



**T**rident Capital is a leading venture capital firm with over \$1.2B under management in five separate funds. Trident invests primarily in companies providing business services (including business process outsourcing and financial services), marketing services, software, security, health care services and network infrastructure. We have three offices located in Palo Alto, CA; Westport, CT; and Lake Forest, IL. ❖

## Trident Health Care Focus

**H**ealth care has been an important investment sector for Trident Capital since the firm's inception in 1993. In fact, Trident's first investment involved a management buyout of a small health care services company. Over 100 investments later, health care remains a key focus area for the firm.

Since that first investment, not only has the health care sector gotten bigger, the problems facing the industry have grown more complex. Today, health care is the largest sector of the U.S. economy. Because health care is so costly, it affects the competitiveness of the nation, the viability of our corporations and the welfare of individuals. While we are shocked by the \$1.7 trillion spent on health care each year—and by the fact that millions of Americans have no health insurance—we continue to seek improved medical treatments in the face of rising costs.

Trends shaping the health care landscape include:

- The aging of America means that as baby boomers mature, they are creating a growing demand for health care.
- This health care expense is being driven further downstream to the employer and, increasingly, to the individual employee.
- The costs related to caring for the growing number of uninsured, medical malpractice costs and other expenses are taxing the system beyond its capabilities.
- The health care system continues to be remarkably inefficient, both in the delivery of care, as well as in the administration of benefits and claims.

In response to this health care climate, Trident Capital is investing in and helping to build companies that tackle these and other challenges facing the health care sector. While these may be tough issues to solve, companies that provide successful solutions will become valuable entities and excellent IPO candidates or sought-after acquisition targets.

## Trident's very first investment was in a small health care services company

Areas in which our portfolio companies focus include:

- Helping consumers manage their health care expenditures through emerging payment mechanisms (HSA, HRA etc.) and consumer-directed health programs.
- Controlling health care costs for employers and plans through advanced disease management and integrated care management programs.
- Delivering revenues and reducing costs for providers through revenue cycle management services.
- Using evidence-based medicine, predictive modeling and other information technologies to reduce the waste and improve the efficiency of delivering care and the administration of services. ❖

## Health Care Costs at Center of National Debate



**P**resident George W. Bush and Senator John Kerry made health care one of the central issues in the presidential election. While the two candidates differ on many topics, they both agreed that containing the cost of health care is critical to the nation. They also agreed that the use of information technology may be the most effective method we have to control these costs.

Trident Capital's health care portfolio companies are working closely with many state and federal institutions to: 1) help reduce the cost of delivering health care; 2) provide for the uninsured; and 3) reduce outside costs such as claims administration and malpractice expense. ❖



"In the age of the computers, there is no excuse for you to be able to take money out of the bank for one penny a transaction but ... it costs between \$15 and \$25 [for a hospital record]."

*Senator John Kerry*

"We will use the new technologies available in other industries...so we can wring out the inefficiencies in the health care system"

*President George W. Bush*



# Rising Health Care Costs - The Consumer is the Key

By Earl Steinberg, MD, MPP, CEO of Resolution Health, Inc.

It is hard to read a newspaper today without finding an article about the cost of health care. In addition to the \$1.7 trillion dollars of health care spent today, it is estimated that another \$60 billion will be lost due to health-related absenteeism in the workplace. For 2005, the average family premium for a preferred provider organization (PPO) health insurance plan (the most common type of plan in the U.S.) is \$10,217. This is the first time a family premium has exceeded \$10,000. Health care spending overall is expected to grow to more than \$2 trillion, or 16% of GDP, by 2007.

If all this health care spending were resulting in better health outcomes for Americans, concerns about health care costs would most likely be less pronounced. But studies from RAND and Dartmouth suggest that as much as 30% of health care expenditures in the U.S. are spent on services that are either of no clinical benefit or are outright harmful. Even so, a study published last year in the New England Journal of Medicine concluded that adults in the U.S. receive only 55% of the health care services they ought to receive.

It is employers who pay for most of the health care in the U.S. And while they are concerned about deficiencies in the quality of care provided to their employees, they are focused on the fact that health care costs are hurting their bottom line and their international competitiveness. (General Motors now spends more on health care than it

does on steel!)

In the 1990s, HMOs succeeded in lowering the rate of increase in health care costs by managing prices (i.e. payment rates) and restricting patients' freedom to choose the physicians and hospitals from which they received care. But providers and patients have fought back, payment rates are again rising and restrictions on patients' choices have been eliminated in the majority of health insurance plans.

As a result, employers' current efforts to control health care costs are focusing on increasing the amount of "economic skin" their employees have in the game, by



ernment appointed a National Health Information Coordinator to speed efforts to increase use of information technology in health care - a move that was motivated in large part by the National Academy of Sciences' Institute of Medicine conclusion that greater use of automated information systems is essential to enhance quality and improve efficiency.

Resolution Health Inc. (RHI) uses the vast amount of data that reside in health insurers' legacy information systems, in combination with RHI's proprietary computerized decision support systems and direct marketing techniques, to reduce the

As much as 30% of health care expenditures in the U. S. are spent on services that are either of no clinical benefit or are outright harmful

increasing employees' share of premiums, as well as their deductibles and co-pays. Last year, as part of the Medicare Modernization Act, the federal government also gave consumers an incentive to be more discriminating with regard to the health care services they receive by giving them the right to establish Health Savings Accounts — tax-free accounts to pay for medical expenses, in which end of year balances can be continually carried forward.

In addition, this year the federal gov-

cost and improve the quality of health of care. In particular RHI is focused on getting individuals the information they need to manage their out of pocket health care cost responsibly. Our primary target customers are (1) entities that are at financial risk for health care in the U.S. and (2) companies that are helping those entities manage that risk: self-insured employers, commercial and government insurers, pharmacy benefit managers, and disease management companies. ♦

## Trident Health Care Portfolio

### Resolution Health, Inc

RHI is a health care data analytic and intervention company that identifies and delivers specific action plans for patients, physicians and care managers in order to reduce the cost and improve the quality and safety of care for an entire population of people. RHI provides a variety of data-driven interventions and analytic solutions to health plans/insurers, employers/purchasers, TPAs, disease management firms and pharmacy benefit managers (PBMs). The company is based in San Jose, CA. [www.resolutionhealth.com](http://www.resolutionhealth.com)



### Chamberlin Edmonds

Founded in 1986, Chamberlin Edmonds is one of the leading providers of specialized patient eligibility and cost recovery services to U.S. hospitals, servicing more than 150 hospitals in 17 states. Chamberlin Edmonds is headquartered in Atlanta, GA and maintains 9 regional offices. [www.chamberlinedmonds.com](http://www.chamberlinedmonds.com)



### E&C Medical Intelligence Inc.

E&C Medical Intelligence is a medical malpractice management software provider. The company sells a software and knowledge management platform that is implemented in the obstetrics wards of hospitals and is used by doctors, nurses and hospital administrators to reduce medical errors and lessen medical malpractice risk. E&C is based in New York City and Israel. [www.e-and-c.com](http://www.e-and-c.com) ♦





# An Interview with Dr. Eyal Ephrat, CEO, E&C Medical Intelligence, Inc.

**E**&C Medical Intelligence is dedicated to improving the quality of obstetrical medicine by providing real-time intelligence at the point of care to help guide physicians and coordinate-patient treatment. The Company's main product, IPROB (Intelligent Patient Record for Obstetrics), is the most advanced case management and documentation support software created for the Obstetrics environment. With over 50% of medical malpractice costs in the OB field, quality of care and good documentation are critical issues on the mind of every hospital CEO.

We recently caught up with Dr. Ephrat at one of E&C Medical Intelligence's new client hospitals.

**Trident Capital:** Congratulations, Dr. Ephrat! I can see your client is very pleased with the new system. Isn't it unusual to see the staff of a hospital this enthusiastic about a computer system?

**Dr. Ephrat:** That's the beauty of E&C. It is much more than a computer system. In the words of a top-ranked senior attending [physician] at one of our sites, "It's like having my oldest, most trusted colleague standing over my shoulder and supporting my case management quality at every turn."

IPROB prompts a physician when essential data is missing in the record, or when treatment decisions don't comply with the departments' stated guidelines and protocols. It also issues time-based clinical reminders to ensure proper and timely execution of orders, instructions, and routine tasks. Hospital CEOs, risk managers and CFOs love it for its effectiveness at mitigating malpractice risk and its ability to reduce costs by improving efficiency.

**TC:** Whether it is a presidential debate or my local newspaper, it seems

that everywhere I turn there is a discussion about medical malpractice costs and the impact on the health care system. Is this really a significant issue and why is it important today?

**EE:** Medical malpractice costs are a very significant issue. In fact, malpractice expenses alone add about \$1,700 to every

**EE:** "We believe the best and only real way to reduce medical malpractice costs is to solve the core problems: significantly reduce medical errors at the point of care and document good medical practice. Our system does just that."

**TC:** What are the "brains" behind the software?

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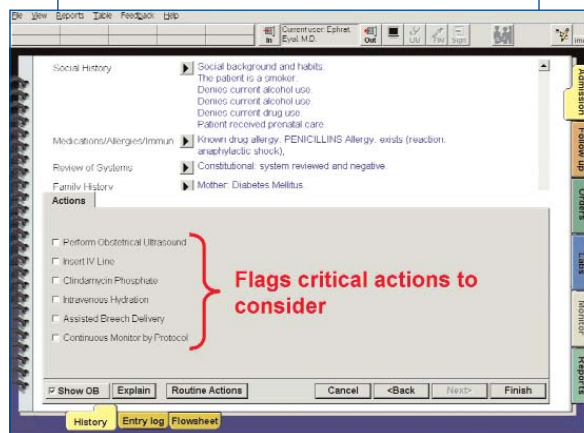
childbirth. Individual judgments against hospitals and physicians are often in the tens of millions of dollars, and total judgments for OB/GYN related cases exceeded \$4 billion this year. Malpractice insurance rates are so high that OB physicians are

**EE:** The intelligence lies in the more than 250 "clinician-years" of obstetrical medical intelligence that we've invested in the product's development. The crowning achievement of these efforts is our Medical Knowledge Base, a proprietary, state-of-the-art logic platform that takes into account more than 6,500 obstetrical rules.

**TC:** Is there actual evidence that the system provides meaningful benefit?

**EE:** Yes there is. In fact, now that we have been installed for several years in a number of hospitals, there is a tremendous amount of clinical data supporting the claims that we significantly reduce medical errors. Perhaps more impressive than any clinical study, however, is the fact that we are strongly endorsed by

insurance companies. Several insurance companies believe that our system is so effective at risk mitigation that they will subsidize the installation of our system in their client hospitals. ❖



being forced out of practice, and hospitals are de-emphasizing or closing high-risk OB wards. In the end, everyone loses.

**TC:** Clearly this is a huge issue, but how can it be solved and what role does E&C play in the solution?

## Current Areas of Trident Health Care Focus

- Disease Management
- Revenue Cycle Management
- Risk and Malpractice Mitigation
- Cost Containment and Administrative Services
- Evidence-Based Medicine
- HSA / HRA Accounts



## Trident Investment Activity



Wibhu Technologies

**W**ibhu Technologies, founded in March 2002, offers the most advanced and comprehensive Wi-Fi intrusion detection and prevention system in the industry. Wibhu's suite of products

work out of the box to provide airtight wireless network security along with reliable WLAN planning, monitoring and management solutions.

Building on several patent pending technologies, Wibhu has differentiated itself in the industry by providing the most reliable, accurate and automated intrusion prevention system and the best designed

Wi-Fi management console.

Wibhu is backed by Trident Capital, Walden International and Granite Ventures, and is headed by David King, former CEO of Proxim, Inc., who took Proxim public in Dec 1993 as the first publicly traded WLAN company. [www.wibhu.com](http://www.wibhu.com) ♦



**I**n June 2004 Trident invested in **Vidient Systems, Inc.**, a new company commercializing advanced video technology developed in NEC Labs. Vidient Systems, Inc. is capable of monitoring, identifying and tracking suspicious or anomalous behavior

in complex security environments. Other investment partners include Blueprint Ventures, Hotung Venture Capital and NEC. Vidient's SmartCatch product is currently installed at several major airports including San Francisco International, Salt Lake City International and San Diego International, and within major corporations and public institutions including Raytheon and The San Francisco Jewish

Community Center.

In a global market for video surveillance software projected to reach \$8 billion by 2008, SmartCatch is distinguished by its ability to accurately track numerous objects and simultaneously identify targeted behaviors based on security policy, in both internal and external environments, regardless of lighting or weather conditions. [www.vidient.com](http://www.vidient.com) ♦



**I**n August 2004, Trident Capital invested \$5.5 million in **eGistics, Inc.**, formerly Scan-Direct. eGistics delivers secure access to critical content from any-

where in the world using an on demand archive and retrieval solution. Based in Dallas, Texas, eGistics achieves long-term client partnerships by providing its services with guaranteed bottom line results. Currently, eGistics manages over 6 billion images with an average of 20,000 inquiries per hour retrieving content

through dual, mirrored and load balanced, DOD certified facilities. eGistics' Infinite Digital Architecture (IDA) provides an integrated depository which supports the import and export of images, text, audio and video in any format a client may require. [www.egisticsinc.com](http://www.egisticsinc.com) ♦

## Trident Liquidity Events



**BlueStar Solutions acquired by Affiliated Computer Systems, Inc.**

**O**n August 26, 2004, Affiliated Computer Services, Inc., (NYSE: ACS), a premier provider of business process and information technology outsourcing solutions, acquired BlueStar Solutions, Inc., (BlueStar) in a cash transaction for approximately \$73 million. BlueStar is a leading information technology (IT) outsourcing provider specializing in applications management of packaged enterprise resource planning (ERP) and messaging services. BlueStar provides services for more than 120 clients and hosts 60,000 ERP users and

100,000 messaging users located in 80 countries. BlueStar has provided comprehensive applications management for packaged ERP and messaging environments for more than five years, with a variety of additional data center services to complement them. BlueStar currently operates data centers in Phoenix, Arizona, Dallas, Texas, and Columbia, South Carolina, with the potential of transitioning some capabilities to additional ACS data centers in the future.

"This acquisition brings to ACS an extremely dedicated staff of subject matter experts in application management and provides significant penetration into the strongly emerging ERP/Messaging market," said Lynn Blodgett, Group President of ACS Commercial Solutions. "BlueStar has an incredible track record serving

clients, tremendous technological expertise, and a fantastic client base. All of these qualities made the company a great fit for ACS." Blodgett also said that the range of ERP and messaging-related capabilities created through this acquisition makes ACS the foremost outsourcing provider for this market.

Rusty Harris will become Managing Director for ACS' new Application Managed Services division. "The spectrum of services offered through the ACS/BlueStar integration will enable clients seeking packaged ERP outsourcing to significantly reduce IT costs and mitigate risks, while receiving an unparalleled quality of service," he said. "We are very excited to be joining ACS. This is a win-win solution, not only for both companies,

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# Trident Portfolio Company News

## Epicor Completes Acquisition of European ERP provider Scala Business Solutions

On June 18th, 2004 Epicor completed



the acquisition of Scala for approximately US\$97 million—representing approximately 1.4x 2003 revenues—paid half in cash (US\$1.8230 per share) and half in stock (0.1795 per share). On July 12, 2004, the Euronext exchange de-listed Scala's shares.

The acquisition has been welcomed by Epicor's significant base of installed customers and has received broad endorsement from industry analysts and the investment community. "Numerous synergies between the two companies will present significant opportunities for growth and profitability," said Robert Anderson, Gartner analyst and

research director. "Both have been successful in their respective markets - Scala deriving over 75% of its revenue from Europe supporting multinational subsidiaries and divisions of larger corporations with its integrated enterprise solutions, and Epicor with over 75% of its revenues coming from North America delivering industry-specific enterprise solutions for manufacturers, distributors, service oriented companies and hospitality organizations. Together, the two companies create a price-to-value proposition signaling the emergence of one of the more important midmarket ERP players to follow in the near term."

The acquisition of Scala Business Solutions is key to enabling Epicor to expand its midmarket leadership position

in the global marketplace in every major developed market area in North America, Europe and Asia Pacific as well as in key emerging markets such as Central and Eastern Europe, Russia, China and Latin America. With annualized revenues of over \$250 million, more than 20,000 customers in over 140 countries, and a product portfolio localized in over 30 languages, the combined company creates the largest independent midmarket ERP solutions provider based on a Microsoft .NET and Web services environment, with the reach and scale to support global multinationals as well as midmarket enterprise customers with an enhanced worldwide infrastructure.

[www.epicor.com](http://www.epicor.com) ♦



**iRobot Corp.**, the world's leading manufacturer of mobile robots, named Jacques S. Gansler to its board of directors. Gansler, a professor at the University of Maryland, joins iRobot at a time when the company is actively expanding its Government & Industrial Robotics Division with major contract wins and a new Crystal City office.

Gansler teaches graduate courses in management and leadership and national

security, and is the university's vice president for research. He holds the Roger C. Lipitz Chair in Public Policy and Private Enterprise and leads the school's Center for Public Policy and Private Enterprise, which fosters mutually beneficial collaboration among the public, private and non-profit sectors.

Previously, Gansler served four years as the Undersecretary of Defense for acquisition, technology and logistics, managing an annual budget of over \$180 billion and a workforce of over 300,000. He was responsible for Department of Defense acquisi-

tion, research and development, logistics, acquisition reform, advanced technology, international programs, environmental security, and nuclear, chemical and biological programs.

"Jacques' depth of experience in government, particularly in the area of military procurement, will be a tremendous asset to iRobot as we continue to expand our Government & Industrial Robotics Division," said Helen Greiner, co-founder and chairman of iRobot.

[www.irobot.com](http://www.irobot.com) ♦

*BlueStar continued from page 4*

but also for clients. ACS' strength and reputation in the IT industry will help us secure more long-term growth. We will leverage each other's capabilities, technology, and expertise to increase our share of the IT outsourcing market."



**CrossMedia Services acquired by Gannett, Knight Ridder and Tribune**

On May 6, 2004, Gannett Co., Inc. (NYSE: GCI), Knight Ridder, Inc. (NYSE: KRI) and Tribune Company

(NYSE: TRB) announced that they have jointly acquired CrossMedia Services, Inc., a leading provider of Web-based marketing solutions for national and local retailers. Through its award-winning SmartCircular and SmartCatalog services, CrossMedia Services transforms traditionally print-based retail promotions (such as sales circulars, catalogs, run-of-press ads and direct mail) into compelling search-based interactive formats. CrossMedia Services' clients include many leading retailers.

"The Web has become a huge resource for consumers who search online and then buy offline in their favorite local stores," said Brian Hand, CrossMedia Services chairman and chief executive officer. "Our online solutions complement the

way consumers use the daily and Sunday newspapers to find 'what's on sale' and other great values in their local markets."

"Gannett, Knight Ridder and Tribune newspapers are the preeminent retail media in the country," said Hand. "We are excited to be part of a new venture that will bring retailers innovative Web-based marketing solutions to extend the reach and life of their print promotions."

Gannett, Knight Ridder and Tribune are partners in other joint ventures to provide consumers access to great online classified products such as CareerBuilder.com, Cars.com and Apartments.com. ♦

# TRIDENT CAPITAL

Trident Capital was founded in 1993 to invest in information and business outsourcing companies. By consistently helping entrepreneurs build industry leading technology and services businesses, Trident has become one of the most successful private equity firms in the country. The firm leverages a partnership that has invested in more than 100 companies and has held senior operating, consulting and investment banking roles at organizations such as AT&T, IBM, Dun & Bradstreet, Morgan Stanley and Bain. To date, Trident has raised five funds and manages over \$1.2 billion in committed capital. The firm operates out of offices in Palo Alto, CA; Westport, CT and Lake Forest, IL.

Trident invests principally in the following sectors:

- Business Process Outsourcing
- Marketing Services
- Enterprise Software and Services
- Security Software and Services
- Financial Services
- Health Care and Insurance IT Services
- Communications
- Innovation

Investment Sizes: Up to \$30M

Transaction Types:

- Early Stage Growth Capital
- Expansion Stage Financings
- Management Buyouts
- Spinouts

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