BioArbor *Presents:*

"Successful Exits"

Michael Hooven
President, Enable Medical Technologies, LLC
Founder and Director, AtriCure, Inc.

Felix de la Iglesia
Chief Enterprise Officer, Michigan Technology & Research Institute

<u>BioArbor in October</u>
"Life Science Venture Capital Trends"

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AtriCure
Financing a Medical Device Business

BioArbor Presentation
September 9, 2009

Forward-Looking Statements

The following material contains forward-looking statements relating to AtriCure's future operating results that are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected.

The words "believe," "expect," "intend," "anticipate," "plan," variations of such words and similar expressions indicate forward-looking statements, but their absence does not mean that the statement is not forward-looking. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Any forward-looking statements should be considered in light of such risks and uncertainties including, without limitation, those discussed in the Company's S-1 filing.

AtriCure

- AtriCure Business
- Major Funding Milestones
- Biggest Problems Point
- Critical Success Factors

AtriCure Overview

- AtriCure is a cardiac medical device company focused on developing advanced products for the treatment of atrial fibrillation (AF) and stroke prevention
- Incorporated November, 2000
- IPO in 2005
- Currently the market leader with over 50% share, used in over 80% of the top 40 cardiac centers.
- Over 200 Employees
- Over 20% annual growth over last 5 years, with $56MM sales for 2008, near 80% gross margin

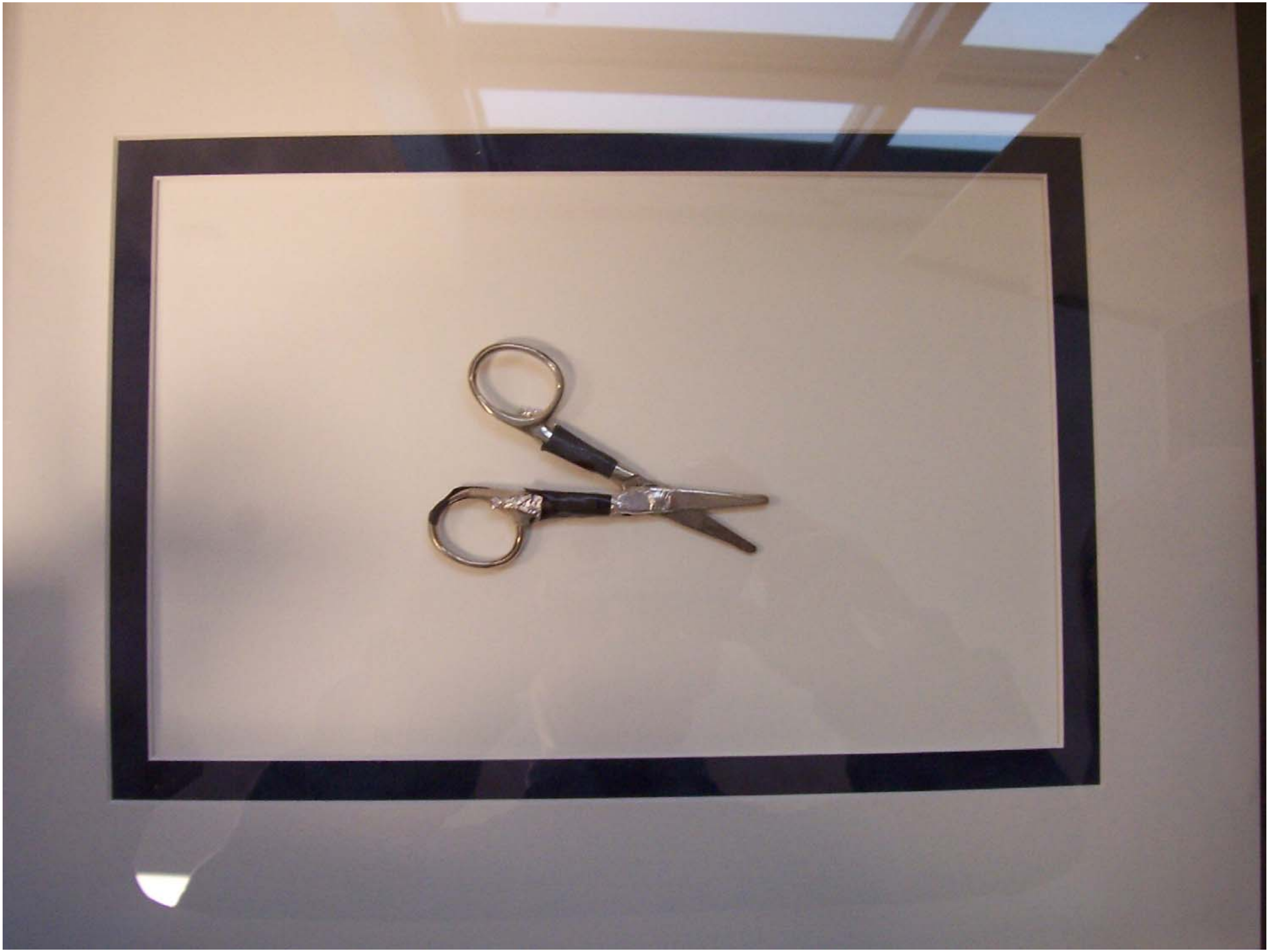
AtriCure Funding History

- $25,000 Enable Founder's Round April, 1994
- $425,000 Enable First Round October 1994
- $1MM Bridge Loan, Spin-out November 2000
- $5MM First Round Capital June 2001
  - USVP
  - Partisan
  - Charter
- $21MM Second Round June 2002
  - Camden
  - Foundation Medical
  - New England Venture Partners
- $52MM IPO August 2005

AtriCure

AtriCure's Beginning

AtriCure



Enable Founded April, 1994

- $25,000 at $.05 per share
  - Hooven $22,000
  - Weldon $1,000
  - Cassidy $1,000
  - D'Augustine $1,000

AtriCure

Second Round October 1994
$425,000 at $1.00 per Share

- Hooven $10,000
- Weldon $100,000
- Cassidy $50,000
- Others $365,000

AtriCure

CTS Deal

- Met in November 1995
- Enable had Technology, Infrastructure
- 5% of pre-IPO stock
- 4% of $250MM post IPO valuation Feb 06
- $500K Development Agreement
- First ‘Exit’ pays all Enable investors 2:1

AtriCure

Non-Dilutive Funding 1996 -2000

- $1.5MM from license/evaluation agreements
- $1.0MM NIH Phase I and II grants
- $2 MM Product Sales
- $2.5 MM Development

  GDT, Medtronic, Valleylab

AtriCure Founding

- Enable Focuses on Cardiovascular Medicine in 1999
- Major OpportunyIdentified
  - Afib
- AtriCure Technology Developed Early 2000
- Business Spun out of Enable in November 2000

Spin-out

- November 2000
- Financed Through $1MM Bridge
- Wholly Separate Entity 1:1 Stock
- “Pure Play” in Atrial Fibrillation
- Build Value
- Attract Venture Capital

AtriCure

February 2001 – The High Point

- Enable has multi MM$ mfg contract with GDT
  - 10,000 units/mo exclusive.
- Enable has dev and mfg contract with Valleylab
  - Major tissue sealing technology
- AtriCure has Term Sheet with leading VC
  - Commitment for $5MM funding at $6MM pre-money

February 2001 – The Low Point

- GDT cancels mfg contract
- Valleylab Mfg Agreement voided
- Enable forced to layoff 52 of 62 people
- VC pulls out of Term Sheet for AtriCure
- Now Enable/AtriCure have 16 people total

February 2001 – June 2001
The Recovery

- Reduced Enable focuses on AtriCure.
- Mini-’road show’ begins
- AtriCure secures $5MM funding June 2001
  - – USVP leads round at $6MM pre-money

AtriCure

$5MM round at $11MM post-money

- Technology
  - Preliminary Design
  - Chronic Animal Results
  - IP
- Market
  - Strong endorsement from leaders in the field
- Experienced Board and Management
- Enable Development/Mfg Support

AtriCure

June 2001 – June 2002

- AtriCure Builds Value
  - Manufacturing begins
- Initial Sales
  - Superior Clinical Results
  - Strong user (leader) endorsement
- Compelling Financials
  - Reimbursement/Selling Price
  - COGS

AtriCure

$52MM IPO August 2005

- Enable is aquired for $7MM with IPO proceeds
  - Final 'exit' for a total of $10MM to shareholders
- Proven, unique technology
- Experienced management team
- Strong revenue growth and high gross margins
- AtriCure 'exit' valuation of $170MM

AtriCure

Investor ROI

- Enable Founders 640:1
- Initial Enable investors 64:1
- ‘A’ round AtriCure investors 8:1
- ‘B’ round AtriCure investors 3:1

Critical Success Factors

- People
  - Entrepreneurs, Investors with proven track records
- Market
  - A large unmet need
- Technology
  - Unique, proprietary

AtriCure

Successful Exits

BioArbor: September 9, 2009

Felix A. de la Iglesia, MD
President, Science and Strategy
Michigan Technology & Research Institute
www.mtrinstitute.com

MICHIGAN TECHNOLOGY & RESEARCH INSTITUTE

Successful Exits

BioArbor: September 9, 2009

Felix A. de la Iglesia, MD
President, Science and Strategy
Michigan Technology & Research Institute
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Background

40 years experience in pharmaceutical research and development management & entrepreneurial positions.
34 years with Parke-Davis/Warner-Lambert /Pfizer. Retired as Vice President, Worldwide Preclinical Safety.
Participated in the launch of 17 highly successful compounds

Co-founder (2001): Cambridge Biotechnology Ltd, a biotechnology pharmaceutical company in Cambridge, England.

Co-founder, CSO, VP of R & D(2003):QRx Pharma Pty Ltd, a biopharmaceutical company in Brisbane, Australia.□

Co-founder, MITRI (2006): Strategic consulting focused on pre-IND to proof-of-concept for pharma companies worldwide. □

Exits

What makes a successful exit?

Founders & Management team: Expertise in technology that attracts industry and investors

Investors: Believe in the science and in the management team. Support and not control.

Acquirers: Build long-term sustainable base with new products.

Cambridge Biotechnology

Founded 2001 together with ex Parke-Davis colleagues

3 therapeutic areas, 4-6 lead compounds

Acquired by Biovitrum in 2004

Acquirer kept all of CBT operations in place

Milestone payments over 2+ years, A+

QRxPharma

2003: Founders, Dr. Gary Pace and Dr. Felix de la Iglesia
Technology from the University of Queensland (Australia) in 2 therapeutic areas: pain and blood coagulation.

Potential products included a dual opioid analgesic, a neuropathic pain combination, and antifibrinolytic and hemostatic venomic proteins.

Strategy: several pharmaceutical forms for the dual opioid, scale-up the antifibrinolytic and hemostatic proteins, ramp-up proteomic efforts into cardiovascular and CNS with support from the Australian government

Development Timeline

In late 2003, Company completed two Phase II studies using the dual-opioid on patients with moderate to severe pain.

In the third quarter of 2004, QRxPharma completed Phase I bioavailability and toxicology studies on the product now named MoxDuo.

In late 2005 an IND was submitted to the US FDA for Phase III clinical studies.

In early 2006, a Phase III clinical trial protocol was cleared by the US FDA.

The successful exit

Between 2002 - 2007, QRx raised total placements of debt and equity of approximately $18 million

In June 2007, QRxPharma completed its initial public offering led by JP Morgan on the ASX, raising $50 million AUD, company valued at >$120 million.

In June 2008 QRxPharma was listed on the International OTCQX

Largest IPO on Australian ASX history

Strong IRR to all investors, A+

Critical elements of an exit

Economic climate is essential

Majority exits are acquisitions. An IPO in 5 years is rare.

The Macro-economic environment: Are there any buyers?

What is the acquirer looking for? Technology? Access to a new Market ? Additional revenues? A unique Business Model ?

Structure, documents & due diligence package (Company)

Timing of exit of 6 ~ 18 months may be, 2-3 years likely

Collaboration with M&A experts and Investment bankers is a plus

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October 14:

"Life Science Venture Capital Trends"

5-7 p.m. ▪ SPARK Central ▪ 330 E. Liberty
Register at www.bioarbor.com

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