

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

CURATIVE HEALTH SERVICES INC

Form 8-K/A

July 09, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): June 28, 2002

CURATIVE HEALTH SERVICES, INC.
(Exact name of registrant as specified in its charter)

Minnesota	000-19370	41-1503914
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

150 Motor Parkway
Hauppauge, New York 11788-5145
(Address of principal executive offices)

(631) 232-7000
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report.)

This amendment is being filed to revise Item 7 in the Registrant's current report on Form 8-K filed July 2, 2002 to include the historical and pro forma financial information required by paragraphs (a) and (b) of Item 7 which were omitted from the report as initially filed.

Item 7. Financial Statements and Exhibits

(a) Financial Statements of Business Acquired

The report of independent auditors, audited balance sheet, related audited statements of income, stockholders' equity and cash flows of Infinity Infusion Care, Inc. as of and for the year ended December 31, 2001 and the Notes thereto.

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

Unaudited condensed balance sheets, related condensed statements of income and condensed cash flows of Infinity Infusion Care, Ltd. as of and for the three months ended March 31, 2002 and 2001 and the Notes thereto.

(b) Pro Forma Financial Information

The unaudited pro forma condensed consolidated statement of operations of Curative Health Services, Inc. and Subsidiaries for the year ended December 31, 2001.

The unaudited pro forma condensed consolidated balance sheet and condensed consolidated statement of operations of Curative Health Services, Inc. and Subsidiaries as of and for the three months ended March 31, 2002.

(c) Exhibits

23.1 Consent of Ernst & Young LLP

Item 7. (a) Financial Statements of Business Acquired

Infinity Infusion Care, Inc.
Audited Financial Statements
As of and for the Year Ended
December 31, 2001

Contents

Report of Independent Auditors.....	1
Balance Sheet.....	2
Statement of Income.....	3
Statement of Stockholders' Equity.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6

Report of Independent Auditors

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

Board of Directors and Stockholders
Infinity Infusion Care, Inc.

We have audited the accompanying balance sheet of Infinity Infusion Care, Inc. (the "Company") as of December 31, 2001, and the related statements of income, stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Infinity Infusion Care, Inc. at December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

New York, New York
May 15, 2002

1

Infinity Infusion Care, Inc.

Balance Sheet

December 31, 2001

Assets		
Cash and cash equivalents	\$	46,116
Accounts receivable, net		1,963,336
Marketable securities available-for-sale		212,020
Inventory		368,404

Total current assets		2,589,876

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

Property and equipment, net		64,864
Goodwill, net		18,474
Other long-term assets		3,850

Total assets	\$	2,677,064
		=====
Liabilities and stockholders' equity		
Accounts payable and accrued expenses	\$	308,700
Short-term loan		350,000
Other current liabilities		258,986

Total current liabilities		917,686
Stockholders' equity:		
Common stock, \$1.00 par value; 1,000 shares authorized, issued and outstanding		1,000
Retained earnings		2,064,193
Accumulated other comprehensive loss		(305,815)

Total stockholders' equity		1,759,378

Total liabilities and stockholders' equity	\$	2,677,064
		=====

See accompanying notes.

2

Infinity Infusion Care, Inc.

Statement of Income

Year ended December 31, 2001

Revenues, net	\$	11,224,693
Costs and expenses:		
Cost of services provided		4,676,287
General and administrative		2,731,164
Depreciation and amortization		21,228

Total costs and expenses		7,428,679

Income from operations		3,796,014
Other expenses:		

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

Interest expense, net	66,206
Loss on sales of securities, net	41,083

	107,289

Income before provision for income taxes	3,688,725
Provision for income taxes	133,000

Net income	\$ 3,555,725
	=====

See accompanying notes.

3

Infinity Infusion Care, Inc.
Statement of Stockholders' Equity
Year ended December 31, 2001

	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholder Equity
	-----	-----	-----	-----
Balance at December 31, 2000	\$1,000	\$1,296,543	\$ (272,884)	\$1,024,659
Comprehensive income:				
Net income	-	3,555,725	-	3,555,725
Change in fair value of available-for-sale securities	-	-	(32,931)	(32,931)
Distributions to stockholders	-	(2,788,075)	-	(2,788,075)
	-----	-----	-----	-----
Balance at December 31, 2001	\$1,000	\$2,064,193	\$ (305,815)	\$1,759,378

See accompanying notes.

4

Infinity Infusion Care, Inc.

Statement of Cash Flows

Year ended December 31, 2001

Operating activities	
Net income	\$ 3,555,725
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	21,228
Changes in operating assets and liabilities:	
Accounts receivable, net	(408,270)
Inventory	(24,796)
Accounts payable and accrued expenses	93,476
Other assets and liabilities	44,625

Net cash provided by operating activities	3,281,988
Investing activities	
Purchases of marketable securities available-for-sale	(180,118)
Proceeds from sales of marketable securities available-for-sale	135,105
Capital expenditures	(40,813)

Net cash used in investing activities	(85,826)

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

Financing activities	
Payments on short-term loan	(450,000)
Payment on long-term loan	(129,187)
Distributions to stockholders	(2,387,922)

Net cash used in financing activities	(2,967,109)
Net change in cash and cash equivalents	229,053
Cash and cash equivalents (overdraft) at beginning of year	(182,937)

Cash and cash equivalents at end of year	\$ 46,116
	=====
Interest paid	\$ 66,347
	=====
State income taxes paid	\$ 90,286
	=====

See accompanying notes.

5

Infinity Infusion Care, Inc.

Notes to Financial Statements

December 31, 2001

1. Organization

Infinity Infusion Care, Inc. (the "Company") was originally a division of a larger organization that provided home health care, but was spun off as a separate corporation in 1997.

The Company focuses on the specialty infusion market with more than 90% of its revenues from this service throughout the United States. The largest service line is intravenous immunoglobulin ("IVIG") therapy, which accounts for approximately 77% of revenue.

2. Summary of Significant Accounting Policies

Cash Equivalents

The Company considers all highly liquid short-term investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on past experience and other factors that, in management's judgment, deserve current recognition in estimating bad debts. Such factors include growth and composition of accounts

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

receivable, the relationship of the allowance for doubtful accounts to total accounts receivable, current economic conditions and collection issues related to specific accounts.

Marketable Securities

Marketable securities available-for-sale are recorded at fair value, and unrealized gains and losses are included in other comprehensive income (loss).

Inventory

Inventories consisting primarily of pharmaceutical products are stated at the lower of cost (determined using the first-in, first-out cost method) or market.

6

Infinity Infusion Care, Inc.

Notes to Financial Statements

December 31, 2001

2. Summary of Significant Accounting Policies (continued)

Depreciable Assets

Depreciable assets are recorded at cost, less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years.

Goodwill and Intangible Assets

Goodwill, under purchase accounting, represents the excess of cost over fair values of net assets acquired and is being amortized on a straight-line basis over a period of 15 years. The goodwill is related to the spin-off of the Company in 1997. In June 2001, the Financial Accounting Standards Board ("FASB") issued two statements: Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations, and SFAS No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will continue to be amortized over their useful lives.

The Company will apply the new rules on accounting for goodwill and other intangible assets beginning on January 1, 2002. Application of the non-amortization provisions of SFAS No. 142 are expected to result in an increase in net income of approximately \$2,000 per year. During 2002, the Company will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002. The Company has not

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

yet determined what the effect of these tests will be, if any, on its financial position or results of operations.

Income Taxes

The Company has elected to be treated as a "Subchapter S-Corporation" for federal income tax purposes. Consequently, all income and expenses of the Company are reported on the stockholders' individual federal income tax returns. As a result, no provision for federal income taxes is included in the income statement for 2001 (see Note 10).

7

Infinity Infusion Care, Inc.

Notes to Financial Statements

December 31, 2001

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Company recognizes revenue, net of contractual allowances, in the period the services are performed.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Concentration of Credit Risk

The Company provides services to certain patients covered by various non-governmental third-party payers. Revenues, net of contractual allowances, from three third-party payers amounted to 43% of revenues for the year ended December 31, 2001. Accounts receivable related to the same three third-party payers amounted to 55% at December 31, 2001.

3. Accounts Receivable

Accounts receivable are due from commercial insurance companies and other nongovernmental payers and consisted of the following at December 31, 2001:

Accounts receivable trade	\$ 2,218,597
---------------------------	--------------

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

Allowance for doubtful accounts	(298,663)
Accounts receivable due from related party (see Note 5)	43,402

	\$ 1,963,336
	=====

4. Bank Line of Credit

The Company has available a \$1,000,000 line of credit with a commercial bank. The line is secured by the Company's accounts receivable, inventory and fixed assets. Outstanding borrowings under the line at December 31, 2001 are \$350,000, which bear interest at 4.75% per annum. The maturity date of the line is May 31, 2003.

8

Infinity Infusion Care, Inc.

Notes to Financial Statements

December 31, 2001

5. Transactions With Related Parties

The Company acquired a parcel of land from an independent party in June 2000 for \$586,210. In connection with the purchase, the Company obtained a long-term loan from a commercial bank of \$400,000. In December 2001, the Company transferred the parcel and the remaining loan to Forum Twenty Two Enterprises L.P. ("Forum 22"), which has the same stockholders as the Company.

The parcel was transferred to Forum 22 at its historical cost. The balance of the loan was \$186,762 at the time of transfer. The net transfer of \$399,448 is reflected in the accompanying statement of stockholders' equity as distributions to owners.

A current receivable from Forum 22 of \$43,402 is included in accounts receivable.

There have been no revenue or expenses incurred in connection with affiliated companies.

6. Marketable Securities

The Company held the following available-for-sale marketable equity securities as of December 31, 2001:

	Cost Basis	Fair Market Value	Unrealized Gain (Loss)

Cisco Systems, Inc.	\$ 66,183	\$ 36,220	\$ (29,963)
Corning, Inc.	1,132	200	(932)
EMC Corporation	1,982	500	(1,482)

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

JDS Uniphase Corp.	45,290	8,680	(36,610)
Lucent Technologies, Inc.	18,982	6,300	(12,682)
Microsoft Corporation	116,575	66,300	(50,275)
Motorola, Inc.	23,022	15,020	(8,002)
Nokia Corporation	3,033	3,700	667
Qualcomm, Inc.	180,057	50,500	(129,557)
Sun Microsystem, Inc.	61,579	24,600	(36,979)
	-----	-----	-----
	\$ 517,835	\$ 212,020	\$ (305,815)
	=====	=====	=====

9

Infinity Infusion Care, Inc.

Notes to Financial Statements

December 31, 2001

6. Marketable Securities (continued)

The proceeds from sales of available-for-sale marketable securities during 2001 of \$135,105 resulted in a gross realized gain and gross realized loss of \$39,587 and \$80,670, respectively, which is included net in loss on sales of securities in the accompanying statement of income. The gain and loss calculations were computed based on specific identification of the related cost of the marketable securities.

The net increase in unrealized loss on available-for-sale marketable securities of \$32,931 from \$272,884 to \$305,815 is included in accumulated other comprehensive loss in the accompanying statement of stockholders' equity.

The Company has a margin account related to its marketable securities. The margin account has a \$100,770 liability balance at December 31, 2001. The Company has included the liability margin account balance in the accompanying financial statements as part of other current liabilities.

7. Property and Equipment

Property and equipment consist of the following at December 31, 2001:

Automobiles	\$ 22,771
Equipment	129,391
Computer software	20,258
Leasehold improvements	4,720

	177,140
Less accumulated depreciation and amortization	112,276

	\$ 64,864
	=====

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

8. Goodwill

Goodwill consists of the following at December 31, 2001:

Goodwill	\$ 30,000
Less accumulated amortization	11,526

	\$ 18,474
	=====

10

Infinity Infusion Care, Inc.

Notes to Financial Statements

December 31, 2001

9. Other Current Liabilities

Other current liabilities consist of the following at December 31, 2001:

State income taxes payable	\$133,216
Marketable securities margin account	100,770
Other	25,000

	\$258,986
	=====

10. Income Taxes

The Texas corporate franchise tax includes a tax on income. The franchise tax is based on the greater of .25% of net taxable capital or 4.5% of net taxable earned surplus. Net taxable earned surplus is based on federal taxable income after certain adjustments. During 2001, the Company incurred approximately \$133,000 of franchise tax based on earned surplus.

Under Financial Accounting Standards Board Statement No. 109, Accounting for Income Taxes, the liability method is used in accounting for state income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted state tax rates and laws that will be in effect when the differences are expected to reverse. Deferred state taxes arise principally due to differences between the financial statement and income tax treatment of the allowance for doubtful accounts receivable, the use of accelerated depreciation for tax purposes and unrealized holding gains and losses on available-for-sale securities. The net state deferred tax assets and liabilities are not material at December 31, 2001.

11. Savings Plan

The Company provides a 401(k) savings plan whereby all eligible employees may voluntarily contribute a percentage of compensation. For 2001, the Company contributed \$25,000 to the plan.

Infinity Infusion Care, Inc.

Notes to Financial Statements

December 31, 2001

12. Leases

Rental expenses amounted to approximately \$68,000 in 2001. The Company has a long-term lease for office space, which expires May 31, 2003. Future minimum lease payments for the noncancelable long-term office lease at December 31, 2001 are approximately \$75,000 in 2002 and \$31,000 in 2003.

13. Subsequent Events

Effective January 1, 2002, the Company changed its legal status from a corporation and became a limited partnership.

In June 2002, the Company entered into an agreement to be acquired by Curative Health Services, Inc. ("Curative"). The total purchase price is approximately \$24 million, of which \$18 million will be paid in cash and \$6 million in the form of subordinated convertible notes of Curative. The subordinated convertible notes are convertible into shares of Curative's common stock.

Infinity Infusion Care, Ltd.
Unaudited Condensed Financial Statements
As of and for the Three Months Ended
March 31, 2002 and 2001

Contents

Condensed Statements of Income	
Three Months ended March 31, 2002 and 2001.....	14
Condensed Balance Sheets	
March 31, 2002 and 2001.....	15
Condensed Statements of Cash Flows	
Three Months ended March 31, 2002 and 2001.....	16
Notes to Condensed Financial Statements.....	17

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

Infinity Infusion, Care, Ltd.
 Condensed Statements of Income
 (In thousands)
 (Unaudited)

	Three Months Ended March 31,	
	2002	2001
	-----	-----
Net revenues	\$ 2,531	\$ 2,469
Cost and operating expenses:		
Cost of sales	961	1,140
Selling, general and administrative	768	426
	-----	-----
Total cost and operating expenses	1,729	1,566
	-----	-----
Income from operations	802	903
Other income (expense):		
Gain on sale of asset	-	55
Loss on sale of asset	-	(96)
Interest expense	(2)	(15)
	-----	-----
Total other income (expense)	(2)	(56)
	-----	-----
Income before provision for income taxes	800	847
Income tax provision	-	33
	-----	-----
Net income	\$ 800	\$ 814
	=====	=====

See accompanying notes

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

Infinity Infusion, Care, Ltd.
 Condensed Balance Sheets
 March 31, 2002 and 2001
 (In thousands)
 (Unaudited)

	2002 -----	2001 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 125	\$ 40
Accounts receivable, net	1,806	1,446
Marketable securities available for sale, net	231	162
Inventory	455	423
	-----	-----
Total current assets	2,617	2,071
Property and equipment, net	63	629
Goodwill	18	20
Other assets	4	28
	-----	-----
Total assets	\$ 2,702 =====	\$ 2,748 =====
LIABILITIES AND STOCKHOLDERS' EQUITY/PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable and accrued expenses	\$ 579	\$ 644
Note payable	500	450
Other current liabilities	101	105
	-----	-----
Total current liabilities	1,180	1,199
Long-term liabilities	-	293
	-----	-----
Total liabilities	1,180	1,492
Stockholders' equity/Partners' capital:		
Partners' capital	1,615	-
Common stock	-	1
Retained earnings	-	1,561
Accumulated other comprehensive loss	(93)	(306)
	-----	-----
Total stockholders' equity	1,522	1,256
	-----	-----
Total liabilities and stockholders' equity/Partners' capital	\$ 2,702 =====	\$ 2,748 =====

See accompanying notes

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

Infinity Infusion, Care, Ltd.
Condensed Statements of Cash Flows
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2002	2001
	-----	-----
OPERATING ACTIVITIES:		
Net income	\$ 800	\$ 814
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2	1
Provision for doubtful accounts	116	157
Changes in operating assets and liabilities:		
Accounts receivable	41	(284)
Inventory	(86)	(79)
Accounts payable and accrued expenses	270	515
Other liabilities	(158)	(13)
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	985	1,111
INVESTING ACTIVITIES:		
Net change in marketable securities available-for-sale	194	35
	-----	-----
NET CASH PROVIDED BY INVESTING ACTIVITIES	194	35
FINANCING ACTIVITIES:		
Payments on short-term loan	-	(350)
Payments on long-term loan	-	(23)
Proceeds from short-term borrowing	150	-
Distributions to stockholders	(1,250)	(550)
	-----	-----
NET CASH USED IN FINANCING ACTIVITIES	(1,100)	(923)
NET INCREASE IN CASH AND CASH EQUIVALENTS	79	223
CASH AND CASH EQUIVALENTS (OVERDRAFT) AT BEGINNING OF PERIOD	46	(183)
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 125	\$ 40
	=====	=====

See accompanying notes

Infinity Infusion Care, Ltd.

Notes to Condensed Financial Statements

March 31, 2002 and 2001

Note 1. Basis of Presentation

The condensed financial statements are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and operating results for the interim period. The condensed financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2001 and Notes thereto. The results of operations for the three months ended March 31, 2002 are not necessarily indicative of the results to be expected for the entire fiscal year ending December 31, 2002.

Note 2. Subsequent Event

In June 2002, Infinity Infusion Care, Ltd. was purchased by Curative Health Services, Inc. ("Curative"). The aggregate purchase price was \$24 million, which consisted of \$18 million in cash and \$6 million in promissory notes, which bear interest at a rate of 3 percent per annum, mature on June 28, 2007, and are convertible into an aggregate of 373,111 shares of Curative's common stock at a price per share of \$16.08.

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

Item 7. (b) Pro Forma Financial Information

Curative Health Services, Inc. and Subsidiaries
Unaudited Pro Forma Condensed Consolidated Financial Statements
As of March 31, 2002 and for the Year Ended December 31, 2001 and
Three Months Ended March 31, 2002

Contents

Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2001.....	20
Unaudited Pro Forma Condensed Consolidated Statement of Operations for the three months ended March 31, 2002.....	21
Unaudited Pro Forma Condensed Consolidated Balance Sheet as of March 31, 2002.....	22
Notes to Unaudited Pro Forma Condensed Consolidated Financial Statements.....	23

Curative Health Services, Inc. and Subsidiaries
Unaudited Pro Forma Condensed Consolidated Financial Statements

In February 2002, the Company acquired Apex Therapeutic Care, Inc. ("Apex") for \$60 million. Approximately \$40 million of the purchase price was paid in shares of the Company's common stock with the remainder paid in cash and a \$5 million promissory note. The Company and the former shareholders of Apex amended and

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

restated the promissory note on May 30, 2002 to change the terms relating to a business performance criteria, add a convertible feature and ultimately adjust the principal amount of the promissory note to \$3.7 million.

In June 2002, the Company acquired Infinity Infusion Care, Ltd. ("Infinity") for \$24 million, consisting of \$18 million in cash and \$6 million in convertible notes.

The unaudited pro forma financial data presented give effect to the completed acquisitions of Apex and Infinity, both of which were completed in 2002. The pro forma financial data is based on the Company's historical financial statements and the historical financial statements of Apex and Infinity. Certain historical amounts have been reclassified to conform to current presentation.

The acquisitions have been accounted for in the pro forma financial data using the purchase method of accounting. Accordingly, the assets acquired and liabilities assumed have been recorded at their fair values.

The unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2001 and the three months ended March 31, 2002 give effect to the acquisitions of Apex and Infinity as if they had been consummated on January 1, 2001. The unaudited pro forma consolidated balance sheet as of March 31, 2002 gives effect to the acquisition of Infinity as if it occurred on March 31, 2002.

The pro forma adjustments are based upon available information and assumptions that the Company believes were reasonable at the time made. The unaudited pro forma condensed consolidated financial statements do not purport to present the Company's financial position or results of operations had the acquisitions occurred on the dates specified, nor are they necessarily indicative of the financial position or results of operations that may be achieved in the future.

Curative Health Services, Inc. and Subsidiaries
Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the Year Ended December 31, 2001
(in thousands, except per share data)

Curative Health

Apex

Infinity

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

	Services, Inc. and Subsidiaries	Therapeutic Care, Inc.	Infusion Care, Inc.
Revenues:			
Services	\$ 44,862	\$ -	\$ -
Products	36,776	54,536	11,225
	-----	-----	-----
Total revenues	81,638	54,536	11,225
Costs and operating expenses:			
Cost of services	25,887	-	-
Cost of product sales	29,779	37,821	4,676
Selling, general and administrative	51,466	9,553	2,753
	-----	-----	-----
Total costs and operating expenses	107,132	47,374	7,429
	-----	-----	-----
(Loss) income from operations	(25,494)	7,162	3,796
Interest income	816	3	-
Interest expense	-	(275)	(66)
Loss on sale of securities, net	-	-	(41)
	-----	-----	-----
(Loss) income before taxes	(24,678)	6,890	3,689
Income tax (benefit) provision	(2,473)	2,774	133
	-----	-----	-----
Net (loss) income	\$ (22,205)	\$ 4,116	\$ 3,556
	=====	=====	=====
Net loss per common share, basic	\$ (3.09)		
	=====		
Net loss per common share, diluted	\$ (3.09)		
	=====		
Weighted average common shares, basic	7,193	2,865	
	=====	=====	
Weighted average common shares, diluted	7,193	2,865	
	=====	=====	

20

Curative Health Services, Inc. and Subsidiaries
 Unaudited Pro Forma Condensed Consolidated Statement of Operations
 For the Three Months Ended March 31, 2002
 (in thousands, except per share data)

Curative Health (1) Infinity

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

	Services, Inc. and Subsidiaries	Apex Therapeutic Care, Inc.	Infusion Care, Ltd.	Pr Adj
Revenues:				
Services	\$ 8,895	\$ -	\$ -	\$
Products	13,869	8,150	2,531	
	-----	-----	-----	
Total revenues	22,764	8,150	2,531	
Costs and operating expenses:				
Cost of services	3,917	-	-	
Cost of product sales	10,339	5,358	961	
Selling, general & administrative	4,924	1,789	768	
	-----	-----	-----	
Total costs and operating expenses	19,180	7,147	1,729	
	-----	-----	-----	
Income (loss) from operations	3,584	1,003	802	
Interest and other income	36	-	-	
Interest expense	(137)	(32)	(2)	
	-----	-----	-----	
Income (loss) before taxes	3,483	971	800	
Income tax provision	1,433	-	-	
	-----	-----	-----	
Net income (loss)	\$ 2,050	\$ 971	\$ 800	\$
	=====	=====	=====	
Net income per common share, basic	\$ 0.21			
	=====			
Net income per common share, diluted	\$ 0.19			
	=====			
Weighted average common shares, basic	9,653	1,557		
	=====	=====		
Weighted average common shares, diluted	10,962	1,557		
	=====	=====		

- (1) For the period from January 1, 2002 through February 28, 2002, the date of acquisition, excluding approximately \$4.0 million of net charges directly attributable to the sale of Apex Therapeutic Care, Inc. to Curative Health Services, Inc. (primarily stock compensation and related charges and inter-affiliate sales and cost of sales).

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

	Curative Health Services, Inc. and Subsidiaries -----	Infinity Infusion Care, Ltd. -----	Pro Forma Adjustments -----
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,518	\$ 125	\$ (5,643) (f
Accounts receivable, net	25,073	1,806	-
Marketable securities available for sale, net	-	231	(231) (g
Deferred tax assets	6,846	-	-
Inventory	11,398	455	-
Prepays and other assets	783	-	-
	-----	-----	-----
Total current assets	49,618	2,617	(5,874)
Property and equipment, net	3,650	63	-
Intangibles subject to amortization, net	1,530	-	275 (f
Intangibles not subject to amortization	332	-	46 (f
Goodwill	82,809	18	22,114 (f
Other assets	2,789	4	-
	-----	-----	-----
Total assets	\$ 140,728	\$ 2,702	\$ 16,561
	=====	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 15,323	\$ 472	\$ -
Accrued expenses	17,580	107	-
Note payable	-	500	(500) (g
Other current liabilities	-	101	-
	-----	-----	-----
Total current liabilities	32,903	1,180	(500)
Long-term liabilities	10,557	-	18,583 (f
	-----	-----	-----
Total liabilities	43,460	1,180	18,083
Stockholders' equity	97,268	1,522	(1,522) (f
	-----	-----	-----
Total liabilities and stockholders' equity	\$ 140,728	\$ 2,702	\$ 16,561
	=====	=====	=====

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

Details of the pro forma adjustments relating to the acquisitions of Apex Therapeutic Care, Inc. and Infinity Infusion Care, Inc. are as follows:

- a) To eliminate affiliate sales, cost of sales and profit.
- b) To record interest income on \$2.0 million loan given to former shareholder as part of Apex Therapeutic Care, Inc. purchase.
- c) To record interest expense on \$5.0 million sellers' note (rate of 4.4 percent per annum) issued as part of Apex Therapeutic Care, Inc. purchase and interest expense on \$6.0 million convertible note and \$10.0 million term loan facility (rates of 3 percent and of 7.25 percent per annum, respectively) issued as part of Infinity Infusion Care, Ltd. purchase.
- d) To record additional tax provision based on the Company's effective tax rate of 40 percent.
- e) To record interest expense on \$3.7 million convertible note (rate of 4.4 percent per annum) issued as part of Apex Therapeutic Care, Inc. purchase and \$6.0 million convertible note, \$10.0 million term loan facility and a \$2.4 million revolver (rates of 3 percent, of 7.25 percent and 5.25 percent per annum, respectively) issued as part of Infinity Infusion Care, Ltd. purchase.
- f) To record the effect of the purchase of Infinity Infusion Care, Ltd. on cash balances, equity accounts and long-term debt. The purchase price allocation and amounts allocated to goodwill and other intangibles are final.

The purchase price consisted of:

Cash paid to Seller	\$ 18,000
Note to Seller	6,000
Acquisition costs	226

Total	\$ 24,226
	=====

The cash paid consisted of:

Term loan	\$ 10,000
Cash on hand	5,643
Revolving loan borrowing	2,357

Total	\$ 18,000
	=====

(f) (continued)

The purchase price was allocated as follows:

Goodwill	\$ 22,114
Intangibles	321
Net liabilities not assumed	269
Net equity	1,522

Total	\$ 24,226
	=====

The pro forma adjustment to long-term liabilities consists of:

Term loan	\$ 10,000
Note to seller	6,000
Revolving loan borrowing	2,357
Acquisition costs	226

Total	\$ 18,583
	=====

g) To eliminate assets not acquired and liabilities not assumed.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

CURATIVE HEALTH SERVICES, INC.

Date: July 9, 2003

By: /s/ Thomas Axmacher

Thomas Axmacher
Chief Financial Officer

25

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Forms S-3 Nos. 333-102965, 333-89254 and 333-83342) pertaining to shares to be sold by certain selling shareholders, in the Registration Statement (Forms S-8 Nos. 333-98253 and 333-60852) pertaining to the Curative Health Services, Inc. 2000 Stock Incentive Plan, in the Registration Statement (Forms S-8 Nos. 333-98251 and 333-73376) pertaining to the Curative Health Services, Inc. 2001 Broad-Based Stock Incentive Plan and Non-Qualified

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 8-K/A

Stock Option Agreements for David Lawson, Steven Michurski, and Beth Oliver, in the Registration Statement (Forms S-8 Nos. 333-65753 and 333-60854) pertaining to the Curative Health Services, Inc. Non-Employee Director Stock Option Plan, as amended, in the Registration Statement (Forms S-8 Nos. 333-65751, 33-65712, 33-54880, 33-45553 and 33-44414) pertaining to the Curative Health Services, Inc. and Subsidiaries 1991 Stock Option Plan, as amended, in the Registration Statement (Form S-8 No. 33-65710) pertaining to the Curative Health Services, Inc. and Subsidiaries Director Share Purchase Program, and in the Registration Statement (Form S-8 No. 33-85188) pertaining to the Curative Health Services, Inc. and Subsidiaries Employee 401(k) Savings Plan of our report dated May 15, 2002, with respect to the financial statements of Infinity Infusion Care, Inc. as of and for the year ended December 31, 2001 included in the Current Report on Form 8-K of Curative Health Services, Inc.

/s/ Ernst & Young LLP

New York, New York
July 8, 2003