

Edgar Filing: CURATIVE HEALTH SERVICES INC - Form 11-K

CURATIVE HEALTH SERVICES INC

Form 11-K

June 28, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 11-K

(Mark One)

X ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
----- EXCHANGE ACT OF 1934

For the fiscal year ended DECEMBER 31, 2003

OR

----- TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

COMMISSION FILE NUMBER: 000-50371

A. Full title of the plan and the address of the plan, if different from that of  
the issuer named below:

CURATIVE HEALTH SERVICES, INC. EMPLOYEE SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of  
its principal executive office:

CURATIVE HEALTH SERVICES, INC.  
150 Motor Parkway  
Hauppauge, NY 11788

INDEX

Items 1 through 3  
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Not Applicable

Item 4  
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Financial Statements and Supplemental Schedule for Curative Health  
Services Inc., Employee Savings Plan

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Signature

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Exhibit

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Description

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Exhibit 23.1      Consent of Independent Registered Public Accounting Firm

CURATIVE HEALTH SERVICES, INC. EMPLOYEE SAVINGS PLAN  
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULE  
YEARS ENDED DECEMBER 31, 2003 AND 2002  
WITH REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Curative Health Services, Inc.  
Employee Savings Plan

Index to Financial Statements  
and Supplemental Schedule

Years ended December 31, 2003 and 2002

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All other schedules are omitted as they are not applicable or are not required based on the disclosure requirements of the Employee Retirement Income Security Act of 1974, as amended, and applicable regulations issued by the U.S.

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Department of Labor.

Report of Independent Registered Public Accounting Firm

To the Administrator of the  
Curative Health Services, Inc. Employee Savings Plan

We have audited the accompanying statements of net assets available for plan benefits of the Curative Health Services, Inc. Employee Savings Plan (the "Plan") as of December 31, 2003 and 2002, and the related statements of changes in net assets available for plan benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan at December 31, 2003 and 2002, and the changes in its net assets available for plan benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets held at end of year as of December 31, 2003 is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. This supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP

Melville, New York  
June 18, 2004

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Curative Health Services, Inc.  
Employee Savings Plan

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## Statements of Net Assets Available for Plan Benefits

	December 31	
	2003	2002
Assets		
Investments, at fair value:		
Guaranteed Account	\$ 1,434,267	\$ 1,474,
Money Market Account	746,770	774,
Bond and Mortgage Account	1,073,079	955,
International Stock Account	1,024,980	746,
Real Estate Account	534,687	477,
Bond Emphasis Balanced Account	350,418	373,
Principal Financial Group, Inc. Stock Account	512,072	564,
Government Securities Account	516,379	477,
Medium Company Value Account	1,713,217	1,390,
Large Cap Stock Index Account	1,105,747	949,
Large Cap Blend Account	1,507,846	1,312,
CHS Stock Account	2,021,242	2,673,
American Century Income & Growth Account	166,547	50,
Lifetime Strategic Income Account	21,046	14,
Lifetime 2010 Account	56,072	45,
Lifetime 2020 Account	32,982	3,
Lifetime 2030 Account	23,293	15,
Lifetime 2040 Account	22,814	13,
Lifetime 2050 Account	9,986	
American Century Small Cap Account	298,592	77,
American Century Ultra Account	182,224	27,
Fidelity Advisor Mid Cap Account	129,453	39,
Fidelity Advisor Small Cap Account	121,353	10,
Medium Company Blend Account	93,919	20,
Small Company Blend Account	166,627	60,
Janus Advisor Capital Appreciation Account	70,806	39,
Total investments	13,936,418	12,588,
Participant loans	66,746	110,
Participants' contributions receivable	52,343	
Net assets available for plan benefits	\$ 14,055,507	\$ 12,699,

See accompanying notes.

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Curative Health Services, Inc.  
Employee Savings Plan

Statements of Changes in Net Assets Available for Plan Benefits

Year ended December 31

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	2003	2002
Additions to net assets:		
Contributions:		
Employer	\$ 134,849	\$ 4,519
Participants	1,796,445	1,595,222
Total contributions	1,931,294	1,599,741
Investment income (loss):		
Interest and dividend income	74,968	82,059
Net realized and unrealized (depreciation) appreciation in fair value of Company stock	(456,706)	675,045
Net realized and unrealized appreciation (depreciation) in fair value of pooled investments	1,713,329	(827,486)
Total investment income (loss)	1,331,591	(70,382)
Transfer of assets into plan (Note 1)	-	262,596
Other (loss) income	(7,629)	246
Total additions	3,255,256	1,792,201
Deductions from net assets:		
Benefits paid to participants	1,893,222	2,112,032
Administrative expenses	6,308	5,500
Total deductions	1,899,530	2,117,532
Net increase (decrease)	1,355,726	(325,331)
Net assets available for plan benefits at beginning of year	12,699,781	13,025,112
Net assets available for plan benefits at end of year	\$ 14,055,507	\$ 12,699,781

See accompanying notes.

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Curative Health Services, Inc.  
Employee Savings Plan

Notes to Financial Statements

December 31, 2003

1. Description of the Plan

The following description of the Plan provides general information. Participants should refer to the Summary Plan Description for a more complete description of

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the Plan's provisions.

### General

The Plan is a defined contribution plan and is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

### Participation

Each employee who was hired before June 1, 1998 became a participant on the enrollment date coincident with or next following the employee's first day of employment. For employees hired on or after June 1, 1998, the general rule is that the employee becomes a participant in the Plan on the enrollment date coincident with or next following the date the employee completes one month of continuous service.

### Contributions

Employee contributions are from 401(k) salary deferrals, which are subject to the limits of the Plan. The employee 401(k) salary deferral shall be a percentage of not less than 1% and not greater than 50% of the annual eligible compensation. For the years ended December 31, 2003 and 2002, the participants' contributions amounted to approximately \$1,796,000 and \$1,595,000, respectively.

Employer contributions are based on a percentage match of 401(k) salary deferrals. Prior to July 1, 2003, Curative Health Services, Inc. ("CHS" or the "Company") matched 25% of the salary deferral up to 1% of an employee's salary. Effective July 1, 2003, CHS matches 50% of the salary deferral up to a maximum match of 2% of an employee's salary. For the years ended December 31, 2003 and 2002, the Company's discretionary contributions amounted to approximately \$135,000 and \$5,000, respectively.

For the years ended December 31, 2003 and 2002, approximately \$73,000 and \$72,000, respectively, of non-vested account balances were forfeited. These forfeited amounts were used by the Company to offset Company contributions. At December 31, 2003, the Company had approximately \$27,000 of forfeitures that will be utilized to offset future Company contributions.

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### Curative Health Services, Inc. Employee Savings Plan

#### Notes to Financial Statements (continued)

#### 1. Description of the Plan (continued)

##### Transfer of Assets

During the year ended December 31, 2002, approximately \$263,000 of assets were transferred into the Plan. The transfer of these assets was related to the Company's acquisition of eBiocare.com, Inc.

##### Administrative Expense

Certain expenses of administering the Plan are paid by the Company. Such

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expenses were approximately \$25,000 for each of the years ended December 31, 2003 and 2002.

### Participants' Accounts

Each participant's account is credited with the participant's contributions and an allocation of Plan earnings. The allocation of Plan earnings is based upon the balance the participant maintains in the selected account.

### Vesting

Participants are immediately 100% vested in their own contributions and earnings thereon. Prior to July 2003, participants became 20% vested in benefits arising from Company contributions after two years of service, 40% vested after three years of service, 60% vested after four years of service, 80% vested after five years of service and 100% vested after six years of service. Effective July 1, 2003, participants become 33% vested in benefits arising from Company contributions after one year of service, 67% vested after two years of services and 100% after three years of service.

### Payment of Benefits

The value of a participant's account is payable to the participant upon retirement or disability or to the participant's beneficiary if death occurs during employment. The value of a participant's contributions and earnings thereon plus all vested matching contributions and earnings thereon are payable upon termination. Payment may be made as installment payments, a lump sum or in the form of an annuity.

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## Curative Health Services, Inc. Employee Savings Plan

### Notes to Financial Statements (continued)

#### 1. Description of the Plan (continued)

##### Loans

Effective November 1, 1994, the Plan adopted a provision whereby active participants can borrow from their Plan accounts once every 12 months at the prime lending rate plus 1% on the date of the loan (4.50% to 9.50% for loans outstanding as of December 31, 2003), provided participants have only one outstanding loan at a time and the participant's vested account balance in the Plan is at least \$2,000. The borrowing limit is the lesser of 50% of the participant's vested account balance or \$50,000 and must be repaid within five years.

##### Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to terminate the Plan subject to the provisions of ERISA. In the event of termination, all participants' accounts shall become fully vested and distributed in accordance with the provisions of the Plan.

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### 2. Significant Accounting Policies

The accounting records of the Plan are maintained on the accrual basis. The Plan maintains its records of investments at fair value, which equals the quoted market price on the last business day of the Plan year. Securities that have no quoted market price are stated at fair value as determined by the custodian. The Guaranteed Account is invested in unallocated insurance contracts, which are valued at contract value as estimated by the Plan's custodian, which approximates fair value. The average yield was approximately 5% for 2003 and 2002.

#### Use of Estimates

The preparation of 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.

#### Reclassifications

Certain amounts in the 2002 financial statements have been reclassified to conform with the 2003 presentation.

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### Curative Health Services, Inc. Employee Savings Plan

#### Notes to Financial Statements (continued)

### 3. Investments

The Plan's investments are held in custody by Principal Life Insurance Company except for the CHS stock account which is trusted by Banker's Trust. The participants of the Plan may elect to have their accounts invested in any combination (in 5% increments) of the following investment alternatives:

Guaranteed Account	Lifetime Strategic Income Account
Money Market Account	Lifetime 2010 Account
Bond and Mortgage Account	Lifetime 2020 Account
International Stock Account	Lifetime 2030 Account
Real Estate Account	Lifetime 2040 Account
Bond Emphasis Balanced Account	Lifetime 2050 Account
Principal Financial Group, Inc. Stock Account	American Century Small Cap Account
Government Securities Account	American Century Ultra Account
Medium Company Value Account	Fidelity Advisor Mid Cap Account
Large Cap Stock Index Account	Fidelity Advisor Small Cap Account
Large Company Blend Account	Medium Company Blend Account
CHS Stock Account	Small Company Blend Account
American Century Income & Growth Account	Janus Advisor Capital Appreciation Account

Investment earnings are automatically reinvested into the fund from which they



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were derived. Effective July 1, 2003, participants can no longer enroll in CHS common stock as an investment fund. Current balances may be maintained by participants, but no future contributions can be made.

4. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated May 5, 2001, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code") and, therefore, the related trust is exempt from taxation. The Plan has been amended since receiving the determination letter. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan sponsor has indicated that it will take necessary steps, if any, to maintain the Plan's qualified status.

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Supplemental Schedule

EIN #510467366  
Plan #001

Curative Health Services, Inc.  
Employee Savings Plan

Form 5500, Schedule H, Line 4i--Schedule of Assets Held at End of Year

As of December 31, 2003

Identity of Issuer, Borrower, Lessor or Similar Party	Description of Investment	C
Principal Life Insurance Company*	Insurance Company General Guaranteed Interest	\$
Principal Life Insurance Company*	Pooled Separate Accounts Money Market	
Principal Life Insurance Company*	Pooled Separate Accounts Bond and Mortgage	
Principal Life Insurance Company*	Pooled Separate Accounts Government Securities	
Principal Life Insurance Company*	Pooled Separate Accounts Bond Emphasis Balanced	
Principal Life Insurance Company*	Pooled Separate Accounts Large Cap Stock Index	
Principal Life Insurance Company*	Pooled Separate Accounts Medium Company Value	
Principal Life Insurance Company*	Pooled Separate Accounts Real Estate	
Principal Life Insurance Company*	Pooled Separate Accounts	

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Principal Life Insurance Company*	Large Cap Blend
Principal Life Insurance Company*	Pooled Separate Accounts
Principal Life Insurance Company*	International Stock
Principal Life Insurance Company*	Pooled Separate Accounts
Principal Life Insurance Company*	Principal Financial Group Inc. Stock
Principal Life Insurance Company*	Pooled Separate Accounts
Principal Life Insurance Company*	American Century Income & Growth
Principal Life Insurance Company*	Pooled Separate Accounts
Principal Life Insurance Company*	Lifetime Strategic Income
Principal Life Insurance Company*	Pooled Separate Accounts
Principal Life Insurance Company*	Lifetime 2010
Principal Life Insurance Company*	Pooled Separate Accounts
Principal Life Insurance Company*	Lifetime 2020
Principal Life Insurance Company*	Pooled Separate Accounts
Principal Life Insurance Company*	Lifetime 2030

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Curative Health Services, Inc.  
Employee Savings Plan

Form 5500, Schedule H, Line 4i--Schedule of Assets Held at End of Year (continued)

As of December 31, 2003

Identity of Issuer, Borrower, Lessor Similar Party	Description of Investment	C
Principal Life Insurance Company*	Pooled Separate Accounts Lifetime 2040	\$
Principal Life Insurance Company*	Pooled Separate Accounts Lifetime 2050	
Principal Life Insurance Company*	Pooled Separate Accounts American Century Sm Cap	
Principal Life Insurance Company*	Pooled Separate Accounts American Century Ultra	
Principal Life Insurance Company*	Pooled Separate Accounts Fidelity Advisor Mid Cap	
Principal Life Insurance Company*	Pooled Separate Accounts Fidelity Advisor Small Cap	
Principal Life Insurance Company*	Pooled Separate Accounts Janus Advisor Cap Appreciation	
Principal Life Insurance Company*	Pooled Separate Accounts Medium Company Blend	
Principal Life Insurance Company*	Pooled Separate Accounts Small Company Blend	
Curative Health Services, Inc.	Employer Security	
Plan Participants	Curative Common Stock	
	Participant Loans (range of interest rates 4.50% to 9.50%)	

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\$ 1  
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\* Party-in-interest transactions.

This schedule should be read in conjunction with the accompanying financial statements and notes thereto.

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SIGNATURE

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

Date: June 28, 2004

CURATIVE HEALTH SERVICES, INC.  
EMPLOYEE SAVINGS PLAN

by: CURATIVE HEALTH SERVICES, INC.

/s/ Thomas Axmacher

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Thomas Axmacher  
Plan Administrator