



FILEON eLIBRARY ENTERPRISE SUITE  
INTEGRATED DOCUMENT/CONTENT MANAGEMENT  
SOLUTION

VERTICALS:

HEALTH CARE, FINANCIAL,  
LOGISTICS, BANKING, MORE

FILEON – OBJECTIVES

- ASSET SALE OR PARTNERSHIP
- COMPANY PROFILE
- COMPETITIVE LANDSCAPE
- OPPORTUNITY

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## Overview

Hospitals are under increased pressure to reduce cost, increase productivity, provide greater number of services, enhance patient care and optimize processes to improve operating cash flow.

Furthermore, hospitals are facing increased regulatory compliance requirements by the Feds to implement HIPAA (patient privacy act) and barcode based medication systems to reduce medical errors and malpractice litigation.

FileOn management believes we are in the very early stages of a massive growth cycle for technology companies that can provide solutions to improve patient care, while reducing operating costs, improve billing cycles for hospitals and provide just-in-time care information across physical/virtual boundaries.

“While deployment of healthcare IT is growing, less than 20 percent of hospitals in the United States today use bar-codes to verify the administration of patient medications, and fewer than 10 percent of physicians in hospitals enter patient prescriptions and medical orders electronically. The numbers are only slightly better outside the hospital: only about 25 percent of large physician offices enter their prescriptions electronically.

The number drops considerably for small physician practices.” Committee on Ways & Means - Statement of James Bayot, McKesson Corporation, San Francisco, California  
**Subcommittee on Health - Hearing on Health Care Information Technology,  
Wednesday, July 27, 2005**

<http://waysandmeans.house.gov/hearings.asp?formmode=view&id=3999>

Over the past 3 years there has been a flurry of Electronic Medical Records (EMR) system implementations by hospitals and medical practice providers. EMR is a critical step towards getting patient records into an electronic format; however, it's not practical in critical care areas such as emergency departments in hospitals where a doctor's priority is to address immediate care that could result in life or death for the patient. Doctors have limited time to fill out patient records, and, therefore, continue to handwrite the information on paper, which becomes the patient record for most hospitals.

The paper jam does not stop there, as most of the communication between hospital departments and outside care providers continues to be leveraging of fax services creating paper based information silos. Additionally, Ambulatory services are required to fill out paper work for patient transfers and delivery to hospitals. Compliance paperwork and insurance identification creates another sub-set of paper data. And there is all of the hospitals internal non-patient related paper work, such as invoice processing (accounts payable/accounts receivable), nurse certification, continuing education and personnel files creating dis-jointed repositories of information. CIOs are seeking a single document management solution which addresses all of their repository needs.

FileOn addresses the need to support non-medical and patient medical records into a self-organizing, auto-indexing, integrated information repository for the entire Hospital – creating an efficient complete solution that addresses the business processing needs of the organization.



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## Company Information

VERTX SYSTEMS, LLC dba FileOn was established in Apr. 2003 as a software services company by Anowar Shahjahan, as President & CEO and owner. FileOn was established to build a document/content management solution.

FileOn eLibrary version was created using .NET 2.1 and MS SQL Server 2000 using MS Windows 2003 and IIS. This web based solution allows distributed desktop clients to upload data, automated barcode processing, auto-indexing and HL7/XML/X12 data integration. The solution was offered as a hosted/lease service to several city government agencies and local businesses.

Norwalk Hospital was introduced to the solution and FileOn was hired to customize it for the Hospital space in Sep. 2004. A customization agreement was signed for \$98,700.00. This included the FileOn eLibrary - Patient Care System which was leased to Norwalk Hospital for a 3 year term with a monthly recurring payment of \$3,987.00 (**Annual recurring revenues of \$47,844.00**) which started in Apr. 2005. Norwalk Hospital went live with the production release in Nov. 2006.

**FileOn owns all intellectual capital, source code and rights to the system.**

A 3<sup>rd</sup> party consulting firm has benched the solution against McKesson and found the FileOn eLibrary indexing services to be 30% faster and more efficient than the industry standard. FileOn takes 7 seconds to process scanned images, while the industry average is 10 seconds.

Norwalk Hospital is currently evaluating Phase II requirements to further enhance management reporting capabilities, enhance views into the data repository and implement policy management modules based on business rules.

### Company Statistics

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- 2006 Employees: 32 Offshore & 2 Onshore
- FileOn eLibrary - Supported by: 2 Offshore FTE
- 1 - Year Employee Growth: 43.75%

### Key People

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- President & CEO Anowar Shahjahan
- Vice President Technology Augustine (Gus) Rajesh

## Key Differentiation

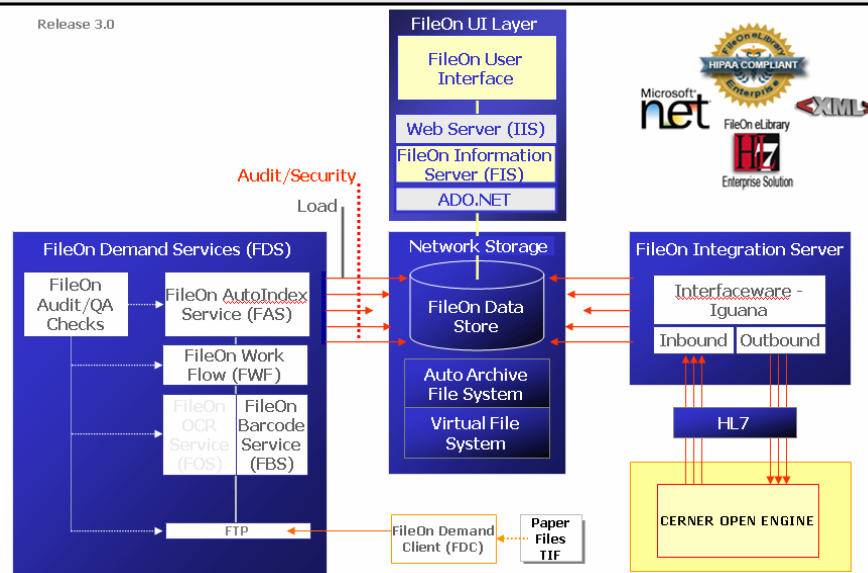
FileOn eLibrary – Patient Care System (document management system) was designed by Hospital staff for Hospitals. The following shows a comparison between a traditional system and FileOn solution:

- Traditional Document Management System** - Centralized processing centers – where physical files are brought, prepared for scanning, scanned, then values looked up or typed for indexing and finally uploaded to the repository. Any modifications to the patient information (index) are manually changed.
- FileOn Solution** – Distributed solution, where scanned images are captured from anywhere inside the organization. FileOn Demand Client is used to upload the images to the server, indexing is automated. Only exceptions are reviewed by health information management (HIM) staff. Any demographics (patient information used for indexing) are automatically kept up to date using HL7 messaging.

The FileOn solution assumes that HIM departments in hospitals are changing from a cost center for records retention to policy management managers of information and information accuracy. Additionally, the process which **used to take 3 days** to get access to patient information **now takes 2 minutes**. Having this information faster allows for better patient care and improves hospital operating cash flow since the coding department has access to the information immediately after discharge.

FileOn eLibrary Enterprise Suite is a solution that can be implemented in all types of organizations as a stand alone solution or as a bolt-on document/content management repository.

## Architecture Overview



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## FileOn Management Objectives

FileOn management understands that the solution can be repurposed and positioned for many verticals to support the ongoing demands enterprise customers deal with regarding Sarbanes-Oxley, Check 21, record keeping, etc. Due to the large investments necessary to create a direct sales force, FileOn management is opting to take the following direction:

- Option 1: Long-term Partnership with Hospital Service Providers
- Option 2: An acquisition of the Assets by Principle

### **Option 1: Partnership**

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FileOn understands the need for an alliance and/or partnership that can aid the Company's ability to bring the solution to decision makers.

An ideal partnership would be with second tier Electronic Medical Records (EMR) software providers, Transcription Service vendors and/or Health Information Management solution providers. Within this competitive environment are the likes of CERNER, IDX (now GE Health), Meditech, MedPlus, etc. All of these solution players have an enterprise document management solution, priced between \$650K - \$1.5MM for their modules. A key competitor is Lanvision ([www.lanvision.com](http://www.lanvision.com)) who has partnered with IDX (now GE Health) on a 5 year agreement which expires in 2007. Most of the deals for Lanvision were the direct result of an alliance with IDX. GE Health will likely look for alternatives to Lanvision.

FileOn's distributed architecture and automated solution makes it simple to integrate with most EMR solutions. The solutions provided by most EMR providers are specific to medical records creating yet another independent repository of information. CIOs want to setup a single document management repository for the enterprise and allocate patient medical records as one of many repositories. FileOn is a cost effective solution to meeting these requirements.

### **Option 2: Asset Acquisition**

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VERTX SYSTEMS, LLC dba FileOn. FileOn eLibrary Enterprise Suite - Patient Care System is offered as an asset sale.

The asset sale will include the following:

1. All software source code is written and owned by FileOn. The FileOn development team will provide documentation, code review, online help, install package, supporting information, 3<sup>rd</sup> party software license transfer, and any additional items necessary to transfer intellectual property.
2. The sale will include transfer of the current lease agreement, with monthly revenues of \$3,987.00. FileOn team will provide management introductions,



transfer documentation and change of contracts as required from FileOn and/or Norwalk Hospital.

3. FileOn will provide 3 months of solution warranties and address any and all bugs for Norwalk Hospital. If there is additional implementation during the 3 month warranty period, FileOn team will include remote support, installation, setup and production roll-out and extended support services to ensure success of the implementation.
4. FileOn currently supports the solution for Norwalk Hospital using 2 FTE from our offshore office in Hyderabad, India. FileOn will extend an option to allow the acquirer of the assets to continue to leverage this team for a period of time as required.

The FileOn management team will do everything possible to ensure intellectual capital is properly transferred and the risks for the acquirer reduced to ensure long-term success with the product.

## Market Size & Opportunity

“Demographic factors contribute to long-term growth projections in health care spending. According to the U.S. Census Bureau’s 2004 interim projections, there were approximately 35 million Americans aged 65 or older. The number of Americans aged 65 or older is expected to increase to approximately 40 million by 2010 and approximately 54 million by 2020. By 2030, the number of Americans aged 65 or older is expected to reach approximately 70 million, or 20% of the U.S. population.” HealthSouth Corporation – Dec. 31, 2005 Form 10-K Industry Trends, Page: 15  
<http://www.sec.gov/Archives/edgar/data/785161/000119312506065473/d10k.htm>

The American Hospital Directory provides online data for over 6,000 hospitals ([www.ahd.com](http://www.ahd.com)); the industry average system sale for the Hospital document management deals are approximately: \$500K/install (not including service and maintenance). Assuming 20% of the market will purchase a new document management solution over the next 5 years the market size is estimated to be \$600MM. (Canada has not been included in the market size forecast).

FileOn believes this is a growth market and strategic sales organizations with contacts at the “Board” or “C-levels” can initiate large multi-hospital deals that can dramatically increase the value of the FileOn eLibrary solution. Listed are the top players that manage hospitals, listed in order of market cap:

1. **Health Management Associates, Inc.:** As of September 11, 2006, the company operated 57 hospitals in 14 states with approximately 8,329 licensed beds. [\$5.0B]
2. **Triad Hospitals, Inc.:** As of March 1, 2006, the company’s hospital facilities included 51 general acute care hospitals and 10 ambulatory surgery centers. [\$3.7B]
3. **Community Health Systems, Inc.:** As of December 31, 2005, the company owned, leased, or operated 70 hospitals, in 21 states, with an aggregate of 7,974 licensed beds. [\$3.5B]
4. **Tenet Healthcare Corporation:** As of June 30, 2006, the company operated 70 general hospitals with 17,991 licensed beds to serve urban and rural communities in 12 states; and 2 rehabilitation hospitals. [\$3.2B]
5. **Universal Health Services, Inc:** As of March 1, 2006, it owned and operated 28 acute care hospitals; and 101 behavioral health centers. [\$3.0B]
6. **LifePoint Hospitals, Inc.:** As of July 1, 2006, LifePoint Hospitals operated 53 hospitals in 19 states. [\$2.0B]
7. **HealthSouth Corporation:** As of December 31, 2005, operated 93 IRFs and 10 LTCHs; 620 outpatient rehabilitation facilities; 158 ambulatory surgery centers and 3 surgical hospitals; and 85 diagnostic centers. [1.80B]





8. **MedCath Corporation:** As of September 30, 2006, the company owned and operated 11 hospitals with approximately 667 licensed beds. [\$575.2M]
9. **Horizon Health Corporation:** As of August 31, 2006, Horizon Health Corporation owned/leased 15 behavioral health care facilities with approximately 1,546 licensed beds in 11 states. [\$295.5M]
10. **Ascension Health:** Private organization with over 42 hospitals under management.

FileOn management believes in nich markets where there is a need to integrate with many systems via HL7/X12/X36/XML messaging services. FileOn eLibrary becomes the defacto enterprise information repository.



"The hospital was impressed by FileOn's programming diversity software, design and willingness to work with the facility's staff."  
Christian Randon, CIO, Norwalk Hospital

**Additional information:**

1. [http://www.imagingeconomics.com/issues/articles/2007-01\\_07.asp#3](http://www.imagingeconomics.com/issues/articles/2007-01_07.asp#3)
2. <http://www.fileon.com/industry/hospitals-medical-services/index.html>
3. <http://www.fileon.com/press/pr2005/030205.html>
4. FileOn eLibrary Enterprise Suite ver 3.0 - Partnership II.pdf
5. FileOn eLibrary Enterprise Suite - Integration.pdf
6. Norwalk Hospital - IT Announcements.GIF

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