

DENOVO VENTURES

1550 El Camino Real, Suite 150, Menlo Park, CA 94025

650.329.1999

www.denovovc.com



RICHARD FERRARI, Managing Director

- **Education** MBA University of South Florida, BS Ashland University
- **Prior exec. experience** Founder, Saratoga Ventures; Co-founder & CEO, CardioThoracic Systems Inc.; CEO, Cardiovascular Imaging Systems
- **Board memberships** 6
- **Investment range** seed to \$15 million
- **Geographic range** United States, West Coast focused

- **Investment stage** seed and early stages
- **Deals since 1/1/04** 2
- **Capital under management** \$350 million
- **Active portfolio companies** 17
- **Active sector portfolio companies** 8 cardiovascular, 4 biotech, 5 other
- **Subsector preferences** all areas of life sciences
- **Recent exits** 1 IPO (Renovis), 2 M&A (undisclosed)

“De Novo came together in 2000 because we felt there was a void of operating expertise in the life sciences space of venture capital. We believe that there is more to offer than money, and that experience is the most precious ingredient to help build successful early-stage companies. In essence, experience minimizes the downside risk of the investment.”

What is De Novo's mission?

Our overall mission is to deliver better than average returns to our limited partners, from a financial point of view. And we believe that we can do that because we are uniquely different from other VCs. De Novo is organized to create value within the industry because of the expertise of the founders, who personally have founded, run and exited from successful life science companies. If you look at the firm today, we have been the presidents or CEOs of some 14 successful companies, and founders of 10, eight of which have sold for more than \$1.6 billion in total. Utilizing that expertise, our strategy is to work with early-stage companies, and to provide them with the templates of success that we have used for many, many years.

What drove the investment in Sinus Rhythm Technologies [SRTI]?

SRTI is a really fascinating company developing technology in a space called atrial fibrillation, which is still one of the largest unmet clinical problems in terms of electrical conduction in the heart. It's not very well solved by minimally invasive approaches. There are a number of technologies out there trying to come up with elegant solutions. What we saw in SRTI was a very seasoned CEO in Dan Sullivan, some excellent founders, two extremely well-known M.D.'s in the field of cardiac research and a technique that seemed incredibly straightforward and simple in its overall approach to solving the problem.

What are you expecting from SRTI in the near future?

With this round of funding we expect them to conduct clinical tests to improve the safety of

the product for the FDA. They will also have several iterations of the device refined through these tests.

Do you currently foresee any potential exit strategies for SRTI?

We generally don't try to set those up in advance. We let the company play out its clinical efficacy and engineering value, and then we see which track looks the best. I think SRTI will have several options available to them because the space for atrial fibrillation is extremely large, and there are no really elegant solutions to it. It's definitely something that people are very interested in.

Is there a timeframe for bringing the product to market?

Generally speaking, with these types of devices, companies take anywhere from four to five years to really bring products to fruition. So in that timeframe of 2007, we're pretty comfortable that they'll have made a lot of progress and have a lot of opportunities in front of them.

What do De Novo and you bring to SRTI to help bring their goals to fruition?

John Simpson, one of my partners, is one of the pre-eminent interventional cardiologists in the world, so from a clinical point of view, we offer SRTI significant expertise. I hope to serve as an extension of Dan Sullivan's management team. Since Dan is an entrepreneur, and I've been an entrepreneur, we share the same kind of history. Therefore, I hope that he'll draw on De Novo's expertise when he is confronted with a difficult situation, and that he can feel comfortable coming to De Novo because we have experience dealing with a number of

problems.

What specific attributes does De Novo look for in an investment?

We are very interested in the founding team, because we know from experience the importance of the people involved to the development of successful technologies. Meanwhile, we look for technologies that can help change clinical practice in fundamental and positive ways.

Do you have any other investments or strategies in mind for the short-term?

The primary focus of De Novo is in two areas:

epilepsy and Parkinson's disease, or any technology that deals with the pacing of certain functions of the body as people age. We're interested in women's health as well. When it comes to techniques, we're interested in all aspects of minimally invasive surgery, sensing and stimulating.

Do you get a sense that there is an increase in competition in the field?

There are certainly more venture capitalists coming back into healthcare investing, but I don't see that as competition to what De Novo does. I see De Novo's strategy as somewhat unique, and there are certain firms with whom

INVESTMENT FUNDS

De Novo Ventures is currently investing its second fund, De Novo Ventures II, which capped at \$250 million in March 2004.

INVESTMENT TEAM

Frederick J. Dotzler; Managing Director

Richard M. Ferrari; Managing Director

Joe Mandato; Managing Director

David M. Mauney, M.D.; Managing Director

John B. Simpson, Ph.D., M.D.;
Managing Director/Clinical Director

Jay Watkins; Managing Director

OTHER PORTFOLIO COMPANIES

Bacchus Vascular

CryoVascular Systems

Favrille

Fox Hollow Technologies

iScience Surgical

LuMend

MicroVenton

Paracor Medical

Renovis

SenoRx

TriVascular

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therapeutic medical devices and biotechnology. These include emerging device opportunities in cardiology, neurology, ophthalmology, orthopedics, plastics, gastroenterology and pulmonology, and biotech companies with initial human clinical experience. We have a number of investments in the whole field of cardiovascular treatments, congestive heart failure and the like. Our strategy will be to continue to invest in early-stage transactions. We will try to develop our portfolio in these extremely important fields within life sciences.

Are there specific fields that the industry is turning more towards? Have there been any changes?

The industry has its cycles. What we're thinking about is where medical devices opportunities can have a significant clinical impact, from cardiovascular to the peripheral, and from coronary and neuro spaces to orthopedics and GI opportunities. We are particularly interested in diseases that have can be treated using electrical stimulation, for example

we enjoy collaborating with who have similar mindsets on how to help an early-stage company to progress through its development milestones.

What is your background?

De Novo came together in 2000 because we felt there was a void of operating expertise in the life sciences space of venture capital. We believe that there is more to offer than money, and that experience is the most precious ingredient to help build successful early-stage companies. In essence, experience minimizes the downside risk of the investment. I have been an entrepreneur and CEO at CVIS, CTS, Paracor and CryoVascular, and founder of IVS. These experiences are incredibly valuable when you are looking at how an organization moves through development milestones.

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