RiverVest® NEWS

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Centerre and RiverVest team up

A willingness to be opportunistic was the initial ingredient in bringing RiverVest and Centerre Healthcare together. Centerre was getting started in a nearby office when their business plan landed on RiverVest Managing Director Tom Melzer's desk. "My first reaction was that we don't do healthcare services," says Melzer. "But the Company's business model made sense and the management was so strong, we decided to take a look." Since participating in Centerre's $10 million Series A financing in 2002, RiverVest has never looked back.

Headquartered in St. Louis, Centerre aims to become a leading provider of inpatient rehabilitation services in the United States. The Company focuses on building partnerships with acute care hospitals to provide joint venture free-standing or "hospital-within-a-hospital" facilities. Its third partnership was announced in May 2005 with St. John's Mercy Medical Center in St. Louis, Missouri, followed by a fourth in June with Valley Health System in Hemet, California. These free-standing facilities are slated to open in mid 2007. A fifth deal was inked in July with Eisenhower Medical Center in Palm Springs, California. Centerre is laying the groundwork to have more than 20 inpatient rehabilitation hospitals operating within five years.

Recently, the Company raised a $30 million Series B financing round to fuel its ongoing growth. The financing was led by Three Arch Partners, which was joined by CIBC, SightLine Partners and existing investors. Series A investors include Pacific Venture Group, Sterling Venture Partners, River Cities Capital Partners and Baird Venture Partners, in addition to RiverVest.

John Lewis, Centerre CEO

"Inpatient rehab care is typically about five percent of an acute care hospital's business, but it's 100% of our business."

"It makes sense for hospitals to partner with us," observes Centerre CEO John Lewis. "Inpatient rehab care is typically about five percent of an acute care hospital's business, but it's 100% of our business. We bring the working capital and equipment, as well as provide the industry experience and the operating model, so the hospital can minimize financial and regulatory risk and concentrate on their core business."

R I V E R V E S T

RiverVest Venture Partners invests in promising life science companies nationwide, focusing on:

- Medical technology, biopharmaceutical and other healthcare opportunities.
- Partnering with entrepreneurs to develop novel technologies addressing unmet needs in major markets.
- Privileged access to Midwest opportunities within the context of a national investment strategy.

RiverVest News is published twice a year.

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Timing is right for Centerre model

The number of Americans age 65 and older is expected to climb to around 71 million by 2030, which will represent 20% of the population. This older population, combined with a longer life expectancy, will place increased pressure on the healthcare industry to provide efficient and cost-effective services related to strokes, spinal cord injuries, neurological disorders, joint replacements and fractures, amputations, arthritis, trauma and burns.

Centerre currently operates Phoenix Rehabilitation Hospital, a 32-bed facility within Maricopa Medical Center in Phoenix, Arizona and the West Chester Rehabilitation Hospital, a 28-bed hospital located adjacent to Chester County Hospital in West Chester, Pennsylvania.

Centerre developed key strategies that set them apart from competitors and make partnerships more attractive to acute care hospitals. They do not partner with physicians or offer physician ownership in their facilities, nor do they compete with their hospital partners in providing services such as outpatient surgery, diagnostic imaging, occupational medicine or outpatient rehabilitation. Centerre focuses on establishing partnerships with hospitals that are market-leaders and adheres to strict standards when evaluating location and other factors pertinent to success.

Centerre has partnered with Chester County Hospital at West Chester Rehabilitation Hospital and Maricopa Medical Center at Phoenix Rehabilitation Hospital.

"There are potentially over 650 hospitals that meet our criteria," says Centerre CEO John Lewis. "We feel the opportunity is there to build a strong, national network using our strengths in data-driven clinical programs and our decades of leadership experience in quality rehabilitation care."

The timing is right, and the concept is unique. Look for Centerre to become the nation's leader in inpatient rehabilitation services.

Velocimed acquired by St. Jude Medical, Inc.

St. Jude Medical's acquisition of Velocimed, a RiverVest portfolio company, closed on April 6, 2005. Velocimed was founded in 2001 with a mission to rapidly develop and commercialize minimally invasive cardiovascular products. Velocimed has three CE Mark-approved products and one product available for sale in the United States. As a result, Velocimed's product platform is an attractive addition to St. Jude Medical's Cardiology Division that was formed in 2004 around their industry-leading Angio-Seal™ vascular closure device.

Under the terms of the purchase agreement, St. Jude acquired Velocimed's businesses for an upfront cash payment of $82.5 million and contingent payments related to revenues and FDA approvals worth up to an additional $180 million. RiverVest invested $3 million in Velocimed in June 2003, with a $3 million follow-on investment in September 2004.

"The acquisition of Velocimed supports our objective of building on the market leadership of our Angio-Seal™ vascular closure product through selective investments in emerging therapies for interventional cardiology," said St. Jude Medical, Inc. Chairman, President and CEO Daniel J. Starks.

On behalf of Velocimed, Dr. Dennis Wahr, a founder, director and CEO, said, "The Velocimed team is delighted to join forces with St. Jude Medical. We think the combination of our technology and St. Jude's experience and resources will allow these interventional cardiology products to achieve their full potential."

Velocimed™
Improving Lives Through Innovation

"The outstanding management team at Velocimed, led by CEO Dennis Wahr, M.D., executed a challenging business plan that developed and brought to market three unique interventional cardiology products in just over 4 years. It has been a pleasure working with the Velocimed team and observing the market-focused development of these products."

Jay W. Schmelter, RiverVest Managing Director and former Velocimed board member.

MILESTONES

- **Calypso Medical** announced the closing of a $44 million financing round in May 2005. Proceeds are expected to fund Calypso through FDA approval and commercialization of its patient localization system for external beam radiation therapy – *GPS for the Body®*.
- **Conforma Therapeutics Corporation** has acquired a late-stage anti-cancer compound from Sumimoto Pharmaceuticals Co., Ltd. of Osaka, Japan. The licensing agreement is for Ambrucin HCl, a third-generation, totally synthetic anti-cancer drug marketed in Japan under the brand name Calsed™. Conforma plans to register Ambrucin initially in small-cell lung cancer in the United States and Europe. www.conforma.com
- **Kereos** closed on $14.1 million of Series B preferred financing in late May to fund human proof-of-concept in its first two cancer products.
- **TissueLink** monthly revenues continue to ramp, exceeding $1 million for the first time in April 2005. Rapid growth continues for both the surgical oncology and orthopedic product lines.

Xoft developing revolutionary electronic brachytherapy system

Xoft, Inc., based in Fremont, California, is developing an electronic brachytherapy system for cancer treatment. The Axxent™ Electronic BrachyTherapy System uses disposable micro-miniature x-ray radiation sources to deliver treatment. In its first indication for use, the Axxent System provides the opportunity to reduce the time required for radiation therapy for early stage breast cancer from seven weeks (for traditional external beam radiation therapy) to five days. Designed to deliver electronically generated ionizing radiation directly to tumor beds via deployment inside a balloon catheter, the unique radiation source minimizes exposure of the patient's healthy tissue, as well as exposure of treatment staff, to toxic radiation.

RiverVest recently participated in a $30 million financing round. Proceeds are expected to fund Xoft through FDA approval and commercialization of its technology in the U.S.

Xoft

Xoft, Inc. is developing an electronic brachytherapy system for cancer treatment.

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