

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

**QUARTERLY REPORT**

**4th QUARTER, 2002**

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

**QUARTERLY REPORT**

**4th QUARTER, 2002**

**TABLE OF CONTENTS**

QUARTERLY ACTIVITY SUMMARY .....	1
FINANCIAL STATEMENTS .....	3
SUMMARY VALUATION MEMO .....	12
ACCENTCARE, INC. ....	17
ATHENAHEALTH, INC. ....	20
ESURG CORPORATION .....	23
MEDCONTRAX (Formerly SYNTEGRA HEALTHCARE) .....	26
MOLECULAR MINING CORPORATION .....	27
NEXCURA, INC. (Formerly CANCERFACTS.COM) .....	30
POINTSHARE CORPORATION .....	33
TECHRX, INCORPORATED / NDCHEALTH, INC. ....	34
VISICU, INC. (Formerly IC-USA, INC.) .....	37

---

TO: The Limited Partners

FROM: John K. Clarke

DATE: January 31, 2003

SUBJECT: Activity for the Quarter ended December 31, 2002

---

During the quarter, the portfolio continued progress toward maturity and liquidity. Most of our active companies had a very solid operational quarter. AccentCare and Athena continue to exhibit strong revenue growth and have achieved or have a clear path towards achieving cash flow break-even. NexCura's new CEO has reinvigorated the team and VISICU continued its stellar run of sales success for 2002. A synopsis of portfolio company activity for the quarter follows.

***AccentCare*** – AccentCare completed its largest acquisition to date, essentially doubling the size of the company. Projected revenues for FY2003 (FYE 3/31) are now expected to be \$55.5 million, growing to \$98 million in FY 2004. The company also completed its CEO recruiting effort with the hiring of William “Biff” Comte, a healthcare services veteran with a strong operational focus. Overall financial performance remains ahead of budget. With the new acquisition assimilated, AccentCare has turned the corner on profitability and projects to be cash flow positive for the last quarter of FY 2003.

***AthenaHealth*** – While sales have been inconsistent, revenue growth continues to be strong, driven by Athena's dependable recurring revenue model. Revenues grew by 246% over 2001 and the company ended 2002 at an annual revenue run rate of \$18.3 million. Management's 2003 budget has tied discretionary spending to revenue and sales growth to ensure attainment of break-even by Q3. We are hopeful that 2003 is the breakout year for Athena.

***Esurg*** – Financial performance for Esurg continues to be better than plan by a healthy margin as the skeleton team tasked with restructuring and selling the company has done an outstanding job of managing costs and growing sales. However, discussions with potential buyers have been slow to progress and we are growing more anxious about the exit prospects for Esurg.

***MedContrax*** – There was resolution on the disposition of sales proceeds during the quarter. In June 2002, the assets of the company were sold to NeoForma, Inc. for \$1.5 million in cash. After adjudication of all creditor claims, we currently estimate a recovery of 50-75% of the June \$35K promissory note for Cardinal.

***Molecular Mining*** – Sales of the company's software products continue to be disappointing, with no sign of a significant ramping to occur in the near future. The company has developed and implemented a reduced cash burn plan for 2003. The 2003 budget shows the company able to support operations on current capital for the year. However, without some success in software sales soon, the company will need to make further cutbacks to ensure capital resources are conserved. Under these circumstances, we have reduced the carrying value for our investment by 50% to more accurately reflect the current value of the company.

**NexCura** – While the results for the quarter lagged plan, 2002 was an encouraging year for NexCura. Revenues for the year were double those of 2001, and cash burn was decreased significantly. The 2003 budget shows revenues doubling again, with the company operating at cash flow break-even by mid-year. New CEO Peter Hoover has brought renewed vigor to the management team and his future success will rely on his ability to make several key new hires and continue to build the company's pharmaceutical services business.

**TechRx/NDCHealth** – Results for the second quarter of Fiscal 2003 (FYE 5/31) at NDCHealth (NYSE: NDC) were slightly ahead of expectations. The company reported net income of \$12.7 million, or \$0.37 per share, on revenues of \$105.3 million. During the quarter, the company successfully restructured its balance sheet with the completion of a \$425 debt refinancing. Also during the quarter the company announced the completion of two performance milestones for TechRx. Fiscal 2003 earnings are now expected to be \$1.35 to \$1.38 per share, a 225% increase over Fiscal 2002. Our holdings remain restricted from sale until June 2003.

**Visicu** – VISICU had another excellent quarter extending its run of sales success and moving into implementation with several major customers. Heading into 2003, the company forecasts adding 194 ICU beds in Q1, more than doubling the beds currently under management. The company is currently implementing a total of 465 beds that will total \$5.2 in revenue for 2003. The pipeline of sale prospects continues to build strongly and the company has enjoyed a remarkable level of interest from almost every hospital system that it markets. The company is earning success in establishing a growing market position as a truly next generation healthcare company.

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 no new investment activity, with receipts totaling \$18K from the PointShare escrow. Net loss for the quarter was \$157K, including \$399K in net operating expenses and \$222K in net unrealized gains related to the market price increase for the quarter on our NDCHealth common stock, offset by the mark-down on Molecular Mining. The cash balance at the end of the period was \$39,702, with net assets totaling \$23.2 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 the value in the portfolio by working closely with company management and co-investors to explore all strategic and financial alternatives in order to ensure the best return for our investors.

The Limited Partner Annual Meeting was held on November 4<sup>th</sup> at the St. Regis Hotel in New York City. We were glad that so many representatives from our investor group were able to attend. Brandon, Lisa, John, Geoff and I appreciate your input and support.

**CARDINAL HEALTH PARTNERS, L.P.**  
**Income Statement**  
**For the Period Ended December 31, 2002**

	Three Months Ended 12/31/02	Twelve Months Ended 12/31/02
Revenue:		
Non Portfolio Income	\$481	\$9,759
Interest-Equivalent Amounts	0	0
Expenses:		
Management Fee	388,208	1,552,832
Professional Fees	4,724	35,125
NVCA Dues & Expenses	0	2,587
Amortization of Organization Costs	0	0
Miscellaneous Expenses	6,141	6,910
Total Expenses	399,073	1,597,454
Net Operating Expense	(398,592)	(1,587,695)
Investment Income	19,825	55,358
Net Income Before Gains (Losses)	(378,767)	(1,532,237)
Realized Gains (Losses)	0	(2,236,363)
Unrealized Gains (Losses)	221,877	5,469,250
Net Income (Loss)	(\$156,890)	\$1,700,550

**CARDINAL HEALTH PARTNERS, L.P.**  
**Balance Sheet**  
**As of December 31, 2002**

<b>ASSETS:</b>	Period Ended 12/31/02	Period Ended 09/30/02
Cash and Short-Term Investments	\$39,702	\$112,046
Accrued Interest	9,484	5,778
Escrow for Investment	0	0
Venture Capital Investments	23,367,562	23,163,682
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	<u>210,051</u>	<u>210,051</u>
	<u>\$23,626,799</u>	<u>\$23,491,557</u>
 <b>LIABILITIES &amp; CAPITAL:</b>		
Accrued Expenses and Payables	\$406,208	\$114,075
Investment due Portfolio Company	0	0
Partners' Accounts	<u>23,220,591</u>	<u>23,377,482</u>
Total Liabilities and Capital	<u>\$23,626,799</u>	<u>\$23,491,557</u>

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

**Footnotes**

**As of December 31, 2002**

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>12/31/02</u>	<u>09/30/02</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>12/31/02</u>	<u>09/30/02</u>
GP Promissory Note Principal	\$210,051	\$210,051
Offset against Partners' Capital	<u>0</u>	<u>0</u>
Total	<u><u>\$210,051</u></u>	<u><u>\$210,051</u></u>

Note 4 - Accrued Expenses:	<u>12/31/02</u>	<u>09/30/02</u>
Accounting & Audit	\$18,000	\$13,500
Management Fees	388,208	100,000
NVCA Dues and Other	0	40
Legal & Other Professional Fees	<u>0</u>	<u>535</u>
Total	<u><u>\$406,208</u></u>	<u><u>\$114,075</u></u>

**CARDINAL HEALTH PARTNERS, L.P.**  
**Statement of Cash Flows**  
**For the Period Ended December 31, 2002**

	Three Months Ended 12/31/02	Twelve Months Ended 12/31/02
<b>Cash flows from operating activities</b>		
Net Income Before Gains (Losses)	(\$378,767)	(\$1,532,337)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:		
Accrued Interest Receivable	(3,707)	24,174
Net Organization Costs	0	0
Other Assets	0	0
Accrued Expenses & Payables	292,133	379,746
Net Cash used in Operating Activities	(90,341)	(1,128,417)
<b>Cash flows from investing activities</b>		
Purchases of venture capital investments	0	(365,048)
Sales of venture capital investments	17,997	6,140,981
Net cash used in investing activities	17,997	5,775,933
<b>Cash flows from financing activities</b>		
Cash contributions by partners	0	806,815
Cash distribution to partners	0	(5,500,000)
Net cash provided by financing activities	0	(4,693,185)
 Net Change in Cash and Short Term Investments	 (72,344)	 (45,669)
Cash and Short Term Investments, beginning	112,046	85,371
Cash and Short Term Investments, ending	<u>\$39,702</u>	<u>\$39,702</u>



**CARDINAL HEALTH PARTNERS, L.P.**  
**Schedule of Venture Capital Investments**  
**As of December 31, 2002**

<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	1,023,200	23,200
NDCHealth, Inc.	0	2,000,000	2,000,000	4,386,459	2,386,459
NexCura (CancerFacts)	0	4,731,812	4,731,812	2,184,721	(2,547,091)
Pointshare Corporation	0	1,859,020	1,859,020	1,000	(1,858,020)
TechRx Incorporated	0	1,115,000	1,115,000	2,667,082	1,552,082
VISICU, Inc. (ICUSA)	0	4,050,000	4,050,000	2,605,000	(1,445,000)
Totals	\$34,904	\$26,255,833	\$26,290,737	\$23,367,562	(\$2,923,175)

**Cardinal Health Partners, L.P.**  
**Statement of Partners' Contributions Accounts**  
**As of December 31, 2002**

	Partners' Total Subscription	Contributions Account 09/30/02	Period Contribution in Cash	Period Contribution by Note	Contributions Account 12/31/02	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
Nat. 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 Share of Net Assets**  
**For the Period Ended December 31, 2002**

	Private Securities	Public Securities	Cash	Other Assets	Total Assets	Accrued Expenses	Net Assets 12/31/02
<u>Limited Partners</u>							
LACERA	\$2,858,357	\$903,767	\$6,392	\$35,345	\$3,803,861	(\$65,398)	\$3,738,463
Nassau Capital Funds	2,572,518	813,389	5,751	31,810	3,423,468	(58,858)	3,364,610
Robert Wood Johnson Foundation	2,143,773	677,827	4,793	26,509	2,852,902	(49,049)	2,803,853
State Teachers Ret. System. of Ohio	1,998,457	631,880	4,468	24,712	2,659,517	(45,724)	2,613,793
Northwestern University	1,429,170	451,881	3,195	17,672	1,901,918	(32,699)	1,869,219
Fleet Growth Resources (Summit Bank)	1,429,170	451,881	3,195	17,672	1,901,918	(32,699)	1,869,219
Natl. Union Fire Ins. Co. of Pittsburgh	1,429,170	451,881	3,195	17,672	1,901,918	(32,699)	1,869,219
WIN 4 Holdings LLC	857,508	271,130	1,918	10,603	1,141,159	(19,620)	1,121,539
First Union National Bank Pension Plan	857,508	271,130	1,918	10,603	1,141,159	(19,620)	1,121,539
UNISYS	714,586	225,941	1,598	8,836	950,961	(16,350)	934,611
Venture Investment Associates II	571,665	180,751	1,279	7,069	760,764	(13,080)	747,684
S.R. One Limited	428,762	135,568	958	5,302	570,590	(9,810)	560,780
Hillside Capital Incorporated	285,839	90,378	639	3,535	380,391	(6,540)	373,851
	\$17,576,483	\$5,557,404	\$39,299	\$217,340	\$23,390,526	(\$402,146)	\$22,988,380
<u>General Partner</u>							
Cardinal Health Partners Mgmt.	177,540	56,135	403	2,195	236,273	(4,062)	232,211
Total Partnership	\$17,754,023	\$5,613,539	\$39,702	\$219,535	\$23,626,799	(\$406,208)	\$23,220,591

**Cardinal Health Partners, L.P.**  
**Statement of Partners' Capital \***  
**For the Twelve Months Ended December 31, 2002**

	Partners' Capital 01/01/02	Net Capital Contributions	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income (Loss)	Unrealized Gains (Losses)	Distributions	Partners' Capital 12/31/02
<u>Limited Partners</u>									
LACERA	\$4,220,796	\$129,363	\$1,571	(\$248,271)	(\$360,047)	(\$606,747)	\$880,529	(\$885,478)	\$3,738,463
Nassau Capital Funds,	3,798,710	116,426	1,414	(223,444)	(324,041)	(546,071)	792,476	(796,931)	3,364,610
Robert Wood Johnson Foundation	3,165,592	97,034	1,178	(186,204)	(270,034)	(455,060)	660,396	(664,109)	2,803,853
State Teachers Ret. System of Ohio	2,951,798	89,701	1,099	(173,595)	(251,749)	(424,245)	615,677	(619,138)	2,613,793
Northwestern University	2,110,383	64,685	786	(124,136)	(180,023)	(303,373)	440,264	(442,740)	1,869,219
Fleet Growth Resources (Summit)	2,110,383	64,685	786	(124,136)	(180,023)	(303,373)	440,264	(442,740)	1,869,219
National Union Fire Ins. Co. of Pitt.	2,110,383	64,685	786	(124,136)	(180,023)	(303,373)	440,264	(442,740)	1,869,219
WIN 4 Holdings, LLC.	1,266,239	38,809	471	(74,481)	(108,014)	(182,024)	264,159	(265,644)	1,121,539
First Union Nat. Bank Pension Plan	1,266,239	38,809	471	(74,481)	(108,014)	(182,024)	264,159	(265,644)	1,121,539
UNISYS	1,055,190	32,345	393	(62,068)	(90,011)	(151,686)	220,132	(221,370)	934,611
Venture Investment Associates II	844,151	25,872	314	(49,654)	(72,009)	(121,349)	176,106	(177,096)	747,684
S.R. One Limited	633,126	19,409	236	(37,241)	(54,007)	(91,012)	132,079	(132,822)	560,780
Hillside Capital Incorporated	422,088	12,933	157	(24,827)	(36,005)	(60,675)	88,053	(88,548)	373,851
	\$25,955,078	\$794,756	\$9,662	(\$1,526,674)	(\$2,214,000)	(\$3,731,012)	\$5,414,558	(\$5,445,000)	\$22,988,380
<u>General Partner</u>									
Cardinal Health Partners Mgmt.	48,096	12,059	97	(15,421)	(22,363)	(37,687)	54,692	(55,000)	22,160
Total Partnership	\$26,003,174	\$806,815	\$9,759	(\$1,542,095)	(\$2,236,363)	(\$3,768,699)	\$5,469,250	(\$5,500,000)	\$23,010,540

\* - 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 December 31, 2002**

	Partners' Contribution Account	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income (Loss)	Unrealized Gains (Losses)	Distributions	Partner Transfer	Partners' Account 12/31/02
<u>Limited Partners</u>									
LACERA	\$10,000,000	\$27,877	(\$1,189,531)	(\$1,621,733)	(\$2,783,387)	(\$650,022)	(\$2,828,128)	\$0	\$3,738,463
Nassau Capital Funds	9,000,000	25,088	(1,070,579)	(1,459,559)	(2,505,050)	(585,017)	(2,545,323)	0	3,364,610
Robert Wood Johnson Foundation	7,500,000	20,907	(892,148)	(1,216,299)	(2,087,540)	(487,516)	(2,121,091)	0	2,803,853
State Teachers Ret. System of Ohio	6,992,127	19,496	(831,736)	(1,133,936)	(1,946,176)	(454,502)	(1,977,656)	0	2,613,793
Northwestern University	5,000,000	13,938	(594,766)	(810,867)	(1,391,695)	(325,009)	(1,414,077)	0	1,869,219
Fleet Growth Resources (Summit)	5,000,000	13,938	(594,766)	(810,867)	(1,391,695)	(325,009)	(1,414,077)	0	1,869,219
National Union Fire Ins. Co. of Pitts.	5,000,000	13,938	(594,766)	(810,867)	(1,391,695)	(325,009)	(1,414,077)	0	1,869,219
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	1,535	(172,220)	(798,208)	(968,893)	(644,990)	(265,644)	2,742,497	1,121,539
First Union National Bank Pension Plan	3,000,000	8,363	(356,858)	(486,520)	(835,015)	(195,005)	(848,441)	0	1,121,539
UNISYS	2,500,000	6,969	(297,382)	(405,433)	(695,846)	(162,505)	(707,038)	0	934,611
Venture Investment Associates II	2,000,000	5,575	(237,905)	(324,347)	(556,677)	(130,004)	(565,635)	0	747,684
S.R. One Limited	1,500,000	4,182	(178,429)	(243,260)	(417,507)	(97,503)	(424,210)	0	560,780
Hillside Capital Incorporated	1,000,000	2,787	(118,955)	(162,174)	(278,342)	(65,001)	(282,806)	0	373,851
	\$61,492,127	\$171,421	(\$7,314,679)	(\$9,972,382)	(\$17,115,640)	(\$3,997,107)	(\$17,391,000)	\$0	\$22,988,380
<u>General Partner</u>									
Cardinal Health Partners Mgmt.	621,133	1,730	(1,317,821)	28,897	(1,287,194)	1,073,931	(175,659)	0	232,211
Total Partnership	\$62,113,260	\$173,151	(\$8,632,500)	(\$9,943,485)	(\$18,402,834)	(\$2,923,176)	(\$17,566,659)	\$0	\$23,220,591

TO: The Limited Partners  
FROM: John J. Park  
DATE: January 27, 2003  
SUBJECT: Portfolio Valuations for December 31, 2002

---

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 and approved by the Advisory Committee of the Partnership, for those investments not valued at cost as of December 31, 2002.

**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 December 31, 2002. This valuation represents no change from the valuation as of September 30, 2002.

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 December 31, 2002. This valuation represents no change from the valuation as of September 30, 2002.

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 December 31, 2002**  
**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 December 31, 2002, 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 September 30, 2002.

**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 December 31, 2002. This valuation represents no change from the valuation as of September 30, 2002.

Value Computation:

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

**MOLECULAR MINING CORPORATION** – In May 2001, Molecular Mining completed an \$8.3 million financing at \$2.0464 per share, valuing the company at \$18.3 million post-money. A new investor, Sofinov, led this financing. As the company has not progressed sufficiently and may require additional financing to continue operations in 2003, we are proposing a 50% reduction in carrying value to more accurately reflect our estimation of the current value of the company. This valuation reduces the unrealized gain to \$23,200 on our investment cost basis of \$1,000,000 as of December 31, 2002. This valuation is a decrease of \$1,023,200 from the valuation as of September 30, 2002.

Value Computation:

Series A Convertible Preferred Stock	
1,000,000 shares x \$2.0464 x 50%	= <u>\$1,023,200</u>

**CARDINAL HEALTH PARTNERS, L.P.**  
**Portfolio Valuations as of December 31, 2002**  
**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 \$19.90 for December 31, 2002. This results in a carrying value of \$5,613,539 with a corresponding unrealized gain of \$3,613,539 on a cost basis of \$2,000,000. This valuation represents an increase of \$1,227,080 from the valuation for the NDC common as of September 30, 2002.

Value Computation:

$$\begin{array}{l} \text{NDCHealth Common Stock} \\ 402,982 \text{ shares} \times \$19.90 \times 70\% \end{array} = \underline{\underline{\$5,613,539}}$$

**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 invested \$231,812 in the Series C round, 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 \$2,184,721. At this value, the investment shows an accumulated unrealized loss of \$2,547,091 on our cost basis of \$4,731,812. This valuation represents no change from the valuation for NexCura as of September 30, 2002.

Value Computation:

$$\begin{array}{l} \text{Series B Convertible Preferred Stock} \\ 10,224,654 \text{ shares} \times \$0.191 \\ \text{Series C Convertible Preferred Stock} \\ 1,213,676 \text{ shares} \times \$0.191 \\ \text{Total Value} \end{array} = \begin{array}{l} \$1,952,909 \\ \\ \underline{\underline{231,812}} \\ \underline{\underline{\$2,184,721}} \end{array}$$

**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 December 31, 2002. This valuation represents no change from our carrying value as of September 30, 2002.



**CARDINAL HEALTH PARTNERS, L.P.**  
**Portfolio Valuations as of December 31, 2002**  
**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. Cardinal currently holds 413,334 shares of TechRx common and warrants to purchase 100,000 shares of TechRx common. The TechRx common shares are valued at \$3.00 per share, representing a 25% discount to the minimum value of \$4.00 to be received in May 2003. This results in a carrying value of \$1,440,002 with a corresponding cumulative unrealized gain of \$325,002 on a cost basis of \$1,115,000. This valuation represents no change from the valuation for TechRx as of September 30, 2002.

Value Computation:

TechRx Common Stock		
413,334 shares x \$3.00	=	\$1,240,002
TechRx Common Stock Warrants		
100,000 shares x \$2.00 (\$3.00 - \$1.00)	=	<u>200,000</u>
Total Value		<u>\$1,440,002</u>

**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 December 31, 2002. This valuation represents no change from our carrying value as of September 30, 2002.

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	=	<u>50,000</u>
Total Value		<u>\$2,605,000</u>

**CARDINAL HEALTH PARTNERS, L.P.**  
**Portfolio Valuation Summary**  
**For the Quarter Ended December 31, 2002**

<u>Portfolio Company</u>	<u>Investment</u>	<u>Fair Value 12/31/02</u>	<u>Fair Value 09/30/02</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	1,023,200	2,046,400	(1,023,200)	Mark Down. (note 1)
NDCHealth, Inc.	2,000,000	5,613,539	4,386,459	1,227,080	Market Price Increase (note 2)
NexCura (formerly CancerFacts.com)	4,731,812	2,184,721	2,184,721	0	
Pointshare Corporation	1,859,020	1,000	1,000	0	
TechRx Incorporated	1,115,000	1,440,002	1,440,002	0	
VISICU, Inc. (formerly ICUSA)	4,050,000	2,605,000	2,605,000	0	
Total Portfolio	\$26,290,737	\$23,367,562	\$26,163,682	\$203,880	

(1) As a result of lagging operational progress since the May 2001 financing for Molecular Mining, we believe it prudent to reduce the carrying value for our investment by 50% to more accurately reflect the current value of the company.

(2) 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 \$15.55 as of September 30<sup>th</sup> to \$19.90 as of December 31<sup>st</sup>. The NDCHealth holdings continue to be held at a 30% discount to market.

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

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

Period Summary: 4th Quarter 2002

---

AccentCare made significant progress during Q4 2002. In early December, the company closed its largest acquisition to-date that effectively doubles the size of the company. The deal was done on very favorable terms and required very little cash. The company has also completed its CEO search with the addition of William “Biff” Comte, a health care services veteran with a strong operational focus. The company is progressing steadily towards its operational cash flow break-even point, with the month of December producing both positive EBITDA and positive net income.

On December 6, 2002, AccentCare acquired Brooklyn, NY based Alliance for Health (Alliance), a \$43 million revenue company that operates profitably. The transaction was completed on very favorable terms, creating almost no dilution to the current shareholders and requiring little cash (~ \$2.5 million). Alliance will remain headquartered in its New York office and headed by its current President and sole shareholder, Elyse Campo. The combined companies have 5,200 employees and a current revenue run rate exceeding \$86 million annually.

We are delighted to report that Biff Comte has joined AccentCare as CEO and President. Mr. Comte is a veteran healthcare executive with over 15 years experience in hospital management, where he was CEO of for-profit and not for profit Healthcare systems. He was most recently COO of Concentra; a \$1 Billion managed occupational healthcare company. Prior to that he founded and was CEO and President of Premier Practice Management, a physician practice management company.

Financial performance for the quarter was satisfactory with net income and operating cash flow coming in on plan. Revenues for the period were \$10.9 million vs. plan revenues of \$12.2 million. The revenue shortfall resulted primarily from underperformance at existing AccentCare centers in CA and Arizona. Operating margins were on plan for the period. Operating expenses were 5.5% ahead of plan for the period as a result of generally lower overall spending in most categories. With the consolidation of Alliance for Health, Fiscal 2003 (FYE 3/31/03) revenues are now expected to be \$55.5 million, growing to \$98 million for Fiscal 2004. The company should attain cash flow positive in Q4 of FY03 and forecasts positive EBITDA for FY04 of \$4.5 million.

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

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

Overview: (FYE 3/31)

	<i>2001 Actual</i>	<i>2002 Actual*</i>	<i>2003 Budget</i>
Revenues	18,530	22,539	44,552
Cost of Services	12,117	15,103	30,502
Operating Expenses	14,894	14,635	16,455
EBIT	-8,481	-7,199	-2,405
Interest and Taxes	-264	465	-333
<b>Net Income</b>	<b>-8,745</b>	<b>-6,734</b>	<b>-2,738</b>

\* - Subject to Audit

Last Three Months: Quarter Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	10,922	12,253	-1,331
Cost of Services	7,335	8,394	+1,059
Operating Expenses	4,014	4,246	+232
EBIT	-427	-387	-40
Interest and Taxes	-76	-99	+23
<b>Net Income</b>	<b>-503</b>	<b>-486</b>	<b>-17</b>

Fiscal Year-to-Date: Nine Months Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	30,572	32,139	-1,567
Cost of Services	20,652	22,010	+1,358
Operating Expenses	11,762	12,320	+558
EBIT	-1,842	-2,191	+349
Interest and Taxes	-160	-226	+66
<b>Net Income</b>	<b>-2,002</b>	<b>-2,417</b>	<b>+415</b>

## ACCENTCARE, INC. (cont.)

### Summary Balance Sheet as of December 31, 2002: (\$000)

Cash	\$ 3,062	Accounts Payable	\$ 686
Accounts Receivable	9,793	Accrued Expenses	4,034
Other Current Assets	<u>1,129</u>	Other Current Liabilities	<u>2,500</u>
Total Current Assets	13,984	Total Current Liabilities	7,220
Net PP&E	1,583	Long Term Debt	5,690
Intangibles (Net)	19,713	Shareholders Equity	43,876
Other Assets	<u>275</u>	Retained Earnings	<u>-21,231</u>
Total Assets	<u>\$35,555</u>	Total Liabilities & Equity	<u>\$35,555</u>

### Comments:

The company is behind plan in terms of cash flow due to lower than anticipated use of its credit facilities. The company is on target to meet management's projection that the company will attain operational cash flow break even in Q4 of Fiscal 2003 (FYE 3/31).

### 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:

With a new operationally focused CEO and plenty of momentum, 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: 4th Quarter 2002

---

Despite the fact that Athena's sales performance has been inconsistent from quarter to quarter, revenue growth remains strong, thanks to the company's fundamental model of recurring, long term contracts. Revenues grew by 246% over 2001 levels and the company ended 2002 at a revenue run rate of \$18.3 million. Sales growth was not so robust, as momentum slowed in the second half of the year, primarily due to performance issues affecting client satisfaction. These performance issues have been addressed and client satisfaction as measured by referenceable accounts has returned to levels above 90%. The company also scored a major coup in recruiting as V.P. of sales Bob Huber. Bob was the perennial top producing sales rep for physician software leader IDX.

New contract sales for December were strong, but not sufficient to meet the goal for the quarter due to the failure to close one key deal worth \$1.7 million in annual revenue by the end of the month. Given the number of mature prospects in the sales pipeline at year-end, Athena has strong sales momentum heading into 2003. The 2003 budget assumes the closing of \$4.3 million in new sales in January and February, resulting in the attainment of breakeven profitability in July 2003.

Revenue, margins and net income all continue to trend favorably, but are well below budget because of cumulative sales / implementation delays, primarily from Q1, as compared to plan. Operating cash burn for the quarter averaged \$670K per month, 15% over plan primarily as a result of unforecasted sales commissions and a lower revenue base. Service performance has improved substantially, but sustaining this will require continuous management focus until it is routine.

While the sales results for the second half of 2002 were disappointing, the company continues to build solid momentum towards breakeven, powered by its dependable recurring revenue model. The 2003 budget is ambitious and heavily dependent upon the attainment of significant sales growth in the first six months of the year while maintaining current implementation timeframes. With the addition last quarter of Bob Huber to the sales team and the addition of numerous new marketing alliances over the last 18 months, we are more confident in the sales process and likelihood for success in 2003. That notwithstanding, at the direction of the Board, management has directly linked discretionary spending to revenue and sales growth to ensure attainment of cash flow breakeven by Q3 2003.

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

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

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Preliminary*</i>	<i>2003 Budget</i>
Revenues	3,459	11,985	27,949
Direct Expenses	6,480	10,137	16,973
SG&A	9,278	8,860	9,965
EBITDA	-12,299	-7,012	1,011
Depreciation	1,636	2,493	3,226
Interest and Taxes	855	-55	-452
<b>Net Income</b>	<b>-13,080</b>	<b>-9,560</b>	<b>-2,667</b>

\* Subject to Audit

Last Three Months: Quarter Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	4,279	6,605	-2,326
Direct Expenses	2,923	3,225	+302
SG&A	2,383	2,502	+119
EBITDA	-1,027	878	-1,905
Depreciation	710	627	-83
Interest and Taxes	-44	-34	-10
<b>Net Income</b>	<b>-1,781</b>	<b>217</b>	<b>-1,998</b>

Fiscal Year-to-Date: Twelve Months Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	11,985	17,960	-5,975
Direct Expenses	10,137	10,923	+786
SG&A	8,860	9,263	+403
EBITDA	-7,012	-2,226	-4,786
Depreciation	2,493	2,226	-267
Interest and Taxes	-55	-21	-34
<b>Net Income</b>	<b>-9,560</b>	<b>-4,473</b>	<b>-5,087</b>

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

**Summary Balance Sheet as of December 31, 2002: (\$000)**

Cash	\$ 9,324	Accounts Payable	\$ 800
Accounts Receivable	2,018	Accrued Expenses	1,467
Other Current Assets	<u>660</u>	Other Current Liabilities	<u>4,874</u>
Total Current Assets	12,002	Total Current Liabilities	7,141
Net PP&E	2,763	Long Term Debt - Lease line	1,792
Intangibles (Net)	0	Shareholders Equity	43,350
Other Assets	<u>1,931</u>	Retained Earnings	<u>-35,587</u>
Total Assets	<u>\$16,696</u>	Total Liabilities & Equity	<u>\$16,696</u>

Comments:

Cash burn for the year is 10% behind plan, due primarily to slower sales growth in Q3, resulting in lower Q4 revenues. Management expects to reach cash flow break even in July 2003. At that time, the forecasted cash balance is just over \$6 million. The company has a \$2.5 million working capital facility and an untapped \$2.2 million equipment facility to offer additional sources of capital.

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%

Company Valuation at Cardinal Cost	\$36.9 million
Company Valuation at Assigned Fair Value	\$81.3 million

Outlook:

We remain enthusiastic about the prospects for Athena, which continues to build backlog, enjoys a powerful recurring revenue model with high exit barriers, and retains a solid 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: 4th Quarter 2002

---

Financial Performance for Esurg during the quarter continued to exceed plan by a healthy margin as the skeleton team tasked with restructuring and selling the company does an outstanding job of managing costs and growing repeat sales. Several positive developments occurred during the quarter, including the signing of additional fulfillment partners that should eliminate some risk and enhance revenues when they go live in Q2 2003.

Revenues of \$2.4 million for the quarter were 40% ahead of plan, resulting in commensurately lower losses in this high fixed-cost business. Revenues, gross margins and net income all exceeded plan for the quarter and the year. The cash balance at the end of the quarter was \$5.4 million and also ahead of plan. With cash burn running at ~ \$200K per month the company can operate at this level for at least two years. However, we believe that break-even for Esurg still requires over \$50 million in revenue, and don't believe the company can achieve these levels on existing cash.

Conversations for a potential acquisition of the company are continuing with two medical distribution companies, albeit at a slow pace. We think there is merit in both opportunities and management is trying to help them see the synergy with Esurg as accretive to their offering and financial results. However, if these discussions are ultimately unsuccessful, we hold little hope for alternative exit options for Esurg.

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

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Preliminary*</i>	<i>2003 Budget</i>
Revenues	5,339	9,803	13,649
Cost of Sales	5,278	8,839	12,159
Operating Expenses	12,148	8,559	5,512
EBIT	-12,087	-7,595	-4,022
Interest and Taxes	304	198	100
<b>Net Income</b>	<b>-11,783</b>	<b>-7,397</b>	<b>-3,922</b>

\* Subject to Audit

Last Three Months: Quarter Ended December 31, 2002

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	2,374	1,425	+949
Cost of Sales	2,154	1,268	-886
Operating Expenses	1,406	2,347	+941
EBIT	-1,186	-2,190	+1,004
Interest and Taxes	38	60	-22
<b>Net Income</b>	<b>-1,148</b>	<b>-2,130</b>	<b>+982</b>

Fiscal Year-to-Date: Twelve Months ended December 31, 2002

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	9,803	7,628	+2,175
Cost of Sales	8,839	6,832	-2,007
Operating Expenses	8,559	9,004	+445
EBIT	-7,595	-8,208	+613
Interest and Taxes	198	267	-69
<b>Net Income</b>	<b>-7,397</b>	<b>-7,941</b>	<b>+544</b>

\*\* Budget revised – May 2002

## ESURG CORPORATION (cont.)

### Summary Balance Sheet as of December 31, 2002: (\$000)

Cash	\$ 5,411	Accounts Payable	\$ 594
Accounts Receivable	920	Accrued Expenses	201
Other Current Assets	<u>360</u>	Other Current Liabilities	<u>561</u>
Total Current Assets	6,691	Total Current Liabilities	1,356
Net PP&E	412	Long Term Debt	0
Intangibles (Net)	477	Shareholders Equity	40,906
Other Assets	<u>1,156</u>	Retained Earnings	<u>-33,526</u>
Total Assets	<u>\$ 8,736</u>	Total Liabilities & Equity	<u>\$ 8,736</u>

### Comments:

With the reduced cash burn plan firmly in place, average monthly burn for the quarter was ~ \$200K per month. Under the current plan, the company can keep operating at this level for at least the next two years, while management and the investors 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%
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: 4th Quarter 2002

---

There is no new activity to report for the quarter relative to our investment in MedContrax. In June, 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.

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 over the next 3-6 months.

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: 4th Quarter 2002

---

Financial results for 2002 show the company well behind expectations in software sales with little or no sign of a significant ramping to occur in the near future. Distributor and OEM relationships have failed to develop and revenue generating collaborations have also lagged plan due to longer than anticipated sales cycles. Management's 2003 budget shows the company surviving on current capital resources for the year. However, success is still dependent upon a significant ramping in software sales in the second half of the year. Management has been tasked to develop operating alternatives if product sales do not occur as forecast. The Board will be closely monitoring the company's performance during the next few months to ensure capital resources are conserved.

Financial results for Q4 2002 were well behind plan due primarily to underperformance in software sales. Collaborations revenue has also stagnated, with no new revenue generating projected expected before March 2003. Expenses are lower than plan primarily from lower headcount and consulting expenses. Cash burn exceeded plan for the quarter due to the decreased revenue base, but remains 10% ahead of plan for the year. At the direction of the Board, management has developed and implemented a reduced cash burn plan for 2003, including a headcount reduction effective in January.

Management is focusing on OEM/co-marketing alliances for distribution of GeneLinker™ software products. Discussions with two of the industry leaders are progressing, albeit slowly. We continue to work closely with our co-investors to explore strategic relationships with other bioinformatics companies. Under these circumstances, we felt it was prudent to reduce the carrying value for our investment by 50% to more accurately reflect the current value of the company. This has resulted in the recording of an unrealized loss of \$1,023,200 for the period.

# MOLECULAR MINING CORPORATION (cont.)

## FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Preliminary*</i>	<i>2003 Budget</i>
Revenues	131	541	1,238
Cost of Sales	20	91	147
Operating Expenses	3,261	3,813	2,625
EBIT	-3,150	-3,363	-1,534
Interest and Taxes	211	51	7
<b>Net Income</b>	<b>-2,939</b>	<b>-3,312</b>	<b>-1,527</b>

\* - Subject to Audit

Last Three Months: Quarter Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	123	1,790	-1,667
Cost of Sales	8	0	-8
Operating Expenses	758	2,043	+1,285
EBIT	-643	-253	-390
Interest and Taxes	8	23	-15
<b>Net Income</b>	<b>-635</b>	<b>-230</b>	<b>-405</b>

Fiscal Year-to-Date: Twelve Months Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	541	3,506	-2,965
Cost of Sales	91	0	-91
Operating Expenses	3,813	5,544	+1,731
EBIT	-3,363	-2,038	-1,325
Interest and Taxes	51	137	-86
<b>Net Income</b>	<b>-3,312</b>	<b>-1,901</b>	<b>-1,411</b>

## MOLECULAR MINING CORPORATION (cont.)

### Summary Balance Sheet as of December 31, 2002: (\$000)

Cash	\$ 1,505	Accounts Payable	\$ 16
Accounts Receivable	93	Accrued Expenses	150
Prepaid Expenses	<u>33</u>	Notes Payable	<u>0</u>
Total Current Assets	1,631	Total Current Liabilities	166
Net PP&E	383	Long Term Debt	0
Intangibles (net)	152	Shareholders Equity	9,990
Other Assets	<u>0</u>	Retained Earnings	<u>-7,900</u>
Total Assets	<u>\$ 2,166</u>	Total Liabilities & Equity	<u>\$ 2,166</u>

### Comments:

Cash burn for the quarter was behind plan, but the company is currently 10% ahead of its cash forecast for the year. The company is currently burning ~ \$250K on average per month. At this rate, the company has adequate capital to support operations through the first half of 2003. Management has implemented a plan to reduce cash burn to less than \$150K per month.

### Cardinal Health Partners Holdings:

Series A Convertible Preferred Stock	1,000,000 shares
Assigned Fair Value (\$2.0464 x 1,000,000 x 50%)	\$1,023,200
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	\$9.2 million

### Outlook:

Expectations for return from our investment in Molecular Mining have been lowered by the lack of progress in generating sales momentum.

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

**eCare Tools for Chronic Disease Management**

Period Summary: 4th Quarter 2002

---

While Q4 results suffered from the loss of a major project earlier in the year, 2002 was an encouraging year for Nexcura. The company has shifted the focus of its revenue model from paid distribution sponsorships to educational messaging for targeted and interested patients, enabling the company to provide measurable results to its pharmaceutical and device manufacturing customers. In June, the company closed on a \$3.9 million staged financing, led by a new investor, eLilly, and the venture arm of Eli Lilly. The company operated for most of the year under the stewardship of an investor management committee, headed by Cardinal Director, Brandon Hull. This concluded with the hiring of new CEO Peter Hoover who was recruited from Quintiles. Peter has brought renewed vigor to the management team and is pushing all areas to improve performance and professionalism.

Results for the quarter lagged plan with the loss of a project for a major customer who received an unfavorable FDA review. Expenses were well ahead of plan as management has kept headcount well in line with actual sales and revenue growth. In addition, the company successfully renegotiated its facility lease producing a 35% reduction in monthly cost. For the year, revenues showed a 100% increase over 2001 levels and cash burn has been decreased substantially. The second closing of \$1.9 million from the June financing will occur in Q1 2003, after approval of the operating plan for the year.

The 2003 budget as proposed by management shows revenues of \$6+ million and the company operating at close to cash flow breakeven for the year. Approximately one-third of next year's revenue is already booked or contracted. The new business sales pipeline heading into 2003 stands at \$4.4 million.

We are guardedly optimistic regarding Nexcura's prospects for next year. Success will depend on the new CEO's ability to make several new key hires and continue to build on the company's success converting large pharmaceutical company customers from pilots to production-level accounts. With a reasonable level of success on the sales front, the company can attain its 2003 goals.



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

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

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Preliminary*</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 December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	813	1,785	-972
Cost of Sales	224	45	-179
Operating Expenses	711	1,211	+500
EBIT	-122	529	-651
Interest and Taxes	2	-87	+89
<b>Net Income</b>	<b>-120</b>	<b>442</b>	<b>-562</b>

Fiscal Year-to-Date: Twelve Months ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	3,018	5,067	-2,049
Cost of Sales	287	140	-147
Operating Expenses	4,324	4,744	+420
EBIT	-1,593	183	-1,776
Interest and Taxes	-83	-87	+4
<b>Net Income</b>	<b>-1,676</b>	<b>96</b>	<b>-1,772</b>

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

**Summary Balance Sheet as of December 31, 2002: (\$000)**

Cash	\$ 422	Accounts Payable	\$ 175
Accounts Receivable	426	Accrued Expenses	173
Other Current Assets	<u>58</u>	Deferred Revenue	<u>798</u>
Total Current Assets	906	Total Current Liabilities	1,146
Net PP&E	114	Long Term Debt	81
Intangibles (Net)	0	Shareholders Equity	15,345
Other Assets	<u>0</u>	Retained Earnings	<u>-15,552</u>
Total Assets	<u>\$ 1,020</u>	Total Liabilities & Equity	<u>\$ 1,020</u>

Comments:

The Series C financing has a contingent second closing for a total of \$1.9 million upon the approval of a business development plan by the Board that is expected to be completed in Q1 2003. The company has had a low monthly cash burn (~\$170K) for the past quarter and should attain cash flow break even in 2003.

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	1,213,676 shares
Assigned Fair Value (Investment Cost)	\$231,812
Investment Cost	\$231,812
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: 4th Quarter 2002

---

During the quarter, Cardinal received \$17,997 representing our share of the \$350,000 held in escrow that related to the sale of assets to Siemens in 2001. 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: 4th Quarter 2002

---

Results for the second quarter of Fiscal 2003 (FYE 5/31) for NDCHealth (NDC) were slightly ahead of analyst expectations. The company reported earnings of \$12.7 million, or \$0.37 per share, on revenues of \$105.3 million. For the first six months of the fiscal year, the company reported earnings of \$23.8 million, or \$0.69 per share, on revenues of \$205.3 million. Recognizing that the economic conditions in the pharmaceutical industry have impacted revenue growth in their Information Management business in the first half of fiscal 2003, management now estimates that for the fiscal year 2003, total company revenue will be approximately \$440 to \$450 million, with earnings per share to be in the range of \$1.35 to \$1.38, including the impact of the refinancing, and charges related to early extinguishment of debt of \$0.04 per share.

During the second quarter, the Company restructured its balance sheet with the completion of debt financings. The new debt includes \$200 million of 10-1/2% senior subordinated notes due 2012 and a senior credit facility of \$225 million, consisting of a \$125 million six-year term loan and a five-year \$100 million revolving credit facility. NDC also announced redemption of all of its outstanding 5% convertible subordinated notes due 2003 and expects this transaction to be completed by the end of December 2002. Management believes the completion of the debt refinancing provides the company with ample liquidity to grow the business and to fund the second step of the TechRx acquisition, expected to cost \$100 - \$130 million.

Also during the quarter, two significant performance milestones for TechRx were accomplished. In December, TechRx and Eckerd Corporation announced a letter of intent under which NDC would provide its intelligent network and pre and post editing services and TechRx would provide the T-Rex One(TM) Enterprise pharmacy system to Eckerd. Additionally, in October, NDC announced the rollout version of the T-Rex One network-based software specifically designed to automate the prescription fulfillment process for independent pharmacies.

Overall the company seems to be performing well, and the stock price increased 28% during the quarter to close at \$19.90 per share. We are hopeful that the company will be able to maintain sustained predictable growth and profitability and that will be reflected in the market by the middle of next year. As a reminder, in May of 2003, NDCHealth will purchase the remainder of the TechRx common shares on a formula based on the achievement of specific operating milestones and financial objectives, at a per share price of between \$4 and \$8. A recent analyst report from Goldman Sachs is included at the end of this report.

# 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>	-40,165	32,540	15,110
<b>Basic Earnings Per Share</b>	-\$1.21	\$0.99	\$0.44

Income Statement: Quarter Ended November 29, 2002

	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>11/30/01</i>	<i>11/29/02</i>	<i>11/30/01</i>	<i>11/29/02</i>
Revenues	84,453	105,286	169,609	205,368
Cost of Revenue	43,852	51,950	82,946	103,751
Operating Expenses	17,262	22,061	38,248	42,214
Depreciation & Amortization	5,897	7,501	12,478	15,110
EBIT	18,442	23,774	35,937	44,293
Interest, Taxes and Other	7,721	11,097	16,185	20,451
<b>Net Income</b>	10,721	12,677	19,752	23,842
<b>Basic Earnings Per Share</b>	\$0.31	\$0.37	\$0.58	\$0.69

Summary Balance Sheet as of November 29, 2002:

Cash	\$ 97,388	Accounts Payable	\$ 68,130
Accounts Receivable	72,799	Current Obligations	9,938
Other Current Assets	<u>34,803</u>	Deferred Income	<u>20,661</u>
Total Current Assets	204,990	Total Current Liabilities	98,729
Net PP&E	111,400	Long Term Obligations	468,094
		Other Liabilities	31,856
Intangible Assets (Net)	379,684	Shareholders Equity	229,120
Other Assets	<u>206,983</u>	Retained Earnings	<u>72,258</u>
Total Assets	<u>\$903.057</u>	Total Liabilities & Equity	<u>\$903.057</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 December 31, 2002 for NDCHealth common stock was \$19.90.

	High	Low
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
Quarter ended 02/28/02	\$34.90	\$28.20
Quarter ended 11/30/01	\$38.98	\$30.43

### Cardinal Health Partners Holdings:

NDCHealth Common Stock (subject to Rule 144 Restrictions)	402,982 shares
Assigned Fair Value (402,982 x \$19.90 x 70%)	\$5,613,539
Investment Cost	\$2,000,000
Cost per Share	\$4.963
TechRx Common Stock	413,334 Shares
Assigned Fair Value (413,334 x \$3.00)	\$1,240,002
Investment Cost	\$1,115,000
Cost per Share	\$2.76
TechRx Common Stock Warrants	100,000 shares
Assigned Fair Value ([100,000 x \$3.00] – [100,000 x \$1.00])	\$200,000
Exercise Price Per Share	\$1.00
% Ownership of NDCHealth Common (Full Dilution)	1.435%
Company Valuation at Cardinal Cost	\$224 million
Company Valuation at Market Value (\$19.90 per share)	\$773 million



# NDCHealth (NDC) Healthcare

## Analyst Comment

Stock rating: In-Line

Coverage view: Cautious

Small-Cap Growth

Price: US\$20.78

January 15, 2003

United States

## NDC (IL/C): Analyst Day Provides Forum for Upbeat Overview

Yesterday, NDCHealth hosted its first ever Analyst Day in New York. The company used the venue to deliver an upbeat overview of the business, including detail on future planned product offerings. We note the following: 1) Value-added service offerings to drive base claims processing revenue higher, noting the high incremental ROI contribution; 2) Operating synergies allow for differentiated product, with ability to drive new information management products from the network; 3) Penetration into the German market continues to see momentum, with further European expansion planned. Additionally, management reiterated fiscal '03 guidance of \$440-450M in revenue, \$80-85M in CFO, \$30-35M in FCF, and \$1.39-1.42 in EPS before charges. With valuation remaining attractive at 13.4X our fiscal '04 EPS estimate of \$1.55 and 6.3X TTM EV/EBITDA, we continue to be attracted to shares and rate them IL/C.

### VALUE-ADDED OFFERINGS TO DRIVE VALUE PROPOSITION

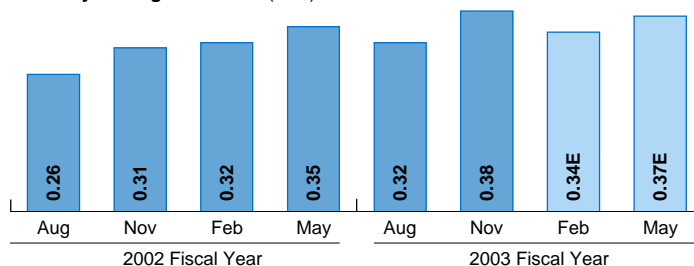
NDCHealth presented a variety of new products that we believe will enable the company to grow its incremental revenue per transaction as it demonstrates to customers the opportunities for cost savings. With the potential to add services from its suite of over 90 pre / post edits and value added services, NDC is hoping to grow its revenue per transaction by a factor of 5-7X from the base claims transaction rate over the next 2-3 years. Given the added growth potential of these incremental opportunities, NDC

Annual Earnings Expectations	Fiscal Year (ending in May)			Calendar Year	
	2002	2003E	2004E	2002	2003E
Earnings Per Share	US\$1.23	US\$1.41	US\$1.55	US\$1.49	NA
Absolute Price/Earnings Ratio	—	14.7X	13.4X	NA	NA
Relative Price/Earnings Ratio	—	0.7X	0.7X	NA	NA

### Stock Data

52-Week Range	US\$37-11
YTD Price Change	4.42%
Current Yield	0.8%
Market Cap	US\$722.4mn

### Quarterly Earnings Per Share (US\$)



### Long Term Growth Rate

EPS Growth Estimate	15%
---------------------	-----

FOR IMPORTANT INFORMATION ABOUT GOLDMAN SACHS' RATING SYSTEM AND OTHER DISCLOSURES, REFER TO THE END OF THIS MATERIAL, GO TO <http://www.gs.com/research/hedge.html>, OR CONTACT YOUR INVESTMENT REPRESENTATIVE.

provided investors with extensive product demonstrations, highlighting current and upcoming add-on service products.

#### OPERATING SYNERGIES CREATE DIFFERENTIATED COMPETITIVE POSITION

Given the complementary nature of both Network Services (65% of expected F'03 revenue) and Information Management (35% of expected F'03 revenue), NDC is able to provide service offerings to customers that its competition cannot, in our opinion. The company used the Analyst Day as a forum to detail its recently launched NDC Dynamic Claims Analyzer, capable of 'un- masking' prescription data. Specifically, this product, which utilizes payer group numbers pulled from NDC's 'Intelligent Network', allows customers to access payer level data, including the ability to: 1) Profile different product co-pays, allowing pharma customers to see within a specific payer what their relative co-pay positioning is; 2) See reasoning behind a rejection or reversal (ie. patients may be trying to refill too early); and 3) Gain insight on who is prescribing as DAW (dispense as written), allowing for effective targeting. Moreover, NDC's Intelligent Network affords it the ability to acquire data directly from the network, thus reducing third party data costs.

#### INTERNATIONAL EXPANSION ON THE HORIZON

NDCHealth's penetration into the German market continues to gain momentum. Since September '02, NDC has signed 18 clients (60 total) to National products and 12 clients (50 total) to Regional products. Additionally, the company has 60 clients signed up to NDC Analyzer and 10 to the On-Line Shop product in this market. New product offerings expected to launch in the German market over the near term are an OTC report, expected to be available in mid '03 and a hospital management product, expected in late '03. Given its success in Germany, we expect the company to begin international expansion throughout the EU soon, beginning with National audit product offerings. Eventually, we believe the opportunity exists to provide traditional NDC electronic processing offerings outside the United States, leveraging its growing wholesaler relationships. Net, although we don't expect a meaningful impact to earnings near term, we do believe international expansion continues to be an important growth opportunity for NDC.

#### VALUATION REMAINS ATTRACTIVE

NDCHealth shares, at 13.4X our fiscal 2004 estimate of \$1.55, remain attractively valued despite the recent recovery from historical lows. We make the following observations: 1) At 13.4X our fiscal 2004 EPS estimate, shares remain on the lower end of their historical range of 6.9X (on 10/04/02) to 30.5X, and well below a historical average of 19.4X; 2) Relative to the S&P 500, at 0.8X shares are slightly below their historical average of 0.9X; 3) At 6.3X, enterprise value to our fiscal 2004 EBITDA estimate remains attractive; and 4) Our sum-of-the-parts analysis indicates a value of \$27 per share, or roughly 30% upside from current levels.

#### GSSI STOCK SELECTION INDEX

NDCHealth is currently rated In-Line, with an overall sector view of Cautious, as reflected within the framework of our recently introduced GS Healthcare Services Stock Selection Index (GSSI). Specifically, the GSSI is our proprietary analytical tool involving 13 quantitative metrics organized and weighted in the following five categories: (1) Valuation (25%); (2) Returns (25%); (3) Growth (20%); (4) Quality of Financials; and (5) Non-Financial Factors (20%). Within each category, companies are ranked against each other and fall into one of four quartiles for scoring purposes (see our monthly report 11/26 for more detail). NDC scores in the second quartile for both Valuation (driven by EV/EBITDA and PEG) and Quality of Financials (strong CFO to net income). NDC places in the third quartile for Growth (due to CFO and EPS growth) and Non-Financial factors (lowered by trading liquidity) and in the fourth quartile for both Returns (low scores for both ROE and ROTC). Overall, our In-Line rating for NDCHealth is reflected through the aggregation of the preceding five components of the GSSI.

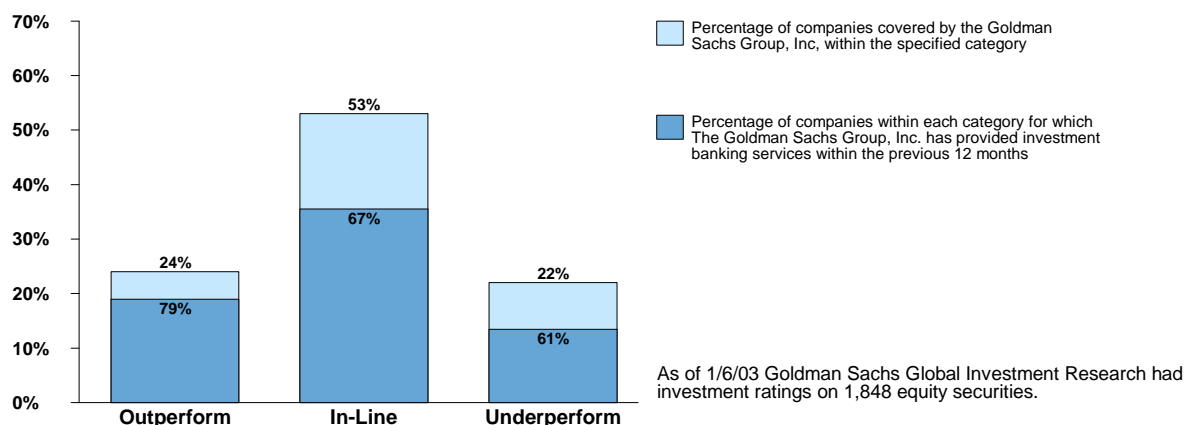


## ABOUT NDCHEALTH

NDCHealth is a leading network-based healthcare information company. The company operates in two segments: Network Services segment (64% of revenue), where it provides real-time electronic linking between healthcare payers and providers, and Information Management (36% of revenue), where it is the second largest provider of healthcare information services to the industry, serving more than 100 pharmaceutical manufacturers globally. NDC maintains a connection to more than 90% of domestic retail pharmacies (including Canada), 25% of the hospitals in the U.S., 1,000 payers, and over 100,000 physicians, in all processing over two billion transactions annually through its intelligent network.

### Goldman Sachs Research global coverage universe

Distribution of ratings/investment banking relationships



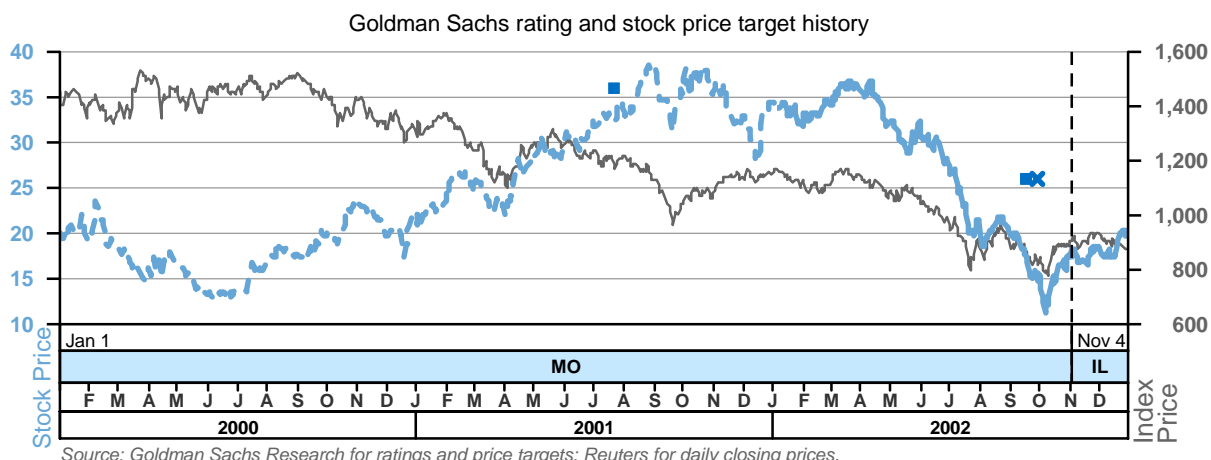
Goldman Sachs uses three ratings - Outperform, In-Line, and Underperform - reflecting expected stock price performance relative to each analyst's coverage group, on an unweighted basis with regard to market capitalization and with a 12-month time horizon. Each analyst also assigns a coverage view - Attractive, Neutral, or Cautious - representing the analyst's fundamental outlook on the coverage group. NASD/NYSE rules require a member to disclose the percentage of its rated securities to which the member would assign a buy, hold, or sell rating if such a system were used. Although relative ratings do not correlate to buy, hold, and sell ratings across all rated securities, for purposes of the NASD/NYSE rules, Goldman Sachs has determined the indicated percentages by assigning buy ratings to securities rated Outperform, hold ratings to securities rated In-Line, and sell ratings to securities rated Underperform, without regard to the coverage views of analysts.

Source: Goldman Sachs

As of January 6, 2003

### NDCHealth (NDC)

Currency: U.S. Dollar



- Rating
- Price target
- Price target removal
- S&P 500; pricing by FactSet
- Covered by Christopher McFadden, CFA, as of Jan 4, 2002
- Not covered by current analyst
- New rating system as of 11/4/02

The price targets shown should be considered in the context of all prior published Goldman Sachs research, which may or may not have included price targets, as well as developments relating to the company, its industry and financial markets.

## The Goldman Sachs Group, Inc.

## IMPORTANT DISCLOSURES

NDCHealth (NDC) - **BC1, BC2, MM1, MM2**

## CODES FOR DISCLOSURES

**BC1** = The Goldman Sachs Group, Inc. and/or its affiliates have received during the past 12 months compensation for investment banking services from the company, its parent, or its wholly owned or majority-owned subsidiary.

**BC2** = The Goldman Sachs Group, Inc. and/or its affiliates expect to receive or intend to seek compensation for investment banking services during the next three months from the company, its parent, or its wholly owned or majority-owned subsidiary.

**MM1** = The Goldman Sachs Group, Inc. and/or its affiliates make a market or are the specialist in the securities of the company.

**MM2** = As such, the market maker or specialist may have an inventory position, either "long" or "short," in the relevant security and may be on the opposite side of orders executed on the relevant exchange.

## The Goldman Sachs Group, Inc. STOCK RATINGS DESCRIPTIONS

## Current rating system (as of November 4, 2002)

## Definitions of ratings

**OP = Outperform.** We expect this stock to outperform the median total return for the analyst's coverage universe over the next 12 months.

**IL = In-Line.** We expect this stock to perform in line with the median total return for the analyst's coverage universe over the next 12 months.

**U = Underperform.** We expect this stock to underperform the median total return for the analyst's coverage universe over the next 12 months.

## Other definitions

**Coverage view.** The coverage view represents each analyst's overall fundamental outlook on his/her coverage universe. The coverage view will consist of one of the following designations: Attractive (A), Neutral (N), Cautious (C).

**CIL = Current Investment List.** We expect this stock to provide an absolute total return of at least 20% over the next 12 months. We only assign this designation to stocks rated Outperform. We require a 12-month price target for stocks with this designation. Each stock on the CIL will **automatically** come off the list after 90 days unless renewed by the covering analyst and the relevant Regional Investment Review Committee.

## Other ratings/identifiers

**NR = Not Rated.** The investment rating and target price, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Goldman Sachs policies in circumstances when Goldman Sachs is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.

**CS = Coverage Suspended.** Goldman Sachs has suspended coverage of this company.

**NC = Not Covered.** Goldman Sachs does not cover this company.

**RS = Rating Suspended.** Goldman Sachs Research has suspended the investment rating and price target, if any, for this stock, because there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.

**NA = Not Available or Not Applicable.** The information is not available for display or is not applicable.

**NM = Not Meaningful.** The information is not meaningful and is therefore excluded.

## Global Investment Policy and Regional Investment Review Committees

The **Global Investment Policy Committee oversees ratings policy**, monitors the distribution of ratings and the composition of the CIL, provides guidance to the Regional Investment Review Committees, and oversees the implementation of methodology for portfolio allocation by sectors.

A **Regional Investment Review Committee** in each of the Americas, Europe, Japan, and Asia-Pacific regions approves all rating changes and approves stocks for inclusion on the Current Investment List in its region.

**VISICU, INC.**  
**(formerly IC-USA, Inc.)**  
**Baltimore, MD**  
**{[www.visicu.com](http://www.visicu.com)}**

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

Period Summary: 4th Quarter 2002

---

Visicu had yet another excellent quarter and continues to build on its momentum with the company signing letters of intent with two more hospital systems covering almost 200 ICU beds. Financial results for the quarter show revenues and gross margin well ahead of plan, as a result of the higher level of implementations than forecast. Operating expenses were higher than plan primarily due to performance bonuses that were not included in the budget. Heading into 2003, the company expects to go live on 194 ICU beds in Q1 providing \$2.2 million in annual revenues for the year.

The pipeline of sale prospects continues to build strongly, with the company enjoying a remarkable level of interest from almost every hospital system that it markets. The proposition of highest quality care, improved morbidity and mortality with a system that at the same time allows hospitals to track and manage costs appears to be a solution with very broad appeal.

The fruits of the stellar sales year in 2002 will begin to be realized in 2003. The company is currently implementing 465 ICU beds that will total \$5.2 million in 2003 revenue. In addition, the company has commitment letters for an additional 329 beds from 3 new customers. Accordingly, the 2003 forecast shows 16 additions to personnel, 9 to support implementation. New personnel are planned throughout the year based on business conditions and will be hired only if the company continues to hit its sales targets.

In general, 2002 was an outstanding year for the company. The company completed a \$6.8 million financing on terms substantially similar to the June 2000, Series B financing. This capital is expected to be sufficient to support operations through 2003, due to the up front payment structure of Visicu's contracts. Frank Sample, our CEO, has moved the company full speed ahead on the sales and marketing front successfully adding additional sales talent and support over the year. The team needs to continue to build on this great sales momentum with equally great success delivering implementation and support. We are very optimistic about the company's prospects for building itself into a significant next generation healthcare company.

The company continues to enjoy excellent press coverage, enclosed at the end of this report is a copy of an article from the November 21, 2002 edition of the Wall Street Journal.

**VISICU, INC. (cont.)****Summary Balance Sheet as of December 31, 2002: (\$000)**

Cash	\$ 2,422	Accounts Payable	\$ 176
Accounts Receivable	1,404	Accrued Expenses	932
Prepaid Expenses	<u>236</u>	Deferred Revenue	<u>1,680</u>
Total Current Assets	4,062	Total Current Liabilities	2,788
Net PP&E	735	Note Payable & LTD	3
Deferred Costs	0	Shareholders Equity	29,913
Other Assets	<u>55</u>	Retained Earnings	<u>-27,852</u>
Total Assets	<u>\$ 4,852</u>	Total Liabilities & Equity	<u>\$ 4,852</u>

**Comments:**

The cash balance at year-end 2002 continues to be ahead of forecast. Cash flow for the last quarter was exacerbated by timing items related to additional beds being brought on line during the quarter and the payment of year-end bonuses. Cash burn is expected to average \$200K per month in Q1 2003.

**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.

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

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

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Preliminary*</i>	<i>2003 Budget</i>
Revenues	1,429	2,380	11,973
Cost of Sales	1,824	1,638	4,862
Operating Expenses	7,049	7,718	10,104
EBIT	-7,444	-6,976	-2,993
Interest and Taxes	232	36	0
<b>Net Income</b>	<b>-7,212</b>	<b>-6,940</b>	<b>-2,993</b>

\* - Subject to Audit

Last Three Months: Quarter Ended December 31, 2002

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	746	462	+284
Cost of Sales	505	405	-100
Operating Expenses	2,533	1,642	-891
EBIT	-2,292	-1,585	-707
Interest and Taxes	15	7	+8
<b>Net Income</b>	<b>-2,277</b>	<b>-1,578</b>	<b>-699</b>

Fiscal Year-to-Date: Twelve Months Ended December 31, 2002

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	2,380	2,404	-24
Cost of Sales	1,638	1,569	-69
Operating Expenses	7,718	7,339	-379
EBIT	-6,976	-6,504	-472
Interest and Taxes	36	24	+12
<b>Net Income</b>	<b>-6,940</b>	<b>-6,480</b>	<b>-460</b>

\*\* - 2002 Budget Revised in June

# JOURNAL.

THE WALL STREET JOURNAL.

THURSDAY, NOVEMBER 21, 2002 D1

## Improving Your Chances in Intensive Care

### *'Intensivists' Spot Early Signs Of Infections and Pneumonia, But a Shortage Is Looming*

**I**F MAJOR SURGERY or a bad accident lands you in the intensive-care unit, your life could depend on whether you are under the care of an emerging kind of specialist trained to spot signs of pneumonia, infections, or other life-threatening complications before they take hold.

#### THE INFORMED PATIENT

By Laura Landro

They're called "intensivists," and studies show your chances of dying may be reduced by as much as 30% if you have one.

The problem is that there is a huge shortage of trained intensivists—and there are no prospects for sharply increasing their numbers anytime soon. As few as 10% of hospitals employ full-time intensiv-

### Finding Good Care

Going to a hospital with an "intensivist," or critical-care specialist, can reduce your chances of dying by as much as 30%.

- To find hospitals in your state that meet Leapfrog standards for intensive-care staffing, try [www.leapfroggroup.org](http://www.leapfroggroup.org).
- Another Web site with information about getting the best intensive-care treatment is [www.lcu-usa.com](http://www.lcu-usa.com).



these specialists help save lives and get patients released from the hospital faster and in better condition. A recent report in the *Journal of the American Medical Association* concluded that greater use of intensivists could sharply reduce the 500,000 annual deaths in U.S. intensive-care units and help cut the \$1.8 billion cost of intensive care.

"Patients are dying, and that has to be one of the key levers in getting hospitals to do this," says Peter Pronovost, an intensivist at Johns Hopkins University who led the JAMA study. It would take 35,000 intensivists to cover all intensive-care units in the U.S. 24 hours a day, researchers estimate, but that could save 53,000 to 175,000 lives per year.

ists. Though some new training programs are under way at teaching hospitals, others have been cut for budgetary reasons, and not all hospital administrators agree that full-time intensivists are necessary. Also, some doctors are reluctant to turn their patients over to an intensive-care specialist.

Still, a growing number of studies show that

Dr. Pronovost recommends that patients and families insist on knowing whether an intensivist will be caring for them in the ICU or if one can consult on the case. If not, he recommends asking to be

*Please Turn to Page D3, Column 1*

## Improving Your Chances in the Intensive-Care Unit

*Continued From Page D1*

moved to a hospital that has full-time intensivists on staff. Even though intensive-care admissions are often initially unplanned, most patients can be transferred by ambulance.

Unlike renal, pulmonary or cardiology experts, who are trained to focus on one system in the body, intensivists are trained to look at a more comprehensive picture and notice subtle changes on a patient's monitoring devices. So if a patient with heart disease gets an infection and goes into septic shock, an intensivist might be best qualified to balance the body's needs for fluids with therapy to protect the heart and the vascular system.

Much of the pressure to beef up intensive care is coming from The Leapfrog Group, an employer health-care coalition, which selected ICU staffing as one of three key measures by which it rates hospitals. Leapfrog says 21% of hospitals responding to a recent survey have intensivists overseeing intensive care at least eight hours a day. About 16% more plan to enlist intensivists by 2004.

"If your hospital doesn't have an intensivist dedicated to the ICU on staff, you should be calling or writing to the hospital president to ask why," says Dr. Pronovost.

Recognizing that few hospitals will be

able to quickly meet its standards for intensivists on staff, Leapfrog is working with the Joint Commission on Accreditation of Healthcare Organizations to come up with a list of additional measures to rate the quality of intensive care. The two groups aim to make that data available on the Leapfrog Web site.

The proposed measures include how well ICUs do at preventing pneumonia for patients on ventilators, what steps they take to prevent dangerous developments such as peptic ulcer disease and deep vein thrombosis, and how well they manage pain. Consumers can use the guidelines to ask questions, such as how patients are weaned from sedation. (Studies show patients can be removed from ventilators and released from intensive care sooner if their daily infusion of sedatives is interrupted for a short period of time every day.) A full list of the eleven proposed measures can be found on the accreditation group's Web site, [www.jcaho.org](http://www.jcaho.org).

Hospital groups say that while intensivists are a great idea, the shortage makes it tough for many hospitals to make the grade. "Our biggest concern is the implication that you won't get good care in an ICU if there isn't a full-time intensivist," says Susan Van Gelder, senior vice president of the Federation of American Hospitals.

"There are lot of ways to measure quality care, and that shouldn't be the only one."

Nurse-to-patient ratios, for example, are widely considered an important barometer of care. Timothy G. Buchman, president-elect of the Society of Critical Care Medicine, says the group is holding special courses to train regular doctors and nurses in critical care.

One high-tech solution that holds promise was developed by Visicu, a company formed by two Johns Hopkins physicians in Baltimore. Its "eICU" system lets intensivists operating from a remote location electronically monitor several hospital ICUs at the same time, much like air-traffic controllers watching flight patterns. They can call staffers on the ICU instantly if a patient needs attention.

Several hospitals, including New York Presbyterian Healthcare, are installing the eICU, and Tripler Army Medical Center will connect patients from Guam to intensivists 4,000 miles away in Hawaii early next year. In Norfolk, Va., where Sentara Health Care uses the eICU to monitor patients at six area hospitals, medical director Steven Fuhrman says intensivists using the system saved 91 patients in 2001. "We think this is only the first hint of what technology can do to help save lives," he says.