task at hand here in the US?

Michael Tozzi: I was just out at the European Hernia Society in Hamburg; Germany and they spent an entire day on regulatory and you're absolutely right Norbert. It is far more difficult today to gain regulatory approval overseas than it is here in our great United States. So, it does play in though, we do have a PCT and we have intellectual property protection covering 90% of the globe when you look at revenue-generating countries and medical devices. So, it's definitely part of our strategy, but we're definitely wanting to disrupt this US market space first and then the European space will follow that.

Scott Nelson: You know, what's interesting is quite literally before we're recording this conversation. We had an internal call with respect to our OUS regulatory strategy at Joovv which is the company that I co-founded and where I spend most of my time these days. But as we ranked kind of the near and midterm OUS strategy with the big three countries, regions being Canada, EU, and Australia, EU was the last because of the hurdles now that are required to foresee marking. It's just amazing to think that like five to seven years ago, it was the exact opposite to get a CE Mark, and to begin making some inroads in Europe was the easy layup versus the US as an example. So, that's a pretty significant change in a relatively short amount of time.

Michael Tozzi: No doubt for sure. It's changed and I hope that it gets easier for us to do business, to gain regulatory in the future overseas. But for right now our strategy here at TAS medical is going to be to attack this US market. It's a big, healthy market. That's where the litigation concern is. It's here in the United States. So, there are 350,000 procedures for us to play in. It's a nice big sandbox and we'll start here, but yeah, definitely beyond that, we look forward to engaging around the globe in all ventral hernias.

Scott Nelson: Cool. So, if you guys are okay with it, I'd love to transition and learn a little bit more about your background, Mike. And I know Norbert, I'm sure you can because you and Mike go back quite a ways you could probably help chime in with some more interesting questions than I am. Maybe it makes sense to, I don't want to go back too far because I couldn't remember a lot of stuff from my first gigs out of undergrad. I know you spent quite a bit of time at CSI Mike especially in their early days of commercialization. Maybe we kind of start there and kind of lead into your work at Kinetic Sales Consulting because that's certainly an interesting transition to go from a pure-play sales capacity to a consultant working with other early-stage medical device companies.

Michael Tozzi: I do think of CSI as an important place that I worked at and met some great people and I'm a sales guy so that's like many of the people probably listening to this call. I'm a proud carrying a bag holder even still today. So, that's what I did at CSI and got involved in sales training and sales leadership and marketing. I guess it was just fun to lock arms with people and work towards a common goal. So, CSI was that for a lot of people, not just me. So, I grew a lot professionally and just met some fantastic people. So, it was just a great experience and then after that, I got into consulting not so much because I love to teach. I love to consult.

I think it was my first way of being an entrepreneur which is now I look at it and think that's what my calling is and what I love to do is to just get involved in ideas and try to build them from the ground floor. So, Kinetics, it was a lot of fun though, working again with early-stage medical

device technologies, helping them to draft their value propositions and their stories and their scripts, better understand their landscape and space. It's different with every client as the both of you now because I think you're both involved in that same endeavor.

So, a ton of fun and then that led to me somehow, I don't know how, but somehow that led to me helping early-stage companies to raise money. Then that was so much fun because raising money is thought of to be one of the more difficult things to do as an early-stage company of any kind but a much less medical device. So, we came up with a way to do that, which seemed to work well for seed rounds. Ultimately that's what led me to TAS Medical was the interest for another entrepreneur to try to raise money. So, I'm not sure if I answered your question but that's my history dating back for I guess the last 15 years or so.

Norbert Juist: No, I think that's perfect. I think the thing that is most interesting is looking at it for somebody on the treadmill or driving in their car or whatever is, if they're thinking of themselves, what do I do next? How do I make that next transition? I mean, I think, you know, part of the moral of the story from you is, just go do it. It wasn't like you had this capital raising experience, you just went and did it. The fact that you did it made you incredibly valuable. I don't think, not to put words in your mouth, but I don't think when you left CSI that you thought hey, there is a huge niche for fundraising and raising capital and that's what companies are looking for and I'm going to go do that. I think you, however, came into that and it made you incredibly valuable and you found out that you have a skill for it, or you figured out how to do it effectively or what, but it became a big part of who you are and how you got to where you are. Would you agree?

Michael Tozzi: Yeah, well Norbert, I'm learning every day and I have a lot more to learn and so I would just say, I remember talking to somebody whenever I was consulting with Kinetic Sales Consulting and my interest was to just be involved in early-stage companies. I just love being involved in early-stage, especially early-stage medical device companies. If you looking at the core team of an early-stage company. I'm talking early-stage where you've got a little bit of IP put together and innovation that excites you, and there's not a lot of hats. The most important hat is raising money, right?

So, you need to be able to raise money. You need to be able to have a team that can develop and build technology. So, some guys that have some engineering background. You've got to have some folks that understand IP and make sure that you've got a good IP strategy. Maybe there's a couple of other things that you did, but there's not a lot of things. So, if I wanted to be involved in an early-stage medical device company I knew that I had to try to figure out a value in one of those quadrants. So, not much more interesting than that, other than I just wanted to work in an early-stage company and raising money seemed to be an important piece there. So, it worked out well.

Scott Nelson: On that note Mike let's chat a little bit about that because it's certainly one of the more challenging things that I think most early-stage medtech companies deal with is like how to rephrase that. That first round, so what are maybe some of the mistakes or challenges that you

helped a lot of those companies overcome when it comes to getting over that, that proverbial hump?

Michael Tozzi: So, Scott you're an early-stage company and you start to learn who's going to fund this idea and you're left with a few groups of people. You've got angel investors, individuals, who are accredited investors, meaning that they make over 200 grand a year or have at least a million dollars in net assets and they invest in early-stage companies. You've got angel groups that are formalized groups of those folks who pool together so that they can look at more deals together and use their expertise to make better decisions on investing. Then your third group is a family office So, they're hard to find by the way and they're difficult to navigate and understand what are the specific needs that they're looking for from a family office and investing perspective.

Then if you follow this model, you end up with venture capitalists. So, where you're probably looking for a larger raise and every one of this starting with that angel investor has their varying levels of due diligence that they go through. Chances are they don't know who you are, so they don't trust you. They don't know you. They want to learn more about you, but the fact that they don't know you makes it difficult for them to invest. So, if you're a seed round company, if you're early-stage,

I'm just a firm believer that the best place to go is to people who know who you are, people who trust you, who've worked with you in the past business associates, friends, or family, call them what you will, but devising a system and a process that allows for your message to get in front of as many of those people as possible. As I did with you I'm going to send you my term sheet now Scott. So, those are the folks that in my experience are just super important to building the early days of a company. It's amazing that a lot of entrepreneurs will spend so much time trying to go through due diligence or started due diligence with some of those other avenues without fully exploring their existing list of friends and business associates.

Scott Nelson: Early stage, whether it's a founder or a leadership team through that process. I'm sure it helped clarify a lot of the potential targets per se. What were the next steps once those more clear avenues were identified?

Michael Tozzi: It's first important to understand why people are not investing. Why would an angel group or a family office or a venture capital not invest in you? So, then the number one thing, if you were to ask 10 early-stage entrepreneurs like me, the number one objection that they might hear from one of those groups is that you're way too early. So, by the way, if there's an entrepreneur that's listening to this, they're laughing right now because they've heard it. Everyone hears that you're way too early. It almost doesn't matter how early you are. It just seems to be the most common objection again. I think what they're telling you is, I don't know who you are. I don't trust you. I don't know enough about you and I don't want to be the first dollars in on a deal where I don't know the person that I'm investing in.

So, if you come to that belief and you believe that wholeheartedly, it leads you to want to develop a good strategy to let people who do know who you are, who do trust you to hear your story. I know it sounds so simple, but I think that it is that simple. It's just a matter of, if you believe the

project enough, then you should believe in enough to let your friends and your business associates know about it. I'll tell you the only thing scarier about losing your own money is to lose your friends or your business associates' money.

So, I can tell you at TAS Medical I am humbled to have some of my closest friends and closest business associates, people that I respect so much have invested in TAS Medical. I'm motivated to see it through for a lot of reasons, but I promise you that a lot of it has to do with the fact that there's no way I'm going to fail my friends and the people who invested in TAS Medical and the people who invested in me. So, it kind of goes back to those checks and balances its awesome checks and balance and it's also a good metric. So, if an entrepreneur believes in their project, they should believe in it enough to not just invest in it themselves but to feel good enough about it that they're comfortable having their friends and family invest in their project.

Scott Nelson: We just found the official title for this conversation is checks and balances with Michael Tozzi. There we go. How do you use checks and balances in your favor? No, that's great stuff and I love the way you framed up. It probably speaks to one of your core super powers being kind of the sales process but how you peel back the layer of the onion so to speak to get out the true need which most, I don't want to speak for early-stage medtech founders but so many myths on the fact that the response that they're often given, being you're too early, isn't the real issue at hand. It's more a more of a trust issue and they don't know who you are. So, that's an easy out or easy critique for most people with capital to invest. So, I love your take on that. I think that's super important for anyone to consider.

Norbert Juist: So, now knowing what you know when it comes to your next, because obviously as you continue to grow and want to commercialize and put on a sales force, you are going to need to raise capital. So, obviously, it becomes easier probably to get money at that point. But do you go to the institutional investors at that point because you need bigger money quicker or do you still keep it in the smaller circles or what are your thoughts with that?

Michael Tozzi: For TAS, I can tell you that we're embarking on a Series A round now. So, that's a \$10 million round. So, we're seeking a lead investor to usher that series A round. So, now because of the risk that the early investors made in our seed round, and we raised 2 million in our seed round. Because of the risks that they took for us allowed us to de-risk. That allowed us to get some pre-clinical work done, to develop our product, to get to a design freeze, to have our regulatory pathway fully baked, and allow us to plan for each phase of our company.

Now venture capital and larger investors are more interested in investing in TAS Medical plus it also allowed me a couple of years to interact with them. So, now they do know me a little bit more. So, again the seed round is I think obviously the most important round because if you don't get through the seed round, you don't get anywhere. So, you can easily say the seed round is the most important round and it allows you to prepare for the larger rounds which are to build relationships with these investors and super important that you can de-risk and prepare yourself for the larger investors to come in.

Scott Nelson: good points. Norbert, were you going to add something else?

Norbert Juist: No, no. I was just saying that's great.

Scott Nelson: Yeah. Yeah. Especially the concept of de-risking further rounds. It's just so important, so easy to underappreciate as well. On that note Mike, I want to be sensitive to time and I know we're kind of up against the clock, so we'd love to kind of wrap up the conversation maybe with some rapid-fire questions if you're okay with that.

Michael Tozzi: Yeah. Let's do it.

Scott Nelson: Yeah. Okay, cool. So, the first one is what's your favorite business book?

Michael Tozzi: Well, there was a book called 4DX, Four Disciplines of Execution. A coworker of mine Eric Rue introduced it to me a number of years ago. I would say that book is my favorite business book in large part because Eric helped us to execute it. So, it wasn't just a read, but we actually used the material in the book to advance on projects that we were working on. So 4DX, it's a Stephen Covey book and it's about focus and engagement and accountability.

Scott Nelson: 4DX. As number four, D as a dog and the X is an X-Ray.

Michael Tozzi: Yes.

Scott Nelson: Okay. Got it. Interesting. I've never heard of that. Jotting it down to a to look up after we conclude the interview here. So, the next rapid-fire question. Is there a business leader or mentor that you most admire or one that stands out from your career in medtech?

Michael Tozzi: I'll learn from anybody for sure. I'd say I'm currently working with another CEO on a project that he's working on. I'm on their board. His name's Dave Wagner. Dave Wagner is the CEO of this company called Inspired Life Medical and actually, he founded another product called Frog Tape. I'm not sure if any of you or your listeners have come across that product. It's a painting tape. So, it's a green tape that you can see on the shelves of Home Depot. So, he founded that as well as other companies. He's a serial entrepreneur. I'd say, Dave Wagner is that person for me

Scott Nelson: From Frog Tape to a medtech company.

Michael Tozzi: Yeah. I guess the better question might be for me to say, I should provide more color. So, Dave leads through Christian principles. He just leads by, examples. He doesn't push his ideas or ambitions. I gave you a name that maybe none of you know of. I didn't give you a Warren Buffet type name and so I'll share with you that he was just a great listener and he's always open to other solutions that may not be his ideas. So, yeah, I'd say Dave Wagner is that person that I most admire. He is the current CEO.

Scott Nelson: Cool. That's good to know. It's another one I'm going to have to do a quick Google search after the interview here. Dave Wagner Frog Tape. Maybe I'll find a little bit more information about him.

Michael Tozzi: Yeah. Well, now it would be Dave Wagner. He and his company are looking to develop a product that can diagnose or screen, probably screen is a better word Alzheimer's disease many years before symptoms occur. So, yeah, it's a super ambitious project and I actually invested in his company too. So, I'm betting on Dave Wagner. I think he'll get it done.

Scott Nelson: Cool. Super fascinating. All right last rapid-fire question. Mike, is what one thing would you tell your 30-year-old self if you had the opportunity to go back in time?

Michael Tozzi: I guess I would tell my 30-year-old self to not be afraid to take risks, to not be afraid to fail. If I'm thinking this through when I was 30 years old I'd probably also tell myself not to buy a bunch of real estates as I did in 2006 and 2007.

Scott Nelson: Instead, you should have invested in Frog Tape.

Michael Tozzi: Yeah, that's right. That's exactly right.

Scott Nelson: No, that's good stuff. That's good stuff. So, I know we're reaching towards the end of the interview here. It would be fun. I mean in looking at your background and kind of the notes that we had prepared leading into this conversation. I mean, at some point it'd be fun to do a follow-up interview just on what you'll learn I would imagine over the next one to two years with TAS Medical and maybe any other projects, I guess that you're involved with and compare and contrast those to the things that you were maybe even teaching or consulting at Kinetics. I know we barely touched on your experience at CSI, but you were there for, I think almost eight years during the early formative years of CSI. So, it would be fun to maybe circle back around in the future and kind of touch on some of those experiences as well. But Norbert, anything else to add before we officially wrap it up here?

Norbert Juist: No, I think that was very insightful. I think the fundraising part of it is a interesting, I mean, this isn't a conversation that we've had with anybody before and I think it'll be fulfilling for TAS Medical and Mike after he went through difficult times with the seed rounds to now being able to dictate the terms a little bit more next time. You determine whose money you take rather than them dictating the terms to you. That'll be probably a much more experience for you.

Michael Tozzi: Yeah, well, I think so. I appreciate the interview guys and Scott; I have enjoyed your interviews over the last couple of years. You guys bring great service and so I'm looking forward to learning as I'm listening to other podcasts of yours.

Scott Nelson: Yeah. Yeah. Thanks for the compliments, Mike and I can't think enough for coming on and sharing a little bit more about TAS Medical, what you're learning and what you're doing there, but also some experiences from your medtech career as well which is pretty wide-ranging in terms of your experiences. I'm kind of just thinking about digesting some of the things that we chatted about and parts of the conversation that stick out to me are your general approach, synergistic approach, let's call it that to your soft launch strategy with TAS and then helping would be medtech founders in their approach to raising money and trying to get at the underlying rationale or reason for why they may hear the no or they may hear people saying they're

responding with their too early and trying to better understand that. I think those are some of the things that stand out in our discussion. So, anyway, long story short, thanks a ton for the interview. Mike, appreciate you doing it. Where's the best place for people to learn a little bit more about TAS Medical?

Michael Tozzi: So, we do have a website it's tasmedical.com and you can check us out there or reach me on LinkedIn.

Scott Nelson: Cool. We'll provide links to TAS Medical that's t-a-s, Tom, Andy, Sam, tasmedical.com. We'll provide links to Mike's company as well as his LinkedIn profile in the show notes to this interview at medsider.com.