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CARESIDE INC  
Form 10-K/A  
April 30, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: December 31, 2001

Commission file number: 001-15051

Careside, Inc.

(Exact name of registrant as specified in its charter)

Delaware

23-2863507

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

6100 Bristol Parkway, Culver City, CA 90230  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (310) 338-6767

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value \$.01 per share  
and  
Redeemable Common Stock Purchase Warrants  
(Title of Class)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐ .  
--- ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

On March 22, 2002, the aggregate market value of the Registrant's Common Equity, par value \$.01 per share, held by non-affiliates of the Registrant was approximately \$3,623,654 million, based upon the closing sale price reported for such date on the American Stock Exchange. For purposes of this disclosure,

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shares of Common Stock held by persons who hold more than 5% of the outstanding shares of Common Stock and shares held by officers and directors of the registrant have been excluded because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily conclusive for other purposes.

On March 22, 2002, 19,066,336 shares of the Registrant's Common Stock, par value \$.01 per share, were outstanding.

### EXPLANATORY NOTE

This purpose of this Amendment No. 1 to the Form 10-K is to file Part III of the Form 10-K.

### PART III

#### Item 10. Directors and Executive Officers of the Registrant

The following table sets forth certain information concerning the individuals who serve as our directors, executive officers and key employees:

| Name<br>----                      | Age<br>--- | Position<br>-----  |
|-----------------------------------|------------|--|
| Directors and Executive Officers: |            |  |
| W. Vickery Stoughton .....        | 55         | Chairman of the Board of Directors and Chief Executive Officer |
| Thomas H. Grove . . . . .         | 52         | Chief Technology Officer, Executive Vice President             |
| James R. Koch .....               | 47*        | Chief Financial Officer, Executive Vice President,             |
| Dennis E. Rieger .....            | 56*        | Senior Vice President, Information Technology and              |
| Sandra P. Twyon .....             | 63         | Vice President Operations                                      |
| Anthony P. Brenner (1) .....      | 44         | Director   |
| William F. Flatley (2) (3) .....  | 60         | Director   |
| Kenneth N. Kermes (2) .....       | 66         | Director   |
| C. Alan MacDonald (2) (3) .....   | 68         | Director   |
| Diana Mackie (1) .....            | 55         | Director   |
| Bruce C. Vladeck .....            | 52         | Director   |
| Key Employees:                    |            |  |
| Kenneth Asarch .....              | 44*        | Vice President--Quality Systems and Regulatory Affairs         |
| David Crais .....                 | 38         | Vice President--Sales  |
| Grant Frazier .....               | 40*        | Vice President--Marketing                                      |
| George M. Saiz .....              | 48         | Vice President--Manufacturing                                  |

- (1) Member of Compensation Committee
- (2) Member of Audit Committee
- (3) Member of Nominating Committee

\* Effective April 8, 2002, Messrs. Koch, Rieger, Asarch and Frazier are no longer in management positions with the Company. Messrs. Koch and Frazier are still affiliated with the Company as consultants. Mr. Rieger is still affiliated with the Company through Advanced Medical Information Technologies, Inc., also known as AdMIT.

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### Directors and Executive Officers

W. Vickery Stoughton, Chairman of the Board of Directors and Chief Executive Officer. Mr. Stoughton has served as our Chairman of the Board of Directors and the Chief Executive Officer since our formation in July 1996. Prior to that, he served as President of SmithKline Beecham Diagnostics Systems Co. (SBDS), a diagnostic services and product company, from October 1995 to July 1996, and was President of SmithKline Beecham Clinical Laboratories, Inc. (SBCL), a provider of diagnostic laboratory services, from August 1992 to September 1995. As President of SBDS, Mr.

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Stoughton had responsibility for SBCL, SmithKline Beecham Clinical Laboratories International and SBDS's genetic testing and point-of-care testing projects. In addition, Mr. Stoughton served as Chief Executive Officer and Vice Chancellor for Health Affairs of Duke University Hospital from 1991 to 1992, Chief Executive Officer of Toronto Hospital in Toronto, Canada from 1981 to 1991, Chief Operating Officer of Brigham and Women's Hospital in Boston from 1980 to 1981 and Chief Executive Officer of Peter Bent Brigham Hospital in Boston from 1978 to 1980. Mr. Stoughton holds a B.S. in Chemistry from St. Louis University and a M.B.A. from the University of Chicago. He is currently a director of Sun Life Assurance Company of Canada, a financial services company, and Biomira, Inc., a pharmaceutical company.

Thomas H. Grove, Executive Vice President--Chief Technology Officer, Secretary. Dr. Grove has served as our Executive Vice President--Chief Technology Officer, Secretary and as one of our directors since our formation in July 1996 until January 2001. From April 1984 to July 1996, he served in a number of management positions at SmithKline Beecham Clinical Laboratories, Inc. involving research and development activities, including the position of Vice President of Scientific Affairs from January 1991 to July 1996, where, among other things, he was in charge of National Quality Control and Quality Assurance for SBCL. Dr. Grove has received a number of awards, including a NATO Science Fellowship to attend Oxford University from 1978 to 1979. He was also named Young Investigator of the Year in 1980 by the American Association for Clinical Chemistry and was elected to the National Academy of Clinical Biochemistry in 1977. Dr. Grove holds a B.S. in Biology from SUNY-Albany and a Ph.D. in Biochemistry from Syracuse University.

James R. Koch, Chief Financial Officer, Executive Vice President, Treasurer. Mr. Koch has served as our Chief Financial Officer, Treasurer, Executive Vice President since July 1998 and as one of our directors from July 1998 until January 2001. Prior to joining us, Mr. Koch served as Vice President and Chief Financial Officer of ILEX Oncology, Inc., a company which develops oncology drugs, from August 1996 to July 1998. In addition, Mr. Koch served as Vice President, Finance and Chief Financial Officer for two start-up specialty pharmaceutical companies, Symphony Pharmaceuticals, Inc., from September 1993 to August 1996, and Neose Pharmaceuticals, Inc., currently Neose Technologies, Inc., from September 1991 to September 1993. His prior experience also includes ten years in senior financial management positions with G.D. Searle Pharmaceutical, a manufacturer of pharmaceutical products. Mr. Koch holds a B.S. in Mechanical Engineering from General Motors Institute and a M.S. from the Krannert School of Management at Purdue University.

Dennis E. Rieger, Senior Vice President Information Technology and Chief Information Officer. Mr. Rieger joined us in December 1999. Mr. Rieger's professional experience includes over 29 years in the high technology products

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industry. Mr. Rieger is also serving as President and CEO of Advanced Medical Information Technologies (AdMIT), a company he founded in 1992 that developed a mobile, bedside clinical information system, and a new universal medical and laboratory device data acquisition system. Prior to AdMIT, Mr. Rieger served as President and Chief Operating Officer of Compare Data Systems, an insurance and telecommunications software company, from 1987 to 1992; President of TRG, Inc., a technology based consulting and venture funding firm, from 1981 to 1987; and held several management positions in research and development, strategic planning and marketing at Apple Computer, Hewlett Packard and Procter and Gamble from 1971 to 1981. Mr. Rieger has a B.Sc. in Computer Information Science, with honors, from California State University at Sacramento, and served with the U.S. NAVY. Mr. Rieger is also serving on the board of directors of two companies, an embedded software products company and a publishing company, and is one of the Industry Advisory Board members for the new Biomedical Engineering Interdepartmental program at the UCLA School of Engineering and Applied Science.

Sandra P. Twyon - Vice President Operations. Ms. Twyon joined us in January 2000. Prior to that she held positions as Vice President for Patient Services with the Mercy Health System in Pittsburgh, PA (1994-1999); Vice President for Nursing at the Toronto Hospital in Toronto, Canada

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(1989-1993) and Chairman of Nursing at Tufts New England Medical Center in Boston, MA (1977-1989). In addition she was President and founder of the Center for Case Management (1989-1992), an original developer of critical pathways which consulted widely throughout the U.S. and Canada. Ms. Twyon received a B.S. Degree from the College of Saint Rose and holds a M.S. from Boston College.

Anthony P. Brenner, Director. Mr. Brenner has served as one of our directors since November 1996. Since January 1998, he has served as a Managing Director with Crosslink Capital (formerly Omega Ventures), a venture capital firm, where he oversees investment activities in the information and business services industries. Prior to that, Mr. Brenner served as Senior Managing Director of Advanta Partners LP, a private equity investment partnership, and as a member of the Board of Directors of Advanta Corporation, a financial services company, from 1992 to 1996. In addition, since 1989 Mr. Brenner has served as President of Cedar Point Partners, a private equity investment partnership. Mr. Brenner earned a B.A. from Yale University and a M.B.A. from Stanford University. In addition, Mr. Brenner is currently a director of Eloquent, Inc.

William F. Flatley, Director. Mr. Flatley has served as one of our directors since November 1996. Since July 1997, he has served as the President and Chief Executive Officer of Executive Health Group, a provider of preventive healthcare services to corporations. From 1980 to December 1994, he held a number of senior management positions with Bristol-Myers Squibb Corporation, a pharmaceutical company, including President of a multi-division medical device business, the Health Care Group, and President of the Drackett Company, a household product manufacturer. Mr. Flatley retired from Bristol-Myers Squibb at the end of 1994 but continued to provide the company with certain consulting services after his retirement. Mr. Flatley obtained a B.S. from Villanova University and a M.B.A. from the Wharton School of the University of Pennsylvania.

Kenneth N. Kermes, Director. Mr. Kermes has served as one of our directors since February 1997. Since June 2001 he has served as Chairman of the Board of BNS Co., a NASDAQ listed company, which was the successor to Brown & Sharpe Manufacturing Company after the sale of substantially all of its assets in April

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2001. BNS Co. is engaged in the development and marketing of CAD-CAM Software Systems and the management of several pieces of real estate. From April 2000 until May 2001, Mr. Kermes has served as President, Chief Executive Officer of Brown & Sharpe Manufacturing Company, a NYSE listed manufacturer of measuring systems used in the automotive, aircraft manufacturing and industrial equipment industries. He also continues as a partner in Sea View Capital, LLC, a Providence, RI based private equity investment company. Prior to that, he served as a principal of Riparian Partners Limited and Bay View Equity Partners, two related investment banking and private equity investment partnerships. He served as Vice President of Business and Finance for the University of Rhode Island from December 1994 to June 1998 and as Chief Financial Officer for SmithKline Beecham Corporation from October 1986 to July 1989 and as Senior Vice President and Group Director of Corporate Development from July 1989 to 1991. From 1991 to 1994, Mr. Kermes was a consultant and an investor in the venture capital industry. Mr. Kermes obtained a B.A. from Amherst College and attended the New York University Graduate School of Business and the Harvard Business School Advanced Management Program. In addition to Careside, Mr. Kermes serves as director of four private, closely held manufacturing companies in the Northeast and as a director of BNS Company.

C. Alan MacDonald, Director. Mr. MacDonald has served as one of our directors since November 1996. Mr. MacDonald is the principle of CAM Consulting where he has been since his retirement in 1991 from Stouffer/Nestle where he was the President and CEO of Stouffer Foods and later Nestle Foods from 1971. Mr. MacDonald has also served as a Managing Director of Directorship, Inc., a consulting firm specializing in corporate governance issues from 1997 to 2000. Mr. MacDonald holds a B.S. in Hotel Administration from Cornell. In addition to Careside, Mr. MacDonald also serves on the boards of Lord Abbett & Co., Seix Investments, J.B. Williams Co., Lincoln Snacks Co., and Fountainhead Bottled Water Co.

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Diana J. Mackie, Director. Ms. Mackie has served as one of our directors since February 1997. From January until December 2000, Ms. Mackie accepted a special assignment to co-lead the merger integration process for Glaxo-SmithKline (GSK). She is now Vice President Switch in Consumer Healthcare at GSK. From June 1999 to January 2000, she held the position of Vice President and Director, Category Management, Dermatologicals, Natural Wellness Support, SmithKline Beecham Consumer Healthcare (SBCH). From November 1996 to May 1999, she held various positions of Vice President at SmithKline Beecham Healthcare Services where her responsibilities included developing business plans, long-range strategy and negotiating external alliances and investments. From March 1996 to November 1996, she was General Manager of Diversified Prescription Delivery, a pharmaceutical mail services company and a wholly owned subsidiary of Diversified Pharmaceutical Services, a pharmaceutical benefit management group. Prior to March 1996, she served as Vice President in a variety of strategy or corporate development positions for SmithKline Beecham. Ms. Mackie holds a B.S. in Chemistry from the University of Illinois, a M.B.A. from The Massachusetts Institute of Technology Sloan School of Management and a M.S. in Polymer and Fiber Engineering from The Massachusetts Institute of Technology.

Bruce C. Vladeck, Director. Dr. Vladeck is Senior Vice President for Policy of Mount Sinai NYU Health as well as Director of the Institute for Medicare Practice and Professor of Health Policy and Geriatrics at the Mount Sinai School of Medicine. He also serves as a director of a number of non-profit and for-profit organizations. From 1993 through September 1997, Dr. Vladeck was Administrator of the Health Care Financing Administration (now CMS) of the U.S.

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Department of Health and Human Services. Before joining the federal government, Dr. Vladeck served ten years as President of the United Hospital Fund of New York. He has also held positions on the faculty of Columbia University, at the Robert Wood Johnson Foundation, and, from 1979 through 1982, as Assistant Commissioner for Health Planning and Resources Development of the New Jersey State Department of Health. At the Institute of Medicine of the National Academy of Sciences, to which he was elected in 1986, Dr. Vladeck chaired the Committee on Health Care for Homeless People. He received his BA, magna cum laude, from Harvard College, and an MA and Ph.D. in Political Science from the University of Michigan.

### Other Key Employees

Kenneth Asarch, Vice President--Quality Systems and Regulatory Affairs. Dr. Asarch has served as our Vice President--Quality Systems and Regulatory Affairs since November 1996. From June 1995 to October 1996, Dr. Asarch served as Director of Regulatory Affairs for SmithKline Beecham Clinical Laboratories, Inc. and SmithKline Beecham Diagnostics Systems Co. Prior to that, he served as Director of Regulatory Affairs, Quality Assurance and Clinical Affairs with Diagnostic Products Corporation, an immuno-diagnostic testing company, from 1987 to 1995, where his duties included overseeing the FDA regulatory clearance and approval process for approximately 150 blood testing products. Dr. Asarch holds a B.S. in Biochemistry from the University of California at Los Angeles and doctoral degrees in both Clinical Pharmacy (Pharm.D.) and Pharmaceutical Sciences (Ph.D.) from the University of Southern California.

David Crais, Vice President - Sales. Mr. Crais joined Careside in September 1999 as a Regional Sales Director and was promoted to Vice President in September 2001. Prior to joining Careside, Mr. Crais was a Strategic Sales Representative for I-STAT Corporation from 1993 to 1999. Previously he had started an import/export company, and a marketing consulting company. Mr. Crais has served as an appointee for the State of Louisiana Imports and Exports Authority. He has a combined BA/BS degree from Loyola University, New Orleans, LA and has done graduate studies at Universidad Iberoamericana in Mexico City.

Grant Frazier, Vice President-Marketing. Mr. Frazier has served as our Vice President-Marketing since November 1999. Prior to joining us, Mr. Frazier served as Vice President-Marketing & Business Development at Mobile Technology Inc., a provider of magnetic resonance imaging, lithotripsy

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and cancer therapy services. Mr. Frazier joined MTI in December 1991 and was responsible for developing the first mobile radiation therapy cancer care service deployed within the United States. He led this strategic business unit until August 1998 before assuming his corporate marketing and business development responsibilities. Mr. Frazier holds a B.S. in Industrial Engineering from Stanford University and a M.B.A. from UCLA's Anderson School of Management.

George M. Saiz, Vice President - Manufacturing. Mr. Saiz has served as our Vice President-Manufacturing since January 2001. Prior to joining us, Mr. Saiz served from 1998 as Vice President & General Manager for Micro Motors, a private label supplier of powered and electronic devices for the specialty surgical and dental markets. From 1988 to 1998, he held general and operations management positions with the Shutt Medical Technologies division of Linvatec and the Hall Surgical division of Zimmer, both Bristol-Myers Squibb companies. His manufacturing experience at these companies included implants, power and hand equipment, electronic controllers and disposables. Mr. Saiz has a BS Business

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Administration from West Coast University and a MBA from University of La Verne.

### Classified Board of Directors

The Board of Directors is divided into three classes. In 2001, two classes contained two directors and one class contained three directors. Directors within each class are elected to serve three-year terms and approximately one-third of the directors sit for election at each annual meeting of our stockholders. Mr. Stoughton, and Mr. MacDonald serve in the class whose term expires in 2002, and Mr. Brenner and Mr. Kermes serve in the class whose term expires in 2003. Mr. Flatley and Ms. Mackie serve in the class whose term expires in 2004. Mr. Vladeck joined the Board of Directors in July 2001, filling the vacancy created by the departure of Mr. Smith, a member of the class of directors whose term expires in 2003. Mr. Vladeck's term thus expires in 2003. A classified board of directors may have the effect of deterring or delaying any attempt by any group to obtain control of us by a proxy contest since such third party would be required to have its nominees elected at two separate annual meetings of our Board of Directors in order to elect a majority of the members of our Board of Directors.

### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission ("SEC") initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than 10% stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the year ended December 31, 2001, the Company's officers, directors and greater than 10% beneficial owners complied with all Section 16(a) filing requirements applicable to them, except that Mr. Bruce Vladeck filed his Form 3 on February 14, 2002.

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### Item 11. Executive Compensation

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#### Summary Compensation Table

The following table sets forth, with respect to services rendered during 2001, 2000 and 1999, the total compensation paid by the Company to the Company's Chief Executive Officer and each other executive officer whose total annual salary and bonus exceeded \$100,000 during 2000 (the "named executive officers"). The Company has written employment agreements with Mr. Stoughton, Dr. Grove and Mr. Koch. No named executive officer who otherwise would have been includable in such table on the basis of salary and bonus earned during the year ended December 31, 2001 has resigned or otherwise terminated employment in 2001.

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| Name and Principal Position<br>-----     | Year<br>---- | Annual Compensation<br>----- |                | Under<br>Opt<br>--- |
|--|--------------|------------------------------|----------------|---------------------|
|  |              | Salary<br>-----              | Bonus<br>----- |                     |
| W. Vickery Stoughton                     | 2001         | \$ 249,167                   | ---            | 40,0                |
| Chairman of the Board of Directors and   | 2000         | \$ 249,336                   | ---            | 20,0                |
| Chief Executive Officer                  | 1999         | \$ 211,788                   | ---            | --                  |
| Thomas H. Grove                          | 2001         | \$ 191,667                   | ---            | 27,5                |
| Executive Vice President -- Research     | 2000         | \$ 193,329                   | ---            | 10,0                |
| and Development                          | 1999         | \$ 168,345                   | ---            | --                  |
| James R. Koch                            | 2001         | \$ 191,667                   | ---            | 50,0                |
| Executive Vice President and Chief       | 2000         | \$ 190,467                   | ---            | 10,0                |
| Financial Officer                        | 1999         | \$ 162,000                   | ---            | 1,2                 |
| Dennis E. Rieger                         | 2001         | \$ 191,667                   | ---            | 35,0                |
| Senior Vice President -- Information     | 2000         | \$ 184,375                   | ---            | 56,0                |
| Technology and Chief Information Officer | 1999         | \$12,750                     | ---            | 20,0                |
| Sandra P. Twyon                          | 2001         | \$ 172,500                   | ---            | 60,0                |
| Vice President - Operations              | 2000         | \$ 161,250                   | ---            | --                  |
|  | 1999         | ---                          | ---            | 25,0                |

(1) Includes \$6,011 contributed under a 401(k) Plan for Mr. Stoughton in 1999 and \$5,250 contributed under such 401(k) Plan in 2000 and 2001. In addition, includes a \$5,000 contribution under a 401(k) Plan for Mr. Grove and Mr. Koch, respectively, in 1999, and \$5,250 contributed under a 401(k) Plan for Mr. Grove, Mr. Koch respectively, in 2000 and 2001. In addition, includes a \$5,250 contribution under a 401(k) Plan for Ms Twyon under a 401(k) Plan in 2000 and a \$2,400 and \$1,333 contribution for Ms. Twyon and Mr. Rieger respectively, in 2001. Includes \$15,797 and \$3,603 of premiums paid for corporate-owned life insurance on the lives of Mr. Stoughton and Dr. Grove, in each year, respectively.

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## Stock Options Granted to Certain Executive Officers During 2001

The following table shows, as to named executive officers, information concerning stock options granted during 2001.

|           |            |
|-----------|------------|
| Number of | Percent of |
|-----------|------------|

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|------|
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|                      | Shares<br>Underlying<br>Options<br>Granted (1) | Total Options<br>Granted to<br>Employees in<br>2000 (2) | Exercise or<br>Base Price<br>Per Share (3) | Expiration<br>Date | Price<br>0<br>-<br>5<br>-- |
|----------------------|--|---|--|--------------------|----------------------------|
| W. Vickery Stoughton | 40,000   | 8.9%  | \$2.69                                     | 02/01/10           | \$ 6                       |
| Thomas H. Grove      | 27,500   | 6.1%  | \$2.69                                     | 02/01/10           | \$ 4                       |
| James R. Koch        | 60,000   | 13.4%   | \$2.69                                     | 02/01/10           | \$10                       |
| Dennis E. Rieger     | 35,000   | 7.8%  | \$2.69                                     | 02/01/10           | \$ 5                       |
| Sandra P. Twyon      | 60,000   | 13.4%   | \$2.69                                     | 02/01/10           | \$10                       |

- (1) All options were granted under our 1996 Incentive and Non-Qualified Stock Option Plan or 1998 Incentive and Non-Qualified Option Plan. The listed grant vested or will vest 25% at grant and 25% on December 31, 2001 and 1/48th each month for 24 months thereafter.
- (2) Based on an aggregate of 447,500 shares of Common Stock underlying options granted to employees in 2001.
- (3) Options were granted at fair market value, as determined by our Board of Directors, based on the market price of our publicly traded Common Stock at the date of grant.
- (4) Assumes stock price appreciation of 5% and 10% compounded annually from the date the respective options were granted to their expiration date, as mandated by the rules of the Securities and Exchange Commission, and does not represent our estimate or projection of the future appreciation of our stock price. Actual gains, if any, on stock option exercises and common stock holdings, are dependent upon the timing of such exercise and the future performance of the Common Stock and may be greater or less than the potential realizable value set forth in the table.

## Aggregated Options Exercised in Last Fiscal Year And Fiscal Year-end Option Values

The following table sets forth, as to the named executive officers, certain information concerning the number of shares subject to both exercisable and unexercisable stock options as of December 31, 2001. Also reported are values for unexercised "in-the-money" options, which values represent the positive spread between the respective exercise prices of outstanding stock options and the fair market value of the Company's Common Stock as of December 31, 2001. No options were exercised by the named executive officers in 2001.

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|      | Number of Shares<br>Underlying Unexercised<br>Options at Fiscal Year End |               | Value of Une<br>In-the-M<br>Options at Fisco |
|------|--|---------------|--|
| Name | Exercisable  | Unexercisable | Exercisable                                  |
| ---- | -----  | -----         | -----  |

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|                      |         |        |     |
|----------------------|---------|--------|-----|
| W. Vickery Stoughton | 198,808 | 30,982 | --- |
| Dr. Thomas H. Grove  | 102,923 | 19,433 | --- |
| James R. Koch        | 76,720  | 34,866 | --- |
| Dennis E. Rieger     | 91,100  | 19,900 | --- |
| Sandra P. Twyon      | 55,000  | 30,000 | --- |

### Compensation of Directors

The Company pays each director who is not also an employee of the Company (an "outside director") a fee of \$1,000 for each Board meeting and each Committee meeting attended by such director in person, \$500 for each such meeting attended telephonically, and an annual fee of \$5,000 payable semi-annually. The Company will also reimburse the directors for expenses incurred in attending Board of Directors or committee meetings. In addition, our non-employee directors have received options in each of the following years exercisable at the prices indicated

| Year:<br>Exercise Price: | 1997+<br>\$5.20 | 1998+<br>\$6.76 | 1999+<br>\$7.50 | 2000+<br>\$6.76 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|
| Anthony P. Brenner       | 2163            | 2163            | 2163            | 2000            |
| William F. Flatley       | 2163            | 2163            | 2163            | 2000            |
| Kenneth N. Kermes        | 2163            | 2163            | 2163            | 2000            |
| Alan C. McDonald         | 2163            | 2163            | 2163            | 2000            |
| Diana J. Mackie          | *               | *               | *               | 2000            |
| Bruce C. Vladeck         | 0               | 0               | 0               | 0               |

+ Awarded under our 1996 incentive and Non-Qualified Stock Option Plan.

(+) Awarded under our 1998 Director Stock Option Plan.

\* Precluded by SmithKline Beecham policy from receiving options.

### Employment Agreements

We are party to employment agreements with each of Mr. Stoughton, Dr. Grove and Mr. Koch. On the anniversary date of each employment agreement, the agreement is automatically extended for three-year rolling terms unless either party, at least 60 days prior to the annual extension date, gives notice that the employment agreement shall not be extended or otherwise terminates the agreement. Mr. Stoughton, Dr. Grove and Mr. Koch may resign upon 90 days notice to us. Under the employment agreements, Mr. Stoughton, Dr. Grove or Mr. Koch will be entitled to have his base salary, bonus and stock options continue to accrue through the end of the then current term if he is terminated without cause, or becomes disabled. "Cause" includes disloyalty, dishonesty, fraud, conviction of a felony or the disclosure of confidential information. Each will also be entitled to such amounts if he terminates his employment agreement as a result of a reduction in his duties, our breach of the employment agreement or a transaction resulting in our sale. The employment agreements prohibit Mr. Stoughton, Dr. Grove and

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Mr. Koch from engaging in the point-of-care diagnostics business outside of Careside during the term of such employment agreements.

Under their respective employment agreements, Mr. Stoughton serves as our Chairman of the Board of Directors and Chief Executive Officer, and currently earns an annual base salary of \$260,000, Dr. Grove serves as Executive Vice President--Research and Development, and currently earns an annual base salary of \$200,000, and Mr. Koch serves as our Chief Financial Officer, Treasurer and Executive Vice President, and currently earns an annual base salary of \$200,000. At the discretion of our Board of Directors, an annual bonus may be paid to Mr. Stoughton, Dr. Grove and Mr. Koch. In each case, the above salaries reflect increases since the original date of employment. We may agree to future raises and other compensation for each of Mr. Stoughton, Dr. Grove and Mr. Koch. In addition, Mr. Stoughton, Dr. Grove and Mr. Koch are eligible to receive stock options pursuant to the 1996 Incentive and Non-Qualified Stock Option Plan, the 1996 Key Executive Stock Option Plan and the 1998 Incentive and Non-Qualified Stock Option Plan. Such executive officers are also entitled to reimbursement for certain travel and entertainment expenses incurred in connection with the performance of their duties.

### BOARD COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation Committee of the Company currently consists of Mr. Brenner and Ms. Mackie, outside directors of the Company. The Committee was established in 1997 and is responsible for reviewing and making recommendations to the Board regarding all forms of compensation to be provided to the executive officers and directors of Careside, including stock compensation and loans, and all bonus and stock compensation to all employees. The goal of the Committee is to ensure that our compensation practices are sufficient to attract the necessary talent to enable growth from a development stage company into one with commercialized products. The Compensation Committee administers our 1996 Incentive and Stock Option Plan, 1996 Key Executive Stock Option Plan, 1998 Incentive and Non-Qualified Stock Option Plan, 1998 Director Stock Option Plan and Employee Stock Purchase Plan.

Careside's compensation program is designed to attract and retain experienced executives and motivate them for both the short and long term. The executive compensation program is comprised of four elements: competitive base salary, benefits comparable to those shared by the general employee population, annual bonus, and long term incentives linked to corporate performance.

### Compensation Committee Purposes

The Compensation Committee of the Board serves as an administrative arm of the Board to make decisions on behalf of the Board with respect to all forms of compensation to executive officers, and all bonus and stock compensation to employees.

Compensation for officers and key employees includes both cash and equity elements. Cash compensation consists of base salary, which is determined on the basis of the level of responsibility, expertise and experience of the employee, taking into account competitive conditions in the industry. In addition, cash bonuses may be awarded to officers and other key employees. Such bonuses are based on accomplishment of designated Company goals.

Ownership of the Company's Common Stock is a key element of executive compensation. Officers and other employees of Careside are eligible to

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participate in the 1996 Incentive and Stock Option Plan, 1996 Key Executive Stock Option Plan, 1998 Incentive and Non-Qualified Stock Option Plan and Employee Stock Purchase Plan. These plans permit the Board or a committee designated by the Board to grant stock options to employees on such terms as the Board or such committee may determine. Employee option grants typically vest over a four-year period and thus require the employee's continuing efforts. The Committee believes that it is in the stockholders' interests to link employee

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compensation as closely as possible to equity appreciation and thus to share with the employees the benefits of their efforts on behalf of our success.

### Description of 401(K) Plan

We have a 401(k) Salary Reduction Plan and Trust for eligible employees. Eligible employees may contribute up to 15% of their current compensation, up to a statutorily prescribed annual limit, to the 401(k) plan. Each participant is fully-vested in his or her deferred salary contributions. A participant's contributions are held in trust and invested pursuant to his or her directions from among 20 or more investment funds made available under the 401(k) plan. We may make matching contributions of 50% of each participant's deferred salary contributions, up to a maximum of 4% of such participant's compensation. Our matching contributions vest after a participant has completed three years of service with us, or earlier upon attainment of age 55, death while in service, retirement for disability or termination of the 401(k) plan. Payment of 401(k) plan benefits are made in a single lump-sum payment. Distribution of a participant's vested interest in his or her account generally occurs after a participant's termination of employment for any reason, including retirement, death or disability.

### Stock Performance Chart

The following Stock Performance Chart compares the Company's cumulative total stockholder return on its Common Stock for the period from June 16, 1999 (the date the Common Stock commenced trading on the American Stock Exchange) to December 31, 2001 (the date of the Company's 2001 fiscal year end) and its cumulative total stockholder return on its Common Stock and publicly-traded warrants for the period from June 16, 1999 to December 31, 2001, with the cumulative total return of the American Stock Exchange Index and the Health Products and Services Index. The comparison assumes \$1.00 was invested on June 16, 1999 in the Company's Common Stock and in each of the foregoing indices and assumes reinvestment of dividends.

[graph]

| Dates      | CSA Common<br>Stock | CSA Combined<br>Common Stock<br>and Warrant | AMEX Index | Health Products<br>& Services Index |
|------------|---------------------|---|------------|-------------------------------------|
| -----      | -----               | -----                                       | -----      | -----                               |
| 6/30/1999  | 1.000               | 0.817                                       | 1.047      | 1.053                               |
| 7/31/1999  | 0.938               | 0.983                                       | 1.030      | 1.101                               |
| 8/31/1999  | 0.865               | 0.858                                       | 1.005      | 1.072                               |
| 9/30/1999  | 0.927               | 0.926                                       | 1.020      | 1.059                               |
| 10/31/1999 | 0.823               | 0.800                                       | 1.029      | 1.042                               |

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|            |       |       |       |       |
|------------|-------|-------|-------|-------|
| 11/30/1999 | 0.990 | 1.025 | 1.101 | 1.125 |
| 12/31/1999 | 1.625 | 1.700 | 1.192 | 1.219 |
| 1/31/2000  | 2.042 | 2.100 | 1.156 | 1.426 |
| 2/29/2000  | 1.729 | 1.817 | 1.272 | 1.951 |
| 3/31/2000  | 1.854 | 1.833 | 1.317 | 1.720 |
| 4/30/2000  | 1.333 | 1.342 | 1.215 | 1.559 |
| 5/31/2000  | 0.917 | 0.958 | 1.194 | 1.326 |
| 6/30/2000  | 0.844 | 0.850 | 1.236 | 1.593 |
| 7/31/2000  | 0.896 | 0.883 | 1.224 | 1.556 |
| 8/31/2000  | 0.823 | 0.817 | 1.285 | 1.763 |
| 9/30/2000  | 0.531 | 0.542 | 1.260 | 1.862 |
| 10/30/2000 | 0.542 | 0.513 | 1.199 | 1.674 |
| 11/30/2000 | 0.396 | 0.350 | 1.084 | 1.479 |
| 12/30/2000 | 0.302 | 0.275 | 1.120 | 1.458 |
| 1/31/2001  | 0.433 | 0.413 | 1.187 | 1.605 |
| 2/29/2001  | 0.417 | 0.367 | 1.104 | 1.373 |
| 3/31/2001  | 0.417 | 0.381 | 1.051 | 1.238 |

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| Dates<br>----- | CSA Common<br>Stock<br>----- | CSA Combined<br>Common Stock<br>and Warrant<br>----- | AMEX Index<br>----- | Health Products<br>& Services Index<br>----- |
|----------------|------------------------------|--|---------------------|--|
| 4/30/2001      | 0.400                        | 0.400  | 1.138               | 1.450  |
| 5/31/2001      | 0.383                        | 0.360  | 1.144               | 1.502  |
| 6/30/2001      | 0.435                        | 0.401  | 1.129               | 1.560  |
| 7/31/2001      | 0.575                        | 0.513  | 1.081               | 1.335  |
| 8/31/2001      | 0.515                        | 0.452  | 1.037               | 1.299  |
| 9/30/2001      | 0.432                        | 0.399  | 0.922               | 1.195  |
| 10/30/2001     | 0.335                        | 0.304  | 0.957               | 1.271  |
| 11/30/2001     | 0.282                        | 0.252  | 0.983               | 1.298  |
| 12/30/2001     | 0.152                        | 0.129  | 1.018               | 1.377  |

### 2001 Executive Compensation

Executive compensation for 2001 included base salary, other compensation and, the grant of stock options (as reflected elsewhere in this Proxy Statement under "Option Grants in Year Ended December 31, 2001"). We paid no cash bonuses for 2001.

### 2001 Chief Executive Officer Compensation

The compensation for Mr. Stoughton included salary at the annual rate of \$260,000. Our Board of Directors increased Mr. Stoughton's salary to this amount effective April 2001 to reflect Mr. Stoughton's performance and competitive salaries in the marketplace. See "Executive Compensation - Summary Compensation Tables" and "- Employment Agreements."

### Limits of Deductibility of Compensation

Section 162(m) of the Internal Revenue Code imposes a \$1

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million limit on the allowable tax deduction of compensation paid by a publicly-held corporation to its Chief Executive Officer and its other four most highly compensated executive officers employed at year-end, subject to certain pre-established objective performance-based exceptions. The Compensation Committee intends to take Section 162(m) into account when formulating its compensation policies for the Company's Chief Executive Officer and its other Executive Officers and to comply with Section 162(m), if and where the Committee determines compliance to be practicable and in the best interests of the Company and its stockholders.

### Summary

The Compensation Committee advises the Board regarding our cash and equity incentive programs for the purpose of attracting and retaining highly skilled executives who will promote our business goals and providing incentive for these persons to achieve goals which are intended to build long-term stockholder value.

2001 Compensation Committee of the Board of Directors.

Anthony P. Brenner  
Diana J. Mackie

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### Item 12. Security Ownership of Certain Beneficial Owners and Management

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At April 25, 2002, we had 19,066, 336 shares of Common Stock outstanding. As of that date, we had 50,000,000 shares of Common Stock authorized of which approximately 10,000,000 have been reserved for issuance pursuant to securities issued previously or pursuant to our equity compensation plans, leaving approximately 28,700,000 authorized but unissued shares of Common Stock. In addition, at April 25, 2002 we had 5,000,000 shares of preferred stock authorized of which 162,914 shares have been designated Series A Convertible Preferred Stock and 350 shares have been designated Series B Convertible Preferred Stock, 619 shares have been designated Series C Convertible Preferred Stock. No shares of preferred stock are outstanding at this time.

The table below sets forth certain information regarding the beneficial ownership of our Common Stock as of April 25, 2002, by (i) each person or group of affiliated persons known by us to be the beneficial owner of more than 5% of our outstanding Common Stock, (ii) each of our directors, (iii) each of our executive officers and (iv) all of our executive officers and directors as a group.

The number of shares of Common Stock actually owned by each principal stockholder is listed in Column A, entitled "Shares of Common Stock." In addition, each principal stockholder is deemed to be the beneficial owner of Common Stock that such stockholder can acquire upon the exercise of warrants or vested options on or within 60 days after April 25, 2002. These option and warrant shares are listed separately in Column B, entitled "Shares Underlying Options/Warrants." The total of these two columns is then set forth in Column C. Each principal stockholder's maximum potential percentage ownership is in Column D.

Unless otherwise noted, we believe that all persons named in the table have sole voting and investment power with respect to all shares beneficially

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owned by them.

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| Name of Beneficial Owner<br>-----  | (A)<br>Shares of<br>Common<br>Stock<br>----- | (B)<br>Shares<br>Underlying<br>Options/<br>Warrants<br>----- | Be<br>O<br>(A)<br>-- |
|--|--|--|----------------------|
| RoyCap, Inc. ....<br>4100 Yonge Street, Suite 504<br>Toronto, Ontario M2P 2G2, Canada  | 1,797,631 (1)                                | 4,003,330 (2)  | 5                    |
| Peter Friedli .....<br>c/o Friedli Corp. Finance<br>Freigustrasse 5<br>8002 Zurich, Switzerland                                  | 2,116,472 (3)                                | 130,122 (4)  | 2                    |
| Kevin Kimberlin .....<br>c/o Spencer Trask Securities Incorporated<br>535 Madison Avenue, 18th Floor<br>New York, New York 10022 | 765,891 (5)                                  | 336,349 (6)  | 1                    |
| W. Vickery Stoughton .....<br>c/o Careside, Inc.<br>6100 Bristol Parkway<br>Culver City, California 90230                        | 340,505                                      | 179,826  |                      |
| Zesiger Capital Group LLC<br>320 Park Avenue, 30th Floor<br>New York, New York 10022   | 1,582,680 (8)                                | 0  | 1                    |
| Chester L.F. and Jacqueline Paulson .....<br>811 S.W. Naito Parkway, Suite 200<br>Portland, OR 97204                             | 2,404,507 (9)                                | 369,350 (10)   | 2                    |
| Dr. Thomas H. Grove  | 205,294                                      | 92,364   |                      |
| James R. Koch .....  | 4,641  | 59,094   |                      |
| Dennis E. Rieger .....   | --   | 47,816   |                      |
| Sandra P. Twyon .....  | 3,411  | 40,000   |                      |
| William F. Flatley .....   | 15,470                                       | 15,989   |                      |
| Anthony P. Brenner .....   | 10,769                                       | 15,989   |                      |
| Kenneth N. Kermes .....  | 2,959  | 13,826   |                      |
| Diana J. Mackie .....  | 4,438  | 9,500  |                      |
| C. Alan MacDonald .....  | --   | 15,989   |                      |
|  | 587,487                                      | 490,393  | 1                    |

All executive officers and directors as a group (10 persons)

\*Represents less than 1% of our outstanding shares of Common Stock.

(1) Voting control and investment power of these shares is held by Mark Shoom who owns all of the shares of RoyCap, Inc.

(2) Includes 3,978,330 shares issuable upon exercise of our Callable Common

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Warrant issued in September 2000 and 25,000 shares issuable upon exercise of a Warrant issued in September 2000. Voting control and investment power of these shares is held by Mark Shoom who owns all of the shares of RoyCap, Inc. The

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number of shares included in Column A is based upon the Schedule 13G filed with the SEC on February 5, 2002.

- (3) Includes 1,789,993 shares of Common Stock owned by Venturetec, Inc., of which Mr. Friedli is the controlling stockholder.
- (4) Includes 75,644 shares of Common Stock issuable upon the exercise of warrants owned by Pine Incorporated, a corporation owned and controlled by Mr. Friedli
- (5) Includes 371,090 shares of Common Stock held by Oshkim Limited Partners, L.P. and 339,041 shares of Common Stock held by Kevin Kimberlin Partners, L.P., both of which are limited partnerships of which Mr. Kimberlin is the general partner, and 55,760 shares of Common Stock held by Spencer Trask Securities Incorporated, of which Mr. Kimberlin is Chairman and exercises voting control.
- (6) Includes 20,517 shares of Common Stock issuable upon the exercise of warrants held by Oshkim Limited Partners, L.P. and 38,095 shares of Common Stock issuable upon the exercise of warrants held by Kimberlin Partners, L.P. Also includes 277,737 shares of Common Stock issuable upon the exercise of warrants owned by Spencer Trask Securities Incorporated of which Mr. Kimberlin is Chairman and exercises voting control.
- (7) Includes 179,696 shares of Common Stock underlying shares of Common Stock issuable upon exercise of warrants owned by S.R. One, Limited, an affiliate of SmithKline Beecham Corporation. Also includes 235,294 shares of Common Stock issuable upon exercise of bridge loan warrants owned by S.R. One, Limited.
- (8) Based on the Schedule 13G/A filed with the SEC on February 14, 2002.
- (9) Includes 21,555 shares of Common Stock owned directly by Mr. Paulson and 2,382,502 shares of Common Stock owned in the name of Paulson Investment Company, Inc. ("PIC") an affiliated entity of Mr. and Mrs. Paulson.
- (10) Includes warrants held by Mr. Paulson to purchase 21,700 shares of Common Stock and Warrants held by PIC to purchase 369,305 shares of Common Stock.

### Item 13. Certain Relationships and Related Transactions

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Neither Mr. Brenner nor Ms. Mackie, who are the current members of the Compensation Committee has been, at any time since our formation, an officer or employee of ours. In addition, none of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board of Directors



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or Compensation Committee. Ms. Mackie, who co-led the merger integration process of GlaxoSmithKline, was nominated to serve on the Board of Directors by SmithKline Beecham Corporation pursuant to the terms of a stockholders' agreement by and among us and our stockholders and warrant holders prior to our initial public offering.

In addition, we continued in 2001 to utilize the software development services of Advanced Medical Information Technologies, Inc., also known as AdMIT. AdMIT is a company in which our Chief Information Officer during fiscal 2001, Dennis Rieger, has an equity interest. We paid AdMIT \$12,000 in 2001. In addition, we paid an equity owned in part by Mr. Reiger's brother approximately \$506,000 for programming services during 2001. These services were at what we believed were below market rates for comparable services.

In November 2001, S.R. One, Limited agreed to extend the maturity date of the note we owe them to May 2002. The original principal amount of the note is \$2 million. It is the remaining obligation we have from the loan S.R. One made to us in December 1998, a third of which was converted

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to Series A Preferred Stock, which was in turn converted to common equity in July 2000. S.R. One has the option to convert all or any portion of the remaining loan, plus accrued interest thereon, into shares of Series A Convertible Preferred Stock. We also issued a bridge warrant to S.R. One in connection with the bridge financing. The bridge warrant is exercisable for 235,294 shares of common stock at an exercise price of \$6.37 and will expire on June 16, 2004. S.R. One is a venture capital affiliate of GlaxoSmithKline.

On November 29, 2000, December 21, 2000 and January 24, 2001, Careside engaged in three closings of a private placement of common stock and warrants to purchase common stock. Each purchaser in the private placement is an entity controlled by Peter Friedli, who owns more than 5% of our outstanding common stock.

In a series of transactions between January and July 2001, RoyCap, Inc. converted shares of Series B Convertible Preferred Stock into shares of Careside's common stock. In July and August 2001, Careside made calls under its callable warrant transaction with RoyCap. A total of 11,190 shares were issued at an average price of \$3.31 per share. RoyCap, Inc. is an investor that would beneficially own more than 5% of our common stock assuming exercise of all callable warrant shares.

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### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized, in Culver City, California, on the 29th day of April, 2002.

CARESIDE, INC.

By:           /s/ W. Vickery Stoughton  
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W. Vickery Stoughton  
Chairman of the Board of Directors  
and Chief Executive Officer

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