

**CARDINAL HEALTH PARTNERS, L.P.**

**QUARTERLY REPORT**

**2nd QUARTER, 2003**

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If you have any questions regarding treatment of any confidential information received in connection with your investment in the Funds, please contact John J. Park at (609) 924-6452 or by email at [johnpark@cardinalpartners.com](mailto:johnpark@cardinalpartners.com).

**CARDINAL HEALTH PARTNERS, L.P.**

**QUARTERLY REPORT**

**2nd QUARTER, 2003**

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TO: The Limited Partners

FROM: John K. Clarke

DATE: August 15, 2003

SUBJECT: Activity for the Quarter ended June 30, 2003

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During the quarter, the portfolio continued its progress toward maturity and liquidity. Athena and VISICU continued to exhibit strong growth and have a clear path towards achieving cash flow break-even and profitability. The pressure on marketing budgets in the pharmaceutical industry has impacted NexCura's revenue, but management has reacted control expenditures until sales recover. At AccentCare, the new senior management team has implemented a plan to improve overall financial performance. In June, NDCHealth purchased the remaining shares of TechRx for cash, leading to a cash distribution on June 25<sup>th</sup> totaling \$2.3 million. A synopsis of activity at each active portfolio company follows.

***AccentCare*** – Financial results for the quarter were below expectations in both operating divisions. The fiscal period for 2003 financial reporting will only be nine months (April-December), as the company switches from a FYE 3/31 to a calendar year basis. The budget for the period equates to annualized revenues of \$98.2 million, and shows the company operating at cash flow break even for the last six months of 2003. New CEO William “Biff” Comte and new CFO Vince Cook are taking aggressive action to improve financial performance at both operating divisions and attain their year-end goals. Programs to reduce expenses and provide revenue enhancement are underway and should begin to bear fruit in the next quarter.

***AthenaHealth*** – Athena continued its solid performance meeting or exceeding budget in most categories. The company remains on target to attaining cash flow breakeven in Q4 2003. Revenues for the quarter and YTD were on plan. Gross margin continues to exceed expectations driving the better than expected bottom line and cash burn for the year.

***Esurg*** – Financial performance at Esurg failed to meet expectations for the first time since the last quarter of 2001. Sales growth has slowed considerably, with management working diligently to enhance revenue growth prospects through leveraging its new strategic partner relationships and improving the effectiveness of its sales and marketing initiatives. Management continues to operate the company in a very efficient manner.

***NexCura*** – The unfavorable economic environment in the pharmaceutical industry significantly impacted sales at Nexcura this quarter. Numerous projects slated for award or implementation were either delayed or canceled. As a consequence of this general market malaise, management has revised its revenue forecast for the year down to \$4.0 million. Recently proposed significant reductions in expenses will lead the company to be cash flow neutral as compared to the current forecast for the remainder of the year. While the outlook for the rest of 2003 is brighter, cash will be tight for the next 12 months. The investors are working closely with CEO, Peter Hoover to ensure the company remains on track for attaining cash flow breakeven by year-end.

***TechRx/NDCHealth*** – Results for the fourth quarter of Fiscal 2003 (FYE 5/31) for NDCHealth (NDC) were in line with analyst expectations. The Company reported net income for the quarter of \$10.5 million and diluted earnings per share of \$0.30. For the fiscal year, the company had revenues of \$429.6 million with net income of \$30.6 million and diluted earnings per share of \$0.88. All of these results were up significantly from the prior fiscal year. During the quarter, NDCHealth purchased the remainder of the TechRx common shares on a formula based on the achievement of specific operating milestones and financial objectives for \$5.55 per share. The buyout was for cash, with Cardinal receiving \$2,794,004. As of the end of the quarter, the 402,982 shares of NDC common stock that Cardinal owns have passed the one-year holding period and are saleable under SEC Rule 144. We expect to liquidate this position over the next 3-4 months.

***Visicu*** – VISICU continued to have good success in closing new clients and attaining its financial goals. Financial results for the quarter were ahead of plan in all areas except gross margin. Revenues from existing customers met expectations, with gross margins falling slightly due to higher billings of lower margin outside services in the period. However, a change in accounting will substantially affect current year revenues by deferring recognition of implementation fees over the life of the contract. While this means the company will not attain profitability during 2003, it has no effect on cash flow and the company will be cash flow positive by the end of this year.

Included in this report are financial statements for the period, an investment valuation memorandum and a report on each of our portfolio companies.

### **Financial Results:**

Fund activity for the quarter shows one small follow-on investment of \$100K in Nexcura and the cash distribution totaling \$2.3 million to the partners in June. Net income for the quarter was \$1.6 million including: \$132K in net operating expenses; \$121K in net unrealized gains reflecting the market price increase on our NDC common stock for the quarter, offset by the reversal of the unrealized gain on our TechRx common stock; and the \$1.6 million realized gain from the purchase of the TechRx shares by NDC. The cash balance at the end of the period was \$33K, with net assets totaling \$20.5 million.

### **Looking forward:**

We remain confident that the portfolio has value potential substantially beyond that of our current carrying value. We are diligently pursuing all avenues to realize that value in the portfolio by working closely with company management and exploring all alternatives in order to ensure the best return for our investors. Additional liquidity for our partners will be forthcoming from our NDCHealth holdings over the next two quarters.

We have scheduled the Limited Partner Annual Meeting for Wednesday, November 19th in New York City. Brandon, Lisa, John, Geoff and I hope to see many of you there.

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**CARDINAL HEALTH PARTNERS, L.P.**  
**Income Statement**  
**For the Period Ended June 30, 2003**

	Three Months Ended 06/30/03	Six Months Ended 06/30/03
Revenue:		
Non Portfolio Income	\$8	\$109
Interest-Equivalent Amounts	0	0
Expenses:		
Management Fee	146,855	299,335
Professional Fees	5,000	10,214
NVCA Dues & Expenses	0	0
Amortization of Organization Costs	0	0
Miscellaneous Expenses	160	160
Total Expenses	152,015	309,709
Net Operating Expense	(152,007)	(309,600)
Investment Income	19,785	39,530
Net Income Before Gains (Losses)	(132,222)	(270,070)
Realized Gains (Losses)	1,634,004	1,634,004
Unrealized Gains (Losses)	120,696	(1,784,437)
Net Income (Loss)	\$1,622,478	(\$420,503)

**CARDINAL HEALTH PARTNERS, L.P.**  
**Balance Sheet**  
**As of June 30, 2003**

<b>ASSETS:</b>	Period Ended 06/30/03	Period Ended 03/31/03
	<u>                    </u>	<u>                    </u>
Cash and Short-Term Investments	\$32,856	\$19,715
Accrued Interest	2,173	13,109
Escrow for Investment	0	0
Venture Capital Investments (Cost Basis - \$25,275,737)	20,568,125	21,462,429
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	<u>205,819</u>	<u>210,051</u>
	<u><u>\$20,808,973</u></u>	<u><u>\$21,705,304</u></u>
 <b>LIABILITIES &amp; CAPITAL:</b>		
Accrued Expenses and Payables	\$308,885	\$527,694
Investment due Portfolio Company	0	0
Partners' Accounts	<u>20,500,088</u>	<u>21,177,610</u>
Total Liabilities and Capital	<u><u>\$20,808,973</u></u>	<u><u>\$21,705,304</u></u>

**CARDINAL HEALTH PARTNERS, L.P.**

**Footnotes**

**As of June 30, 2003**

Note 1 - Cardinal Health Partners, L.P. is a Limited Partnership and as such is not subject to income taxes at the partnership level.

Note 2 - Net Organization Costs:	<u>06/30/03</u>	<u>03/31/03</u>
Organization Costs	\$179,000	\$179,000
Accumulated Amortization	<u>(179,000)</u>	<u>(179,000)</u>
Total	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Note 3 - General Partner Promissory Notes:	<u>06/30/03</u>	<u>03/31/03</u>
GP Promissory Note Principal	\$205,819	\$210,051
Offset against Partners' Capital	<u>0</u>	<u>0</u>
Total	<u><u>\$205,819</u></u>	<u><u>\$210,051</u></u>

Note 4 - Accrued Expenses:	<u>06/30/03</u>	<u>03/31/03</u>
Accounting & Audit	\$9,500	\$23,000
Management Fees	299,335	504,480
NVCA Dues and Other	0	0
Legal & Other Professional Fees	<u>50</u>	<u>214</u>
Total	<u><u>\$308,885</u></u>	<u><u>\$527,694</u></u>

**CARDINAL HEALTH PARTNERS, L.P.**  
**Statement of Cash Flows**  
**For the Period Ended June 30, 2002**

	Three Months Ended 06/30/02	Six Months Ended 06/30/02
<b>Cash flows from operating activities</b>		
Net Income Before Gains (Losses)	(\$132,222)	(\$270,070)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:		
Accrued Interest Receivable	10,936	7,311
Net Organization Costs	0	0
Other Assets	0	0
Accrued Expenses & Payables	(218,809)	(97,323)
Net Cash used in Operating Activities	(340,095)	(360,082)
<b>Cash flows from investing activities</b>		
Purchases of venture capital investments	(100,000)	(100,000)
Sales of venture capital investments	2,749,004	2,749,004
Net cash used in investing activities	2,649,004	2,649,004
<b>Cash flows from financing activities</b>		
Cash contributions by partners	4,232	4,232
Cash distribution to partners	(2,300,000)	(2,300,000)
Net cash provided by financing activities	(2,295,768)	(2,295,768)
 Net Change in Cash and Short Term Investments	 13,141	 (6,846)
Cash and Short Term Investments, beginning	19,715	39,702
Cash and Short Term Investments, ending	\$32,856	\$32,856

**CARDINAL HEALTH PARTNERS, L.P.**  
**Schedule of Venture Capital Investments**  
**As of June 30, 2003**

<b>Company</b>	<b>Debt</b>	<b>Equity</b>	<b>Total Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>
AccentCare, Inc.	\$0	\$4,500,002	\$4,500,002	\$3,898,100	(\$601,902)
AthenaHealth, Inc.	0	3,000,000	3,000,000	6,600,000	3,600,000
Esurg Corporation	0	3,999,999	3,999,999	1,000	(3,998,999)
MedContrax (Syntegra)	34,904	0	34,904	1,000	(33,904)
Molecular Mining Corporation	0	1,000,000	1,000,000	1,000	(999,000)
NDCHealth, Inc.	0	2,000,000	2,000,000	5,176,304	3,176,304
NexCura (CancerFacts)	0	4,831,812	4,831,812	2,284,721	(2,547,091)
Pointshare Corporation	0	1,859,020	1,859,020	1,000	(1,858,020)
VISICU, Inc. (ICUSA)	0	4,050,000	4,050,000	2,605,000	(1,445,000)
Totals	\$34,904	\$25,240,833	\$25,275,737	\$20,568,125	(\$4,707,612)

**Cardinal Health Partners, L.P.**  
**Statement of Partners' Contributions Accounts**  
**As of June 30, 2003**

	Partners' Total Subscription	Contributions Account 03/31/03	Period Contribution in Cash	Period Contribution by Note	Contributions Account 06/31/03	Partners' Outstanding Subscription
<u>Limited Partners</u>						
LACERA	\$10,000,000	\$10,000,000	\$0	\$0	\$10,000,000	\$0
Nassau Capital Funds	9,000,000	9,000,000	0	0	9,000,000	0
Robert Wood Johnson Foundation	7,500,000	7,500,000	0	0	7,500,000	0
State Teachers Ret. System of Ohio	6,992,127	6,992,127	0	0	6,992,127	0
Northwestern University	5,000,000	5,000,000	0	0	5,000,000	0
Fleet Growth Resources (Summit Bank)	5,000,000	5,000,000	0	0	5,000,000	0
Natl. Union Fire Ins. Co. of Pittsburgh	5,000,000	5,000,000	0	0	5,000,000	0
WIN 4 Holdings / BofA Capital Corp.	3,000,000	3,000,000	0	0	3,000,000	0
First Union National Bank Pension Plan	3,000,000	3,000,000	0	0	3,000,000	0
UNISYS	2,500,000	2,500,000	0	0	2,500,000	0
Venture Investment Associates II	2,000,000	2,000,000	0	0	2,000,000	0
S.R. One Limited	1,500,000	1,500,000	0	0	1,500,000	0
Hillside Capital Incorporated	1,000,000	1,000,000	0	0	1,000,000	0
	\$61,492,127	\$61,492,127	\$0	\$0	\$61,492,127	\$0
<u>General Partner</u>						
Cardinal Health Partners Mgmt.	621,133	621,133	0	0	621,133	0
Total Partnership	\$62,113,260	\$62,113,260	\$0	\$0	\$62,113,260	\$0

**Cardinal Health Partners, L.P.**  
**Statement of Partners' Distributive of Net Assets**  
**For the Period Ended June 30, 2003**

	Private Securities	Public Securities	Cash	Other Assets	Total Assets	Accrued Expenses	Net Assets 06/31/03
<u>Limited Partners</u>							
LACERA	\$2,478,053	\$833,374	\$4,953	\$33,822	\$3,350,202	(\$49,730)	\$3,300,472
Nassau Capital Funds	2,230,242	750,036	4,457	30,440	3,015,175	(44,756)	2,970,419
Robert Wood Johnson Foundation	1,858,544	625,032	3,715	25,366	2,512,657	(37,297)	2,475,360
State Teachers Ret. System. of Ohio	1,732,545	582,659	3,464	23,646	2,342,314	(34,769)	2,307,545
Northwestern University	1,239,016	416,684	2,478	16,910	1,675,088	(24,865)	1,650,223
Fleet Growth Resources (Summit Bank)	1,239,016	416,684	2,478	16,910	1,675,088	(24,865)	1,650,223
Pine Street Holdings I LLC	1,239,016	416,684	2,478	16,910	1,675,088	(24,865)	1,650,223
WIN 4 Holdings LLC	743,417	250,013	1,486	10,146	1,005,062	(14,919)	990,143
First Union National Bank Pension Plan	743,417	250,013	1,486	10,146	1,005,062	(14,919)	990,143
UNISYS	619,509	208,342	1,239	8,455	837,545	(12,432)	825,113
Venture Investment Associates II	495,604	166,673	991	6,764	670,032	(9,946)	660,086
S.R. One Limited	371,715	125,009	744	5,073	502,541	(7,460)	495,081
Hillside Capital Incorporated	247,808	83,338	496	3,382	335,024	(4,973)	330,051
	\$15,237,902	\$5,124,541	\$30,465	\$207,970	\$20,600,878	(\$305,796)	\$20,295,082
<u>General Partner</u>							
Cardinal Health Partners Mgmt.	153,919	51,763	2,391	22	208,095	(3,089)	205,006
Total Partnership	\$15,391,821	\$5,176,304	\$32,856	\$207,992	\$20,808,973	(\$308,885)	\$20,500,088

**Cardinal Health Partners, L.P.**  
**Statement of Partners' Capital \***  
**For the Six Months Ended June 30, 2003**

	Partners' Capital 01/01/03	Net Capital Contributions	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income (Loss)	Unrealized Gains (Losses)	Distributions	Partners' Capital 06/31/03
<u>Limited Partners</u>									
LACERA	\$3,738,463	\$0	\$18	(\$43,498)	\$263,068	\$219,588	(\$287,288)	(\$370,291)	\$3,300,472
Nassau Capital Funds,	3,364,610	0	15	(39,148)	236,762	197,629	(258,558)	(333,262)	2,970,419
Robert Wood Johnson Foundation	2,803,853	0	13	(32,623)	197,301	164,691	(215,466)	(277,718)	2,475,360
State Teachers Ret. System of Ohio	2,613,793	0	12	(30,414)	183,941	153,539	(200,875)	(258,912)	2,307,545
Northwestern University	1,869,219	0	9	(21,749)	131,534	109,794	(143,644)	(185,146)	1,650,223
Fleet Growth Resources (Summit)	1,869,219	0	9	(21,749)	131,534	109,794	(143,644)	(185,146)	1,650,223
Pine Street Holdings I LLC	1,869,219	0	9	(21,749)	131,534	109,794	(143,644)	(185,146)	1,650,223
WIN 4 Holdings, LLC.	1,121,539	0	5	(13,049)	78,921	65,877	(86,186)	(111,087)	990,143
First Union Nat. Bank Pension Plan	1,121,539	0	5	(13,049)	78,921	65,877	(86,186)	(111,087)	990,143
UNISYS	934,611	0	4	(10,874)	65,767	54,897	(71,822)	(92,573)	825,113
Venture Investment Associates II	747,684	0	4	(8,700)	52,614	43,918	(57,458)	(74,058)	660,086
S.R. One Limited	560,780	0	3	(6,525)	39,460	32,938	(43,093)	(55,544)	495,081
Hillside Capital Incorporated	373,851	0	2	(4,350)	26,307	21,959	(28,729)	(37,030)	330,051
	\$22,988,380	\$0	\$108	(\$267,477)	\$1,617,664	\$1,350,295	(\$1,766,593)	(\$2,277,000)	\$20,295,082
<u>General Partner</u>									
Cardinal Health Partners Mgmt.	22,160	4,232	1	(2,702)	16,340	13,639	(17,844)	(23,000)	(813)
Total Partnership	\$23,010,540	\$4,232	\$109	(\$270,179)	\$1,634,004	\$1,363,934	(\$1,784,437)	(\$2,300,000)	\$20,294,269

\* - Partners Capital, by definition, does not include contributions made by the General Partner in the form of a Promissory Note.

**Cardinal Health Partners, L.P.**  
**Statement of Partners' Accounts**  
**For the Period from July 25, 1997 to June 30, 2003**

	Partners' Contribution Account	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income (Loss)	Unrealized Gains (Losses)	Distributions	Partner Transfer	Partners' Account 06/31/03
<u>Limited Partners</u>									
LACERA	\$10,000,000	\$27,895	(\$1,233,029)	(\$1,358,665)	(\$2,563,799)	(\$937,310)	(\$3,198,419)	\$0	\$3,300,472
Nassau Capital Funds	9,000,000	25,103	(1,109,727)	(1,222,797)	(2,307,421)	(843,575)	(2,878,585)	0	2,970,419
Robert Wood Johnson Foundation	7,500,000	20,920	(924,771)	(1,018,998)	(1,922,849)	(702,982)	(2,398,809)	0	2,475,360
State Teachers Ret. System of Ohio	6,992,127	19,508	(862,150)	(949,995)	(1,792,637)	(655,377)	(2,236,568)	0	2,307,545
Northwestern University	5,000,000	13,947	(616,515)	(679,333)	(1,281,901)	(468,653)	(1,599,223)	0	1,650,223
Fleet Growth Resources (Summit)	5,000,000	13,947	(616,515)	(679,333)	(1,281,901)	(468,653)	(1,599,223)	0	1,650,223
National Union Fire Ins. Co. of Pitts.	5,000,000	13,938	(594,766)	(810,867)	(1,391,695)	(325,009)	(1,414,077)	(1,869,219)	0
Pine Street Holdings I LLC	0	9	(21,749)	131,534	109,794	(143,644)	(185,146)	1,869,219	1,650,223
Bank of America Capital Corporation	2,741,431	6,828	(184,638)	311,688	133,878	449,985	(582,797)	(2,742,497)	0
WIN 4 Holdings, LLC	258,569	1,540	(185,269)	(719,287)	(903,016)	(731,176)	(376,731)	2,742,497	990,143
First Union National Bank Pension Plan	3,000,000	8,368	(369,907)	(407,599)	(769,138)	(281,191)	(959,528)	0	990,143
UNISYS	2,500,000	6,973	(308,256)	(339,666)	(640,949)	(234,327)	(799,611)	0	825,113
Venture Investment Associates II	2,000,000	5,579	(246,605)	(271,733)	(512,759)	(187,462)	(639,693)	0	660,086
S.R. One Limited	1,500,000	4,185	(184,954)	(203,800)	(384,569)	(140,596)	(479,754)	0	495,081
Hillside Capital Incorporated	1,000,000	2,789	(123,305)	(135,867)	(256,383)	(93,730)	(319,836)	0	330,051
	\$61,492,127	\$171,529	(\$7,582,156)	(\$8,354,718)	(\$15,765,345)	(\$5,763,700)	(\$19,668,000)	\$0	\$20,295,082
<u>General Partner</u>									
Cardinal Health Partners Mgmt.	621,133	1,731	(1,320,523)	45,237	(1,273,555)	1,056,087	(198,659)	0	205,006
Total Partnership	\$62,113,260	\$173,260	(\$8,902,679)	(\$8,309,481)	(\$17,038,900)	(\$4,707,613)	(\$19,866,659)	\$0	\$20,500,088

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TO: The Limited Partners

FROM: John J. Park

DATE: July 15, 2003

SUBJECT: Portfolio Valuations for June 30, 2003

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Investment securities held by Cardinal Health Partners, L.P. (the "Partnership") have been valued in accordance with the Amended Standard Valuation Policy of the Partnership. In accordance with the Policy, restricted securities are valued at cost, until subsequent events of a significant nature indicate the need for a change. Public securities are valued at a discount to market according to the trading restrictions or lack of liquidity accorded to them. This memorandum delineates the portfolio valuation calculations proposed by the General Partner for those investments not valued at cost as of June 30, 2003.

**ACCENTCARE** – In June 2001, AccentCare completed a \$24.5 million financing at \$0.9215 per share valuing the Company at \$54 million post-money after adjusting for the weighted average anti-dilution of the Series A and Series B Preferred. Two new investors, Three Arch Partners and Highland Capital Partners led this financing. Our investment is valued at the Series C price of \$0.9215, resulting in an unrealized loss of \$601,902 on our cost basis of \$4,500,002 as of June 30, 2003. This valuation represents no change from the valuation as of March 31, 2003.

Value Computation:

Series A Convertible Preferred Stock		
2,620,837 shares x \$0.9215	=	\$2,415,101
Series B Convertible Preferred Stock		
1,609,331 shares x \$0.9215	=	<u>1,482,999</u>
Total Value		<u>\$3,898,100</u>

**ATHENAHEALTH** – On November 17, 2000, AthenaHealth completed a \$31 million financing at \$3.08 per share, valuing the Company at \$81 million post-money. A new investor, Oak Investment Partners, led this financing. Our investment is valued at the Series D price of \$3.08, resulting in an unrealized gain of \$3,600,000 on our cost basis of \$3,000,000 as of June 30, 2003. This valuation represents no change from the valuation as of March 31, 2003.

Value Computation:

Series C Convertible Preferred Stock		
2,142,857 shares x \$3.08	=	<u>\$6,600,000</u>

**CARDINAL HEALTH PARTNERS, L.P.**

**Portfolio Valuations as of June 30, 2003**

**Page 2 of 4**

**ESURG** - In August 2001, Esurg completed a \$9 million financing at \$0.6265 per share, valuing the Company at \$36 million post-money. Two new investors, Accenture and United Parcel Service led this financing. However, the company has been unable to attain additional needed financing and has been required to make substantial operational cutbacks. Therefore, in Q1 2002 we decided to reduce the value of the Esurg investment to a minimal value of \$1,000. As of June 30, 2003, the Esurg investment is valued at \$1,000 resulting in a cumulative unrealized loss of \$3,998,999 on our cost basis of \$3,999,999. This valuation represents no change from the valuation as of March 31, 2003.

**MEDCONTRAX** – In September 2001, MedContrax completed a \$500,000 insider financing at \$0.25 per share, valuing the Company at \$6.5 million post-money. Subsequent bridge financings with a liquidation preference totaling \$5 million were completed. At the end of Q1 2002, discussions were terminated with a potential acquirer and management ceased operations. In June, the assets of the company were sold, but we expect only a minimal return after satisfaction of the company's creditors. Accordingly, in Q1 2002 we reduced the value of our MedContrax investment to \$1,000. In Q3 2002, it was determined that the equity holders would receive no return from their investment. Accordingly, we have reduced the investment basis by \$3,736,363, recorded a realized loss for the same amount, and reversed the previously unrealized loss for the same amount. The remaining investment continues to be valued at \$1,000, showing an unrealized loss of \$33,904 on our cost basis of \$34,904 as of June 30, 2003. This valuation represents no change from the valuation as of March 31, 2003.

Value Computation:

5% Convertible Note Payable	
\$34,904 Principal Face Value	<u>1,000</u>
Total Value	= <u>\$1,000</u>

**MOLECULAR MINING CORPORATION** – During the first quarter of 2003, as the result of an inability to attain additional outside financing and the lack of sufficient operational progress to support continuing operations, management and the Board of Directors decided to cease operations and sell the assets of the company. Consequently, we have reduced the value of our Series A Preferred investment to a minimal value. This valuation produces an unrealized loss of \$999,000 on our investment cost basis of \$1,000,000 as of June 30, 2003. This valuation represents no change from the valuation as of March 31, 2003.

Value Computation:

Series A Convertible Preferred Stock	
1,000,000 shares	= <u>\$1,000</u>

**CARDINAL HEALTH PARTNERS, L.P.**  
**Portfolio Valuations as of June 30, 2003**  
**Page 3 of 4**

**NDCHEALTH** – In May 2002, NDCHealth (NDC) acquired a controlling interest in TechRx. As part of this transaction, Cardinal sold its Series B Preferred stock holdings for \$6 million in cash and 402,982 shares of NDC common (NYSE:NDC). These shares are unregistered and are therefore subject to Rule 144 trading restrictions. Accordingly, the NDC shares are valued at a 30% discount from the closing price per share of \$18.35 for June 30, 2003. This results in a carrying value of \$5,176,304 with a corresponding unrealized gain of \$3,176,304 on a cost basis of \$2,000,000. This valuation represents an increase of \$445,698 from the valuation for the NDC common as of March 31, 2003.

Value Computation:

$$\begin{array}{l} \text{NDCHealth Common Stock} \\ 402,982 \text{ shares} \times \$18.35 \times 70\% \qquad \qquad = \quad \underline{\underline{\$5,176,304}} \end{array}$$

**NEXCURA** – In June 2002, NexCura completed a \$3.9 million Series C financing led by a new investor. The price per share for the round was \$0.191 placing a pre-money value of \$11 million on the financing. Cardinal has invested a total of \$331,812 in the Series C round (\$231,812 in June 2002 and \$100,000 in June 2003), including the conversion of \$181,812 in promissory notes with accrued interest. We propose to value the NexCura investment at the price of the Series C round. After accounting for the anti-dilution effect of the Series C round on our previous Series B investment, the resulting value for our NexCura investment is \$2,284,721. At this value, the investment shows an accumulated unrealized loss of \$2,547,091 on our cost basis of \$4,831,812. This valuation represents an increase of \$100,000 (new investment) from the valuation as of March 31, 2003.

Value Computation:

$$\begin{array}{l} \text{Series B Convertible Preferred Stock} \\ 10,224,654 \text{ shares} \times \$0.191 \qquad \qquad \qquad = \quad \$1,952,909 \\ \text{Series C Convertible Preferred Stock} \\ 1,737,238 \text{ shares} \times \$0.191 \qquad \qquad \qquad = \quad \underline{\underline{331,812}} \\ \text{Total Value} \qquad \qquad \qquad \qquad \qquad \qquad \underline{\underline{\$2,284,721}} \end{array}$$

**POINTSHARE** – As reported previously, PointShare has sold both operating units of the company, netting a total of ~ \$5 million for distribution to the investors. No proceeds were accorded to the Series A or Series B investors and those investments have been written off. During 2002, Cardinal received a total of \$140,981 from the distributions of proceeds of the sales of PointShare's assets. Accordingly, we have reduced the cost basis in our Series C holding from \$2,000,001 to \$1,859,020 and reduced the carrying value for the investment to \$1,000. With the remaining investment valued at \$1,000, we show an unrealized loss of \$1,858,020 on our cost basis of \$1,859,020 as of June 30, 2003. This valuation represents no change from our carrying value as of March 31, 2003.

**CARDINAL HEALTH PARTNERS, L.P.**  
**Portfolio Valuations as of June 30, 2003**  
**Page 4 of 4**

**TECHRX** – In May 2002, NDCHealth (NDC) acquired a controlling interest in TechRx. As part of this transaction, NDC has agreed to purchase the remainder of the TechRx equity at a value of \$4-\$8 per TechRx share, dependent upon the achievement of specific performance milestones by May 31, 2003. At the beginning of the current quarter, Cardinal held 413,334 shares of TechRx common and warrants to purchase 100,000 shares of TechRx common, which had been valued at \$3.00 per share.

On May 31, 2003, NDCHealth purchased all remaining securities of TechRx for cash at a price of \$5.55 per share (net of any applicable exercise costs). In early June, Cardinal received a total cash payment of \$2,794,004 for its holdings  $\{(\$5.55 \times 513,334) - \$100,000\}$ . As a result, we have reduced the carrying value for the investment to \$0, reversed the previously unrealized gain of \$325,002 and recorded a realized gain of \$1,634,004  $(\$2,794,004 - \$1,115,000)$ . After accounting for the sale of our remaining holdings to NDC, this quarter reflected a valuation decrease totaling \$1,440,002 from the carrying value for TechRx as of March 31, 2003.

**VISICU (formerly IC-USA)** – On June 8, 2000, VISICU completed a \$12 million financing at \$1.37 per share valuing the Company at \$28 million post-money. A new investor, Pacific Venture Group, led this financing. In June 2002, the current investors led a \$6.8 million financing priced at the same level as the Series B round and valuing the company at \$38 million post-money. Cardinal invested \$50,000 in this financing. As the company has not met operational expectations, in Q3 of 2001 we elected to value our Series A and Series B investment at one-half of the Series B price until a substantial improvement in operational results or an independent financing event. We propose to maintain this valuation for both the Series A and Series B investments and to carry the Series C investment at cost. This results in a carrying value of \$2,605,000, producing an unrealized loss of \$1,445,000 on our cost basis of \$4,050,000 as of June 30, 2003. This valuation represents no change from our carrying value as of March 31, 2003.

Value Computation:

Series A Convertible Preferred Stock	
3,000,000 shares x \$1.37 x 50%	= \$2,055,000
Series B Convertible Preferred Stock	
729,927 shares x \$1.37 x 50%	500,000
Series C Convertible Preferred Stock	
36,496 shares x \$1.37	= 50,000
Total Value	<u>\$2,605,000</u>

**CARDINAL HEALTH PARTNERS, L.P.**  
**Portfolio Investment Valuation Summary**  
**For the Quarter Ended June 30, 2003**

<u>Portfolio Company</u>	<u>Investment</u>	<u>Fair Value 06/31/03</u>	<u>Fair Value 03/31/03</u>	<u>Change from Prior Quarter</u>	<u>Reason for Change</u>
AccentCare, Inc.	\$4,500,002	\$3,898,100	\$3,898,100	\$0	
AthenaHealth, Inc.	3,000,000	6,600,000	6,600,000	0	
Esurg Corporation	3,999,999	1,000	1,000	0	
MedContrax, Inc. (formerly Syntegra)	34,904	1,000	1,000	0	
Molecular Mining	1,000,000	1,000	1,000	0	
NDCHealth, Inc.	2,000,000	5,176,304	4,730,606	445,698	Market Price Increase (note 1)
NexCura (formerly CancerFacts.com)	4,831,812	2,284,721	2,184,721	100,000	Additional Investment (note 2)
Pointshare Corporation	1,859,020	1,000	1,000	0	
TechRx Incorporated	0	0	1,440,002	(1,440,002)	Acquisition for Cash (note 3)
VISICU, Inc. (formerly ICUSA)	4,050,000	2,605,000	2,605,000	0	
Total Portfolio	\$25,275,737	\$20,568,125	\$21,462,429	(\$894,304)	

(1) The value of the 402,982 shares of NDCHealth common stock (NYSE:NDC) increased as a result of the change in the share price from \$16.77 as of March 31, 2003 to \$18.35 as of June 30, 2003. The NDCHealth holdings continue to be held at a 30% discount to market.

(2) During the quarter, Cardinal invested \$100K representing our portion of the \$1.8 million second closing of the June 2002 Series C financing led by the venture arm of Eli Lilly.

(3) During the quarter, NDCHealth purchased the remaining outstanding shares of TechRx common stock for cash at \$5.55 per share. Cardinal received a total of \$2,749,004 in cash for our 413,334 shares of common and 100,000 warrants for common stock. As a result, we have reduced the investment basis to \$0, recorded a realized gain of \$1,634,004 (\$2,749,004 - \$1,115,000) and reversed the previously unrealized gain of \$325,002.

**ACCENTCARE, INC.**  
**Dana Point, CA**  
*{www.accentcare.com}*

**Comprehensive Assistance Living Services for the Elderly Living at Home**

Period Summary: 2nd Quarter, 2003

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Financial results for the quarter were below expectations in both operating divisions, AccentCare West (CA and AZ) and AccentCare East (NY). The fiscal period for 2003 financial reporting will only be nine months (April-December), as the company switches from a FYE 3/31 to a calendar year basis. The budget for the period equates to annualized revenues of \$98.2 million, and shows the company operating at cash flow break even for the last six months of 2003. New CEO William "Biff" Comte and new CFO Vince Cook are taking aggressive action to improve financial performance at both operating divisions and attain their yearend goals. Programs to reduce expenses and provide revenue enhancement are underway and should begin to bear fruit in the next quarter.

On May 1, the company implemented a loss sensitive workers compensation program with insurance carrier AIG to cover operations in CA. To support this self-insurance program, the current investor syndicate provided the company with a \$5 million cash infusion. The funding took the form of a convertible note with 10% warrant coverage. Most of this cash will be utilized to secure a \$3 million letter of credit, required by CA law as security against potential workers compensation claims. The projected savings for utilizing the loss sensitive program is expected to be \$2 million in year one, a direct improvement to gross margin for west coast operations. Management has also outlined cuts in annual overhead expenses of over \$1.9 million for AccentCare East and \$1.4 million for AccentCare West. These expense reductions will initiate in July 2003 for east coast operations and in August 2003 for west coast operations.

Financial performance for the quarter was 10% below plan in terms of revenue with net income and operating cash flow also coming in below plan. Revenues for the period were \$20.6 million vs. plan revenues of \$22.8 million. The revenue shortfall resulted primarily from underperformance at existing west coast centers in CA and Arizona coupled with lower than expected volumes with the primary customer in NY. Overall gross margin was on plan as lower workers compensation costs led to improved margins from west coast operations. Operating expenses were better than plan by 8% due to support center expense reductions initiated at the beginning of the quarter. Cash flow for the period was 20% below budget for the period, with an average monthly cash burn of \$150K. With the initiation of the expense reductions detailed above, the burn is expected to average \$100K per month over the next quarter. Management expects that the company will be operating cash flow positive for the last three months of 2003. The company has received an extension to its current credit line until September 30<sup>th</sup>, and is reviewing proposals that contain significant improvements to the terms and size of the facility.

**ACCENTCARE, INC. (cont.)**

**FINANCIAL RESULTS: (\$000)**

Overview: (FYE 3/31)

	<i>FY01 Actual</i>	<i>FY02 Actual</i>	<i>FY03 Actual</i>	<i>2003 Budget*</i>
Revenues	18,530	22,502	54,815	73,672
Cost of Services	12,117	15,137	37,349	53,084
Operating Expenses	14,894	14,617	20,508	19,561
EBIT	-8,481	-7,252	-3,042	1,027
Interest and Taxes	-264	102	-558	-534
<b>Net Income</b>	<b>-8,745</b>	<b>-7,150</b>	<b>-3,600</b>	<b>493</b>

\* - 2003 Budget reflects only nine months of operations.

Last Three Months: Quarter Ended June 30, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	20,595	22,844	-2,249
Cost of Services	15,084	16,600	+1,516
Operating Expenses	6,204	6,599	+395
EBIT	-693	-355	-338
Interest and Taxes	-261	-183	-78
<b>Net Income</b>	<b>-954</b>	<b>-538</b>	<b>-416</b>

Fiscal Year-to-Date: Three Months Ended June 30, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	20,595	22,844	-2,249
Cost of Services	15,084	16,600	+1,516
Operating Expenses	6,204	6,599	+395
EBIT	-693	-355	-338
Interest and Taxes	-261	-183	-78
<b>Net Income</b>	<b>-954</b>	<b>-538</b>	<b>-416</b>

## ACCENTCARE, INC. (cont.)

### Summary Balance Sheet as of June 30, 2003: (\$000)

Cash	\$ 6,501	Accounts Payable	\$ 969
Accounts Receivable	9,448	Accrued Expenses	3,026
Other Current Assets	<u>1,656</u>	Other Current Liabilities	<u>5,484</u>
Total Current Assets	17,605	Total Current Liabilities	9,479
Net PP&E	1,551	Long Term Debt	11,055
Intangibles (Net)	9,218	Shareholders Equity	44,805
Other Assets	<u>1,084</u>	Retained Earnings	<u>-35,881</u>
Total Assets	<u>\$29,458</u>	Total Liabilities & Equity	<u>\$29,458</u>

### Comments:

The company is 20% behind plan in terms of cash flow due to the larger than budgeted cash burn, coupled with lower than anticipated use of its credit facilities. In May, the current investors funded the company \$5 million in the form of a convertible note in order to attain a bond for self-insurance on workers compensation in CA and to provide more of a working capital cushion.

### Cardinal Health Partners Holdings:

Series A Convertible Preferred Stock	2,500,000 shares
Common Stock Equivalents	2,620,837 shares
Assigned Fair Value (2,620,837 CSE's x \$0.9215)	\$2,415,101
Investment Cost	\$2,500,000
Cost per Common Stock Equivalent	\$0.954
Series B Convertible Preferred Stock	1,176,472 shares
Common Stock Equivalents	1,609,331 shares
Assigned Fair Value (1,609,331 CSE's x \$0.9215)	\$1,482,999
Investment Cost	\$2,000,002
Cost per Common Stock Equivalent	\$1.243
% Ownership (Full Dilution)	7.14%
Company Valuation at Cardinal Cost	\$63.0 million
Company Valuation at Assigned Fair Value	\$54.6 million

### Outlook:

We are cautiously optimistic about the prospects for our investment in AccentCare.

**ATHENAHEALTH, INC.**  
**Waltham, MA**  
*{www.athenahealth.com}*

**Web-Based Business Practice Management Services for Physician Offices**

Period Summary: 2nd Quarter, 2003

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Athena continued its solid performance through the second quarter, meeting or exceeding budget in most categories. The company remains on target to attaining cash flow breakeven in Q4 2003. While sales for the quarter were 12% below plan, YTD sales remain ahead of budget. Revenues for the quarter and YTD were on plan. Gross margin continues to exceed expectations driving a better than expected bottom line and cash burn for the year.

Revenues for the quarter exceeded \$5.6 million, increasing 12% over the prior quarter and meeting expectations for the period. The improved margins from Q1 have continued through Q2, due to a combination of an improved pricing mix on new customer implementations and a moderating cost growth with third party providers. Net income and EBITDA both show a greater than 10% positive variance to plan. Monthly cash burn averaged \$370K for the period, down over 33% from the prior quarter. As a result, the company is now \$300K ahead on its cash plan for the year.

Looking ahead, Q3 sales also look strong and are expected to achieve or exceed budget of \$4.6 million. However, management believes that a current gap in implementations will result in shortfall for Q3 net income that will reduce the YTD positive variance to \$125K. The company expects to extend its current capital equipment facility of \$2 million in July and is currently exploring raising a mezzanine capital round of \$5 million. Athena remains solidly on track for their primary milestone of 2003, the attainment of breakeven during Q4. We continue to expect the company will finish 2003 with an annual revenue run rate exceeding \$30 million and be an attractive candidate for a liquidity event with its robust recurring revenue model and strong margins.

# **ATHENAHEALTH, INC (cont.)**

## **FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual*</i>	<i>2003 Budget**</i>
Revenues	3,459	11,985	25,706
Direct Expenses	6,480	10,137	16,897
SG&A	9,278	8,860	9,813
EBITDA	-12,299	-7,012	-1,004
Depreciation	1,636	2,493	3,174
Interest and Taxes	855	-55	-432
<b>Net Income</b>	<b>-13,080</b>	<b>-9,560</b>	<b>-4,610</b>

\* - Subject to Audit

\*\* - Budget revised in February 2003

Last Three Months: Quarter Ended June 30, 2003

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	5,623	5,639	-16
Direct Expenses	3,939	4,220	+281
SG&A	2,472	2,265	-207
EBITDA	-788	-846	+58
Depreciation	712	792	+80
Interest and Taxes	-96	-102	+6
<b>Net Income</b>	<b>-1,596</b>	<b>-1,740</b>	<b>+144</b>

Fiscal Year-to-Date: Six Months Ended June 30, 2003

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	10,666	10,679	-13
Direct Expenses	7,339	7,800	+461
SG&A	4,720	4,540	-180
EBITDA	-1,393	-1,661	+268
Depreciation	1,404	1,511	+107
Interest and Taxes	-175	-189	+14
<b>Net Income</b>	<b>-2,972</b>	<b>-3,361</b>	<b>+389</b>

\*\* Budget revised – February 2003

**ATHENAHEALTH, INC. (cont.)**

**Summary Balance Sheet as of June 30, 2003: (\$000)**

Cash	\$ 6,257	A/P and Accrued Expenses	\$ 2,961
Accounts Receivable	2,688	Deferred Revenue	1,775
Other Current Assets	<u>653</u>	Working Capital LOC	<u>2,052</u>
Total Current Assets	9,598	Total Current Liabilities	6,788
Net PP&E	2,626	Long Term Debt - Lease line	2,686
Intangibles (Net)	1,875	Shareholders Equity	44,330
Other Assets	<u>145</u>	Retained Earnings	<u>-39,560</u>
Total Assets	<u>\$14,244</u>	Total Liabilities & Equity	<u>\$14,244</u>

Comments:

Cash burn for the year has turned positive compared to budget as a result of improving margins and the solid sales results for the first quarter. Management is currently projecting achievement of cash flow breakeven in Q4 2003 with over \$5 million in cash. To provide a further cushion, the company is pursuing a mezzanine level financing of \$5-\$7 million.

Cardinal Health Partners Holdings:

Series C Convertible Preferred Stock	2,142,857 shares
Assigned Fair Value (\$3.08 x 2,142,857)	\$6,600,000
Investment Cost	\$3,000,000
Cost per Share	\$1.40

% Ownership (Full Dilution)	8.1%
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Company Valuation at Cardinal Cost	\$36.9 million
Company Valuation at Assigned Fair Value	\$81.3 million

Outlook:

We remain very enthusiastic about the prospects for Athena, which continues to build backlog, enjoys a powerful recurring revenue model with high exit barriers, and retains a strong lead in the business of automating the business functions of physician offices.

**ESURG CORPORATION**  
**Seattle, WA**  
*{www.esurg.com}*

**Online Supplies for Outpatient Surgery Centers**

Period Summary: 2nd Quarter, 2003

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Financial performance at Esurg failed to meet expectations for the first time since the last quarter of 2001. Sales growth has slowed considerably, with management working diligently to enhance revenue growth prospects through leveraging its new strategic partner relationships and improving the effectiveness of its sales and marketing initiatives. Management continues to operate the company in a very efficient manner.

Revenues of \$2.3 million for the quarter slightly down from the previous quarter and only 85% of plan. Gross margins remained at 11% and slightly ahead of plan, while net income was slightly behind plan. YTD the company is 10% behind its revenue forecast, but ahead of plan in terms of net income and cash burn. The cash balance at the end of the quarter was \$4.4 million, \$300K ahead of plan. With cash burn running at ~ \$200K per month the company can operate at this level through the end of 2004. However, in order to attain breakeven the company requires annual revenues in excess of \$40 million. We don't believe the company can achieve this revenue levels on existing cash. Management has recently initiated a number of initiatives to facilitate revenue growth through direct sales and marketing to its partner's qualified leads.

Conversations for a potential acquisition of the company by a traditional medical supply distribution company have broken down. Management continues to explore merger opportunities that would lessen the need for additional capital and shorten the time to breakeven. This management team has proven to be hard working and determined to succeed. However, at this time, without the prospect of an acquisition, we hold little hope for a positive exit option for Esurg.

**ESURG CORPORATION (cont.)****FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual*</i>	<i>2003 Budget**</i>
Revenues	5,339	9,803	12,309
Cost of Sales	5,278	8,839	10,966
Operating Expenses	12,148	8,559	5,589
EBIT	-12,087	-7,595	-4,246
Interest and Taxes	304	198	101
<b>Net Income</b>	<b>-11,783</b>	<b>-7,397</b>	<b>-4,145</b>

\* Subject to Audit

Last Three Months: Quarter Ended June 30, 2003

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	2,285	2,700	-415
Cost of Sales	2,030	2,406	+376
Operating Expenses	1,367	1,406	+39
EBIT	-1,112	-1,112	0
Interest and Taxes	11	28	-17
<b>Net Income</b>	<b>-1,101</b>	<b>-1,084</b>	<b>-17</b>

Fiscal Year-to-Date: Six Months ended June 30, 2003

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	4,645	5,045	-400
Cost of Sales	4,123	4,496	+373
Operating Expenses	2,769	2,847	+78
EBIT	-2,247	-2,298	+51
Interest and Taxes	32	63	-31
<b>Net Income</b>	<b>-2,215</b>	<b>-2,235</b>	<b>+20</b>

\*\* Budget revised – February 2003

## ESURG CORPORATION (cont.)

### Summary Balance Sheet as of June 30, 2003: (\$000)

Cash	\$ 4,387	Accounts Payable	\$ 661
Accounts Receivable	804	Accrued Expenses	126
Other Current Assets	<u>317</u>	Other Current Liabilities	<u>437</u>
Total Current Assets	5,508	Total Current Liabilities	1,224
Net PP&E	275	Long Term Debt	0
Intangibles (Net)	359	Shareholders Equity	40,234
Other Assets	<u>294</u>	Retained Earnings	<u>-35,022</u>
Total Assets	<u>\$ 6,436</u>	Total Liabilities & Equity	<u>\$ 6,436</u>

### Comments:

Average monthly burn for the quarter was approximately \$250K, aggravated by legal expenditures related to a terminated acquisition. Adjusting for this one-time expenditure, the monthly burn decreases to \$200K. Under the current plan, the company can keep operating at this level for about 18 months, while management and the investors try to map out a strategy to maximize the return on investment.

### Cardinal Health Partners Holdings:

Series C Convertible Preferred Stock	2,597,401 shares
Assigned Fair Value	\$1,000
Investment Cost	\$3,999,999
Cost per Share	\$1.54

% Ownership (Full Dilution)	4.0%
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Company Valuation at Cardinal Cost	\$100.0 million
Company Valuation at Assigned Fair Value	Minimal

### Outlook:

Expectations are low for a return from the Esurg investment.

**MEDCONTRAX, INC.**  
**(formerly Syntegra Healthcare Management Systems, Inc.)**  
**Rockville, MD**  
*{www.medcontrax.com}*

**Wholesale Price Clearing House for Pharmaceuticals Market**

Period Summary: 2nd Quarter, 2003

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There is no new activity to report for the quarter relative to our investment in MedContrax. In June 2002, the Bankruptcy Court completed an auction for the combined assets of MedContrax and Med-ecorp. The leading bid was for \$1.5 million in cash received from NeoForma, Inc. The sale closed into escrow in early July 2003.

Our counsel conservatively estimates that distributable proceeds from the sale will be approximately \$1.2 million. Claims filed by all of the company's creditors total \$2.5 million, including \$606,600 of investor promissory notes. Cardinal's portion of the promissory notes is \$34,904. Our counsel believes that many of the creditor claims are without merit or will be reduced substantially on adjudication. His current estimate is that the investors can expect to receive 50-75% back on the value of their promissory notes. We expect this process to be completed sometime this year.

Cardinal Health Partners Holdings:

5% Convertible Promissory Note	\$34,904
Assigned Fair Value	\$1,000
% Ownership (Full Dilution)	3.6%

**MOLECULAR MINING CORPORATION**  
**Kingston, Ontario**  
*{www.molecularmining.com}*

**Software Tools for Genomics Research**

Period Summary: 2nd Quarter, 2003

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During the current period much progress was made in liquidation of the assets of Molecular Mining. As reported previously, in March, after all potential financing/merger initiatives were proven to be unsuccessful, the Board determined that the company did not have sufficient working capital to support continued operations under management revised plan and voted to conduct an orderly liquidation of the company's assets.

By the end of the quarter, all of the physical assets have been sold and substantially all of the liabilities of the company have been settled. The remaining assets are primarily intangible (patents, copyrights, trademarks, etc...). An agreement has been reached with ParTeq Innovations to act as agent to sell these intangible assets. The agreement contains a revenue sharing component whereby ParTeq will receive a ramping percentage of the proceeds, based upon the overall amount of the sale. Potential buyers have expressed a fair amount of interest in the first three months and we are hopeful that terms for a sale can be completed by the end of the third quarter.

It is expected that the liquidation process will be concluded over the next 3-6 months. Current estimates are that after settling all of the company's obligations, approximately \$750K could be available for distribution to the equity holders of the company. CHP II will receive 18.25% of all shareholder distributions.

**MOLECULAR MINING CORPORATION (cont.)****FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Budget</i>
Revenues	131	414	1,238
Cost of Sales	20	132	147
Operating Expenses	3,261	3,926	2,625
EBIT	-3,150	-3,644	-1,534
Interest and Taxes	211	100	7
<b>Net Income</b>	<b>-2,939</b>	<b>-3,544</b>	<b>-1,527</b>

Last Three Months: Quarter Ended June 30, 2003

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	0		
Cost of Sales	0		
Operating Expenses	941		
EBIT	-941		
Interest and Taxes	3		
<b>Net Income</b>	<b>-938</b>		

Fiscal Year-to-Date: Six Months Ended June 30, 2003

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	68		
Cost of Sales	1		
Operating Expenses	1,795		
EBIT	-1,728		
Interest and Taxes	11		
<b>Net Income</b>	<b>-1,717</b>		

\* - No Budget is presented, as Molecular Mining is no longer operational.

## MOLECULAR MINING CORPORATION (cont.)

### Summary Balance Sheet as of June 30, 2003: (\$000)

Cash	\$ 619	Accounts Payable	\$ 6
Accounts Receivable	102	Accrued Expenses	87
Prepaid Expenses	<u>0</u>	Notes Payable	<u>0</u>
Total Current Assets	721	Total Current Liabilities	93
Net PP&E	0	Long Term Debt	0
Intangibles (net)	0	Shareholders Equity	11,598
Other Assets	<u>0</u>	Retained Earnings	<u>-10,970</u>
Total Assets	<u>\$ 721</u>	Total Liabilities & Equity	<u>\$ 721</u>

### Comments:

The company is currently liquidating all of its assets. The balance sheet does not contain any value for the intellectual property assets of the company, which are currently being sold. The current estimate is that approximately \$750K will be available for distribution to the Series B investors upon completion of the liquidation. There will most likely be no return for the Series A preferred or common equity holders.

### Cardinal Health Partners Holdings:

Series A Convertible Preferred Stock	1,000,000 shares
Assigned Fair Value	\$1,000
Investment Cost	\$1,000,000
Cost per Share	\$1.00
Series B Preferred Stock Warrants	34,206 shares
Exercise Price Per Share	\$2.0464
% Ownership (Full Dilution)	11.2%
Company Valuation at Cardinal Cost	\$8.8 million
Company Valuation at Assigned Fair Value	Minimal

### Outlook:

There will likely be no return on our investment in Molecular Mining.

**NEXCURA, INC.**  
**(formerly CancerFacts.com)**  
**Seattle, WA**  
**{www.nexcura.com}**

**eCare Tools for Chronic Disease Management**

Period Summary: 2nd Quarter, 2003

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During the quarter, the unfavorable economic environment in the pharmaceutical industry significantly impacted sales at Nexcura. Numerous projects slated for award or implementation were either delayed or canceled. This resulted in an unfavorable variance in revenues to plan of \$1.3 million for the quarter. As a consequence of this general market malaise, management further revised its revenue forecast for the year down to \$4.0 million. Management has recently proposed significant reductions in expenses so as to be cash flow neutral as compared to the current forecast for the remainder of the year. Unfortunately, this will not make up for the disappointing results thus far and while the outlook for the rest of 2003 is brighter, cash will be tight for the next 12 months.

As a result of the revenue shortfall for the period, overall financial performance for the quarter was well behind plan. Operating cash burn averaged \$200K per month during the quarter due to the infrastructure built to support the anticipated increased revenue base. As a result, the company is 50% behind its cash forecast for the year. The sales pipeline continues to be strong, but projects are not moving to contract at the anticipated pace.

The outlook for the remainder of the year is cautiously optimistic. The company has booked \$1.5 million of the \$2.5 million in second half revenues needed to meet its revised forecast, and has verbal commitments for much of the remainder. The management team is committed to making a number of expense and head count reductions in the coming quarter. While cash will be tight for the remainder of 2003, we believe management has taken or will take sufficient action to reduce expenditures until the company is cash flow breakeven.

We remain guardedly optimistic regarding Nexcura's prospects for the year. The investors are working closely with CEO, Peter Hoover to ensure that the company remains on track towards attaining cash flow breakeven by the end of the year. Now approaching his one-year anniversary at Nexcura, Peter is working hard to gain sales momentum and maintain morale.

**NEXCURA, INC. (cont.)**

**FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual*</i>	<i>2003 Budget</i>
Revenues	1,521	3,018	6,891
Cost of Sales	0	287	305
Operating Expenses	3,861	4,324	6,693
EBIT	-2,340	-1,593	-107
Interest and Taxes	-1,355	-83	-76
<b>Net Income</b>	<b>-3,695</b>	<b>-1,676</b>	<b>-183</b>

\* Subject to Audit

Last Three Months: Quarter Ended June 30, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	658	1,989	-1,331
Cost of Sales	103	77	-26
Operating Expenses	1,629	1,665	+36
EBIT	-1,074	247	-1,321
Interest and Taxes	189	-22	+211
<b>Net Income</b>	<b>-885</b>	<b>225</b>	<b>-1,110</b>

Fiscal Year-to-Date: Six Months ended June 30, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	1,259	3,037	-1,778
Cost of Sales	139	154	+15
Operating Expenses	2,798	3,315	+517
EBIT	-1,678	-432	-1,246
Interest and Taxes	201	-34	+235
<b>Net Income</b>	<b>-1,477</b>	<b>-466</b>	<b>-1,011</b>

**NEXCURA, INC. (cont.)**

**Summary Balance Sheet as of June 30, 2003: (\$000)**

Cash	\$ 792	Accounts Payable	\$ 283
Accounts Receivable	208	Accrued Expenses	332
Other Current Assets	<u>158</u>	Deferred Revenue	<u>484</u>
Total Current Assets	1,158	Total Current Liabilities	1,099
Net PP&E	144	Long Term Debt	83
Intangibles (Net)	0	Shareholders Equity	17,283
Other Assets	<u>125</u>	Retained Earnings	<u>-17,038</u>
Total Assets	<u>\$ 1,427</u>	Total Liabilities & Equity	<u>\$ 1,427</u>

Comments:

The lower than expected results for this year have forced management to take appropriate actions to maintain current capital resources. The company has developed a reduced expenditure plan sufficient to sustain operations at the current revenue levels.

Cardinal Health Partners Holdings:

Series B Convertible Preferred Stock	5,184,331 shares
Common Stock Equivalents	10,224,654 shares
Assigned Fair Value (10,224,654 CSE's x \$0.191)	\$1,952,909
Investment Cost	\$4,500,000
Cost per Share	\$0.868
Series C Convertible Preferred Stock	1,737,238 shares
Assigned Fair Value (Investment Cost)	\$331,812
Investment Cost	\$331,812
Cost per Share	\$0.191
Common and Preferred Stock Warrants	288,912
Average Exercise Price Per Share	\$0.074
% Ownership (Full Dilution)	17.0%
Company Valuation at Cardinal Cost	\$27.8 million
Company Valuation at Assigned Fair Value	\$12.8 million

Outlook:

We are guardedly optimistic about the prospects for NexCura.

**POINTSHARE CORPORATION**  
**Bellevue, WA**  
*{www.pointshare.com}*

**Infrastructure Application Provider for Physician Practices**

Period Summary: 2nd Quarter, 2003

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There was no activity related to PointShare during the period. Currently, there remains \$290K in escrow from the sale of PointShare's assets, which would be distributed after settlement of all remaining corporate liabilities and creditor claims. Any distribution would be based on the liquidation preference of the Series C and Series D preferred stockholders. The total preference amount is \$46.7 million, with Cardinal holding \$2 million or 4.2985%. A final distribution of the remaining escrow is not expected until sometime in the latter half of 2003.

Cardinal Health Partners Holdings:

Series C Convertible Preferred Stock	727,273 shares
Percentage of Total Liquidation Preference	4.2985%
Assigned Fair Value	\$1,000

**TECHRX INCORPORATED / NDCHEALTH**  
**Pittsburgh, PA**  
*{www.tech-rx.com} {www.ndchealth.com}*

**Leading Software Systems for High Volume Prescription Fulfillment**

Period Summary: 2nd Quarter, 2003

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Results for the fourth quarter of Fiscal 2003 (FYE 5/31) for NDCHealth (NDC) were in line with analyst expectations. The Company reported net income for the quarter of \$10.5 million and diluted earnings per share of \$0.30. These results compare to a net loss of \$15.9 million and diluted earnings per share of \$(0.46) in the fourth quarter of fiscal 2002. Revenue increased 22% to \$115.2 million from \$94.5 million over the prior year.

For the fiscal year 2003, the company had revenues of \$429.6 million as compared to \$353.4 million for fiscal 2002. Net income grew to \$30.6 million with diluted earnings per share of \$0.88 in fiscal 2003. These results compare to net income of \$15.1 and diluted earnings per share of \$0.43 for fiscal 2002. At May 31, 2003, the Company's cash balance was \$16.1 million and for the twelve-month period net cash provided by operating activities increased 65% over the prior year to \$103.4 million.

Recent guidance from management have moved analysts estimates to predict Fiscal 2004 revenues of \$475 to \$490 million with earnings ranging from \$1.15 to \$1.20 per share.

As of the end of the quarter, the 402,982 shares of NDC common stock that Cardinal owns has passed the one-year holding period and is saleable under SEC Rule 144. We expect to liquidate this position over the next 3-4 months.

During the quarter, NDCHealth purchased the remainder of the TechRx common shares on a formula based on the achievement of specific operating milestones and financial objectives for \$5.55 per share. The buyout was for cash, with Cardinal receiving \$2,794,004 for our 413,334 TechRx common shares and warrants to purchase 100,000 shares. As a result, we have reduced the basis for the TechRx common stock to \$0, recorded a realized gain of \$1,634,004 (\$2,794,004-\$1,115,000) and reversed the previously unrealized gain of \$325,002.

# TECHRX INCORPORATED / NDCHEALTH (cont.)

## **FINANCIAL RESULTS – NDCHealth: (\$000)**

Overview: (FYE 5/31)

	<i>FY00 Actual</i>	<i>FY01 Actual</i>	<i>FY02 Actual</i>
Revenues	345,673	337,052	353,381
Cost of Revenue	181,001	168,691	174,944
Operating Expenses	120,455	79,796	76,961
Depreciation & Amortization	31,834	34,745	24,374
EBIT	12,383	53,820	77,102
Interest, Taxes and Other	52,548	21,280	61,992
<b>Net Income</b>	<b>-40,165</b>	<b>32,540</b>	<b>15,110</b>
<b>Basic Earnings Per Share</b>	<b>-\$1.21</b>	<b>\$0.99</b>	<b>\$0.44</b>

Income Statement: Quarter Ended May 30, 2003

	<b><i>Three Months Ended</i></b>		<b><i>Twelve Months Ended</i></b>	
	<i>05/31/02</i>	<i>05/30/03</i>	<i>05/31/02</i>	<i>05/30/03</i>
Revenues	94,504	115,231	353,381	429,606
Cost of Revenue	47,588	57,693	174,944	214,574
Operating Expenses	19,369	27,434	76,961	94,272
Depreciation & Amortization	5,948	7,929	24,374	30,881
EBIT	21,599	22,175	77,102	89,879
Interest, Taxes and Other	37,486	11,715	61,992	59,277
<b>Net Income</b>	<b>-15,887</b>	<b>10,460</b>	<b>15,110</b>	<b>30,602</b>
<b>Basic Earnings Per Share</b>	<b>-\$0.46</b>	<b>\$0.30</b>	<b>\$0.44</b>	<b>\$0.88</b>

Summary Balance Sheet as of May 30, 2003:

Cash	\$ 16,103	Accounts Payable	\$ 74,492
Accounts Receivable	72,203	Current Obligations	7,586
Other Current Assets	<u>57,166</u>	Deferred Revenue	<u>38,137</u>
Total Current Assets	145,472	Total Current Liabilities	120,215
Net PP&E	116,678	Long Term Obligations	321,820
		Other Liabilities	39,686
Intangible Assets (Net)	479,234	Shareholders Equity	226,303
Other Assets	<u>45,868</u>	Retained Earnings	<u>79,228</u>
Total Assets	<u><b>\$787,252</b></u>	Total Liabilities & Equity	<u><b>\$787,252</b></u>

## TECHRX INCORPORATED / NDCHEALTH (cont.)

### NDCHealth Historical Common Stock Performance:

NDCHealth common stock is traded on the New York Stock Exchange under the symbol "NDC". The high and low stock prices for each quarter of the past fiscal year are listed below. The closing price on June 30, 2003 for NDCHealth common stock was \$18.35.

	High	Low
Quarter Ended 05/31/03	\$23.01	\$14.40
Quarter ended 02/28/03	\$22.75	\$17.10
Quarter ended 11/30/02	\$20.42	\$10.90
Quarter ended 08/31/02	\$32.28	\$16.80
Quarter ended 05/31/02	\$37.24	\$27.74

### Cardinal Health Partners Holdings:

NDCHealth Common Stock (subject to Rule 144 Restrictions)	402,982 shares
Assigned Fair Value (402,982 x \$18.35 x 70%)	\$5,176,304
Investment Cost	\$2,000,000
Cost per Share	\$4.963
% Ownership of NDCHealth Common (Full Dilution)	1.152%
Company Valuation at Cardinal Cost	\$174 million
Company Valuation at Market Value (\$18.35 per share)	\$643 million

**VISICU, INC.**  
**Baltimore, MD**  
*{www.visicu.com}*

**Remote Monitoring Services for Intensive Care Hospital Units**

Period Summary: 2nd Quarter, 2003

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VISICU continued to have good success in closing new clients and attaining its financial goals. However, a change in accounting will substantially affect current year revenues by deferring recognition of implementation fees over the life of the contract. While this means the company will not attain profitability during 2003, it has no effect on cash flow and we fully expect the company to be cash flow positive by the end of this year.

During the quarter, three new hospital systems signed contracts to be added to the VISICU network. HCA in Richmond, VA for 49 beds, St. Luke's Health System in Kansas City, MO for 65 beds and Memorial Herman in Houston, TX for a total of 199 beds. This brings the total number of beds under contract to over 800. In April, Health and Human Services Secretary Tommy Thompson toured the eICU© facility at New York-Presbyterian Hospital to promote the administration's belief that information technology is of critical importance in improving the health and safety of patients. The company also received favorable mention in the new book written by Newt Gingrich entitled "Saving Lives & Saving Money: Transforming Health and Healthcare".

In the process of completing the audit for calendar 2002, the company's auditors informed management that a significant change in accounting for implementation fees was necessary to comply with new accounting regulations. The company had been accounting for these fees as the services were delivered. However, they must now account for these charges over the life of the contract. While this change does not affect the cash flow of the company, it significantly affects revenues for the next two years, effectively deferring more than 50% of expected 2003 revenue.

Financial results for the quarter were ahead of plan in all areas except gross margin. Revenues from existing customers met expectations, with gross margins falling slightly due to higher billings of lower margin outside services in the period. Overhead expenses were well ahead of plan primarily due to lower than forecast professional fees. During the quarter, the company closed on a \$2 million credit facility with Comerica Bank. With the completion of this facility, management firmly believes that the company will require no additional financing and the company will be cash flow positive by yearend.

We remain very excited about the prospects for VISICU as the company moves through its first year of large-scale operations. CEO Frank Sample has moved the company full speed ahead on the sales and marketing front, while exercising sound control over cash burn. We are very optimistic about the company's prospects for building itself into a significant next generation healthcare company.

**VISICU, INC. (cont.)**

**FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual*</i>	<i>2003 Budget**</i>
Revenues	1,429	2,380	3,987
Cost of Sales	1,824	1,638	1,150
Operating Expenses	7,049	7,718	10,103
EBIT	-7,444	-6,976	-7,267
Interest and Taxes	232	36	3
<b>Net Income</b>	<b>-7,212</b>	<b>-6,940</b>	<b>-7,264</b>

\* - Subject to Audit

Last Three Months: Quarter Ended June 30, 2003

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	1,263	1,156	+107
Cost of Sales	727	633	-94
Operating Expenses	2,319	2,517	+198
EBIT	-1,783	-1,994	+211
Interest and Taxes	1	0	+1
<b>Net Income</b>	<b>-1,782</b>	<b>-1,994</b>	<b>+212</b>

Fiscal Year-to-Date: Six Months Ended June 30, 2003

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	2,304	2,197	+107
Cost of Sales	1,370	1,276	-94
Operating Expenses	4,467	4,665	+198
EBIT	-3,533	-3,744	+211
Interest and Taxes	4	3	1
<b>Net Income</b>	<b>-3,529</b>	<b>-3,741</b>	<b>+212</b>

\*\* - 2003 Budget Revised in June for changes in Revenue Recognition

**VISICU, INC. (cont.)****Summary Balance Sheet as of June 30, 2003: (\$000)**

Cash	\$ 1,304	Accounts Payable	\$ 337
Accounts Receivable	2,148	Accrued Expenses	663
Prepaid Expenses	<u>174</u>	Deferred Revenue	<u>4,827</u>
Total Current Assets	3,626	Total Current Liabilities	5,827
Net PP&E	602	Note Payable & LTD	0
Deferred Costs	0	Shareholders Equity	29,790
Other Assets	<u>0</u>	Retained Earnings	<u>-31,389</u>
Total Assets	<u>\$ 4,228</u>	Total Liabilities & Equity	<u>\$ 4,228</u>

**Comments:**

The cash balance at the end of the quarter was below forecast due to a delayed payment from its largest customer. Due to the nature of the company's payment cycles, management is confident of maintaining at least a \$2 million cash balance for the remainder of the year. This does not include any amounts that could be drawn against the \$2 million credit line.

**Cardinal Health Partners Holdings:**

Series A Convertible Preferred Stock	3,000,000 shares
Assigned Fair Value (3,000,000 x \$1.37 x 50%)	\$2,055,000
Investment Cost	\$3,000,000
Cost per Share	\$1.00
Series B Convertible Preferred Stock	729,927 shares
Assigned Fair Value (729,927 x \$1.37 x 50%)	\$500,000
Investment Cost	\$1,000,000
Cost per Share	\$1.37
Series C Convertible Preferred Stock	36,496 shares
Assigned Fair Value (Investment Cost)	\$50,000
Investment Cost	\$50,000
Cost per Share	\$1.37
% Ownership (Full Dilution)	13.3%
Company Valuation at Cardinal Cost	\$30.5 million
Company Valuation at Assigned Fair Value	\$19.6 million

**Outlook:**

We are very optimistic about the prospects for our investment in VISICU.