

ArthroCare (NASDAQ) pursues investment in a Xenia portfolio company:

## Xenia's Ortho-Space to Raise USD 5 million at a USD 22 million post-money valuation

Israel, Kiryat Gat, July 3, 2013, Xenia Venture Capital (TASE: XENA), is announcing that ArthroCare, which is traded on NASDAQ (NASDAQ: ARTC) has completed an investment round of USD 5 million in its portfolio company Ortho-Space at a USD 22 million valuation (7.25% will be held by Xenia following the investment).

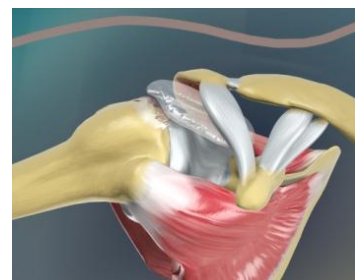
ArthroCare is traded on NASDAQ at a USD 1 billion market cap, and is an international company which develops, manufactures and markets medical devices, and is considered one of the leading market players in the field of arthroscopy and sports medicine. The present funding round involved some of Ortho-Space's existing shareholders. Moreover, it included the conversion of a convertible loan granted to Ortho-Space by existing shareholders -- of USD 0.6 million -- (the company's share of the convertible loan amounts to USD 86,000).

**According to Xenia CEO Anat Segal:** "We are happy with the investment in Ortho-Space by a leading company in the industry, which provides proof of the technological innovation and financial potential it possesses. ArthroCare is highly-experienced in the development, manufacture and marketing of medical devices in Ortho-Space's area of expertise, and so we believe that its investment in Ortho-Space will endow it with commercial advantages as well. As a rule, we are witnessing processes of fruition in our portfolio companies, which manifest themselves in the increasing interest of leading international corporations, and we continue our efforts to facilitate investments and commercial agreements for our other companies as well in order to create value for Xenia's shareholders."

**According to Ortho-Space CEO Itay Barnea:** "The addition of ArthroCare is further confirmation of our technology's innovativeness and clinical significance. The present investment will confer ArthroCare with the rights to sell the products in limited territories, thus aiding Ortho-Space in augmenting its commercial presence in other markets. I am convinced that this partnership will be conducive to the rapid development of the company's clinical, business and commercial activities."

Ortho-Space has begun sales, both in Europe and Israel, of a balloon which is intended to treat patients suffering from shoulder pain as a result of the Rotator Cuff Syndrome. The treatment offers a unique, one of a kind, solution to patients suffering from this syndrome, which causes pain and severe movement restriction in the shoulder joint, except for the suturing of tendons -- a surgical procedure which is performed in severe cases necessitating surgical intervention. Ortho-Space's solution, as opposed to surgery, is performed as a minimally invasive procedure, in clinics, and does not entail hospitalization or a prolonged period of recovery, as in cases of surgical procedures, resulting in immediate and significant improvement in range of movement and immediate pain relief.

Illustrative images:



The Rotator Cuff Syndrome is the third most common orthopedic pathology (after knee and back problems). In the United States alone, 3-4 million people visit their doctors due to issues related to this syndrome each year. In most cases, the syndrome is a result of the body's natural wear and tear, which worsens over time. The common treatment of these patients today focuses on pain management, administering pain killers, inter alia -- pain killer shots. In the absence of surgical treatment, the syndrome develops into a chronic problem which will accompany the patient for the rest of his/her life and will manifest itself in restricted movement and pain. Currently, the most common surgical treatment is tendon suturing.

Ortho Space has transplanted the orthopedic balloon in more than 1,500 patients, with an overall follow-up period of more than four years, achieving significant success rates. The company is currently conducting a number of clinical experiments with other clinical indications as well. In the third quarter of 2010, the company received a CE mark to market the balloon in Europe, and has since signed agreements with distributors, launching its sales in Israel as well as in a number of European countries.

#### **About Xenia Venture Capital:**

Xenia Venture Capital is a publically traded investment company which operates a privatized technology incubator that invests in seed stage start ups and initiatives in the fields of medical devices and IT. Among Xenia's founders and main shareholders are the Novacom Group and C. Mer Industries, leading institutional investors such as IBI, Menora Insurance Group, Dash Apax, Mivne Taasia (of the Fishman Group), Anat Segal (CEO), as well as additional hi tech and industry figures. Xenia's Board of Directors and Advisory Board comprises highly successful entrepreneurs and high-tech industry executives, including Haim Mer, Tal Menipaz (Chairman of the Board), Prof. Gaby Barabash, Dr. Yafit Stark, Prof. Yossi Shacham, and others. The aim of the company is to jump-start and accompany start up companies in the field of technology and medical devices, striving to increase the companies' chances to succeed and realize their business potential. Since its inception, Xenia has invested in dozens of companies, many of which have completed follow-on investment rounds, launched products in global markets, reached significant sales and profitability, and formed valuable strategic partnerships.

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