



**Building Bridges**  
Between Today's Opportunities  
and Tomorrow's Success

Fall 2011

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## About River Cities

River Cities provides venture capital and growth equity financing for healthcare and information technology companies.

Our investment focus is on established, fast-growing companies with market-proven technology, services and solutions.

Founded in 1994, we have \$400MM under management in four funds and are actively investing out of Fund IV which closed on \$120MM in 2008.

River Cities is looking to partner with strong managers to help build their businesses into market leading companies.

## Investment Team

Dan Fleming  
Ed McCarthy\*  
Carter McNabb  
Eric Lenning  
Rob Heimann  
Rik Vandevonne\*  
Glen Mayfield  
Ted Robinson  
Parag Rathi  
Andrew Davis  
Davis Griffin

\*Raleigh Office

## Contact Us

**Cincinnati Office**  
221 E 4th Street  
Suite 2400  
Cincinnati, OH 45202  
(513) 621-9700

**Raleigh Office**  
3737 Glenwood Avenue  
Suite 100  
Raleigh, NC 27612  
(919) 573-6111

**Palm Coast Office:**  
7 Avenue de la Mer  
Suite 904  
Palm Coast, FL 32137  
(386) 597-0701

[email us](#)

River Cities is pleased to announce the successful sale of two portfolio companies in the month of September. OrthoScan and Micronics were both purchased for strategic multiples by buyers looking to add to their platforms. These represent the fourth and fifth exits our firm has enjoyed this year, extending our string of liquidity events that included two IPOs last year.

### OrthoScan:

River Cities is pleased to announce the sale of OrthoScan, which develops and markets advanced orthopedic imaging equipment, to ATON, a privately held German company. The sale of OrthoScan marks the first exit from the Fund IV portfolio and exemplifies the benefits of the fund's strategy of investing in expansion-stage companies in specialized markets with significant growth potential and experienced management teams.



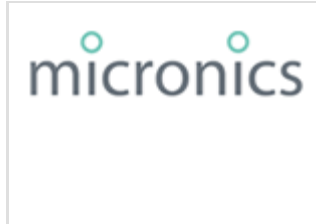
River Cities management was introduced to OrthoScan in 2008, and built an investment thesis around the company's product superiority, management team and attractive market dynamics. Following the firm's investment, River Cities took a leadership role on the board and worked closely with the OrthoScan team as they launched additional products and grew revenue by 65% CAGR over three years.

As Fund IV continues to develop companies with compelling market and growth opportunities, River Cities management is more confident than ever that the fund will yield excellent outcomes for our portfolio companies and investors.

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### Micronics:

Micronics, acquired by Sony in early September, represents another healthy exit from our Fund II portfolio. The company, which has developed a platform for disease diagnosis, treatment monitoring and blood testing, will be integrated into Sony's initiative to accelerate research and development for 'point of care' diagnostic equipment as well as commercialize these products.



The Micronics platform, which allows the Company and third-parties to better develop disposable diagnostic solutions, provides both broad functionality and a profitable, recurring model to the life sciences and in vitro diagnostics space.

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### Job Creation:

While River Cities is primarily dedicated to providing consistent and attractive financial returns to investors, we also appreciate that venture capital activity can make a positive impact within the communities in which we invest. A venture firm's capability to allocate growth capital and assistance to the most promising opportunities may be the most efficient form of economic development and job creation possible. Over the past decade, River Cities successful portfolio companies have generated on average 100 new jobs each since our initial investment, totaling over 2500 jobs created. In addition, these innovative, entrepreneurial ventures are positioned to persevere in even the most difficult of market circumstances, illustrated by the fact that over half of this job growth has occurred since the 2008 recession. These companies continue to thrive, with 455 jobs created in the first half of 2011 alone.

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### River Cities Thought Leadership:

In an effort to more broadly share our expertise in the area of SaaS company development and executive compensation, we are pleased to announce our latest reports, available from [www.rccf.com](http://www.rccf.com):

**2011 SaaS Report** - The SaaS report identifies key findings, metrics and benchmarks for companies in all stages of development with a 'Software as a Service' platform. Our latest report, which includes data from public and private SaaS companies, includes extensive analysis on both valuation and operating data.

**2010 Compensation Report** - The Compensation Report, which includes data from 2010, was published in summer 2011. This report provides deep analysis of compensation for senior management and directors, in both cash and stock, across a range of 25 privately owned companies. We track compensation across a number of metrics such as headcount and ownership percentage by senior executives. Additionally, this year's report includes metrics from our survey on D&O insurance and audit fees.

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### Portfolio News:

EndoChoice ranked #6 in the health segment of the Inc. 500 fastest growing companies list →

River Cities invests \$5M in medical device firm specializing in advanced surgical access devices →

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