

HLM VENTURE PARTNERS, L.P.

October 2002

We are pleased to announce a new investment by HLM Venture Partners, L.P. in **Cbr Systems, Inc.**, a San Bruno, CA based provider of cord blood stem cell banking services. The Fund has committed \$4 million to the Series D Preferred financing. ABS Capital Partners led the financing. Tad O'Donnell of HLM will have board observation rights and John Stobo of ABS will represent the Series D investors on the Board of Directors.

Cbr, founded in 1995, is the market leading provider of cord blood stem cell banking services with more stored samples and successful transplants than any other company. Cbr provides reliable collection, processing and storage of a newborn's cord blood stem cells for potential future use by the child, family member or close relative in the treatment of certain life-threatening cancers and blood diseases. Cbr has collected, processed and stored approximately 40,000 client cord blood stem cell samples from all 50 states and over 45 countries. To date, Cbr has provided samples for 24 transplants and has achieved a 100% rate of successful engraftment.

Cord blood banking is a large, underpenetrated opportunity with current adoption limited to less than 1% of the four million annual U.S. births. Cord blood stem cells have been used to treat over 50 different illnesses and conditions that would otherwise have required bone marrow transplants. Growth is expected as consumers gain greater awareness of the current and future therapeutic value of umbilical cord blood stem cells. Cord blood banking is not currently reimbursed by health plans and Cbr focuses its marketing efforts on the "early adopter" top 10% of parents possessing both a higher level of education and income. Over one-quarter of Cbr's customers are medical professionals and their families.

Cbr has an attractive economic model generating strong cash flow and operating profitability since 1999. The company derives significant recurring revenue from annual storage fees and has already built a backlog of approximately \$50 million in contracted storage revenue. After the financing, the company will have more than \$22 million of cash on its balance sheet and plans on funding its future growth from cash generated from operations.

Cbr's management team has extensive public company experience and substantial direct ownership positions. Many of the key members of the team have worked at Cbr since its founding. William Crouse of HealthCare Ventures, a former Johnson & Johnson executive and trustee of the New York Blood Bank, has joined the board as an outside director and Chairman.