



STATE OF NEW YORK
DEPARTMENT OF HEALTH
CORNING TOWER BUILDING
ALBANY, N.Y. 12237

PUBLIC HEALTH COUNCIL

October 5, 2005

[REDACTED]
Member and Manager
Buffalo Womenservices, LLC
2500 Main Street
Buffalo, New York 14214

Re: Application # ~~042146~~ - Buffalo Womenservices, LLC (Erie County)

Dear [REDACTED]

I HEREBY CERTIFY THAT AFTER INQUIRY and investigation, the application of Buffalo Womenservices, LLC is APPROVED, the contingencies having now been fulfilled satisfactorily. The Public Health Council had considered this application and imposed the contingencies at its meeting of May 13, 2005.

Public Health Council approval is not to be construed as approval of property costs or the lease submitted in support of the application. Such approval is not to be construed as an assurance or recommendation that property costs or lease amounts as specified in the application will be reimbursable under third party payor reimbursement guidelines.

To complete the requirements for certification approval, please contact the Western Region/Buffalo Office of the New York State Office of Health Systems Management, 584 Delaware Avenue, Buffalo, New York 14202-1295, or (716) 847-4302, within 30 days of receipt of this letter.

Sincerely,

Donna W. Peterson
Executive Secretary

/md



STATE OF NEW YORK
DEPARTMENT OF HEALTH
CORNING TOWER BUILDING
ALBANY, N.Y. 12237

PUBLIC HEALTH COUNCIL

October 5, 2005


[REDACTED]
Member and Manager
Buffalo Womenservices, LLC
2500 Main Street
Buffalo, New York 14214

Re: Certificate of Amendment of the Articles of Organization of Buffalo
Womenservices LLC

Dear [REDACTED]

AFTER INQUIRY and INVESTIGATION and in accordance with action taken at a meeting of the Public Health Council held on the 13th day of May, 2005, I hereby certify that the Public Health Council consents to the filing of the Certificate of Amendment of the Articles of Organization of Buffalo Womenservices LLC, dated October 15, 2004.

Sincerely,

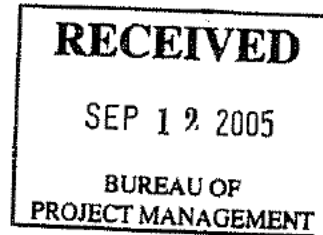

Donna W. Peterson
Executive Secretary

/md

Buffalo Womenservices, LLC
2500 Main Street
Buffalo, New York 14214
[REDACTED]

September 2, 2005

Judith D. Pendergast
Senior Health Planner
Bureau of Project Management
State Of New York Department of Health
433 River Street, Suite 303
Troy, New York 12180-2299



Re: 042146 - E
Buffalo Womenservices, LLC
(Erie County)
Establishment of a new owner and operator

Dear Ms. Pendergast:

Please find enclosed two copies of the following items regarding contingency #2
*Submission of an agreement, acceptable to the Department, regarding the provision of
quality oversight functions:*

- 1) The Curriculum Vitae of [REDACTED] Women's Health Nurse Practitioner who has contracted with Womenservices as the Quality Assurance Consultant.
- 2) Executed copies of an agreement between [REDACTED] and Buffalo Womenservices, LLC regarding her role as the Consultant.

Please contact me if you have further questions. Thank you.

Sincerely,
[REDACTED]

Handwritten signature

AGREEMENT

This Agreement made between _____ RNC, NY and BUFFALO WOMENSERVICES, LLC., a New York State licensed diagnostic and treatment center located at 2500 Main Street, Buffalo, New York 14214.

WHEREAS, Buffalo Womenservices seeks to obtain the services of _____, hereafter referred to as the Quality Assurance Consultant to provide quarterly quality oversight of the policies and procedures of this Article 28 Diagnostic and Treatment facility.

NOW, THEREFORE, in consideration of the mutual promises herein set forth, the parties agree as follows:

The services to be provided under this Agreement shall be provided in accordance with the following terms and conditions:

1. CERTIFICATION

The Quality Assurance Consultant shall provide sufficient indication of any necessary training and experience and/or any certification and provide proof of such certification which conforms to Health Department codes and regulations.

2. SERVICES

The Quality Assurance Consultant agrees to conduct quarterly audits of policies, procedures, and documentation and then provide a report to be reviewed by the Quality Assurance Committee.

The Quality Assurance Consultant will offer expertise on continuing compliance concerning record retention, access and confidentiality, record completion, clinical benchmarks, and appropriate policies and procedures. The consultant will make recommendations and monitor corrective measures.

The Quality Assurance Consultant will oversee the responsible management necessary to meet the clinical needs of the patients.

3. REPORTS AND RECORDS

The Quality Assurance Consultant will be responsible for reviewing the policies and clinical procedures, taking a sampling of completed charts and procedures and preparing a report of findings.

4. INDEPENDENT CONTRACTOR

The Quality Assurance Consultant shall be deemed an independent contractor and shall not be considered an agent, partner or employee of Buffalo Womenservices.

5. NON-DISCRIMINATION

Both the Quality Assurance Consultant and Buffalo Womenservices agree that each

shall comply with all Federal and State laws, rules and regulations concerning non-discrimination. No patients shall be discriminated against in regards to race, creed, color, religion, national origin, sex, sexual preference, blindness, handicap, sponsor or marital status.

6. CODE COMPLIANCE

Notwithstanding any other provisions in this contract, Buffalo Womenservices remains responsible for ensuring that any service provided pursuant to this contract complies with all pertinent provisions of Federal, State and local statutes, rules and regulations.

7. NOTICES

All notices to parties must be in writing and addressed as follows:

To Buffalo Womenservices:

[REDACTED] LMSW
Executive Director
Buffalo Womenservices, LLC.
2500 Main Street
Buffalo, New York 14214

8. MODIFICATIONS

Modifications to this agreement shall be in writing and signed by those persons who are duly authorized by their respective corporations to modify this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date herein above written.

BUFFALO WOMENSERVICES, LLC.

[REDACTED]

Operator

[REDACTED]

Quality Assurance Consultant



STATE OF NEW YORK
DEPARTMENT OF HEALTH

433 River Street, Suite 303

Troy, New York 12180-2299

Antonia C. Novello, M.D., M.P.H., Dr.P.H.
Commissioner

Dennis P. Whalen
Executive Deputy Commissioner

August 25, 2005

[REDACTED]
Member and Manager
Buffalo WomenServices, LLC
2500 Main Street
Buffalo, New York 14214

Re: 042146 - E
Buffalo WomenServices, LLC
(Erie County)
Establishment of a new owner and
operator

Dear [REDACTED]

Material submitted to address contingency #2, *Submission of an agreement, acceptable to the Department, regarding the provision of quality oversight functions*, on the above referenced project was reviewed and found unacceptable. In order to satisfy the contingency the following is required:

- Quality assurance agreement must be with an outside entity and describe process for conducting reviews.

Two copies of your response to this matter are required within thirty (30) days. If you have any questions regarding this matter, please contact Ms. Susan Berry at (518) 402-1003.

Sincerely,

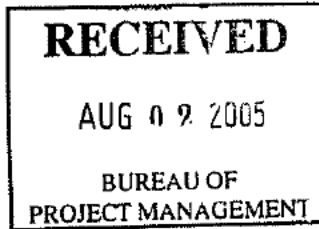
Judith D. Prendergast
Senior Health Planner
Bureau of Project Management

cc: Ms. Berry

Buffalo Womenservices LLC
2500 Main Street
Buffalo, New York 14214
[REDACTED]

July 16, 2005

Ms. Diane M. Smith
Acting Director
Information and Technology Services Group
NYS Department of Health
Hedley Building - 6th Floor
433 River Street
Troy, New York 12180-2299



RE: 042146-E
Buffalo Womenservices, LLC
(Erie County)
Establishment of New Owner and Operator

Dear Ms. Smith:

Based on the required contingencies, please find enclosed 4 copies of the following information:

1. The executed transfer and affiliation agreement with [REDACTED]
2. A statement from the [REDACTED] which provides the quality oversight functions for Buffalo Womenservices, LLC.
- 3 and 4. Commitment letters from the Bank of America regarding the working capital loan and personal borrowing loan.
5. With respect to contingency number 5 (executed promissory notes), Michele Doyle at BFA has agreed to remove this contingency. Instead, we will provide the Department with copies of the signed promissory notes as soon as possible after closing of the asset purchase.

Please contact me if you have questions or require more information. Thank you.

Sincerely,

[REDACTED]

Clinic Director

55760

Bank of America



Joanne M. Campagna
Senior Vice President
Sr. Client Manager
Small Business Banking

Bank of America
NY7-101-09-03
10 Fountain Plaza
Buffalo, NY 14202

Tel 716.879.3645
Fax 716.847.4409
joanne.m.campagna@bankofamerica.com

August 1, 2005

[REDACTED]
2500 Main Street
Buffalo, NY 14214

Dear [REDACTED]

Thank you for selecting Bank of America, N.A. (the "Bank") for your current financing needs. We are pleased to inform you that we have approved financing which is outlined in the attached exhibits.

These exhibits summarize elements in the documents you will execute at closing. Please review the exhibits carefully, and don't hesitate to ask us about any term that is unclear.

To acknowledge and accept the terms of the Bank's commitment, please provide the appropriate signatures required on the exhibits, and return the signed exhibits to the Bank. This commitment shall expire if we do not receive your acceptance by August 31, 2005, with time being of the essence.

Please note that the terms of this commitment cannot be changed orally, but only in writing, signed by all parties. In addition, this commitment supersedes all prior agreements relating to this subject matter.

Please call me at 1-888-852-5000 x1092 if you have any questions or would like to discuss your banking needs further.

Sincerely,

Joanne Campagna
Senior Vice President

Enc: Exhibit A - Line of Credit
Exhibit B - Term Loan



2000-2004
USA Olympic Teams

Bank of America, N.A.

Bank of America

EXHIBIT A

Borrower(s): Buffalo Womenservices LLC

Credit Facility: Line of Credit

Amount: \$150,000.00

Interest Rate: Bank's Prime Rate Plus 1.00% , Variable.

Fees: Commitment Fee - A non-refundable SBA Packaging fee of \$1,000.00 is due and payable at closing. Guaranty Fee - A non-refundable commitment fee of \$1,500.00 is due and payable at closing.

Term: 12 Months.

Payment Schedule: Interest only to be paid on a monthly basis. In addition, at least once every 12 months, borrower shall pay such amounts to maintain a loan balance of no more than \$37,500 for at least 30 consecutive days.

Guarantor(s): [REDACTED] Unlimited
[REDACTED] - Unlimited

Use of Proceeds: Working Capital

Collateral: First priority security interest on all business assets.

Insurance: Borrower shall maintain adequate hazard and liability insurance, including flood insurance, if required, satisfactory to the Bank. All insurance policies will contain a standard clause naming the Bank, its successors and assigns, as their interests may appear, as additional insured and/or mortgagee/loss payee. At closing, Borrower shall provide the Bank with certificates of compliance regarding such insurance.
Borrower shall provide a lender's title insurance policy naming the Bank as the insured, and in such amount, with such endorsements, and containing such other terms and provisions as required by the Bank.

Additional Terms And Conditions: Guaranty of US Small Business Administration of 50% of the loan and compliance with terms and conditions of the SBA Authorization.
Accounts: Borrower shall maintain its principal depository accounts at the Bank.
Expenses: Borrower shall pay all costs and expenses incurred by the Bank in connection with the Bank's review, due diligence, closing, and administration of the credit facility and the enforcement of the Loan Documents, including the fees and expenses of counsel (in-house or outside) to the Bank for the negotiation and preparation of the Loan

EXHIBIT A

Documents, the costs of any environmental investigation and audit, lien searches, appraisal, title insurance premiums, survey and inspection fees, transactional and mortgage taxes and filing fees, whether or not the credit facility actually closes.

Termination: This Commitment is based on the Bank's current knowledge and understanding of the Borrower's financial condition. It may be terminated by the Bank should any representations or warranties made by the Borrower to the Bank, whether oral or in writing, prove incorrect in any material respect or in the event a material adverse change shall have occurred affecting, in the Bank's opinion, the business assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Borrower, or the ability of the Borrower to perform any material obligations arising under the Loan Documents.

Late Fees: Late payments shall be subject to the Bank's standard late fee applicable in the Governing Law State.

Default Interest: In the event of a default under the Loan Documents, the Bank may, at its option, increase the contract interest rate by 4%.

Completion of Due Diligence and Compliance with Law: This Commitment is subject to confirmation of all necessary internal credit and other Bank approvals and review by the Bank of any pending items; the receipt of any necessary governmental and other consents and approvals; and the Borrower's compliance in all material respects with applicable laws and regulations.

Confidentiality: This commitment letter is delivered to the Borrower with the understanding that neither it nor any of its terms and conditions will be disclosed to any persons or entities, except those with a confidential relationship with the Borrower in relation to the credit transaction or where disclosure is required by law.

Amendment, Assignment and Survival. This Commitment supercedes any and all prior and contemporaneous communications between the Borrower and the Bank, whether oral or written, and may not be modified except in a written instrument signed by the Bank and all parties to this letter. The loan proceeds shall not be assignable without the Bank's prior written consent. To the extent not inconsistent with the Loan Documents, the terms and conditions of this commitment letter shall survive the closing of the transaction.

Governing Law: The Loan Documents shall be subject to the laws of the state where the Bank's office that originates the loan is located.

Borrower: Buffalo Womenservices LLC

Guarantor: [REDACTED]

EXHIBIT A

By: _____
[Title]: _____

By: _____
Individually

Guarantor 

By: _____
Individually

EXHIBIT B

Borrower(s): [REDACTED]

Credit Facility: Term Loan

Amount: \$150,000.00

Interest Rate: Cost of Funds Rate Plus 2.25%. Interest rate to be fixed at closing for the term of this loan. If the loan were to close today, the fixed rate would be 6.81%. However, the actual rate at closing may be higher or lower, depending upon the Bank's cost of funds and current interest policy.

Fees: Loan Origination Fee - A non-refundable loan origination fee of \$1,500.00 will be due and payable at closing.

Term: 84 Months.

Payment Schedule: 84 equal monthly payments of principal and interest combined, based on a 84-month amortization schedule.

Prepayment Fee: Borrower may prepay up to twenty percent (20%) of the face amount of this Note in any Annual Period without the payment of a prepayment fee or premium. "Annual Period" means the period commencing on the date of this Note and ending twelve (12) months thereafter, and each subsequent twelve-month period. Prepayments in any Annual Period which exceed, in the aggregate, twenty percent (20%) of the face amount of this Note ("Excess Prepayments") must be accompanied by payment of a prepayment fee as follows:

- During the first Annual Period, 5% of the Excess Prepayments;
- During the second Annual Period, 4% of the Excess Prepayments;
- During the third Annual Period, 3% of the Excess Prepayments;
- During the fourth Annual Period, 2% of the Excess Prepayments;
- During the fifth Annual Period, 1% of the Excess Prepayments.

No prepayment fee will be assessed after the fifth Annual Period. Partial prepayments shall be applied to the most remote payment of principal due under this Note.

Use of Proceeds: Working Capital
Purchase of [REDACTED]

Collateral: First mortgage on the real estate located at 2500 Main Street, Buffalo, NY 14214, and an assignment of leases and rents.

Appraisal: A TAVI (Tax Assessment Value Index) is required and shall be ordered

EXHIBIT B

by the Bank and is to be paid for by the Borrower. The Tavi must demonstrate that the property to be mortgaged shall have a fair market value of at least \$215,000.00 and must be satisfactory to the Bank in all respects. In the event that a TAVI is not applicable or can not be generated for this property, the Bank may require other methods of evaluation up to a limited appraisal.

Insurance:

Borrower shall maintain adequate hazard and liability insurance, including flood insurance, if required, satisfactory to the Bank. All insurance policies will contain a standard clause naming the Bank, its successors and assigns, as their interests may appear, as additional insured and/or mortgagee/loss payee. At closing, Borrower shall provide the Bank with certificates of compliance regarding such insurance.

Borrower shall provide a lender's title insurance policy naming the Bank as the insured, and in such amount, with such endorsements, and containing such other terms and provisions as required by the Bank.

**Additional Terms
And Conditions:**

Accounts: Borrower shall maintain its principal depository accounts at the Bank.

Expenses: Borrower shall pay all costs and expenses incurred by the Bank in connection with the Bank's review, due diligence, closing, and administration of the credit facility and the enforcement of the Loan Documents, including the fees and expenses of counsel (in-house or outside) to the Bank for the negotiation and preparation of the Loan Documents, the costs of any environmental investigation and audit, lien searches, appraisal, title insurance premiums, survey and inspection fees, transactional and mortgage taxes and filing fees, whether or not the credit facility actually closes.

Termination: This Commitment is based on the Bank's current knowledge and understanding of the Borrower's financial condition. It may be terminated by the Bank should any representations or warranties made by the Borrower to the Bank, whether oral or in writing, prove incorrect in any material respect or in the event a material adverse change shall have occurred affecting, in the Bank's opinion, the business assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Borrower, or the ability of the Borrower to perform any material obligations arising under the Loan Documents.

Late Fees: Late payments shall be subject to the Bank's standard late fee applicable in the Governing Law State.

Default Interest: In the event of a default under the Loan Documents, the Bank may, at its option, increase the contract interest rate by 4%.

Completion of Due Diligence and Compliance with Law: This

EXHIBIT B

Commitment is subject to confirmation of all necessary internal credit and other Bank approvals and review by the Bank of any pending items; the receipt of any necessary governmental and other consents and approvals; and the Borrower's compliance in all material respects with applicable laws and regulations.

Confidentiality: This commitment letter is delivered to the Borrower with the understanding that neither it nor any of its terms and conditions will be disclosed to any persons or entities, except those with a confidential relationship with the Borrower in relation to the credit transaction or where disclosure is required by law.

Amendment, Assignment and Survival. This Commitment supercedes any and all prior and contemporaneous communications between the Borrower and the Bank, whether oral or written, and may not be modified except in a written instrument signed by the Bank and all parties to this letter. The loan proceeds shall not be assignable without the Bank's prior written consent. To the extent not inconsistent with the Loan Documents, the terms and conditions of this commitment letter shall survive the closing of the transaction.

Governing Law: The Loan Documents shall be subject to the laws of the state where the Bank's office that originates the loan is located.

Borrower: [REDACTED]

By: _____

[Title]: _____

This Agreement is made as of this 2 of June, 2005 by and between KALEIDA HEALTH, having its principal place of business at 100 High Street, Buffalo, New York 14203 (hereinafter "Kaleida") and BUFFALO WOMENSERVICES, LLC, having its principal place of business at 2500 Main Street, Buffalo, New York 14214

WHEREAS, Kaleida operates five Article 28 acute care hospitals located at 100 High Street, Buffalo, New York 14203; 3 Gates Circle, Buffalo, New York 14209; 1540 Maple Road, Williamsville, New York 14221; 219 Bryant Street, Buffalo, New York 14222; and 445 Tremont Street, North Tonawanda, New York 14120 (the "Hospitals"); and

WHEREAS, BUFFALO WOMENSERVICES, LLC may from time to time need to obtain for its patients the services of the Hospitals;

WHEREAS, BUFFALO WOMENSERVICES, LLC operates programs for consumers 21 locations noted in Exhibit A;

Now, therefore, in consideration of the premises and mutual promises and provisions hereinafter contained, the parties agree as follows:

1. **GENERAL PROVISION:**

1.1. Nothing in this Agreement shall in any way affect the independent operations of either party. Neither party shall use the name of the other in any promotion or advertising material.

1.2 Neither party shall assume responsibility for the debts or obligations of the other, nor shall either party incur any debt or obligation on behalf of the other party.

1.3 No part of this Agreement shall be construed as an authorization for either party to accept reimbursement from the other for services rendered to any patient transferred from BUFFALO WOMENSERVICES, LLC to Kaleida, except to the extent that such an obligation would exist outside of this Agreement.

1.4 BUFFALO WOMENSERVICES, LLC shall have the responsibility to collect from the patient, or person legally responsible for the patient, payment for all charges, if any, related to the transfer of the patient from BUFFALO WOMENSERVICES, LLC to Kaleida.

1.5 Each party agrees to assume all responsibility for billing and collecting charges incurred by the patient at its facility.

1.6 Each party agrees to admit and treat all patients without regard to race, mental status, marital status, color, creed, religion, national origin, gender, disability, sexual orientation, age, or source of payment.

2. **TRANSFER TO KALEIDA:**

2.1 Kaleida agrees to accept transfers of patients from BUFFALO WOMENSERVICES, LLC subject to the provisions of the Agreement whenever deemed medically appropriate and mutually agreed upon by the physician responsible for the medical care of the patient at BUFFALO WOMENSERVICES, LLC's facility and by Kaleida's Medical Director or his/her designee.

2.2 Except as may otherwise be provided in Appendix "A" to this Agreement, the transfer of a patient from BUFFALO WOMENSERVICES, LLC to Kaleida shall be made in accordance with the following procedures:

(a) Prior to the initiation of the transfer, BUFFALO WOMENSERVICES, LLC shall contact Kaleida's Medical Director or his/her designee to determine if the required services are currently available and whether Kaleida has the capacity to provide the required treatment.

(b) Once the decision to request has been made, the treating physician at BUFFALO WOMENSERVICES, LLC will contact Kaleida's Medical Director, or his/her designee, to provide clinical information concerning the patient. Kaleida's Medical Director or his/her designee will make an evaluation of whether the transfer is medically appropriate. If any agreement is reached between BUFFALO WOMENSERVICES, LLC and Kaleida that the transfer is appropriate, the treating physician will so document in the patient's medical record. Documentation on an appropriate form shall also be included in the patient's medical record at Kaleida.

(c) The treating physician at BUFFALO WOMENSERVICES, LLC shall provide such medical treatment as may be required to stabilize the condition of the patient. He/she will also document in the medical record that, to a reasonable degree of medical certainty, the transfer will not create a medical hazard to the patient and it is in the patient's best interest despite the potential hazard of movement. BUFFALO WOMENSERVICES, LLC will not transfer a patient with a medical condition which is not stable or being managed unless the patient, or the person legally responsible for the patient, consents to the transfer or the treating physician determines that the expected medical benefits of the transfer and treatment at Kaleida outweigh the risk to the patient.

(d) Except in the event of a medical emergency, the treating physician will provide the patient, or the person legally responsible for the patient, with complete information explaining the medical treatment, the reasons for the need to transfer, and the risks to the patient from the proposed transfer. A patient shall not be transferred unless the patient, or person legally responsible for the patient, has signed an informed consent to transfer on a form mutually acceptable to the parties, or the treating physician has signed a written certification that the medical benefits from the treatment at Kaleida outweigh the risks to the patient. BUFFALO WOMENSERVICES, LLC shall document such explanation, reasons and risk in the patient's BUFFALO WOMENSERVICES, LLC medical record.

(e) BUFFALO WOMENSERVICES, LLC shall transfer the patient in a manner that is safe and medically approved in writing by the treating physician, using qualified personnel and any required certified transportation equipment and medically appropriate life support measures. If deemed necessary by Kaleida's Medical Director or designee, medical personnel from BUFFALO WOMENSERVICES, LLC will accompany the patient during transfer.

(f) The patient's personal effects, including monies and valuables, will be transported safely by BUFFALO WOMENSERVICES, LLC. BUFFALO WOMENSERVICES, LLC shall prepare a list of such personal effects which shall accompany the patient to Kaleida. Kaleida shall be responsible for reviewing the list upon the patient's admission, documenting receipt of the personal effects in the Kaleida medical record, and storing the patient's personal effects in a place known and reasonably accessible to the patient or the person legally responsible for the patient.

(g) Upon arrival of the patient at Kaleida, Kaleida shall assume responsibility for the care of the patient and shall admit the patient to Kaleida, if necessary.

(h) BUFFALO WOMENSERVICES, LLC shall complete and deliver with the patient the pertinent copies of the patient's medical records, including, but not limited to:

- (i) patient registration form used at BUFFALO WOMENSERVICES, LLC;
- (ii) insurance information ;
- (iii) pre-hospital care report;
- (iv) lab and x-ray reports, copies of EKG and/or monitor tracing;

(v) medical record including observation of signs or symptoms, preliminary diagnosis, treatment provided and results of any tests; and

(vi) informed consent to transfer signed by the patient, or person legally responsible for the patient, or physician's certification that the medical benefits of treatment at Kaleida outweigh the potential risk of transfer.

2.3 In respect of any transfers made pursuant to this Agreement, the parties agree to share diagnostic and other services, if and to the extent that the New York State Department of Health may find that such sharing is in the interest of efficiency, economy and quality of care.

3. **IDEMNIFICATION:**

3.1 BUFFALO WOMENSERVICES, LLC agrees to defend, hold harmless and indemnify Kaleida for claims against Kaleida arising out of treatment rendered to the patient transferred while the patient was at BUFFALO WOMENSERVICES, LLC 's facility or during the transport of the patient to Kaleida, notwithstanding that the condition giving rise to the claim does not become apparent until or after the patient is transferred to Kaleida.

3.2 Kaleida agrees to defend, hold harmless and indemnify BUFFALO WOMENSERVICES, LLC for claims against BUFFALO WOMENSERVICES, LLC arising out of the treatment rendered to the patient while at Kaleida.

4. **CODE COMPLIANCE:**

4.1 Notwithstanding any other provision in this Agreement, each party remains responsible for ensuring that all services provided at its respective facility complies with all applicable provisions of federal, state and local statutes, rules and regulations.

5. **TERM, TERMINATION AND RENEWAL:**

5.1 This Agreement shall become effective on the date first above written, and shall continue in effect thereafter until terminated with or without cause by either party upon sixty (60) days prior written notice to the other party.

5.2 This Agreement shall be deemed to be automatically terminated immediately if the license or operating certificate of either party is revoked or suspended by the New York State Department of Health or other state authority.

6. **ASSIGNMENT:**

6.1 Neither party to this Agreement shall assign or otherwise transfer its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld.

7. **MODIFICATION/AMENDMENTS:**

7.1 This Agreement shall be modified or amended only upon the agreement of the parties in writing and signed by the both parties.

8. **WAIVER:**

8.1 The waiver by either party of a breach of any provision of this Agreement by the other party shall not constitute or be construed as a waiver of any other breach by such other party of the same or any other provision.

9. **ENTIRE AGREEMENT:**

9.1 This Agreement contains and constitutes the entire agreement of the parties with respect to the subject matter herein and supersedes all prior understanding or agreements between the parties with respect to the subject matter.

10. **MISCELLANEOUS:**

10.1 The terms, covenants, conditions and provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns.

10.2 If any term or provision of this Agreement shall, to any extent, be found by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall not be affected, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

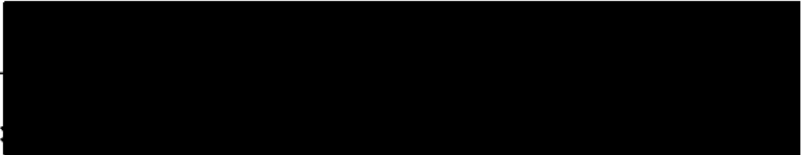
10.3 This Agreement shall be governed by the construct in accordance with the laws of the State of New York.

(continued on next page)

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

BUFFALO WOMENSERVICES, LLC

BY: _____



NAME: _____

TITLE: MEDICAL DIRECTOR

DATE: 6/2/05

KALEIDA HEALTH

BY: _____

A handwritten signature in cursive script, appearing to read "Robert S. Nolan", written over a horizontal line.

NAME: ROBERT S. NOLAN

TITLE: GENERAL COUNSEL

DATE: 6/17/05

Appendix A

No other provisions

July 21, 2005

To whom it may concern:

From [REDACTED] Clinical Services and Education Director

Buffalo Womenservices LLC, is a member in good standing of the [REDACTED] and endorsed by the organization as a quality provider of [REDACTED] care.

[REDACTED] is pleased to set high standards of quality [REDACTED] care. [REDACTED] *Clinical Policy Guidelines (CPGs)* serve as a convenient and readily usable set of systematically developed statements that assist practitioners in their efforts to provide quality, patient-centered care. First published in 1996 and revised annually, the CPGs distill a large body of medical knowledge into guidelines developed by consensus, based on rigorous review of relevant literature and known patient outcomes.

The CPGs are intended to provide a basis for ongoing quality assurance, help reduce unnecessary care and costs, help protect providers in malpractice suits, provide ongoing medical education and encourage research. The CPGs strive to allow for individual practitioner choices, patient care concerns, and provide a baseline of quality [REDACTED] care.

[REDACTED] Quality Assurance and Improvement (QAI) department works with [REDACTED] 400 institutional members to ensure compliance with the Clinical Policy Guidelines. The QAI department conducts on-site clinical service audits during which each guideline is addressed. Members who have completed the site visit process receive a certificate of compliance. Buffalo Womenservices LLC second [REDACTED] site visit occurred on June 29, 2005, and they were found to be in excellent compliance with the [REDACTED] guidelines.

Members also complete annual self-evaluations and receive a window decal signifying their compliance with the Clinical Policy Guidelines. In addition, [REDACTED] conducts on-going training with members that are CME accredited, analyzes complication data, and mediates patient complaints.

If there is anything I can do to be of more assistance in this matter, please let me know.

Sincerely,

[REDACTED]
Clinical Services and Education Director

██████████ is pleased to set high standards of quality ██████████ care. ██████████ *Clinical Policy Guidelines (CPGs)* serve as a convenient and readily usable set of systematically developed statements that assist practitioners in their efforts to provide quality, patient-centered care. First published in 1996 and revised annually, the CPGs distill a large body of medical knowledge into guidelines developed by consensus, based on rigorous review of relevant literature and known patient outcomes.

The CPGs are intended to provide a basis for ongoing quality assurance, help reduce unnecessary care and costs, help protect providers in malpractice suits, provide ongoing medical education and encourage research. The CPGs strive to allow for individual practitioner choices, patient care concerns, and provide a baseline of quality ██████████ care.

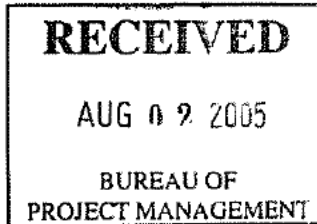
██████████ Quality Assurance and Improvement (QAI) department works with ██████████ 400 institutional members to ensure compliance with the Clinical Policy Guidelines. Our goal is to help members maximize the impact of their quality improvement and risk management efforts. The QAI department conducts on-site clinical service audits during which each guideline is addressed. Additionally, the on-site visit includes observation and improvement around OSHA, CLIA, HIPPA, emergency preparedness and other such areas. Also, the QAI staff helps members address any additional areas of quality concern and work together to solve challenges the member may be facing. Members who have completed the site visit process receive a certificate of compliance. Member feedback about the site visit program has been fantastic - citing the visits as a "very positive and rewarding experience," a great way to know "that we are providing the quality care we strive for," and "creating the opportunity for in depth re-evaluation and assessment of the service we provide."

Members also complete annual self-evaluations and receive a window decal signifying their compliance with the Clinical Policy Guidelines. In addition, ██████████ conducts on-going CME accredited training with members, analyzes complication data, and helps members utilize the few patient complaints they receive as opportunities for improvement. Furthermore, the QAI department works with members on a continual one-on-one basis via phone to assist members in improving their quality of care, as needed.

Buffalo Womenservices LLC
2500 Main Street
Buffalo, New York 14214
[REDACTED]

July 16, 2005

Ms. Diane M. Smith
Acting Director
Information and Technology Services Group
NYS Department of Health
Hedley Building - 6th Floor
433 River Street
Troy, New York 12180-2299



RE: 042146-E
Buffalo Womenservices, LLC
(Erie County)
Establishment of New Owner and Operator

Dear Ms. Smith:

Based on the required contingencies, please find enclosed 4 copies of the following information:

1. The executed transfer and affiliation agreement with [REDACTED]
2. A statement from the [REDACTED] which provides the quality oversight functions for Buffalo Womenservices, LLC.
- 3 and 4. Commitment letters from the Bank of America regarding the working capital loan and personal borrowing loan.
5. With respect to contingency number 5 (executed promissory notes), Michele Doyle at BFA has agreed to remove this contingency. Instead, we will provide the Department with copies of the signed promissory notes as soon as possible after closing of the asset purchase.

Please contact me if you have questions or require more information. Thank you.

Sincerely,

[REDACTED]

Clinic Director

55760

Bank of America

Joanne M. Campagna
Senior Vice President
Sr. Client Manager
Small Business Banking

Bank of America
NY7-101-09-03
10 Fountain Plaza
Buffalo, NY 14202

Tel: 716.879.3645
Fax: 716.847.4409
joanne.m.campagna@bankofamerica.com

August 1, 2005

[REDACTED]
2500 Main Street
Buffalo, NY 14214

Dear [REDACTED]

Thank you for selecting Bank of America, N.A. (the "Bank") for your current financing needs. We are pleased to inform you that we have approved financing which is outlined in the attached exhibits.

These exhibits summarize elements in the documents you will execute at closing. Please review the exhibits carefully, and don't hesitate to ask us about any term that is unclear.

To acknowledge and accept the terms of the Bank's commitment, please provide the appropriate signatures required on the exhibits, and return the signed exhibits to the Bank. This commitment shall expire if we do not receive your acceptance by August 31, 2005, with time being of the essence.

Please note that the terms of this commitment cannot be changed orally, but only in writing, signed by all parties. In addition, this commitment supersedes all prior agreements relating to this subject matter.

Please call me at 1-888-852-5000 x1092 if you have any questions or would like to discuss your banking needs further.

Sincerely,

Joanne Campagna
Senior Vice President

Enc: Exhibit A - Line of Credit
Exhibit B - Term Loan



2000-2004
U.S. Olympic Teams

Bank of America, N.A.

Revised Page

EXHIBIT A

Borrower(s): Buffalo Womenservices LLC

Credit Facility: Line of Credit

Amount: \$150,000.00

Interest Rate: Bank's Prime Rate Plus 1.00% , Variable.

Fees: Commitment Fee - A non-refundable SBA Packaging fee of \$1,000.00 is due and payable at closing. Guaranty Fee - A non-refundable commitment fee of \$1,500.00 is due and payable at closing.

Term: 12 Months.

Payment Schedule: Interest only to be paid on a monthly basis. In addition, at least once every 12 months, borrower shall pay such amounts to maintain a loan balance of no more than \$37,500 for at least 30 consecutive days.

Guarantor(s): [REDACTED] - Unlimited
[REDACTED] - Unlimited

Use of Proceeds: Working Capital

Collateral: First priority security interest on all business assets.

Insurance: Borrower shall maintain adequate hazard and liability insurance, including flood insurance, if required, satisfactory to the Bank. All insurance policies will contain a standard clause naming the Bank, its successors and assigns, as their interests may appear, as additional insured and/or mortgagee/loss payee. At closing, Borrower shall provide the Bank with certificates of compliance regarding such insurance.
Borrower shall provide a lender's title insurance policy naming the Bank as the insured, and in such amount, with such endorsements, and containing such other terms and provisions as required by the Bank.

Additional Terms And Conditions: Guaranty of US Small Business Administration of 50% of the loan and compliance with terms and conditions of the SBA Authorization.
Accounts: Borrower shall maintain its principal depository accounts at the Bank.
Expenses: Borrower shall pay all costs and expenses incurred by the Bank in connection with the Bank's review, due diligence, closing, and administration of the credit facility and the enforcement of the Loan Documents, including the fees and expenses of counsel (in-house or outside) to the Bank for the negotiation and preparation of the Loan

EXHIBIT A

Documents, the costs of any environmental investigation and audit, lien searches, appraisal, title insurance premiums, survey and inspection fees, transactional and mortgage taxes and filing fees, whether or not the credit facility actually closes.

Termination: This Commitment is based on the Bank's current knowledge and understanding of the Borrower's financial condition. It may be terminated by the Bank should any representations or warranties made by the Borrower to the Bank, whether oral or in writing, prove incorrect in any material respect or in the event a material adverse change shall have occurred affecting, in the Bank's opinion, the business assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Borrower, or the ability of the Borrower to perform any material obligations arising under the Loan Documents.

Late Fees: Late payments shall be subject to the Bank's standard late fee applicable in the Governing Law State.

Default Interest: In the event of a default under the Loan Documents, the Bank may, at its option, increase the contract interest rate by 4%.

Completion of Due Diligence and Compliance with Law: This Commitment is subject to confirmation of all necessary internal credit and other Bank approvals and review by the Bank of any pending items; the receipt of any necessary governmental and other consents and approvals; and the Borrower's compliance in all material respects with applicable laws and regulations.

Confidentiality: This commitment letter is delivered to the Borrower with the understanding that neither it nor any of its terms and conditions will be disclosed to any persons or entities, except those with a confidential relationship with the Borrower in relation to the credit transaction or where disclosure is required by law.

Amendment, Assignment and Survival. This Commitment supercedes any and all prior and contemporaneous communications between the Borrower and the Bank, whether oral or written, and may not be modified except in a written instrument signed by the Bank and all parties to this letter. The loan proceeds shall not be assignable without the Bank's prior written consent. To the extent not inconsistent with the Loan Documents, the terms and conditions of this commitment letter shall survive the closing of the transaction.

Governing Law: The Loan Documents shall be subject to the laws of the state where the Bank's office that originates the loan is located.

Borrower: Buffalo Womenservices LLC

Guarantor: [REDACTED]

EXHIBIT A

By: _____
[Title]: _____

By: _____
Individually

Guarantor: 

By: _____
Individually

EXHIBIT B

Borrower(s): [REDACTED]

Credit Facility: Term Loan

Amount: \$150,000.00

Interest Rate: Cost of Funds Rate Plus 2.25%. Interest rate to be fixed at closing for the term of this loan. If the loan were to close today, the fixed rate would be 6.81%. However, the actual rate at closing may be higher or lower, depending upon the Bank's cost of funds and current interest policy.

Fees: Loan Origination Fee - A non-refundable loan origination fee of \$1,500.00 will be due and payable at closing.

Term: 84 Months.

Payment Schedule: 84 equal monthly payments of principal and interest combined, based on a 84-month amortization schedule.

Prepayment Fee: Borrower may prepay up to twenty percent (20%) of the face amount of this Note in any Annual Period without the payment of a prepayment fee or premium. "Annual Period" means the period commencing on the date of this Note and ending twelve (12) months thereafter, and each subsequent twelve-month period. Prepayments in any Annual Period which exceed, in the aggregate, twenty percent (20%) of the face amount of this Note ("Excess Prepayments") must be accompanied by payment of a prepayment fee as follows:

- During the first Annual Period, 5% of the Excess Prepayments;
- During the second Annual Period, 4% of the Excess Prepayments;
- During the third Annual Period, 3% of the Excess Prepayments;
- During the fourth Annual Period, 2% of the Excess Prepayments;
- During the fifth Annual Period, 1% of the Excess Prepayments.

No prepayment fee will be assessed after the fifth Annual Period. Partial prepayments shall be applied to the most remote payment of principal due under this Note.

Use of Proceeds: Working Capital
Purchase of [REDACTED]

Collateral: First mortgage on the real estate located at 2500 Main Street, Buffalo, NY 14214, and an assignment of leases and rents.

Appraisal: A TAVI (Tax Assessment Value Index) is required and shall be ordered

EXHIBIT B

by the Bank and is to be paid for by the Borrower. The Tavi must demonstrate that the property to be mortgaged shall have a fair market value of at least \$215,000.00 and must be satisfactory to the Bank in all respects. In the event that a TAVI is not applicable or can not be generated for this property, the Bank may require other methods of evaluation up to a limited appraisal.

Insurance:

Borrower shall maintain adequate hazard and liability insurance, including flood insurance, if required, satisfactory to the Bank. All insurance policies will contain a standard clause naming the Bank, its successors and assigns, as their interests may appear, as additional insured and/or mortgagee/loss payee. At closing, Borrower shall provide the Bank with certificates of compliance regarding such insurance.

Borrower shall provide a lender's title insurance policy naming the Bank as the insured, and in such amount, with such endorsements, and containing such other terms and provisions as required by the Bank.

**Additional Terms
And Conditions:**

Accounts: Borrower shall maintain its principal depository accounts at the Bank.

Expenses: Borrower shall pay all costs and expenses incurred by the Bank in connection with the Bank's review, due diligence, closing, and administration of the credit facility and the enforcement of the Loan Documents, including the fees and expenses of counsel (in-house or outside) to the Bank for the negotiation and preparation of the Loan Documents, the costs of any environmental investigation and audit, lien searches, appraisal, title insurance premiums, survey and inspection fees, transactional and mortgage taxes and filing fees, whether or not the credit facility actually closes.

Termination: This Commitment is based on the Bank's current knowledge and understanding of the Borrower's financial condition. It may be terminated by the Bank should any representations or warranties made by the Borrower to the Bank, whether oral or in writing, prove incorrect in any material respect or in the event a material adverse change shall have occurred affecting, in the Bank's opinion, the business assets, liabilities (actual or contingent), operations, condition (financial or otherwise) or prospects of the Borrower, or the ability of the Borrower to perform any material obligations arising under the Loan Documents.

Late Fees: Late payments shall be subject to the Bank's standard late fee applicable in the Governing Law State.

Default Interest: In the event of a default under the Loan Documents, the Bank may, at its option, increase the contract interest rate by 4%.

Completion of Due Diligence and Compliance with Law: This

EXHIBIT B

Commitment is subject to confirmation of all necessary internal credit and other Bank approvals and review by the Bank of any pending items; the receipt of any necessary governmental and other consents and approvals; and the Borrower's compliance in all material respects with applicable laws and regulations.

Confidentiality: This commitment letter is delivered to the Borrower with the understanding that neither it nor any of its terms and conditions will be disclosed to any persons or entities, except those with a confidential relationship with the Borrower in relation to the credit transaction or where disclosure is required by law.

Amendment, Assignment and Survival. This Commitment supercedes any and all prior and contemporaneous communications between the Borrower and the Bank, whether oral or written, and may not be modified except in a written instrument signed by the Bank and all parties to this letter. The loan proceeds shall not be assignable without the Bank's prior written consent. To the extent not inconsistent with the Loan Documents, the terms and conditions of this commitment letter shall survive the closing of the transaction.

Governing Law: The Loan Documents shall be subject to the laws of the state where the Bank's office that originates the loan is located.

Borrower: [REDACTED]

By: _____

[Title]: _____

This Agreement is made as of this 2 of June, 2005 by and between KALEIDA HEALTH, having its principal place of business at 100 High Street, Buffalo, New York 14203 (hereinafter "Kaleida") and BUFFALO WOMENSERVICES, LLC, having its principal place of business at 2500 Main Street, Buffalo, New York 14214

WHEREAS, Kaleida operates five Article 28 acute care hospitals located at 100 High Street, Buffalo, New York 14203; 3 Gates Circle, Buffalo, New York 14209; 1540 Maple Road, Williamsville, New York 14221; 219 Bryant Street, Buffalo, New York 14222; and 445 Tremont Street, North Tonawanda, New York 14120 (the "Hospitals"); and

WHEREAS, BUFFALO WOMENSERVICES, LLC may from time to time need to obtain for its patients the services of the Hospitals;

WHEREAS, BUFFALO WOMENSERVICES, LLC operates programs for consumers 21 locations noted in Exhibit A;

Now, therefore, in consideration of the premises and mutual promises and provisions hereinafter contained, the parties agree as follows:

1. **GENERAL PROVISION:**

1.1. Nothing in this Agreement shall in any way affect the independent operations of either party. Neither party shall use the name of the other in any promotion or advertising material.

1.2 Neither party shall assume responsibility for the debts or obligations of the other, nor shall either party incur any debt or obligation on behalf of the other party.

1.3 No part of this Agreement shall be construed as an authorization for either party to accept reimbursement from the other for services rendered to any patient transferred from BUFFALO WOMENSERVICES, LLC to Kaleida, except to the extent that such an obligation would exist outside of this Agreement.

1.4 BUFFALO WOMENSERVICES, LLC shall have the responsibility to collect from the patient, or person legally responsible for the patient, payment for all charges, if any, related to the transfer of the patient from BUFFALO WOMENSERVICES, LLC to Kaleida.

1.5 Each party agrees to assume all responsibility for billing and collecting charges incurred by the patient at its facility.

1.6 Each party agrees to admit and treat all patients without regard to race, mental status, marital status, color, creed, religion, national origin, gender, disability, sexual orientation, age, or source of payment.

2. **TRANSFER TO KALEIDA:**

2.1 Kaleida agrees to accept transfers of patients from BUFFALO WOMENSERVICES, LLC subject to the provisions of the Agreement whenever deemed medically appropriate and mutually agreed upon by the physician responsible for the medical care of the patient at BUFFALO WOMENSERVICES, LLC's facility and by Kaleida's Medical Director or his/her designee.

2.2 Except as may otherwise be provided in Appendix "A" to this Agreement, the transfer of a patient from BUFFALO WOMENSERVICES, LLC to Kaleida shall be made in accordance with the following procedures:

(a) Prior to the initiation of the transfer, BUFFALO WOMENSERVICES, LLC shall contact Kaleida's Medical Director or his/her designee to determine if the required services are currently available and whether Kaleida has the capacity to provide the required treatment.

(b) Once the decision to request has been made, the treating physician at BUFFALO WOMENSERVICES, LLC will contact Kaleida's Medical Director, or his/her designee, to provide clinical information concerning the patient. Kaleida's Medical Director or his/her designee will make an evaluation of whether the transfer is medically appropriate. If any agreement is reached between BUFFALO WOMENSERVICES, LLC and Kaleida that the transfer is appropriate, the treating physician will so document in the patient's medical record. Documentation on an appropriate form shall also be included in the patient's medical record at Kaleida.

(c) The treating physician at BUFFALO WOMENSERVICES, LLC shall provide such medical treatment as may be required to stabilize the condition of the patient. He/she will also document in the medical record that, to a reasonable degree of medical certainty, the transfer will not create a medical hazard to the patient and it is in the patient's best interest despite the potential hazard of movement. BUFFALO WOMENSERVICES, LLC will not transfer a patient with a medical condition which is not stable or being managed unless the patient, or the person legally responsible for the patient, consents to the transfer or the treating physician determines that the expected medical benefits of the transfer and treatment at Kaleida outweigh the risk to the patient.

(d) Except in the event of a medical emergency, the treating physician will provide the patient, or the person legally responsible for the patient, with complete information explaining the medical treatment, the reasons for the need to transfer, and the risks to the patient from the proposed transfer. A patient shall not be transferred unless the patient, or person legally responsible for the patient, has signed an informed consent to transfer on a form mutually acceptable to the parties, or the treating physician has signed a written certification that the medical benefits from the treatment at Kaleida outweigh the risks to the patient. BUFFALO WOMENSERVICES, LLC shall document such explanation, reasons and risk in the patient's BUFFALO WOMENSERVICES, LLC medical record.

(e) BUFFALO WOMENSERVICES, LLC shall transfer the patient in a manner that is safe and medically approved in writing by the treating physician, using qualified personnel and any required certified transportation equipment and medically appropriate life support measures. If deemed necessary by Kaleida's Medical Director or designee, medical personnel from BUFFALO WOMENSERVICES, LLC will accompany the patient during transfer.

(f) The patient's personal effects, including monies and valuables, will be transported safely by BUFFALO WOMENSERVICES, LLC. BUFFALO WOMENSERVICES, LLC shall prepare a list of such personal effects which shall accompany the patient to Kaleida. Kaleida shall be responsible for reviewing the list upon the patient's admission, documenting receipt of the personal effects in the Kaleida medical record, and storing the patient's personal effects in a place known and reasonably accessible to the patient or the person legally responsible for the patient.

(g) Upon arrival of the patient at Kaleida, Kaleida shall assume responsibility for the care of the patient and shall admit the patient to Kaleida, if necessary.

(h) BUFFALO WOMENSERVICES, LLC shall complete and deliver with the patient the pertinent copies of the patient's medical records, including, but not limited to:

- WOMENSERVICES, LLC;
- (i) patient registration form used at BUFFALO
 - (ii) insurance information ;
 - (iii) pre-hospital care report;
 - (iv) lab and x-ray reports, copies of EKG and/or monitor tracing;

(v) medical record including observation of signs or symptoms, preliminary diagnosis, treatment provided and results of any tests; and

(vi) informed consent to transfer signed by the patient, or person legally responsible for the patient, or physician's certification that the medical benefits of treatment at Kaleida outweigh the potential risk of transfer.

2.3 In respect of any transfers made pursuant to this Agreement, the parties agree to share diagnostic and other services, if and to the extent that the New York State Department of Health may find that such sharing is in the interest of efficiency, economy and quality of care.

3. **IDEMNIFICATION:**

3.1 BUFFALO WOMENSERVICES, LLC agrees to defend, hold harmless and indemnify Kaleida for claims against Kaleida arising out of treatment rendered to the patient transferred while the patient was at BUFFALO WOMENSERVICES, LLC 's facility or during the transport of the patient to Kaleida, notwithstanding that the condition giving rise to the claim does not become apparent until or after the patient is transferred to Kaleida.

3.2 Kaleida agrees to defend, hold harmless and indemnify BUFFALO WOMENSERVICES, LLC for claims against BUFFALO WOMENSERVICES, LLC arising out of the treatment rendered to the patient while at Kaleida.

4. **CODE COMPLIANCE:**

4.1 Notwithstanding any other provision in this Agreement, each party remains responsible for ensuring that all services provided at its respective facility complies with all applicable provisions of federal, state and local statutes, rules and regulations.

5. **TERM, TERMINATION AND RENEWAL:**

5.1 This Agreement shall become effective on the date first above written, and shall continue in effect thereafter until terminated with or without cause by either party upon sixty (60) days prior written notice to the other party.

5.2 This Agreement shall be deemed to be automatically terminated immediately if the license or operating certificate of either party is revoked or suspended by the New York State Department of Health or other state authority.

6. **ASSIGNMENT:**

6.1 Neither party to this Agreement shall assign or otherwise transfer its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld.

7. **MODIFICATION/AMENDMENTS:**

7.1 This Agreement shall be modified or amended only upon the agreement of the parties in writing and signed by the both parties.

8. **WAIVER:**

8.1 The waiver by either party of a breach of any provision of this Agreement by the other party shall not constitute or be construed as a waiver of any other breach by such other party of the same or any other provision.

9. **ENTIRE AGREEMENT:**

9.1 This Agreement contains and constitutes the entire agreement of the parties with respect to the subject matter herein and supersedes all prior understanding or agreements between the parties with respect to the subject matter.

10. **MISCELLANEOUS:**

10.1 The terms, covenants, conditions and provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns.

10.2 If any term or provision of this Agreement shall, to any extent, be found by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall not be affected, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

10.3 This Agreement shall be governed by the construct in accordance with the laws of the State of New York.

(continued on next page)

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

BUFFALO WOMENSERVICES, LLC

BY: _____

NAME _____

TITLE: MEDICAL DIRECTOR

DATE: 6/2/05

KALEIDA HEALTH

BY: _____

NAME: _____

TITLE: _____

DATE: _____

Appendix A

No other provisions

July 21, 2005

To whom it may concern:

From [REDACTED] RN, Clinical Services and Education Director

Buffalo Womenservices LLC, is a member in good standing of the [REDACTED] and endorsed by the organization as a quality provider of [REDACTED] care.

[REDACTED] is pleased to set high standards of quality [REDACTED] care. [REDACTED] *Clinical Policy Guidelines (CPGs)* serve as a convenient and readily usable set of systematically developed statements that assist practitioners in their efforts to provide quality, patient-centered care. First published in 1996 and revised annually, the CPGs distill a large body of medical knowledge into guidelines developed by consensus, based on rigorous review of relevant literature and known patient outcomes.

The CPGs are intended to provide a basis for ongoing quality assurance, help reduce unnecessary care and costs, help protect providers in malpractice suits, provide ongoing medical education and encourage research. The CPGs strive to allow for individual practitioner choices, patient care concerns, and provide a baseline of quality [REDACTED] care.

[REDACTED] Quality Assurance and Improvement (QAI) department works with [REDACTED] 400 institutional members to ensure compliance with the Clinical Policy Guidelines. The QAI department conducts on-site clinical service audits during which each guideline is addressed. Members who have completed the site visit process receive a certificate of compliance. Buffalo Womenservices LLC second [REDACTED] site visit occurred on June 29, 2005, and they were found to be in excellent compliance with the [REDACTED] guidelines.

Members also complete annual self-evaluations and receive a window decal signifying their compliance with the Clinical Policy Guidelines. In addition, [REDACTED] conducts on-going training with members that are CME accredited, analyzes complication data, and mediates patient complaints.

If there is anything I can do to be of more assistance in this matter, please let me know.
Sincerely,

[REDACTED]
Clinical Services and Education Director

██████████ is pleased to set high standards of quality ██████████ care. ██████████ *Clinical Policy Guidelines (CPGs)* serve as a convenient and readily usable set of systematically developed statements that assist practitioners in their efforts to provide quality, patient-centered care. First published in 1996 and revised annually, the CPGs distill a large body of medical knowledge into guidelines developed by consensus, based on rigorous review of relevant literature and known patient outcomes.

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STATE OF NEW YORK DEPARTMENT OF HEALTH

Corning Tower The Governor Nelson A. Rockefeller Empire State Plaza Albany, New York 12237

Antonia C. Novello, M.D., M.P.H., Dr.P.H.
Commissioner

May 25, 2005

Dennis P. Whalen
Executive Deputy Commissioner

[REDACTED]
Member and Manager
Buffalo Womenservices, LLC
2500 Main Street
Buffalo, New York 14214

RE: 042146-E
Buffalo Womenservices, LLC
(Erie County)
Establishment a New Owner and Operator

Dear [REDACTED]

I am pleased to inform you that, based on action taken at its meeting on May 13, 2005, the Public Health Council proposes to approve the above application providing the contingencies set forth in the enclosed resolution are first satisfied. Pursuant to 10 NYCRR section 600.4, documentation to satisfy the contingencies imposed by the Council shall be submitted to the Division of Health Facility Planning within the prescribed timeframes noted in the enclosed resolution.

Bureau of Project Management
Division of Health Facility Planning
Office of Health Systems Management
NYS Department of Health
433 River Street, 6th Floor
Troy, New York 12180-2299

Before beginning any aspect of this project, you must submit written materials to satisfy the enclosed contingencies and receive written approval from the Public Health Council indicating the satisfaction of all contingencies.

This letter should not be construed as approval to file, with the Secretary of State, a certificate of incorporation, a certificate of amendment to a certificate of incorporation, a restated certificate of incorporation, an application for authority, articles of organization or any amendments thereto, or any other legal documents. A separate Public Health Council approval letter will be issued, as necessary, for the filing of documents with the Secretary of State after all contingencies are satisfied.

Also, this letter should not be construed as approval of property or lease costs submitted in support of this application, nor is this letter an assurance or recommendation that property costs or lease amounts as specified in the application will be reimbursable.

If you have any questions concerning this letter, please contact the Bureau of Project Management at 518-402-0911.

Sincerely,



David Wollner
Director
Office of Health Systems Management

Enclosure

042146

Buffalo Womenservices, LLC

Approval contingent upon:

1. Submission of an executed transfer and affiliation agreement, acceptable to the Department, with a local acute care hospital. [HSP]
2. Submission of an agreement, acceptable to the Department, regarding the provision of quality oversight functions. [HSP]
3. Submission of a working capital loan commitments acceptable to the Department of Health. [BFA]
4. Submission of personal borrowing loan commitments acceptable to the Department of Health. [BFA]
5. Submission of executed promissory notes acceptable to the Department of Health. [BFA]

Approval conditional upon:

1. The applicant receiving Department of Health approval prior to entering into, or making substantive changes to an agreement, including any subcontract or assignment, involving management, administrative and/or consulting activities and/or services included but not limited to operational policies and procedures.
2. The applicant's facility being engaged principally in providing services by or under the supervision of a physician and that a majority of facility visits require direct care by a (non-psychiatrist) physician, physician extender, (i.e. registered physician assistant, or certified nurse practitioner), dentist or registered nurse. Where the volume of psychological services does not constitute a significant proportion of the total volume of services at this site, those services will be provided by an appropriately licensed practitioner on an individual basis, will be of short-term duration, and will not deviate significantly from the proposed service volume.

RESOLUTION

RESOLVED, that the Public Health Council, pursuant to the provisions of Section 2801-a of the Public Health Law, on this 13th day of May, 2005, having considered any advice offered by the Regional Health Systems Agency, the State Hospital Review and Planning Council, the staff of the New York State Department of Health, and the Establishment Committee of this Council and after due deliberation, hereby proposes to approve the following application for the change in ownership of [REDACTED], an existing freestanding diagnostic and treatment center located in leased space at 2500 Main Street, Buffalo, and with the contingencies, if any, as set forth below and providing that each applicant fulfills the contingencies and conditions, if any, specified with reference to the application, and be it further

RESOLVED, that upon fulfillment by the applicant of the conditions and contingencies specified for the application in a manner satisfactory to the Public Health Council and the New York State Department of Health, the Secretary of the Council is hereby authorized to issue the approval of the Council of the application, and be it further

RESOLVED, that any approval of this application is not to be construed as in any manner releasing or relieving any transferor (of any interest in the facility that is the subject of the application) of responsibility and liability for any Medicaid (Medicaid Assistance Program -- Title XIX of the Social Security Act) or other State fund overpayments made to the facility covering the period during which any such transferor was an operator of the facility, regardless of whether the applicant or any other entity or individual is also responsible and liable for such overpayments, and the State of New York shall continue to hold any such transferor responsible and liable for any such overpayments, and be it further

RESOLVED, that upon the failure, neglect or refusal of the applicant to submit documentation or information in order to satisfy a contingency specified with reference to the application, within the stated time frame, the application will be deemed abandoned or withdrawn by the applicant without the need for further action by the Council, and be it further

RESOLVED, that upon submission of documentation or information to satisfy a contingency specified with reference to the application, within the stated time frame, which documentation or information is not deemed sufficient by Department of Health staff, to satisfy the contingency, the application shall be returned to the Council for whatever action the Council deems appropriate.

NUMBER:

042146

FACILITY/APPLICANT:

Buffalo Womenservices, LLC
(Erie County)

APPROVAL CONTINGENT UPON:

1. Submission of an executed transfer and affiliation agreement, acceptable to the Department, with a local acute care hospital. [HSP]
2. Submission of an agreement, acceptable to the Department, regarding the provision of quality oversight functions. [HSP]
3. Submission of a working capital loan commitments acceptable to the Department of Health. [BFA]
4. Submission of personal borrowing loan commitments acceptable to the Department of Health. [BFA]
5. Submission of executed promissory notes acceptable to the Department of Health. [BFA]

APPROVAL CONDITIONAL UPON:

1. The applicant receiving Department of Health approval prior to entering into, or making substantive changes to an agreement, including any subcontract or assignment, involving management, administrative and/or consulting activities and/or services included but not limited to operational policies and procedures.
2. The applicant's facility being engaged principally in providing services by or under the supervision of a physician and that a majority of facility visits require direct care by a (non-psychiatrist) physician, physician extender, (i.e. registered physician assistant, or certified nurse practitioner), dentist or registered nurse. Where the volume of psychological services does not constitute a significant proportion of the total volume of services at this site, those services will be provided by an appropriately licensed practitioner on an individual basis, will be of short-term duration, and will not deviate significantly from the proposed service volume.

Documentation submitted to satisfy the above-referenced contingencies (4 copies) should be submitted within sixty (60) days to:

Ms. Diane M. Smith
Acting Director
Information and Technology Services Group
NYS Department of Health
Hedley Building - 6th Floor
433 River Street
Troy, New York 12180-2299

042146 BUFFALO WOMENSERVICES, LLC

BUFFALO - ERIE COUNTY

Establishment application submitted on October 29, 2004 by BUFFALO WOMENSERVICES, LLC

Buffalo Womenservices, LLC, a proposed limited liability company, requests approval for the change in ownership of [REDACTED] an existing freestanding diagnostic and treatment center located in leased space at 2500 Main Street, Buffalo. Buffalo Womenservices, LLC, will provide the same [REDACTED] family planning services and social work services that [REDACTED] provides. The name of the Center will be changed to Buffalo Womenservices, LLC upon change in ownership.

Ownership of the diagnostic and treatment center, before and after the change in ownership, is as follows:

<u>CURRENT</u>		<u>PROPOSED</u>	
[REDACTED]	50%	Buffalo Womenservices, LLC	50%
[REDACTED]	50%	[REDACTED]	50%

The applicant indicated that it will not enter into any administrative and consulting services agreements, however, the applicant has provided an executed employment agreement with [REDACTED] one of the current shareholders of [REDACTED] [REDACTED] for an annual salary of \$ [REDACTED]

There are no capital costs associated with this project.

Recommendations

Health Systems Agency

There will be no HSA review of this application.

Office of Health Systems Management

Approval contingent upon:

1. Submission of an executed transfer and affiliation agreement, acceptable to the Department, with a local acute care hospital. [HSP]
2. Submission of an agreement, acceptable to the Department, regarding the provision of quality oversight functions. [HSP]
3. Submission of a working capital loan commitments acceptable to the Department of Health. [BFA]
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1. The applicant receiving Department of Health approval prior to entering into, or making substantive changes to an agreement, including any subcontract or assignment, involving management, administrative and/or consulting activities and/or services included but not limited to operational policies and procedures.
2. The applicant's facility being engaged principally in providing services by or under the supervision of a physician and that a majority of facility visits require direct care by a (non-psychiatrist) physician, physician extender, (i.e. registered physician assistant, or certified nurse practitioner), dentist or registered nurse. Where the volume of psychological services does not constitute a significant proportion of the total volume of services at this site, those services will be provided by an appropriately licensed practitioner on an individual basis, will be of short-term duration, and will not deviate significantly from the proposed service volume.

State Council Recommendation

Approval recommended at the April 7, 2005 meeting.

Need Analysis

Buffalo Womenservices, LLC, requests approval to purchase the assets of [REDACTED]
[REDACTED] Once this request is approved, Buffalo Womenservices, LLC will
assume operation of the diagnostic and treatment center currently operated by [REDACTED]
[REDACTED] and located at 2500 Main Street, Buffalo.

Current services include [REDACTED] services, family planning services, and social work services, and personal support services. All services will be continued upon approval of this application. Services are provided to patients from approximately eight counties in New York State as well as women from Ohio and Pennsylvania.

ANALYSIS and CONCLUSION

Buffalo Womenservices, LLC seeks approval to purchase and operate [REDACTED]. The applicant will continue to provide the same services offered by [REDACTED].

From a need perspective, approval is recommended.

Programmatic Analysis

Services to be provided include family planning, [REDACTED] services, and social work services.

The Center will be in operation six days a week; Monday through Friday from 9:00 AM to 5:00 PM and Saturday from 9:00 AM to 3:00 PM.

Staffing

Staff, under the supervision of [REDACTED] as medical director, will consist of 26.82 FTEs. Included will be 1.31 FTEs technicians, .5 FTE social workers, and 5.29 FTE nurses. The quantity of staffing is appropriate to the scope and nature of the proposed services.

A transfer and affiliation agreement for emergency, inpatient and back-up support services is being negotiated with [REDACTED] that is [REDACTED] miles from the Center. The agreement will be finalized on approval of this project. An answering service, with access to center staff, will be provided to address patient concerns during hours when the facility is closed.

Compliance with Applicable Codes, Rules and Regulations

The applicant has attested to compliance with the following: the governing body and medical staff will develop, maintain, and periodically review a list of policies and procedures that will ensure that services performed at the facility will conform with generally accepted standards of practice. The Center's admissions policy will include anti-discrimination provisions regarding age, race, creed, color, national origin, marital status, sex, sexual orientation, religion, disability, and source of payment. All services will be performed in compliance with all applicable federal and state rules, including

standards for credentialing, nursing, patient admission and discharge, a medical records system, emergency care, quality assurance and data requirements.

Managing Member's Responsiveness to Community Need

The Managing Members are:

[REDACTED]	50%
	50%

Characteristics of the governing body reflect responsiveness to community need in the use of a patient satisfaction measurement tool that will provide continuous, ongoing feedback to the organization for the quality improvement program and planning discussions.

Character and Competence

Disclosure information submitted by the members of the applicant company was reviewed regarding licenses held, formal education, specialized training, employment history, and any incidence of legal actions. This review revealed the following pertinent information:

Name	Affiliated Facility/Work History
[REDACTED]	Certified Social Worker. Since 1998 has served as Clinic Director at [REDACTED] Previously served as Counseling Supervisor at [REDACTED] from 1995 to 1998 and Clinical Coordinator of Maternity Services at [REDACTED] from 1993 to 1995. Physician in private practice since 1998.

None of the above disclosed a record of legal actions, past or pending. In addition, the following offices or agencies were consulted as appropriate regarding the above licensed individuals: the Office of Medicaid Management (relative to Medicaid fraud and abuse), the Office Professional Medical Conduct, and the Education Department. No issues were indicated.

Based on this information, staff from the Bureau of Hospital and Primary Care Services concluded that the proposed members of the company are of good moral character whose training and experience demonstrate competency to operate the proposed facility. The members are of such character, experience, competence and standing as to give reasonable assurance of their ability to conduct the affairs of the company so as to provide proper care for the patients to be served by the proposed facility.

Associated Facility History

None of the applicants disclosed ownership/operator association with a medical care facility, other than the private practice of medicine.

From a programmatic perspective, contingent approval is recommended.

Financial Analysis

PURCHASE AGREEMENT

The applicant provided an executed purchase agreement, the terms of which are summarized as follows:

Date: June 1, 2004
Seller: [REDACTED]
Buyer: Buffalo Womenservices, LLC
Assets Transferred: All assumed contracts; business records; telephone and fax numbers and e-mail address; personal goodwill of the business; intellectual property; inventory; current assets; permits to the extent assignable and tangible personal property.
Assets Excluded: All cash; cash equivalents; marketable securities; accounts receivable; tax credits and refunds; corporate records; intercompany receivables; rate adjustments and appeals relating to dates of service prior to the closing; insurance policies; assets, tangible and intangible, of the seller that are not used in connection with the business; tangible property personally owned by the shareholders that is located at the real property; assets related to any employee plan of seller; and any permits of seller related to the business that are not assignable to the purchaser.
Purchase Price: \$900,000
Payment of Purchase: Four non-negotiable promissory notes.

The terms of the promissory notes are as follows:

1. note payable to [REDACTED], 60 equal monthly installments, commencing on the first month anniversary of the closing date, the amount of each installment will be based on a total principal amount of \$58,500, and 4.226% interest accruing from the closing date, (\$13,000 annually);

2. note payable to [REDACTED] 60 equal monthly installments, commencing on the sixty-first month anniversary of the closing date, the amount of each installment will be based on a total principal amount of \$58,500, and 5.0% interest accruing from the sixtieth month anniversary of the closing date, (\$13,248 annually);
3. note payable to [REDACTED] equal monthly installments, commencing on the first month anniversary of the closing date, the number of installments will equal the number of full calendar months between the first month anniversary of the closing date and May 31, 2009, the amount of each installment will be based on a total principal amount of \$391,500, and 4.226% interest accruing from the closing date, (\$87,000 annually);
4. note payable to [REDACTED] 60 equal monthly installments, commencing on June 30, 2009, the amount of each installment will be based on a total principal amount of \$391,500, and 5.0% interest accruing from June 1, 2009, (\$88,657 annually).

The applicant submitted an affidavit indicating that the buyer will be responsible for any Medicaid overpayments made to the facility with respect to the period of time prior to the applicant acquiring its interest. Currently, there are no Medicaid overpayment liabilities.

LEASE RENTAL AGREEMENT

The applicant submitted an executed lease agreement for the site to be occupied, the terms of which are summarized below:

Premises: 5,458 square feet located at 2500 Main Street, Buffalo, New York.
Lessor: Ray Morrison and Renate Morrison as Trustees of the Morrison Trust
Lessee: Buffalo Womenservices, LLC
Term: Initial term of 10 years from closing, automatic renewal for 5 year terms.
Rental: \$52,400 (\$9.60 sq.ft.) for the first two years; rent after the first two years will increase for each remaining year of the lease term by \$50.00 a month.
Provisions: The lessee shall be responsible for taxes and utilities.

The applicant has indicated that this lease will be a non-arm's length lease arrangement, since the Lessor, Ray and Renate Morrison, are the [REDACTED] of [REDACTED], one of the proposed members of Buffalo Womenservices, LLC.

OPERATING BUDGET

The applicant has submitted an operating budget, in 2005 dollars, for the first year subsequent to the change in operator, summarized below:

Revenues	\$2,132,000
Expenses:	
Operating	\$1,926,448
Capital	<u>96,012</u>
Total Expenses	\$2,022,460
Net Income	\$109,540
Utilization: (procedures)	4,290
Cost Per Procedure	\$471.44

Utilization by payor source for the first year subsequent to the change in operator is as follows:

Medicaid Fee-for-Service	29.37%
Medicaid Managed Care	15.15%
Commercial Fee-for-Service	27.27%
Self Pay	28.21%

Expense and utilization assumptions are based on historical experience of [REDACTED]

CAPABILITY AND FEASIBILITY

The issue of capability is centered on the applicant's ability to meet the purchase price and working capital requirements and to initiate operations as a financially viable entity. The proposed members of Buffalo Womenservices, LLC, will meet the purchase price of \$900,000 with four non-negotiable promissory notes at the stated terms.

Working capital requirements, estimated at \$300,000, appear reasonable based on two months' of first year expenses. The applicant will finance \$150,000 through a \$75,000 working capital loan, and a \$75,000 working capital line of credit, for which a letter of interest has been provided. Repayment terms for the working capital loan include 5.25% interest over seven years. Repayment terms for the working capital line of credit include 5.25% interest over four years.

The balance of \$150,000 will be financed personally, by the proposed members of Buffalo Womenservices, LLC, in proportion to their ownership percentages. A letter of interest has been provided indicating repayment terms of 2.25% over the prevailing cost of funds, (7.75% as of March 15, 2005), over eight years.

BFA Attachment A is the summary net worth statement of the proposed members of Buffalo Womenservices, LLC. As shown, there are sufficient funds to repay personal borrowing. BFA Attachment B is the pro forma balance sheet of Buffalo Womenservices, LLC, which indicates a positive members' equity position of \$150,000.

The issue of feasibility is centered on the applicant's ability to offset expenses with revenues and maintain a viable operating entity. The submitted budget indicates a net income of \$109,540 during the first year subsequent to the change in operator. Revenues are based on current reimbursement methodologies and payment rates from all payors.

BFA Attachment C is a financial summary of [REDACTED]. As shown on BFA Attachment C, the facility incurred a loss from operations of \$32,521 in 2003, and income from operations of \$76,718 in 2002. The applicant indicated that 2004 financial statements are not available but stated that the entity experienced a loss similar to 2003. The applicant stated that the following steps will be implemented to improve operations after change in ownership: greater accuracy in billing and charting, aggressive collections of co-pays for all services provided, obtaining physician credentials with more health insurance providers, and ensuring that the availability of its services is more widely known among local physicians.

From a financial perspective, contingent approval is recommended.

Attachments

BFA Attachment A	Summary Net Worth Statement, Members of Buffalo Womenservices, LLC
BFA Attachment B	Pro Forma Balance Sheet of Buffalo Womenservices, LLC
BFA Attachment C	Financial Summary, [REDACTED]
BFA Attachment D	Establishment Checklist for Ambulatory Care Sites

Pro Forma Balance Sheet Of
Buffalo Womenservices, LLC

<u>ASSETS</u>	
Cash	\$ 300,000
Leasehold Improvements	\$ 10,000
Goodwill	\$ 783,000
Equipment	<u>\$ 107,000</u>
TOTAL ASSETS	<u>\$1,200,000</u>
<u>LIABILITIES AND MEMBERS EQUITY</u>	
Current Portion of Long Term Debt	\$ 79,292
Demand Note	<u>\$ 75,000</u>
TOTAL CURRENT LIABILITIES	\$ 154,292
Long Term Debt	<u>\$ 895,708</u>
TOTAL LIABILITIES	\$1,050,000
MEMBERS EQUITY	<u>\$ 150,000</u>
TOTAL LIABILITIES AND MEMBERS EQUITY	<u>\$1,200,000</u>

Balance Sheets

	December 31,	
	2003	2002
Assets		
Current assets		
Cash	\$ 95,631	\$ 101,230
Accounts receivable	147,405	151,410
Due from related parties	84,889	162,702
Prepaid income taxes	25,812	9,038
Prepaid expenses	7,603	5,981
Deferred tax asset	5,900	2,000
Total current assets	<u>367,240</u>	<u>432,361</u>
Property and equipment		
Leasehold improvements	69,311	69,311
Machinery and equipment	306,378	303,381
Office furniture and equipment	89,140	88,149
	<u>464,829</u>	<u>460,841</u>
Less: depreciation allowance	379,798	347,838
Net property and equipment	<u>85,031</u>	<u>113,003</u>
Other assets		
Deferred tax asset	24,200	25,700
	<u>24,200</u>	<u>25,700</u>
	<u>\$ 476,471</u>	<u>\$ 571,064</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of due to Medicaid	\$ 66,000	\$ 50,000
Accounts payable	15,170	3,862
Accrued payroll and payroll taxes	6,277	20,420
Accrued medical director fees	93,000	108,000
Total current liabilities	<u>180,447</u>	<u>182,282</u>
Other liabilities		
Due to Medicaid	132,000	144,019
	<u>132,000</u>	<u>144,019</u>
Stockholders' equity		
Common stock - authorized 200 shares, no par value, issued and outstanding 200 shares	2,000	2,000
Retained earnings	162,024	242,763
Total stockholders' equity	<u>164,024</u>	<u>244,763</u>
	<u>\$ 476,471</u>	<u>\$ 571,064</u>

Statements of Operations and Retained Earnings

	For the Years Ended	
	December 31,	
	2003	2002
Revenue - medical fees, net of patient refunds	\$ 1,595,622	\$ 1,672,504
Expenses		
Payroll and related costs	907,880	996,439
Occupancy	73,924	75,968
Medical supplies and lab expenses	171,051	163,894
Operating expenses	475,288	359,485
	<u>1,628,143</u>	<u>1,595,786</u>
Income (loss) from operations	<u>(32,521)</u>	<u>76,718</u>
Other income (expense)		
Interest income	655	949
Miscellaneous		(217)
	<u>655</u>	<u>732</u>
Income (loss) before taxes and extraordinary item	<u>(31,866)</u>	<u>77,450</u>
Provision for (benefit from) income taxes		
Current	(13,024)	4,010
Deferred	10,600	15,300
	<u>(2,424)</u>	<u>19,310</u>
Income (loss) before extraordinary item	<u>(29,442)</u>	<u>58,140</u>
Extraordinary item		
Litigation settlement (net of income tax benefit of \$13,000 at December 31, 2003 and \$-0- at December 31, 2002)	51,297	-
Net income (loss)	<u>(80,739)</u>	<u>58,140</u>
Retained earnings - beginning of year	<u>242,763</u>	<u>184,623</u>
Retained earnings - end of year	<u>\$ 162,024</u>	<u>\$ 242,763</u>

ESTABLISHMENT CHECKLIST FOR AMBULATORY CARE SITES

APPLICATION: CON 042146-E Buffalo Womenservices, LLC

NATURE OF APPLICATION:

XX

PRIMARY CARE
SPECIALTY
- womens health

AUSPICE:

XX

NON PROFIT
PROPRIETARY
PUBLIC
- limited liability

AFFILIATIONS:

UNIT COST:

YEAR ONE

OPERATING	\$449.06
CAPITAL	<u>\$ 22.38</u>
TOTAL	\$471.44

PAYOR SOURCE:

YEAR ONE

MEDICAID-FFS	29.37%
MEDICAID-MC	15.15%
COMMERCIAL	27.27%
SELF PAY	28.21%

RESOLUTION

RESOLVED, that the Public Health Council, pursuant to the provisions of Section 2801-a of the Public Health Law, on this 13th day of May, 2005, having considered any advice offered by the Regional Health Systems Agency, the State Hospital Review and Planning Council, the staff of the New York State Department of Health, and the Establishment Committee of this Council and after due deliberation, hereby proposes to approve the following application for the change in ownership of [REDACTED], an existing freestanding diagnostic and treatment center located in leased space at 2500 Main Street, Buffalo, and with the contingencies, if any, as set forth below and providing that each applicant fulfills the contingencies and conditions, if any, specified with reference to the application, and be it further

RESOLVED, that upon fulfillment by the applicant of the conditions and contingencies specified for the application in a manner satisfactory to the Public Health Council and the New York State Department of Health, the Secretary of the Council is hereby authorized to issue the approval of the Council of the application, and be it further

RESOLVED, that any approval of this application is not to be construed as in any manner releasing or relieving any transferor (of any interest in the facility that is the subject of the application) of responsibility and liability for any Medicaid (Medicaid Assistance Program -- Title XIX of the Social Security Act) or other State fund overpayments made to the facility covering the period during which any such transferor was an operator of the facility, regardless of whether the applicant or any other entity or individual is also responsible and liable for such overpayments, and the State of New York shall continue to hold any such transferor responsible and liable for any such overpayments, and be it further

RESOLVED, that upon the failure, neglect or refusal of the applicant to submit documentation or information in order to satisfy a contingency specified with reference to the application, within the stated time frame, the application will be deemed abandoned or withdrawn by the applicant without the need for further action by the Council, and be it further

RESOLVED, that upon submission of documentation or information to satisfy a contingency specified with reference to the application, within the stated time frame, which documentation or information is not deemed sufficient by Department of Health staff, to satisfy the contingency, the application shall be returned to the Council for whatever action the Council deems appropriate.

NUMBER:

042146

FACILITY/APPLICANT:

Buffalo Womenservices, LLC
(Erie County)

APPROVAL CONTINGENT UPON:

1. Submission of an executed transfer and affiliation agreement, acceptable to the Department, with a local acute care hospital. [HSP]
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APPROVAL CONDITIONAL UPON:

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Documentation submitted to satisfy the above-referenced contingencies (4 copies) should be submitted within sixty (60) days to:

Ms. Diane M. Smith
Acting Director
Information and Technology Services Group
NYS Department of Health
Hedley Building - 6th Floor
433 River Street
Troy, New York 12180-2299



STATE OF NEW YORK
DEPARTMENT OF HEALTH

433 River Street, Suite 303

Troy, New York 12180-2299

Antonia C. Novello, M.D., M.P.H., Dr.P.H.
Commissioner

Dennis P. Whalen
Executive Deputy Commissioner

April 14, 2005

[REDACTED]
Member and Manager
Buffalo Womenservices, LLC
2500 Main Street
Buffalo, New York 14214

Re: 042146
Buffalo Womenservices, LLC
Erie County
Establishment a new owner and operator

Dear [REDACTED]

The above referenced project is scheduled for review by the Establishment Committee of the Public Health Council on Thursday, April 21, 2005. The meeting is open to the public and will be held at 10:00 am at the Empire State Plaza, Meeting Room 4, Albany, New York.

The Committee will consider the recommendations of the local Health Systems Agency, the Office of Health Systems Management and the State Hospital Review and Planning Council in its proceedings.

Subsequently, the recommendation of the Committee will be forwarded to the full Public Health Council for final decision. The Public Health Council will meet at 10:00 am on May 13, 2005, at 90 Church Street, 4th Floor, New York, New York. It is anticipated that the project will be reviewed by the Public Health Council at that time. The Public Health Council meeting is also open to the public, but public comment and participation is not allowed.

Should you have any questions regarding this meeting, please feel free to contact me at (518) 402-0911.

Sincerely,

Diane M. Smith
Acting Director
Bureau of Project Management

Enclosure

042146 BUFFALO WOMENSERVICES, LLC

BUFFALO - ERIE COUNTY

Establishment application submitted on October 29, 2004 by BUFFALO WOMENSERVICES, LLC

Buffalo Womenservices, LLC, a proposed limited liability company, requests approval for the change in ownership of [REDACTED] an existing freestanding diagnostic and treatment center located in leased space at 2500 Main Street, Buffalo. Buffalo Womenservices, LLC, will provide the same [REDACTED] family planning services and social work services that [REDACTED] provides. The name of the Center will be changed to Buffalo Womenservices, LLC upon change in ownership.

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<u>CURRENT</u>		<u>PROPOSED</u>	
[REDACTED]	50%	Buffalo Womenservices, LLC	50%
[REDACTED]	50%	[REDACTED]	50%

The applicant indicated that it will not enter into any administrative and consulting services agreements, however, the applicant has provided an executed employment agreement with [REDACTED], one of the current shareholders of [REDACTED], for an annual salary of \$ [REDACTED].

There are no capital costs associated with this project.

Recommendations

Health Systems Agency

There will be no HSA review of this application.

Office of Health Systems Management

Approval contingent upon:

1. Submission of an executed transfer and affiliation agreement, acceptable to the Department, with a local acute care hospital. [HSP]
2. Submission of an agreement, acceptable to the Department, regarding the provision of quality oversight functions. [HSP]
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Approval conditional upon:

1. The applicant receiving Department of Health approval prior to entering into, or making substantive changes to an agreement, including any subcontract or assignment, involving management, administrative and/or consulting activities and/or services included but not limited to operational policies and procedures.

State Council Recommendation

April 7, 2005

OHSIM
Recommendation
was adopted



Need Analysis

Buffalo Womenservices, LLC, requests approval to purchase the assets of [REDACTED].
[REDACTED] Once this request is approved, Buffalo Womenservices, LLC will assume operation of the diagnostic and treatment center currently operated by [REDACTED] and located at 2500 Main Street, Buffalo.

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ANALYSIS and CONCLUSION

Buffalo Womenservices, LLC seeks approval to purchase and operate [REDACTED]. The applicant will continue to provide the same services offered by [REDACTED].

From a need perspective, approval is recommended.

Programmatic Analysis

Services to be provided include family planning, [REDACTED] services, and social work services.

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A transfer and affiliation agreement for emergency, inpatient and back-up support services is being negotiated with [REDACTED] that is [REDACTED] miles from the Center. The agreement will be finalized on approval of this project. An answering service, with access to center staff, will be provided to address patient concerns during hours when the facility is closed.

Compliance with Applicable Codes, Rules and Regulations

The applicant has attested to compliance with the following: the governing body and medical staff will develop, maintain, and periodically review a list of policies and procedures that will ensure that services performed at the facility will conform with generally accepted standards of practice. The Center's admissions policy will include anti-discrimination provisions regarding age, race, creed, color, national origin, marital status, sex, sexual orientation, religion, disability, and source of payment. All services will be performed in compliance with all applicable federal and state rules, including standards for credentialing, nursing, patient admission and discharge, a medical records system, emergency care, quality assurance and data requirements.

Managing Member's Responsiveness to Community Need

The Managing Members are:

[REDACTED]	50%
[REDACTED]	50%

Characteristics of the governing body reflect responsiveness to community need in the use of a patient satisfaction measurement tool that will provide continuous, ongoing feedback to the organization for the quality improvement program and planning discussions.

Character and Competence

Disclosure information submitted by the members of the applicant company was reviewed regarding licenses held, formal education, specialized training, employment history, and any incidence of legal actions. This review revealed the following pertinent information:

Name	Affiliated Facility/Work History
[REDACTED]	Certified Social Worker. Since 1998 has served as Clinic Director at [REDACTED] Previously served as Counseling Supervisor at [REDACTED] from 1995 to 1998 and Clinical Coordinator of Maternity Services at [REDACTED] from 1993 to 1995.
[REDACTED]	Physician in private practice since 1998.

None of the above disclosed a record of legal actions, past or pending. In addition, the following offices or agencies were consulted as appropriate regarding the above licensed individuals: the Office of Medicaid Management (relative to Medicaid fraud and abuse), the Office Professional Medical Conduct, and the Education Department. No issues were indicated.

Based on this information, staff from the Bureau of Hospital and Primary Care Services concluded that the proposed members of the company are of good moral character whose training and experience demonstrate competency to operate the proposed facility. The members are of such character, experience, competence and standing as to give reasonable assurance of their ability to conduct the affairs of the company so as to provide proper care for the patients to be served by the proposed facility.

Associated Facility History

None of the applicants disclosed ownership/operator association with a medical care facility, other than the private practice of medicine.

From a programmatic perspective, contingent approval is recommended.

Financial Analysis

PURCHASE AGREEMENT

The applicant provided an executed purchase agreement, the terms of which are summarized as follows:

Date: June 1, 2004
Seller: [REDACTED]
Buyer: Buffalo Womenservices, LLC
Assets Transferred: All assumed contracts; business records; telephone and fax numbers and e-mail address; personal goodwill of the business; intellectual property; inventory; current assets; permits to the extent assignable and tangible personal property.
Assets Excluded: All cash; cash equivalents; marketable securities; accounts receivable; tax credits and refunds; corporate records; intercompany receivables; rate adjustments and appeals relating to dates of service prior to the closing; insurance policies; assets, tangible and intangible, of the seller that are not used in connection with the business; tangible property personally owned by the shareholders that is located at the real property; assets related to any employee plan of seller; and any permits of seller related to the business that are not assignable to the purchaser.
Purchase Price: \$900,000
Payment of Purchase: Four non-negotiable promissory notes.

The terms of the promissory notes are as follows:

1. note payable to [REDACTED] 60 equal monthly installments, commencing on the first month anniversary of the closing date, the amount of each installment will be based on a total principal amount of \$58,500, and 4.226% interest accruing from the closing date, (\$13,000 annually);
2. note payable to [REDACTED] 60 equal monthly installments, commencing on the sixty-first month anniversary of the closing date, the amount of each installment will be based on a total principal amount of \$58,500, and 5.0% interest accruing from the sixtieth month anniversary of the closing date, (\$13,248 annually);
3. note payable to [REDACTED] equal monthly installments, commencing on the first month anniversary of the closing date, the number of installments will equal the number of full calendar months between the first month anniversary of the closing date and May 31, 2009, the amount of each

installment will be based on a total principal amount of \$391,500, and 4.226% interest accruing from the closing date, (\$87,000 annually);

4. note payable to [REDACTED] 60 equal monthly installments, commencing on June 30, 2009, the amount of each installment will be based on a total principal amount of \$391,500, and 5.0% interest accruing from June 1, 2009, (\$88,657 annually).

The applicant submitted an affidavit indicating that the buyer will be responsible for any Medicaid overpayments made to the facility with respect to the period of time prior to the applicant acquiring its interest. Currently, there are no Medicaid overpayment liabilities.

LEASE RENTAL AGREEMENT

The applicant submitted an executed lease agreement for the site to be occupied, the terms of which are summarized below:

Premises: 5,458 square feet located at 2500 Main Street, Buffalo, New York.
Lessor: Ray Morrison and Renate Morrison as Trustees of the Morrison Trust
Lessee: Buffalo Womenservices, LLC
Term: Initial term of 10 years from closing, automatic renewal for 5 year terms.
Rental: \$52,400 (\$9.60 sq.ft.) for the first two years; rent after the first two years will increase for each remaining year of the lease term by \$50.00 a month.
Provisions: The lessee shall be responsible for taxes and utilities.

The applicant has indicated that this lease will be a non-arm's length lease arrangement, since the Lessor, Ray and Renate Morrison, are the [REDACTED] of [REDACTED] [REDACTED] one of the proposed members of Buffalo Womenservices, LLC.

OPERATING BUDGET

The applicant has submitted an operating budget, in 2005 dollars, for the first year subsequent to the change in operator, summarized below:

Revenues	\$2,132,000
Expenses:	
Operating	\$1,926,448
Capital	<u>96,012</u>
Total Expenses	\$2,022,460
 Net Income	 \$109,540
 Utilization: (procedures)	 4,290
Cost Per Procedure	\$471.44

Utilization by payor source for the first year subsequent to the change in operator is as follows:

Medicaid Fee-for-Service	29.37%
Medicaid Managed Care	15.15%
Commercial Fee-for-Service	27.27%
Self Pay	28.21%

Expense and utilization assumptions are based on historical experience of [REDACTED]

CAPABILITY AND FEASIBILITY

The issue of capability is centered on the applicant's ability to meet the purchase price and working capital requirements and to initiate operations as a financially viable entity. The proposed members of Buffalo Womenservices, LLC, will meet the purchase price of \$900,000 with four non-negotiable promissory notes at the stated terms.

Working capital requirements, estimated at \$300,000, appear reasonable based on two months' of first year expenses. The applicant will finance \$150,000 through a \$75,000 working capital loan, and a \$75,000 working capital line of credit, for which a letter of interest has been provided. Repayment terms for the working capital loan include 5.25% interest over seven years. Repayment terms for the working capital line of credit include 5.25% interest over four years.

The balance of \$150,000 will be financed personally, by the proposed members of Buffalo Womenservices, LLC, in proportion to their ownership percentages. A letter of interest has been provided indicating repayment terms of 2.25% over the prevailing cost of funds, (7.75% as of March 15, 2005), over eight years.

BFA Attachment A is the summary net worth statement of the proposed members of Buffalo Womenservices, LLC. As shown, there are sufficient funds to repay personal borrowing. BFA Attachment B is the pro forma balance sheet of Buffalo Womenservices, LLC, which indicates a positive members' equity position of \$150,000.

The issue of feasibility is centered on the applicant's ability to offset expenses with revenues and maintain a viable operating entity. The submitted budget indicates a net income of \$109,540 during the first year subsequent to the change in operator. Revenues are based on current reimbursement methodologies and payment rates from all payors.

BFA Attachment C is a financial summary of [REDACTED]. As shown on BFA Attachment C, the facility incurred a loss from operations of \$32,521 in 2003, and income from operations of \$76,718 in 2002. The applicant indicated that 2004 financial statements are not available but stated that the entity experienced a loss similar to 2003. The applicant stated that the following steps will be implemented to

improve operations after change in ownership: greater accuracy in billing and charting, aggressive collections of co-pays for all services provided, obtaining physician credentials with more health insurance providers, and ensuring that the availability of its services is more widely known among local physicians.

From a financial perspective, contingent approval is recommended.

Attachments

- BFA Attachment A Summary Net Worth Statement, Members of Buffalo Womenservices, LLC
- BFA Attachment B Pro Forma Balance Sheet of Buffalo Womenservices, LLC
- BFA Attachment C Financial Summary, [REDACTED]
- BFA Attachment D Establishment Checklist for Ambulatory Care Sites

Pro Forma Balance Sheet Of
Buffalo Womenservices, LLC**ASSETS**

Cash	\$ 300,000
Leasehold Improvements	\$ 10,000
Goodwill	\$ 783,000
Equipment	<u>\$ 107,000</u>
TOTAL ASSETS	<u>\$1,200,000</u>

LIABILITIES AND MEMBERS EQUITY

Current Portion of Long Term Debt	\$ 79,292
Demand Note	<u>\$ 75,000</u>
TOTAL CURRENT LIABILITIES	\$ 154,292
Long Term Debt	<u>\$ 895,708</u>
TOTAL LIABILITIES	\$1,050,000
MEMBERS EQUITY	<u>\$ 150,000</u>
TOTAL LIABILITIES AND MEMBERS EQUITY	<u>\$1,200,000</u>

Balance Sheets

	December 31,	
	2003	2002
Assets		
Current assets		
Cash	\$ 95,631	\$ 101,230
Accounts receivable	147,405	151,410
Due from related parties	84,889	162,702
Prepaid income taxes	25,812	9,038
Prepaid expenses	7,603	5,981
Deferred tax asset	5,900	2,000
Total current assets	<u>367,240</u>	<u>432,361</u>
Property and equipment		
Leasehold improvements	69,311	69,311
Machinery and equipment	306,378	303,381
Office furniture and equipment	89,140	88,149
	<u>464,829</u>	<u>460,841</u>
Less: depreciation allowance	379,798	347,838
Net property and equipment	<u>85,031</u>	<u>113,003</u>
Other assets		
Deferred tax asset	24,200	25,700
	<u>24,200</u>	<u>25,700</u>
	<u>\$ 476,471</u>	<u>\$ 571,064</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of due to Medicaid	\$ 66,000	\$ 50,000
Accounts payable	15,170	3,862
Accrued payroll and payroll taxes	6,277	20,420
Accrued medical director fees	93,000	108,000
Total current liabilities	<u>180,447</u>	<u>182,282</u>
Other liabilities		
Due to Medicaid	132,000	144,019
	<u>132,000</u>	<u>144,019</u>
Stockholders' equity		
Common stock - authorized 200 shares, no par value, issued and outstanding 200 shares	2,000	2,000
Retained earnings	162,024	242,763
Total stockholders' equity	<u>164,024</u>	<u>244,763</u>
	<u>\$ 476,471</u>	<u>\$ 571,064</u>

Statements of Operations and Retained Earnings

	For the Years Ended	
	December 31,	
	2003	2002
Revenue - medical fees, net of patient refunds	\$ 1,595,622	\$ 1,672,504
Expenses		
Payroll and related costs	907,880	996,439
Occupancy	73,924	75,968
Medical supplies and lab expenses	171,051	163,894
Operating expenses	475,288	359,485
	<u>1,628,143</u>	<u>1,595,786</u>
Income (loss) from operations	<u>(32,521)</u>	<u>76,718</u>
Other income (expense)		
Interest income	655	949
Miscellaneous	-	(217)
	<u>655</u>	<u>732</u>
Income (loss) before taxes and extraordinary item	<u>(31,866)</u>	<u>77,450</u>
Provision for (benefit from) income taxes		
Current	(13,024)	4,010
Deferred	10,600	15,300
	<u>(2,424)</u>	<u>19,310</u>
Income (loss) before extraordinary item	(29,442)	58,140
Extraordinary item		
Litigation settlement (net of income tax benefit of \$13,000 at December 31, 2003 and \$-0- at December 31, 2002)	<u>51,297</u>	<u>-</u>
Net income (loss)	(80,739)	58,140
Retained earnings - beginning of year	<u>242,763</u>	<u>184,623</u>
Retained earnings - end of year	<u>\$ 162,024</u>	<u>\$ 242,763</u>

ESTABLISHMENT CHECKLIST FOR AMBULATORY CARE SITES

APPLICATION: CON 042146-E Buffalo Womenservices, LLC

NATURE OF APPLICATION:

XX

PRIMARY CARE
SPECIALTY
- womens health

AUSPICE:

XX

NON PROFIT
PROPRIETARY
PUBLIC
- limited liability

AFFILIATIONS:

UNIT COST:

YEAR ONE

OPERATING	\$449.06
CAPITAL	<u>\$ 22.38</u>
TOTAL	\$471.44

PAYOR SOURCE:

YEAR ONE

MEDICAID-FFS	29.37%
MEDICAID-MC	15.15%
COMMERCIAL	27.27%
SELF PAY	28.21%



STATE OF NEW YORK
DEPARTMENT OF HEALTH

433 River Street, Suite 303

Troy, New York 12180-2299

Antonia C. Novello, M.D., M.P.H., Dr.P.H.
Commissioner

Dennis P. Whalen
Executive Deputy Commissioner

March 17, 2005

[REDACTED]
Manager
Buffalo Womenservices, LLC
2500 Main Street
Buffalo, New York 14214

RE: 042146-E
Buffalo Womenservices, LLC
(Erie County)
Establish a new owner and operator

Dear [REDACTED]

Please be advised that the above captioned application has been scheduled for review by the Project Review Committee of the State Hospital Review and Planning Council on Thursday, March 24, 2005. **Due to the State Health Department's NYC office relocation to a new site on this date, the meeting will take place in Albany at the Empire State Plaza Concourse, Meeting Room #2 from 1:15 p.m. to 3:15 p.m.** A copy of the exhibit, to be reviewed at the meeting, is enclosed.

Subsequently, the application will be considered by the State Hospital Review and Planning Council on Thursday, April 7, 2005 at the new Health Department offices, located at 90 Church Street, New York, on the 4th Floor, Meeting Room #4E03/4E04, at 10:00 a.m. to approximately 1:00 p.m. Attached is a map and directions to the new office for your convenience. Both meetings are open to the public. The recommendation of the State Council will be considered in the final decision for this project.

Sincerely,

Julia G. Richards
Executive Secretary
State Hospital Review and Planning Council

Enclosures

042146 Financial Analysis

BUFFALO WOMENSERVICES, LLC

Review Date: March 15, 2005

042146-E Buffalo Womenservices, LLC (Erie County)

FINDINGS: CONTINGENT APPROVAL

The applicant has demonstrated the capability to proceed in a financially feasible manner; contingent upon:

Submission of a working capital loan commitments acceptable to the Department of Health. (BFA)

Submission of personal borrowing loan commitments acceptable to the Department of Health. (BFA)

Submission of executed promissory notes acceptable to the Department of Health. (BFA)

DESCRIPTION

Buffalo Womenservices, LLC, a proposed limited liability company, requests approval for the change in ownership of [REDACTED] an existing freestanding diagnostic and treatment center located in leased space at 2500 Main Street, Buffalo, New York. Buffalo Womenservices, LLC, will be providing the same [REDACTED] and family planning services that [REDACTED] currently provides. Upon change in ownership, the name of the Center will be changed to Buffalo Womenservices, LLC.

Ownership of the diagnostic and treatment center, before and after the change in ownership, is as follows:

<u>CURRENT</u>		<u>PROPOSED</u>	
[REDACTED]		Buffalo Womenservices, LLC	
[REDACTED]	50%	[REDACTED]	50%
[REDACTED]	50%	[REDACTED]	50%

The applicant has indicated that it will not enter into any administrative and consulting services agreements, however, the applicant has provided an executed employment agreement with [REDACTED] one of the current shareholders of [REDACTED] for an annual salary of \$ [REDACTED]

PURCHASE AGREEMENT

The applicant has provided an executed purchase agreement, the terms of which are summarized below:

Date: June 1, 2004
Seller: [REDACTED]
Buyer: Buffalo Womenservices, LLC
Assets Transferred: All assumed contracts; business records; telephone and fax numbers and e-mail address; personal goodwill of the business; intellectual property; inventory; current assets; permits to the extent assignable and tangible personal property.
Assets Excluded: All cash; cash equivalents; marketable securities; accounts receivable; tax credits and refunds; corporate records; intercompany receivables; rate adjustments and appeals relating to dates of service prior to the closing; insurance policies; assets, tangible and intangible, of the seller that are not used in connection with the business; tangible property personally owned by the shareholders that is located at the real property; assets related to any employee plan of seller; and any permits of seller related to the business that are not assignable to the purchaser.
Purchase Price: \$900,000
Payment of Purchase: Four non-negotiable promissory notes.

The terms of the promissory notes are as follows:

1. note payable to [REDACTED], 60 equal monthly installments, commencing on the first month anniversary of the closing date, the amount of each installment will be based on a total principal amount of \$58,500, and 4.226% interest accruing from the closing date, (\$13,000 annually);
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Lessee: Buffalo Womenservices, LLC
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Provisions: The lessee shall be responsible for taxes and utilities.

The applicant has indicated that this lease will be a non-arm's length lease arrangement, since the Lessor, Ray and Renate Morrison, are the [REDACTED] of [REDACTED] [REDACTED] one of the proposed members of Buffalo Womenservices, LLC.

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Self Pay	28.21%

Expense and utilization assumptions are based on historical experience of [REDACTED]

CAPABILITY AND FEASIBILITY

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Presented as BFA Attachment A is the summary net worth statement of the proposed members of Buffalo Womenservices, LLC. As shown, there are sufficient funds to repay personal borrowing. Presented as BFA Attachment B is the pro forma balance sheet of Buffalo Womenservices, LLC, which indicates a positive members' equity position of \$150,000.

The issue of feasibility is centered on the applicant's ability to offset expenses with revenues and maintain a viable operating entity. The submitted budget indicates a net income of \$109,540 during the first year subsequent to the change in operator. Revenues are based on current reimbursement methodologies and payment rates from all payors.

Presented as BFA Attachment C is a financial summary of [REDACTED]. As shown on BFA Attachment C, the facility incurred a loss from operations of \$32,521 in 2003, and income from operations of \$76,718 in 2002. The applicant has indicated that 2004 financial statements are not available but has stated that the entity experienced a loss similar to 2003. The applicant has stated that the following steps will be implemented to improve operations after change in ownership: greater accuracy in billing and charting, aggressive collections of co-pays for all

services provided, obtaining physician credentials with more health insurance providers, and ensuring that the availability of its services is more widely known among local physicians.

Subsequent to the noted contingencies, it appears that the applicant has demonstrated the capability to proceed in a financially feasible manner; and approval is recommended.

SUPPORTING DATA

BFA Attachment A - Summary Net Worth Statement, Members of Buffalo Womenservices, LLC

BFA Attachment B - Pro Forma Balance Sheet of Buffalo Womenservices, LLC

BFA Attachment C - Financial Summary, [REDACTED]

BFA Attachment D - Establishment Checklist for Ambulatory Care Sites

From a financial perspective, contingent approval is recommended.

Pro Forma Balance Sheet Of
Buffalo Womenservices, LLCASSETS

Cash	\$ 300,000
Leasehold Improvements	\$ 10,000
Goodwill	\$ 783,000
Equipment	\$ <u>107,000</u>

TOTAL ASSETS \$1,200,000

LIABILITIES AND MEMBERS EQUITY

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TOTAL CURRENT LIABILITIES \$ 154,292

Long Term Debt \$ 895,708

TOTAL LIABILITIES \$1,050,000

MEMBERS EQUITY \$ 150,000

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Net income (loss)	(80,739)	58,140
Retained earnings - beginning of year	<u>242,763</u>	<u>184,623</u>
Retained earnings - end of year	<u>\$ 162,024</u>	<u>\$ 242,763</u>

ESTABLISHMENT CHECKLIST FOR AMBULATORY CARE SITES

APPLICATION: CON 042146-E Buffalo Womenservices, LLC

NATURE OF APPLICATION:

XX

PRIMARY CARE
SPECIALTY
- womens health

AUSPICE:

XX

NON PROFIT
PROPRIETARY
PUBLIC
- limited liability

AFFILIATIONS:

UNIT COST:

YEAR ONE

OPERATING	\$449.06
CAPITAL	<u>\$ 22.38</u>
TOTAL	\$471.44

PAYOR SOURCE:

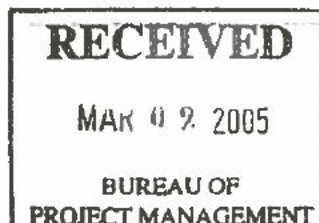
YEAR ONE

MEDICAID-FFS	29.37%
MEDICAID-MC	15.15%
COMMERCIAL	27.27%
SELF PAY	28.21%

2500 Main Street
Buffalo, NY 14214

February 28, 2005

Ms. Diane Smith
Director
Information and Technology Services Group
NYS Department of Health
Hedley Park Place, 6th Floor
433 River Street
Troy, NY 12180-2299



RE: 042146-E, Buffalo Womenservices, LLC (Erie County)

Dear Ms. Smith:

This letter responds to the February 1, 2005 letter from Charles P. Abel, Director, Bureau of Finance, requesting additional information relating to Buffalo Womenservices, LLC CON application.

1. Please provide the current ownership of the land at 2500 Main Street and indicate the relationship(s) with the owners of Buffalo Womenservices LLC.

The current owner of the land, and the building, at 2500 Main Street is the Morrison Trust Dated August 24, 1992. The trustees of the Morrison Trust are Ray Morrison and Renate Morrison, who are the [REDACTED] of [REDACTED], who, in turn, is one of the owners of Buffalo Womenservices, LLC.

2. Please provide the current ownership of the building at 2500 Main Street and indicate the relationship(s) with the owners of Buffalo Womenservices LLC.

The current owner of the land, and the building, at 2500 Main Street is the Morrison Trust Dated August 24, 1992. The trustees of the Morrison Trust are Ray Morrison and Renate Morrison, who are the [REDACTED] of [REDACTED], who, in turn, is one of the owners of Buffalo Womenservices, LLC.

3. For the building located at 2500 Main Street, please provide the historical cost, the net depreciated value, the remaining useful life of the building, the annual depreciation expense, as well as the terms of any debt financing.

The Morrison Trust purchased 2500 Main Street (land and building) on November 22, 2004. The purchase price was \$290,000. Buffalo Womenservices, LLC will lease 2500 Main Street from the Morrison Trust and so will not be claiming depreciation expenses on the building.

ESD

No debt financing was involved in the Morrison Trust's purchase of the building.

4. Please provide a copy of the ground lease between 2500 Main Street, Inc, and Buffalo Womenservices.

There is no ground lease between 2500 Main Street Inc. and Buffalo Womenservices. 2500 Main Street Inc. sold 2500 Main Street to the Morrison Trust in November of 2004. There is a lease between the Morrison Trust and [REDACTED] the current operator of the facility, and there will be a similar lease between the Morrison Trust and Buffalo Womenservices, LLC when it becomes the operator of the facility.

5. The building lease between Ray Morrison and Renate Morrison as trustees of the Morrison Trust and Buffalo Womenservices LLC include rent for the first two years only. Please provide the rent expense for the remaining term of the lease.

Under the building lease between the Morrison Trust and Buffalo Womenservices, LLC, rent after the first two years will increase for each remaining year of the lease term by \$50 per month.

6. Please explain why [REDACTED] is being repaid a portion of the purchase price over ten years.

Buffalo Womenservices, LLC will pay the owners of [REDACTED] over a period 10 years as a means of financing the purchase, rather than borrowing funds from an outside source. Buffalo Womenservices, LLC will use profits it derives from operation of the facility to pay the purchase price over 10 years.

7. Note 9 of the projected financial statements for Buffalo Womenservices, LLC describes an employment contract with one of the owners of [REDACTED]. The note states that for five years the contract would pay a minimum annual salary, and a bonus of 25% of Buffalo Womenservices LLC's accrual basis net income. Be advised that this individual may not participate in the revenue of the applicant. Please provide a copy of a corrected employment contract.

I am enclosing a revised Consulting Agreement between Buffalo Womenservices, LLC and [REDACTED]

8. The Department received a letter from [REDACTED] dated December 22, 2004 which states that Buffalo Womenservices LLC has purchased both [REDACTED] and [REDACTED]. AS there has been no Public Health Council approval issued, could you please clarify this statement.

I misstated the situation in my December 22, 2004 response. Currently, [REDACTED] and [REDACTED] a professional corporation solely owned by one of the owners of [REDACTED] both provide medical services at the 2500 Main Street location. Buffalo Womenservices, LLC intends to purchase the assets of [REDACTED] and this CON application is its request for Public Health Council approval to do so. Buffalo Womenservices, LLC has not purchased, and does not intend to purchase, [REDACTED] or its assets.

9. Please explain what your purchase obligations are in regard to [REDACTED] and how they will be satisfied.

Buffalo Womenservices, LLC has not purchased, and does not intend to purchase, [REDACTED] or its assets.

10. Please provide a cross-reference between Exhibit 2.2(d) Adjustments to asset purchase price and the examples of adjustments.

The Example of Adjustments in Exhibit 2.2(d) supposes that the value of Excluded Assets (cash, A/R, prepaids) on the closing date is \$20,000 more than the value of those assets on May 31, 2004. Liabilities are the same. In the example, the net book value of the assets at closing is reduced by the \$20,000 increase in value after 5/31/04 and is increased by \$10,000 to reflect professional fees. The increase for professional fees is the only type of change to net book value ("pluses" and "minuses") listed in Exhibit 2.2(d) that is illustrated in the Example of Adjustments.

11. The purchase price of the land at 2500 Main Street is listed as \$300,000; the CON contains a letter of interest from Bank Of America for \$150,000 and a promissory note for \$100,000. Please document the source of the balance of \$50,000.

The eventual purchase price for the 2500 Main Street property was \$290,000. However, it was purchased by the Morrison Trust, not by Buffalo Womenservices, LLC. The Contract for Purchase and Sale of Improved Land (Attachment 3B-1 of the CON application) was assigned by Buffalo Womenservices, LLC to the Morrison Trust (in accordance with section 16.2 of that contract). The Morrison Trust purchased the property with cash; no promissory note or other financing was used.

The Bank of America letter of interest relates to personal borrowing by [REDACTED] and [REDACTED] totaling \$ [REDACTED] for capital contributions by [REDACTED] and [REDACTED] to Buffalo Womenservices, LLC.

Since Buffalo Womenservices, LLC did not (and will not) purchase 2500 Main Street, but will, instead, lease that property from the Morrison Trust, there is no shortfall in financing for the building.

12. The general guidelines for working capital requirements are two months of first year expenses for changes of ownership; also borrowed funds are limited to 50% of total working capital requirements. Based on the first year expenses, working capital would approximate \$300,000. Document the source of working capital equity of \$150,000.

The source of working capital equity of \$150,000 is personal equity contributions by [REDACTED] and [REDACTED] to Buffalo Womenservices, LLC. The Bank of America letter of interest described in #11 above documents the source of the personal contributions by [REDACTED] and [REDACTED].

13. Attachment 5-2, the pro forma balance sheet, should be updated to include the purchased land at 2500 Main Street and the related liability.

Buffalo Womenservices, LLC does not (and will not) own the property at 2500 Main Street.

14. Please submit certified financial statements for [REDACTED] for the year ended December 31, 2001, and the most recently available 2004 financial statements. Explain the reasons for the loss in 2003, and other years if applicable. Describe in detail the steps which will be taken to improve future operations.

I have attached certified financial statements for [REDACTED] for the year ended December 31, 2001, and unaudited financial statements for the year ending December 31, 2004.

In 2003, [REDACTED] showed a loss due to several factors. The number of patients seen for services in 2002 was 4312, compared to 4141 patients in 2003 and 4017 patients in 2004. This reduction in patients is partly due to a competitive article 28 clinic that has opened in [REDACTED] and partly due to a national trend of decreasing numbers of [REDACTED]. The reduction in patient numbers has led to a decrease in revenue.

[REDACTED] has also showed an increase in expenses. The most significant increase has been in the area of Malpractice and General Liability Insurance. Due to the nature of the business, it is very difficult to find underwriters to supply this insurance, and the cost continues to increase. There was also an increase in security expenses as the number of hours that the security guards worked has increased. Security is a very important issue at the facility, and the guards' hours were extended by 3 hours per day. In addition, [REDACTED] incurred significant legal and accounting expenses in connection with Medicaid reimbursement litigation (which has now been settled) and negotiations for the sale of its assets. These costs will not be recurring.

Buffalo Womenservices, LLC intends to take several steps to increase revenue. It has reviewed billing and charting procedures and intends to implement several changes to ensure greater accuracy. For example, the review showed that [REDACTED] did not always bill private insurances for services provided. It intends to aggressively collect co-pays for all services it provides. Its physicians will be credentialed with more health insurance providers so it can see patients with different health insurances. It intends to serve more patients than [REDACTED] and will take steps to ensure that the availability of its services is more widely known among local physicians.

15. Please provide the supporting calculations for the rates assumed for all payors. Provide the most current Medicaid reimbursement rate sheet.

I have attached supporting information for the rates assumed for payors and the most current Medicaid reimbursement rate sheet for [REDACTED]

We hope you find these answers satisfactory. Please contact me with further questions.

Sincerely,

[REDACTED]
Clinic Director



Financial Statements
December 31, 2001 and December 31, 2000

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BROCK, SCHECHTER & POLAKOFF, LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors

[REDACTED]
Buffalo, New York

We have audited the accompanying balance sheets of [REDACTED] as of December 31, 2001 and December 31, 2000, and the related statements of operations and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 financial position of [REDACTED] as of December 31, 2001 and December 31, 2000, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of expenses on pages 13-14 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brock Schechter & Polakoff LLP

Buffalo, New York
March 20, 2002

Balance Sheets

	December 31,	
	<u>2001</u>	<u>2000</u>
ASSETS		
Current assets		
Cash	\$ 104,203	\$ 58,658
Accounts receivable	136,151	119,902
Due from related parties	133,189	207,848
Prepaid income taxes	12,723	-
Prepaid expenses	2,743	2,709
Deferred tax asset	<u>9,000</u>	<u>2,000</u>
Total current assets	<u>398,009</u>	<u>391,117</u>
 Property and equipment		
Leasehold improvements	68,593	59,100
Machinery and equipment	297,844	255,425
Office furniture and equipment	<u>86,842</u>	<u>83,470</u>
	453,279	397,995
Less: depreciation allowance	<u>308,842</u>	<u>267,708</u>
Net property and equipment	<u>144,437</u>	<u>130,287</u>
 Other assets		
Deferred tax asset	<u>34,000</u>	<u>44,000</u>
	<u>\$ 576,446</u>	<u>\$ 565,404</u>

December 31,

2001

2000

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities

Current portion of long-term debt	\$ -	\$ 6,459
Current portion of due to Medicaid	50,000	60,000
Accounts payable	15,855	1,890
Due to related party	-	27,483
Accrued payroll and payroll taxes	15,894	13,378
Accrued medical director fees	108,000	63,000
Accrued income taxes	-	1,341
Total current liabilities	<u>189,749</u>	<u>173,551</u>

Other liabilities

Due to Medicaid	<u>200,074</u>	<u>240,000</u>
-----------------	----------------	----------------

Stockholders' equity

Common stock - authorized 200 shares, no par value, issued and outstanding 200 shares	2,000	2,000
Retained earnings	<u>184,623</u>	<u>149,853</u>
Total stockholders' equity	<u>186,623</u>	<u>151,853</u>
	<u>\$ 576,446</u>	<u>\$ 565,404</u>

The accompanying notes to financial statements are an integral part of these financial statements

[REDACTED]

Statements of Operations and Retained Earnings

	For the Years Ended December 31,	
	<u>2001</u>	<u>2000</u>
Revenue - medical fees (net of patient refunds)	\$ <u>1,602,230</u>	\$ <u>1,631,008</u>
Expenses		
Payroll and related costs	1,003,533	993,855
Occupancy	64,609	109,214
Medical supplies and lab expenses	187,063	167,929
Operating expenses	<u>303,185</u>	<u>297,396</u>
	<u>1,558,390</u>	<u>1,568,394</u>
Income from operations	<u>43,840</u>	<u>62,614</u>
Other income (expense)		
Interest income	3,816	1,398
Interest expense	(481)	(1,631)
Miscellaneous	<u>272</u>	<u>2,180</u>
	<u>3,607</u>	<u>1,947</u>
Income before taxes and extraordinary items	<u>47,447</u>	<u>64,561</u>
Provision for (benefit from) income taxes		
Current	9,677	21,904
Deferred	<u>3,000</u>	<u>(3,692)</u>
	<u>12,677</u>	<u>18,212</u>
Income before extraordinary items	34,770	46,349
Extraordinary item - estimated litigation settlement (net of income tax benefit of \$10,308 at December 31, 2000)	<u>-</u>	<u>41,230</u>
Net income	34,770	5,119
Retained earnings - beginning of year	<u>149,853</u>	<u>144,734</u>
Retained earnings - end of year	<u>\$ 184,623</u>	<u>\$ 149,853</u>

The accompanying notes to financial statements are an integral
part of these financial statements

[REDACTED]

Statements of Cash Flows

	For the Years Ended	
	December 31,	
	<u>2001</u>	<u>2000</u>
Cash flows from operating activities		
Net income	\$ 34,770	\$ 5,119
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	41,134	37,700
Deferred income taxes	3,000	(14,000)
Changes in assets and liabilities		
Accounts receivable	(16,249)	18,755
Prepaid income taxes	(12,723)	1,853
Prepaid expenses	(34)	(829)
Accounts payable	13,965	(10,181)
Accrued payroll and payroll taxes	2,516	(1,373)
Accrued medical director fees	45,000	38,000
Due to Medicaid	(49,926)	24,483
Accrued income taxes	<u>(1,341)</u>	<u>1,341</u>
Net cash provided by operating activities	<u>60,112</u>	<u>100,868</u>
Cash flows from investing activities		
Cash purchases of property and equipment	(55,284)	(35,008)
Payments from (advances to) related parties	<u>74,659</u>	<u>(32,100)</u>
Net cash provided (used) by investing activities	<u>19,375</u>	<u>(67,108)</u>
Cash flows from financing activities		
Payment on capital leases	(6,459)	(7,541)
Payments to related parties	<u>(27,483)</u>	<u>(15,425)</u>
Net cash used by financing activities	<u>(33,942)</u>	<u>(22,966)</u>

(Continued)

The accompanying notes to financial statements are an integral part of these financial statements

[REDACTED]

Statements of Cash Flows
(Continued)

	For the Years Ended December 31,	
	<u>2001</u>	<u>2000</u>
Net increase in cash	\$ 45,545	\$ 10,794
Cash balance - beginning of period	<u>58,658</u>	<u>47,864</u>
Cash balance - end of period	<u>\$ 104,203</u>	<u>\$ 58,658</u>
Supplemental disclosures of cash flows information:		
Interest paid	\$ 481	\$ 1,631
Income taxes paid	23,741	18,710

The accompanying notes to financial statements are an integral
part of these financial statements

[REDACTED]

Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies

Concentration of Cash Balances

At various times during the year, the Company maintained cash balances in its banks in excess of FDIC insurable limits.

Accounts Receivable

Accounts receivable are carried at net realizable value. The Company charges directly to expense any receivables deemed wholly or partially worthless.

Accounts receivable is shown net of third-party payors' contractual adjustments and withhold. This amounted to \$17,220 and \$41,652 at December 31, 2001 and December 31, 2000, respectively.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Maintenance and repairs are charged to income while major renewals and improvements are capitalized. Depreciation is computed over the estimated useful lives of the assets ranging from 3 to 39 years using straight-line and accelerated methods.

Income Taxes

Current - The income tax returns are prepared using the cash basis of accounting, in which revenues are reported when received and expenses when paid rather than when incurred. For financial statement purposes, the Corporation uses the accrual basis of accounting, in accordance with generally accepted accounting principles.

Deferred - The recognition of income in different periods for financial accounting and tax purposes gives rise to timing differences which result in deferred taxes. Deferred taxes are computed in accordance with the provisions of FASB Statement 109.

Note 2 - Organization and Operations

The Company was incorporated in the state of New York in January 1992 and began operations then for the purpose of providing medical services. The Company's main sources of income are from Medicaid and other independent health insurance companies.

[REDACTED]

Notes to Financial Statements

Note 3 - Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 4 - Equipment

Equipment of approximately \$193,821 and \$148,822 was fully depreciated at December 31, 2001 and 2000, respectively.

Note 5 - Demand Loan

The Company has a \$40,000 unsecured demand line of credit with Fleet Bank which carries interest at the prime plus 2 percent per annum. The prime rate was 4.75 percent at December 31, 2001.

Note 6 - Long-Term Debt

	<u>Current Portion</u>	<u>Long-term Portion</u>	<u>December 31,</u>	
			<u>2001</u>	<u>2000</u>
Lear Financial Corporation capital lease payable in monthly installments of \$764, including interest at 15.3 percent per annum. The lease was paid off in October 2001.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,459</u>

Note 7 - Related Party

The Company owed [REDACTED] a related party, \$27,483 at December 31, 2000. This amount was paid off during 2001.

The Company loaned money to 2500 Main Street, Inc. and [REDACTED] related parties, as reflected in the due from related parties. The loans are payable on demand and bear no interest. The Company leases its business premises from 2500 Main Street, Inc.

Notes to Financial Statements

Note 8 - Lease Commitments

The Company is leasing its business premises on a month-to-month basis, from a related party (see Note 7). Monthly rent payments are \$2,573.

Note 9 - Capital Lease

The Company was the lessee of a sonogram machine under a capital lease expiring in 2001. The asset and liability under the capital lease are recorded at the fair value of the asset and it is depreciated over its estimated productive life. Depreciation of this asset under the capital lease is included in depreciation expense for the years ended 2001 and 2000.

Following is a summary of the property held under the capital lease:

	<u>2001</u>	<u>2000</u>
Medical equipment	\$22,500	\$22,500
Less: accumulated depreciation	<u>14,593</u>	<u>11,430</u>
	<u>\$ 7,907</u>	<u>\$11,070</u>

Note 10 - Deferred Taxes

Temporary differences giving rise to the deferred tax asset (liability) consist primarily of excess tax depreciation expense over the amount for financial reporting purposes and accounts receivable, prepaid expenses, accounts payable, accrued liabilities recognized under the accrual basis for financial statement purposes but not recognized under the cash basis for tax purposes.

Notes to Financial Statements

Note 10 - Deferred Taxes (Continued)

Amounts for deferred tax asset (liabilities) are as follows:

	<u>2001</u>	<u>2000</u>
Current portion of deferred tax liability - normal operations	\$(2,500)	\$(11,800)
Current portion of deferred tax asset - extraordinary	<u>11,500</u>	<u>13,800</u>
Net current portion of deferred tax asset	<u>\$ 9,000</u>	<u>\$ 2,000</u>
Long-term deferred tax liability - normal operations	\$(12,000)	\$(11,200)
Long-term deferred tax asset - extraordinary	<u>46,000</u>	<u>55,200</u>
Net long-term deferred tax asset	<u>\$ 34,000</u>	<u>\$ 44,000</u>

Note 11 - 401(k) Plan

The Company has a 401(k) plan which covers substantially all of its employees. Under the provisions of the plan, the Company may make discretionary contributions. No contributions were made for the years ended December 31, 2001 and 2000.

Note 12 - Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2001 and December 31, 2000 was \$21,463 and \$23,980, respectively.



Notes to Financial Statements

Note 13 - Estimated Litigation Settlement

The Company is the defendant in litigation with the State of New York Department of Health. New York State is disputing the rate the clinic was assigned for Medicaid Reimbursement, as set by the Health Department in the early 1990's. The suit claims damages of approximately \$962,774. Based on the expressed willingness of the plaintiff to settle the case along with information provided to New York State in support of the current rate, the Company believes that it is probable the case will not come to trial. The Company's reasonable estimate of its liability is approximately \$350,000. This amount has been reduced by withholding payments made through Medicaid. The total liability at December 31, 2001 is estimated at \$250,074. The Company estimates \$50,000 of this amount to be the current portion due within one year. The estimated deferred tax benefit of this liability is \$57,500 at December 31, 2001. (See Note 10 above.)

SUPPLEMENTARY INFORMATION

[REDACTED]

Schedules of Expenses

	For the Years Ended December 31,	
	<u>2001</u>	<u>2000</u>
Payroll and related cost		
Officer's salary	\$ 331,326	\$ 414,763
Salaries	489,002	383,510
Lab technician	31,673	49,091
Payroll taxes and employee benefits	61,532	56,491
Medical director's fees	<u>90,000</u>	<u>90,000</u>
	<u>\$ 1,003,533</u>	<u>\$ 993,855</u>
Occupancy		
Rent	\$ 45,007	\$ 94,918
Repairs and maintenance	15,972	11,453
Depreciation of leasehold improvements	<u>3,630</u>	<u>2,843</u>
	<u>\$ 64,609</u>	<u>\$ 109,214</u>

Schedules of Expenses

	For the Years Ended	
	December 31,	
	<u>2001</u>	<u>2000</u>
Operating expenses		
Advertising	\$ 21,463	\$ 23,980
Bank charges	4,380	3,282
Cleaning	1,695	1,497
Consulting	10,563	309
Depreciation	37,504	34,857
Donations and gifts	6,265	4,911
Dues and subscriptions	6,134	5,481
Equipment rental	1,049	1,944
Insurance	73,560	71,721
Legal and accounting	40,722	56,011
Meals	5,630	4,790
Miscellaneous	6,603	1,577
Office supplies and expense	18,531	20,490
Payroll service	2,086	1,948
Postage and delivery	3,342	3,330
Printing	7,022	4,235
Security	601	2,438
Seminars	1,391	3,343
Storage	2,674	2,316
Telephone	20,964	21,088
Travel and entertainment	10,967	9,731
Utilities and waste removal	<u>20,039</u>	<u>18,117</u>
	<u>\$ 303,185</u>	<u>\$ 297,396</u>

MEDICAID COMPUTATION SHEET

ESTIMATEUSED TO SUPPORT REVENUE CALCULATION FOR 2005 (PROJECTED)

FACILITY: BUFFALO WOMENSERVICES LLC
 OPCERT:
 REGION: WESTERN
 SPONSOR: PROPRIETARY
 GROUP NO.

1) TOTAL ALLOWABLE COSTS	\$ 1,614,952
2) TOTAL CAPITAL - NON REFUNDABLE COSTS	35,998
3) NET ALLOWABLE OPERATING COSTS (LINE 1 - LINE 2)	<u>\$ 1,578,954</u>

4) LOWER OF COST OR CEILING CALCULATION:

	CEILING (a)	MAXIMUM ALLOWABLE CEILING (b)	VISITS	ADJUSTED OPERATING COSTS (c)	LOWER OF COL (b) or (c) (d)
ADM	\$ 85.96	368,768	4,290	553,511	368,768
PAT TRANS	0.35	1,502	4,290	0	-
PATIENT COSTS (Excluding Physicians)	138.95	596,096	4,290	1,022,598	596,096

5) TOTAL PROJECTABLE OPERATING COSTS (4 INCREASED BY RO <u>1.00</u>)	964,864
6) TOTAL ALLOWABLE NON TRADABLE COSTS (CAPITAL)	35,998
7) RETURN ON EQUITY (PROPRIETARY ONLY)	-
	$\frac{-}{\text{(Equity)}} \times \frac{2.000\%}{\text{(Rate)}} \text{ A}$
8) TOTAL ALLOWABLE COSTS (LINES 5 + 6 + 7)	1,000,862
9) PROMULGATED RATE FOR:	233.30
	$\frac{4,290}{\text{(Visits)}}$
10) BUDGET CONTINUED RATE FOR THE PERIOD	

Notes

A - Annual Rate Provided by NYS. Passed on this componet for the projection.

BUFFALO WOMENSERVICES LLC
 CALCULATION OF ALLOWABLE COSTS
 For the Year Ended December 31, 2005 - Projected

	See CON Sch 17 D Column 9	Unallowed / Capital Costs	Allowed Costs
Total Adjusted Costs			
I. Core Cost Centers			
a. Administration	\$ 688,629	(46,292)	
		(88,826)	553,511
Total Costs	2,022,460		<u>1,576,109</u>
Less: Unallowable Costs:			
Advertising	(22,988)		
Donations and Gifts	(6,584)		
Meals	(5,225)		
Travel & Entertainment	(11,495)	(46,292)	
	1,976,168		

Adjustments

Subtractions:

Physicians Salary	(260,000)	}	(308,388)
Malpractice Insurance Physicians	(15,675)		
Physician Reimbursement	(5,225)		
Taxes and employee benefits - Physicians	(27,488)		
Interest on Fixed Assets	(2,094)	}	(88,826)
Interest on Goodwill	(14,017)		
Depreciation on Purchased Assets - Purchased Value	(20,315)		
Rent	(52,400)		

Additions:

Allowable Interest Expense on Purchased Assets	14,017	}	35,998 Capital Expenses
Depr on Building (Owned by related party) - Est Transfer Value	7,479		
Depr on Purchased Assets - Est Transfer Value			
- Building Services Equipment	611		
- Computer Equipment	5,337		
- Software	-		
- Furniture	2,878		
- Medical Equipment	1,827		
- Land Improvements	886		
- Leasehold Improvements	2,963		
	<u>1,614,952.00</u>		

BUFFALO WOMENSERVICES LLC
(A Proposed Partnership)

New York State Department of Health
Certificate of Need Application

Support to Schedule 13D

Source of Payment:	<u>Total Procedures</u>	<u>Rate</u>	<u>Net Patient Revenue</u>	<u>%</u>
Medicaid FFS				
Regular Clinic - Projected Rate	1,260	\$ 233.30	293,958	
Physician Fees (Unbundled Physician) [P/Y Average at \$350 or \$230]		\$ 267.91	<u>337,567</u>	
			631,525	29.62%
Managed Care				
Medicaid Managed Care	650	\$ 439.62	285,753	13.40%
Commercial Insurance				
Blue Cross / Blue Shield	550	\$ 465.53	256,042	
Commercial Insurance	620	\$ 552.01	<u>342,247</u>	
			598,289	28.06%
Self-Pay (Full Fee)	<u>1,210</u>	\$ 509.45	<u>616,434</u>	<u>28.91%</u>
	<u>4,290</u>		<u>2,132,000</u>	<u>100.00%</u>

	<u>Sellers Rates - AHCF</u>		<u>Projected Rates</u>
	<u>2002 Audit</u>	<u>2003 Unaudited</u>	
	Regular Clinic - Medicaid		233.12
Physician Fees - Medicaid	267.22	267.91	267.91
Medicaid Managed Care	-	439.62	439.62
Blue Cross / Blue Shield	581.37	465.53	465.53
Commercial Insurance	660.80	552.01	552.01
Self-Pay (Full Fee)	\$ 485.47	508.64	\$ 509.45

**BUFFALO WOMENSERVICES LLC
(A Proposed Partnership)**

New York State Department of Health
Certificate of Need Application

Support to Schedule 13D

Source of Payment:	<u>Total Procedures</u>		<u>Net Patient Revenue</u>		<u>%</u>
Medicaid FFS					
Regular Clinic	1,257	176.32	221,639.00		
Physician Fees		267.91	<u>336,761.00</u>	558,400.00	28.16%
Managed Care					
Medicaid Managed Care	652			286,632.00	14.45%
Commercial Insurance					
Blue Cross / Blue Shield	558	465.53	259,766.00		
Commercial Insurance	620	552.01	<u>342,247.00</u>	602,013.00	30.36%
Self-Pay (Full Fee)	<u>1,054</u>	508.64		<u>536,102.00</u>	<u>27.03%</u>
	<u>4,141</u>			<u>1,983,147.00</u>	<u>100.00%</u>

Sellers Unaudited Financial Information - Numbers Tie to 2003 Unaudited internal F.S. and a Draft of the 2003 Cost Report for [REDACTED] + the revenue from the internal records (prior to tax return preparation) for [REDACTED]

CONSULTING AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), dated as of June 1, 2004, is made by and among [REDACTED] (the "Corporation"), a New York business corporation, with its principal place of business at 2500 Main Street, Buffalo, New York 14214, [REDACTED] (the "Employee"), an individual residing at [REDACTED] and BUFFALO WOMENSERVICES LLC, a New York limited liability company, with its principal place of business at 2500 Main Street, Buffalo, New York 14214 (the "Company").

INTRODUCTORY STATEMENT

The Employee is currently an employee and shareholder of the Corporation. Pursuant to an Asset Purchase Agreement dated as of June 1, 2004, by and among the Company, the Corporation, 2500 Main Street, Inc., [REDACTED] and the Employee (the "Asset Purchase Agreement"), the Company is purchasing substantially all of the assets of the Corporation. As a condition to the consummation of the transactions contemplated by the Asset Purchase Agreement, the Employee has agreed to be employed by the Corporation under the terms and conditions set forth in this Agreement pending the closing of the asset purchase, and to the automatic assignment of this Agreement by the Corporation to the Company upon the closing of the asset purchase. Therefore, in consideration of the mutual covenants and agreements contained in this Agreement, the parties agree as follows:

1. **EMPLOYMENT**

The Corporation agrees to continue to employ the Employee, and the Employee agrees to be employed, in accordance with the terms and conditions of this Agreement.

2. **DUTIES OF EMPLOYEE**

A. The Employee will consult with the Corporation on all aspects of the Corporation's business, as requested by the Corporation.

B. The Employee will be available for consultations at the principal office of the Corporation in Buffalo, New York, or by telephone, as the parties may mutually agree.

C. The Employee agrees to perform her duties and discharge her responsibilities in a faithful manner and to the best of her ability, and to use all reasonable efforts to promote the interests of the Corporation and its business.

3. **COMPENSATION OF EMPLOYEE**

A. For all services rendered by the Employee under this Agreement, the Corporation will pay to the Employee a base salary of [REDACTED] per year ("Base Salary") during the Term (as defined below). The Employee's base salary will be payable in installments consistent with the Corporation's normal payroll schedule, subject to applicable withholding and other taxes.

B. The Employee will be eligible for an annual bonus if, and to the extent that, the Corporation's compensation committee recommends bonus payments. Any bonus payment will be paid at the same time that any other bonuses for Corporation employees are paid, which will be on or before March 15 for bonuses with respect to the previous calendar year.

4. **BENEFITS**

A. During the Term, the Corporation will provide to the Employee and the Employee's spouse, and the Employee and her spouse will be entitled to participate in, a health plan that is comparable to the plan currently provided by the Corporation, and such other employee benefits as the Corporation is required to provide by law.

B. During the Term, the Employee will be a Director of the Corporation until this Agreement is assigned to the Company pursuant to Section 15 of this Agreement (the "Assignment") and, after the Assignment, will be a manager of the Company, along with the two members of the Company, for any remaining portion of the Term.

C. The Employee will be entitled to 4 weeks of paid leave for each calendar year during the Term, pro-rated as necessary for any period of employment that is less than a full calendar year. Paid leave is non-cumulative. Unused leave is not carried forward to later years, nor will the Employee be paid for any unused leave.

5. **WORKING FACILITIES; REIMBURSEMENT FOR EXPENSES**

The Corporation will make available to the Employee such office space, supplies and personnel as may be needed by the Employee to perform her duties hereunder. The Corporation will reimburse the Employee for all conference and conference travel expenses that the Employee from time to time reasonably incurs during the Term on behalf of the Corporation in the performance of her duties under this Agreement, up to a maximum of \$1,500 per calendar year (pro-rated for any period of employment that is less than a full calendar year), provided that (i) such expenses are approved by the Corporation's Administrator in advance and (ii) the Employee provides the Corporation with receipts or other evidence of the expenses incurred in a form satisfactory to the Corporation's Administrator.

6. **OWNERSHIP OF WORK PRODUCT**

Each discovery, idea, invention and other work product developed by the Employee during the Term that relates to any business now or hereafter undertaken by the Corporation or that results from either any activity undertaken by the Employee in the Employee's capacity as an employee of the Corporation or the Employee's use of any equipment, software or other asset of the Corporation, and each document, electronic medium, model and other tangible item containing or relating to such discovery, idea, invention and other work product, (collectively "Work Product") will be the Corporation's property. To the extent applicable law provides that any Work Product belongs to the Employee rather than the Corporation notwithstanding the preceding sentence, the Employee grants to the Corporation an exclusive and perpetual license to assign, sublicense, transfer, modify, use or otherwise exploit such Work Product for no consideration other than that which is given in connection with this Agreement. The Employee will promptly notify the Corporation of the existence of all Work Product and at the request of

the Corporation, execute and deliver to the Corporation each document and other writing, and take each other action, in order to assist the Corporation in protecting its interest in any Work Product.

7. CONFIDENTIAL INFORMATION

The Employee acknowledges that, by virtue of her employment with the Corporation, she will come to possess information concerning the Corporation and its operations that is non-public, confidential or proprietary in nature (the "Proprietary Information"). The Employee agrees to keep all such Proprietary Information confidential. For purposes of this Agreement, Proprietary Information will not include information that becomes generally available to the public absent any breach of this Agreement, was available on a non-confidential basis to the Employee from a third party prior to its disclosure pursuant to this Agreement, becomes available on a non-confidential basis from a third party who is not bound to keep such information confidential, or information that was already known or independently developed by the Employee. The Employee acknowledges and agrees that (i) the protection of the Proprietary Information against unauthorized disclosure or use is of critical importance; (ii) the Proprietary Information will be used only in furtherance or connection with the Employee's fulfillment of her responsibilities under this Agreement; (iii) the Employee will not at any time use the Proprietary Information in a manner that is detrimental to the Corporation; and (iv) the Employee will not make any independent use of, or disclose to any other person or organization, any of the Proprietary Information, except as may be specifically authorized in writing by the Corporation, or as required by a court order or by law.

8. NON-COMPETITION AND NON-SOLICITATION COVENANTS.

A. The Employee covenants and agrees that she will not, during the term of this Agreement and for a period of 2 years following the termination of this Agreement:

(i) within a 60 mile radius of any location at which the Corporation is conducting its business at the time of such termination, directly or indirectly engage in or become directly or indirectly interested in any proprietorship, partnership, firm, trust, corporation, limited liability company or other organization or entity whatsoever, whether as an owner, investor, lender, partner, trustee, beneficiary, advisor, stockholder, member, officer, director, employee, independent contractor, agent, servant, lessor, lessee or otherwise, that is engaged in or otherwise connected to or with any business which is competitive with the Corporation's business; or

(ii) interfere with or attempt to terminate or otherwise disrupt the relationship, contractual or otherwise, between the Corporation and any of its employees, agents, affiliates, customers, clients, prospective customers or clients, suppliers, vendors or referral sources.

B. The Employee acknowledges that the covenants set forth in this Section are reasonable in scope and essential to the preservation of the business of the Corporation. The Employee also acknowledges that the enforcement of the covenants set forth in this Section will not preclude her from being gainfully engaged in such manner and to the extent as to provide a standard of living for herself, the members of her family and the others dependent upon her.

C. The Employee expressly acknowledges and agrees that a violation of any of the provisions of this Section would cause immediate and irreparable harm, loss and damage to the Corporation not adequately compensable by a monetary award, and further acknowledges and agrees that the prohibited business, territory and time periods with respect to the covenants contained herein are the minimum necessary to adequately protect the Corporation and the goodwill of the Corporation's business. Without limiting any of the other remedies available to the Corporation at law or in equity, or the right or ability of the Corporation to collect money damages, the Employee agrees that any actual or threatened violation of any of the provisions of this Section may be immediately restrained or enjoined by any court of competent jurisdiction, and that a temporary restraining order or emergency, preliminary or final injunction may be issued in any court of competent jurisdiction, upon 24 hours notice and without bond. It is the desire of the parties that the provisions of this Section be enforced to the fullest extent permissible under the laws and public policies in each jurisdiction in which enforcement might be sought. Accordingly, if any particular portion of this Section will ever be adjudicated as invalid or unenforceable, or if the application thereof to any party or circumstance will be adjudicated to be prohibited by or invalidated by such laws or public policies, such Section will be (i) deemed amended to delete therefrom such portions so adjudicated or (ii) modified as determined appropriate by such a court, such deletions or modifications to apply only with respect to the operation of such portions of such Section in the particular jurisdictions so adjudicating on the parties and under the circumstances as to which so adjudicated.

D. If the Company defaults on any payment due to the Corporation or to the Employee under this Agreement or the Asset Purchase Agreement, this covenant will terminate on the 3-month anniversary of the Company's receipt of Employee's written notice to Company of such default; provided, however, that if the Company cures, or takes reasonable steps to begin to cure, the default during that 3-month period to the reasonable satisfaction of the Employee, this covenant will not terminate and will continue in full force and effect in accordance with the terms of paragraphs A, B and C of this Section 8.

9. **EQUITABLE REMEDIES**

The Employee represents and warrants that she has had an opportunity to consult with her attorney regarding this Agreement, has thoroughly and completely reviewed this Agreement with her attorney and fully understands its contents. The Employee acknowledges that (i) the Corporation will suffer damages incapable of ascertainment if any of the provisions of Sections 6, 7 or 8 are breached and that the Corporation will be irreparably damaged if the provisions of Sections 6, 7 or 8 are not enforced, and (ii) the Corporation is entitled, upon application to a court of competent jurisdiction, to restrain and enjoin the Employee from such violation or threatened violation and without being required to provide any bond and without prejudice to any other remedies the Corporation may have at law or in equity. Nothing herein will be construed as prohibiting the Corporation from pursuing any other remedies available to it for such breach or threatened breach, whether for the recovery of damages, including reasonable attorneys' fees and disbursements, or otherwise.

10. TERM

The term of this Agreement (the "Term") will commence on June 1, 2004, and will continue for a period of five years, unless terminated sooner pursuant to Section 11.

11. TERMINATION

A. This Agreement and the Employee's employment hereunder will automatically terminate upon the death or permanent disability of the Employee. Permanent disability means that the Employee is unable to substantially perform her duties under this Agreement for a continuous period of 6 months, as determined by a physician selected by the Corporation and reasonably satisfactory to the Employee (or if she is unable to act, her attorney). The Employee will cooperate with any physical examination conducted pursuant to this Section 11.A. If this Agreement terminates under this Section 11.A, interest on the [REDACTED] Note (as defined in the Asset Purchase Agreement) will begin to accrue on the date that this Agreement terminates, and the [REDACTED] Note will be accelerated so that payments will commence on the last day of the month following the month in which this Agreement terminates.

B. The Corporation, at its sole option, may terminate the Employee's employment for cause upon written notice to the Employee. For purposes of this Agreement, "cause" will mean (i) a breach of any of the covenants contained in Sections 6, 7 or 8 of this Agreement, (ii) a material breach of or substantial failure to perform any other obligation of the Employee under this Agreement which breach or failure remains uncured for 30 days after receipt of written notice thereof from the Corporation, (iii) a conviction or a plea of *nolo contendere* by the Employee to any criminal allegations against the Employee (other than for a minor traffic violation), (iv) gross negligence or willful misconduct of the Employee in the performance of her duties or (v) any fraudulent or dishonest act by the Employee with respect to the Corporation.

C. The Corporation, at its sole option, may terminate the Employee's employment without cause at any time, provided that, for the remainder of the Term or, if sooner, until this Agreement terminates under Section 11.A or 11.B, the Corporation continues to (i) pay the Employee's compensation in accordance with Section 3 and (ii) provide benefits to the Employee in accordance with Section 4.

12. SEVERABILITY

Whenever possible, each provision of this Agreement will be interpreted in such a manner as to be enforceable under applicable law. However, if any provision of this Agreement is deemed unenforceable under applicable law by a court having jurisdiction, such provision will be unenforceable only to the extent necessary to make it enforceable without invalidating the remainder thereof or any of the remaining provisions of this Agreement. Without limiting the foregoing, the Employee acknowledges and agrees that, if any part of the covenants contained in Sections 6, 7 or 8 is deemed to be overbroad or void as against public policy, such invalid portion will be severable from such covenants and this Agreement will be amended to permit the Corporation to obtain the maximum permissible benefit from such covenants.

13. NOTICE

Notices and other communications required or permitted to be given on Agreement will be in writing and will be deemed to have been duly given when personally or by courier, or mailed (certified or registered mail, postage prepaid requested), or sent by telecopier, receipt confirmed, to the address reflected below or other address or addresses as either party may by like notice designate):

If to the Corporation:

[Redacted]
2500 Main Street
Buffalo, NY 14214
[Redacted]

With a copy to:

Cole, Sorrentino, Hurley, Hewner & Gambino, P.C.
37 Franklin St. Suite 900
Buffalo, NY 14202
Attn: Thomas F. Hewner, Esq.
Telephone: 716-856-3646
Telecopier: 716-854-2531

If to the Employee:

[Redacted]

With a copy to:

Attn: _____
Telephone: _____
Telecopier: _____



If to the Company:

Buffalo Womenservices LLC
2500 Main Street
Buffalo, NY 14214
[Redacted]

13. NOTICE

Notices and other communications required or permitted to be given or sent under this Agreement will be in writing and will be deemed to have been duly given when delivered personally or by courier, or mailed (certified or registered mail, postage prepaid, return receipt requested), or sent by telecopier, receipt confirmed, to the address reflected below (or to such other address or addresses as either party may by like notice designate):

If to the Corporation:


2500 Main Street
Buffalo, NY 14214


With a copy to:

Cole, Sorrentino, Hurley, Hewner & Gambino, P.C.
37 Franklin St. Suite 900
Buffalo, NY 14202
Attn: Thomas F. Hewner, Esq.
Telephone: 716-856-3646
Telecopier: 716-854-2531


If to the Employee:



With a copy to:

Attn: _____
Telephone: _____
Telecopier: _____

If to the Company:

Buffalo Womenservices LLC
2500 Main Street
Buffalo, NY 14214


With a copy to:

Hodgson Russ LLP
One M & T Plaza, Suite 2000
Buffalo, New York 14203
Attn: Pamela Davis Heilman, Esq.
Telephone: (716) 848-1317
Telecopier: (716) 849-0349

Any party may designate in a writing to the other parties any other address or telecopier number to which, and any other person or entity to whom or which, a copy of any such notice, request, instruction or other communication should be sent.

14. FAILURE, DELAY OR WAIVER

No course of action or failure to act by any party will constitute a waiver by such party of any right or remedy under this Agreement, and no waiver by any party of any right or remedy under this Agreement will be effective unless made in writing.

15. ASSIGNMENT

Upon the occurrence of the Closing described in the Asset Purchase Agreement, this Agreement will be deemed to have been automatically assigned by the Corporation to the Company, and the Company will succeed to all of the rights and obligations of the Corporation under this Agreement, without the need for any further corporate action to effect such assignment.

16. MISCELLANEOUS

This Agreement (i) may not be amended, modified or terminated orally or by any course of conduct, but may be amended, modified or terminated only by a written agreement duly executed by all of the parties, (ii) is binding on and inures to the benefit of the parties and each of their respective heirs, representatives, successors and assignees, except that no party may assign any of its or her, as the case may be, rights or obligations pursuant to this Agreement, except as provided in Section 15, without the prior written consent of the other parties, (iii) together with the Asset Purchase Agreement, constitutes the entire agreement among the parties with respect to the subject matter of this Agreement, and supersedes all oral and written proposals, representations, understandings and agreements previously made or existing with respect to such subject matter and (iv) is governed by, and will be interpreted and construed in accordance with, the laws of the State of New York, without regard to principles of conflicts of law.

IN WITNESS WHEREOF, the parties have executed or caused to be executed this Agreement as of the date and year first above written.

CORPORATION:

[Redacted]
By: [Redacted]
Name: [Redacted]
Title: *Executive Director*

EMPLOYEE:

[Redacted]

COMPANY:

BUFFALO WOMENSERVICES LLC
By: [Redacted] *MM*
Name: [Redacted]
Title: President

**042146 Programmatic Analysis
BUFFALO WOMENSERVICES, LLC**

Background

Buffalo Womenservices , LLC requests approval to purchase the assets of [REDACTED] a currently licensed Article 28 Diagnostic and Treatment Center, and operate the Center, located at 2500 Main Street, Buffalo.

Program Description

Services to be provided include family planning and [REDACTED] services.

The Center will be in operation six days a week; Monday through Friday from 9:00 AM to 5:00 PM and Saturday from 9:00 AM to 3:00 PM.

Staffing

Staff, under the supervision of [REDACTED] as medical director, will consist of 26.82 FTEs. Included will be 1.31 FTEs technicians, .5 FTE social workers, and 5.29 FTE nurses. The quantity of staffing is appropriate to the scope and nature of the proposed services.

A transfer and affiliation agreement for emergency, inpatient and back-up support services is being negotiated with [REDACTED] that is [REDACTED] miles from the Center. The agreement will be finalized on approval of this project. An answering service, with access to center staff, will be provided to address patient concerns during hours when the facility is closed.

Compliance with Applicable Codes, Rules and Regulations

The applicant has attested to compliance with the following: the governing body and medical staff will develop, maintain, and periodically review a list of policies and procedures that will ensure that services performed at the facility will conform with generally accepted standards of practice. The Center's admissions policy will include anti-discrimination provisions regarding age, race, creed, color, national origin, marital status, sex, sexual orientation, religion, disability, and source of payment. All services will be performed in compliance with all applicable federal and state rules, including standards for credentialing, nursing, patient admission and discharge, a medical records system, emergency care, quality assurance and data requirements.

Managing Member's Responsiveness to Community Need

The Managing Members are:

[REDACTED] 50%
[REDACTED] 50%

Characteristics of the governing body reflect responsiveness to community need in the use of a patient satisfaction measurement tool that will provide continuous, ongoing feedback to the organization for the quality improvement program and planning discussions.

Character and Competence

Disclosure information submitted by the members of the applicant company was reviewed regarding licenses held, formal education, specialized training, employment history, and any incidence of legal actions. This review revealed the following pertinent information:

Name	Affiliated Facility/Work History
[REDACTED]	Certified Social Worker. Since 1998 has served as Clinic Director at [REDACTED]. Previously served as Counseling Supervisor at [REDACTED] from 1995 to 1998 and Clinical Coordinator of Maternity Services at [REDACTED] from 1993 to 1995. Physician in private practice since 1998.

None of the above disclosed a record of legal actions, past or pending. In addition, the following offices or agencies were consulted as appropriate regarding the above licensed individuals: the Office of Medicaid Management (relative to Medicaid fraud and abuse), the Office Professional Medical Conduct, and the Education Department. No issues were indicated.

Based on this information, staff from the Bureau of Hospital and Primary Care Services concluded that the proposed members of the company are of good moral character whose training and experience demonstrate competency to operate the proposed facility. The members are of such character, experience, competence and standing as to give reasonable assurance of their ability to conduct the affairs of the company so as to provide proper care for the patients to be served by the proposed facility.

Associated Facility History

None of the applicants disclosed ownership/operator association with a medical care facility, other than the private practice of medicine.

From a programmatic perspective, approval is recommended contingent upon:

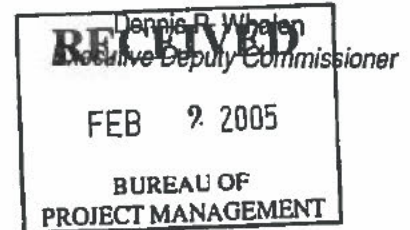
1. Submission of an executed transfer and affiliation agreement, acceptable to the Department, with a local acute care hospital.
2. Submission of an agreement, acceptable to the Department, regarding the provision of quality oversight functions.

DOH STATE OF NEW YORK DEPARTMENT OF HEALTH

433 River Street, Suite 303

Troy, New York 12180-2299

Antonia C. Novello, M.D., M.P.H., Dr. P.H.
Commissioner



February 1, 2005

RE: 042146-E
Buffalo Womenservices, LLC
(Erie County)

[REDACTED]
Member & Manager
Buffalo Womenservices, LLC
2500 Main Street
Buffalo, New York 14214

Dear [REDACTED]

Review of the above application has revealed the need for the additional information requested in the enclosure from the Bureau of Financial Analysis. In preparing answers to the questions, please repeat each question and then provide the answer. Please submit your response within 30 days of the date of this letter in accordance with 10 NYCRR 710.3(a), as follows:

1. one copy to the Bureau of Financial Analysis, New York State Department of Health, Hedley Park Place, 6th. Floor, 433 River Street, Troy, New York 12180-2299.
2. an original and eight copies of your response to Ms. Diane Smith, Director, Information and Technology Services Group, New York State Department of Health, Hedley Park Place, 6th. Floor, 433 River Street, Troy, New York, 12180-2299

Processing of your application by the Bureau of Financial Analysis cannot be completed until the information is received and reviewed. Also, if this project requires review by the State Hospital Review and Planning Council, such review may have to be delayed if the requested information is not received promptly (particularly if the Bureau of Financial Analysis does not receive a separate copy). Accordingly, you are encouraged to submit the response at your earliest opportunity. In this regard, be advised that a single faxed response to this request does not constitute a full and complete response.

If you have any question on the information being requested, please contact the individual identified on the enclosure.

Sincerely,
CANN

Charles P. Abel, Director
Bureau of Financial Analysis

January 31, 2005

042146-E
Buffalo Womenservices, LLC
(Erie County)

The following questions have been prepared by the Bureau of Financial Analysis and Review. If you have any questions, please call Michelle Doyle at (518) 402-0953.

1. Please provide the current ownership of the land at 2500 Main Street and indicate the relationship(s) with the owners of Buffalo Womenservices LLC.
2. Please provide the current ownership of the building at 2500 Main Street and indicate the relationship(s) with the owners of Buffalo Womenservices LLC.
3. For the building located at 2500 Main Street, please provide the historical cost, the net depreciated value, the remaining useful life of the building, the annual depreciation expense, as well as the terms of any debt financing.
4. Please provide a copy of the ground lease between 2500 Main Street, Inc. and Buffalo Womenservices.
5. The building lease between Ray Morrison and Renate Morrison as trustees of the Morrison Trust and Buffalo Womenservices LLC include rent for the first two years only. Please provide the rent expense for the remaining term of the lease.
6. Please explain why [REDACTED] is being repaid a portion of the purchase price over ten years?
7. Note 9 of the projected financial statements for Buffalo Womenservices, LLC describes an employment contract with one of the owners of [REDACTED]. The note states that for five years the contract would pay a minimum annual salary, and a bonus of 25% of Buffalo Womenservices LLC's accrual basis net income. Be advised that this individual may not participate in the revenue of the applicant. Please provide a copy of a corrected employment contract.
8. The Department received a letter from [REDACTED] dated December 22, 2004 which states that Buffalo Womenservices LLC has purchased both [REDACTED] and [REDACTED]. As there has been no Public Health Council approval issued, could you please clarify this statement.

9. Please explain what your purchase obligations are in regard to [REDACTED] and how they will be satisfied.
10. Please provide a cross-reference between Exhibit 2.2(d) Adjustments to asset purchase price and the examples of adjustments.
11. The purchase price of the land at 2500 Main Street is listed as \$300,000; the CON contains a letter of interest from Bank of America for \$150,000 and a promissory note for \$100,000. Please document the source of the balance of \$50,000.
12. The general guidelines for working capital requirements are two months of first year expenses for changes of ownership; also borrowed funds are limited to 50% of total working capital requirements. Based on the first year expenses, working capital would approximate \$300,000. Document the source of working capital equity of \$150,000.
13. Attachment 5-2, the pro forma balance sheet, should be updated to include the purchased land at 2500 Main Street and the related liability.
14. Please submit certified financial statements for [REDACTED] for the year ended December 31, 2001, and the most recently available 2004 financial statements. Explain the reasons for the loss in 2003, and other years if applicable. Describe in detail the steps which will be taken to improve future operations.
15. Please provide the supporting calculations for the rates assumed for all payors. Provide the most current Medicaid reimbursement rate sheet.

042146 Need Analysis

BUFFALO WOMENSERVICES, LLC

FINDING

From a need perspective, approval is recommended.

BACKGROUND

Buffalo Womenservices, LLC, seeks approval to purchase the assets of [REDACTED] [REDACTED]. Once this request is approved, Buffalo Womenservices, LLC will assume operation of the diagnostic and treatment center currently operated by [REDACTED] and located at 2500 Main Street, Buffalo, New York.

Current services include outpatient [REDACTED] services, family planning services, social work, counseling services, and personal support services, urine pregnancy tests and serum pregnancy tests. All such services will be continued upon approval of this application. Services are provided to patients from approximately eight counties in New York State as well as women from Ohio and Pennsylvania. Physician coverage is available to patients 24 hours per day, 7 days per week. There is also an answering service which connects patients to an On Call Nurse.

ANALYSIS and CONCLUSION

Buffalo Womenservices, LLC seeks approval to purchase and operate [REDACTED] [REDACTED]. The applicant will continue to provide the same services currently being provided.

From a need perspective, approval is recommended.

[REDACTED]
Buffalo Womenservices LLC
2500 Main Street
Buffalo, New York 14214

December 22, 2004

Diane Smith
Acting Director
Information and Technology Services Group
New York State Department of Health
Hedley Park Place 6th Floor
433 River Street
Troy, New York 12180-2299

**Re: Buffalo Womenservices LLC
Project Number 042146**

Dear Ms. Smith:

Please accept the following responses to the questions regarding our Certificate of Need application.

1. Please provide a list of physicians who have expressed an interest in practicing at the Center which reflects each physician's specialty, board certification status, as well as a list of the names of the acute care facilities where each physician has admitting privileges.

Physician	Specialty	Status	Hospital Privileges
[REDACTED]	Ob/Gyn	Board Certified	[REDACTED]
[REDACTED]	Ob/Gyn	Board Certified	[REDACTED]
[REDACTED]	Ob/Gyn Gyn Oncology	Board Certified Board Eligible	[REDACTED]
[REDACTED]	Pediatrics	Board Certified	[REDACTED]
[REDACTED]	Ob/Gyn	Board Eligible	[REDACTED]

Please note that some of our physicians travel to Buffalo to provide services at Buffalo Womenservices.

2. Please describe the method of addressing patient concerns after regular business hours.

Buffalo Womenservices provides physician coverage for our patients 24 hours per day, 7 days per week. We have an answering service which connects patients to our on call Nurse. The Nurse carries a Clinic cell phone. The Nurse will contact the Medical Director, who also carries a Clinic phone, if the patient's concerns are beyond the scope of her training. If the Medical Director is not in the Buffalo area and the patient needs to be seen immediately, the Medical Director will contact a local physicians' group who have agreed to provide coverage for us. The patient will return to Buffalo Womenservices the next day we are seeing patients if her symptoms do not require immediate care.

3. Schedule 2a completed by [REDACTED] indicates employment 1998 to present at [REDACTED] but also indicates employment in [REDACTED] during the same period. Please clarify.

[REDACTED] resides in [REDACTED] when she is not working at Buffalo Womenservices. She maintains a residence in the [REDACTED] area when she is seeing patients, Wednesday through Saturday. She was able to provide coverage at [REDACTED] during her days off.

4. Are there any contract services for staff?

We are employing individual staff and do not use contract services.

5. Please provide an indication of how the LLC anticipates securing input to ensure it is meeting community needs.

Buffalo Womenservices provides [REDACTED] services to patients from approximately 8 counties in New York State. We also service women from Ohio and Pennsylvania. We are the only provider in Erie County who accepts Medicaid, and we are the only provider who [REDACTED]. There is one other provider in [REDACTED] County who does a small number of procedures and a provider in [REDACTED] County, also servicing a small number of patients.

Because there are so few providers in the area, it is clear that we are meeting the community need. We keep statistics of our patient numbers and demographics, continuously ask patients for their input, and are active in the reproductive health community, networking with agencies such as [REDACTED] who also work with our target population.

December 22, 2004

6. Are there any other health care entities operating at the proposed location? Please explain.

Currently, [REDACTED] and [REDACTED] are both located at 2500 Main Street. Buffalo Womenservices LLC has purchased both entities. These are the only healthcare facilities operating at the proposed location, and we plan to continue the same services under the LLC.

I hope this serves to clarify your questions. Please contact me if you have further questions.

Sincerely,

[REDACTED]
Clinic Director
Buffalo Womenservices LLC

cc: Bureau of Hospital and Primary Care Services
New York State Department of Health
Hedly Park Place 6th Floor
433 River Street
Troy, New York 12180-2299



STATE OF NEW YORK DEPARTMENT OF HEALTH

433 River Street, Suite 303

Troy, New York 12180-2299

Antonia C. Novello, M.D., M.P.H.
Commissioner

Dennis P. Whalen
Executive Deputy Commissioner



December 13, 2004

[REDACTED]
Buffalo Womenservices LLC
2500 Main Street
Buffalo, New York

Re: Buffalo Womenservices, LLC
Project No. 042146

Dear [REDACTED]

Review of the above application has revealed the need for the additional information requested in the enclosure from the Bureau of Hospital and Primary Care Services. Please repeat each question in preparing your answers. Responses should be submitted within 30 days of the date of this letter in accordance with 10 NYCRR 710.3(a), as follows:

1. an original and five copies of your response to Diane Smith, Acting Director, Information and Technology Services Group, New York State Department of Health, Hedley Park Place, 6th. Floor, 433 River Street, Troy, New York, 12180-2299
2. one copy to the Bureau of Hospital and Primary Care Services, New York State Department of Health, Hedley Park Place, 6th. Floor, 433 River Street, Troy, New York 12180-2299.

Processing of your application cannot be completed until the information is received and reviewed. Also, if this project requires review by the State Hospital Review and Planning Council, such review may have to be delayed if the requested information is not received promptly. Accordingly, you are encouraged to submit the response at your earliest opportunity. In this regard, be advised that a single faxed response to this request does not constitute a full and complete response. The fax number is (518) 402-1010.

If you have any question on the information being requested, please contact the individual identified on the enclosure.

Sincerely,

Susan F. Berry
CON Unit Coordinator
Bureau of Hospital and Primary Care Services

Facility: Buffalo Womenservices LLC
Project No.: 042146

The following questions have been prepared by staff of the Bureau of Hospital and Primary Care Services. Please contact Susan Berry at (518) 402-1003 if you have any questions.

1. Please provide a list of physicians who have expressed an interest in practicing at the Center which reflects each physician's specialty, board certification status, as well as a list of the names of the acute care facilities where each physician has admitting privileges.
2. Please describe the method of addressing patient concerns after regular business hours.
3. Schedule 2a completed by [REDACTED] indicates employment 1998 to present at [REDACTED] but also indicates employment in [REDACTED] during same period. Please clarify.
4. Are there any contract services for staff?
5. Please provide an indication of how the LLC anticipates securing input to ensure it is meeting community needs.
6. Are there any other health care entities operating at the proposed location. Please explain.



STATE OF NEW YORK
DEPARTMENT OF HEALTH

433 River Street, Suite 303

Troy, New York 12180-2299

Antonia C. Novello, M.D., M.P.H., Dr.P.H.
Commissioner

Dennis P. Whalen
Executive Deputy Commissioner

November 30, 2004

[REDACTED]
Member and Manager
Buffalo Womenservices, LLC
2500 Main Street
Buffalo, New York 14214

Re: 042146 E
Buffalo Womenservices, LLC
(Erie County)
Establish a new owner and operator

Dear [REDACTED]

The above referenced CON application, for which you have been designated the contact person, has been distributed to all reviewing units and, if operating, your local health systems agency for processing in accordance with 10 NYCRR 710. Please refer to the enclosed Important Notice for further information with respect to this process.

The mandatory review of your project for the criteria of public need, financial feasibility, and character and competence as required by the Public Health Law may determine that the proposal is unapprovable. Therefore, prior to entering into any contractual commitments or commencing construction, the final determination of the Director of the OHSM, or Public Health Council if establishment is involved, must be obtained.

Sincerely,

Diane M. Smith
Acting Director
Information and Technology Services
Group

Enclosure

Sharon M. Kelly
Partner
Direct Dial: 716.848.1634
skelly@hodgsonruss.com

Scopies
noted
Hodgson Russ LLP
ATTORNEYS

October 26, 2004

Project Management Group
Division of Health Facility Planning
Office of Health Systems Management
New York State Department of Health
433 River Street, 6th Floor
Troy, New York 12180-2299

Dear Sir/Madam:

Re: Certificate of Need Application - Buffalo Womenservices LLC

On behalf of Buffalo Womenservices LLC, I am submitting a CON application for establishment approval and transfer of assets. I am enclosing a cover letter from the applicant, one original signed application and eight copies. Based on telephone discussions I have had with several Department of Health employees, it is my understanding that there is no fee for this application.

Sincerely,

Sharon M. Kelly
Sharon M. Kelly

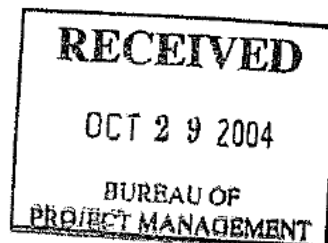
Enc.

cc with enc.: [REDACTED]

John Hobel, CPA

cc letter only: Pamela Davis Heilman, Esq.

BFLODOCS 991115v1



lets

**BUFFALO WOMENSERVICES LLC
2500 MAIN STREET
BUFFALO, NEW YORK 14214**

October 26, 2004

Project Management Group
Division of Health Facility Planning
Office of Health Systems Management
New York State Department of Health
433 River Street, 6th Floor
Troy, New York 12180-2299

Dear Sir/Madam:

On behalf of Buffalo Womenservices LLC, I am submitting a CON application for establishment approval and transfer of assets. I am enclosing one original signed application and eight copies. Based on telephone discussions with several Department of Health employees, I understand that there is no fee for this application.

Sincerely,

A large black rectangular redaction box covering the signature of the sender.

Member, Manager, and Administrator

ORIGINAL

10-15-04
SCHEDULE
NOTEC

CON APPLICATION

ESTABLISHMENT APPROVAL AND TRANSFER OF ASSETS

BUFFALO WOMENSERVICES LLC

CONTENTS:

- SCHEDULE 1
- SCHEDULE 2
- SCHEDULE 3
- SCHEDULE 4
- SCHEDULE 5
- SCHEDULE 9
- SCHEDULE 13
- SCHEDULE 17

RECEIVED
OCT 29 2004
BUREAU OF
PROJECT MANAGEMENT

12/2/04

Schedule 1 - Forms required from All CON Applications

Contents:

- **Schedule 1 Part A - General Information.**
- **Schedule 1 Part B - Abbreviated Executive Summary**
- **Schedule 1 Part C - Other Facilities Owned or Controlled by the Applicant**

New York State Department of Health
 Certificate of Need Application

Schedule 1A

04/2/04

SCOPES
NOPEC

Schedule 1 Part A - General Information - All Applicants

Main Site	MAIN SITE PFI	TYPE OF FACILITY	MAIN SITE NAME	
	5531	D & T Center	Buffalo Womenservices LLC	
	STREET & NUMBER			
	2500 Main Street			
CITY		COUNTY	ZIP	
Buffalo		Erie	14214	

Project Site	PROJECT SITE PFI	TYPE OF FACILITY	PROJECT SITE NAME	
		D & T Center	Buffalo Womenservices LLC	
	STREET & NUMBER			
	2500 Main Street			
CITY		COUNTY	ZIP	
Buffalo		Erie	14214	

Operator Information	OPERATING CERTIFICATE NUMBER	TYPE OF FACILITY	LEGAL ENTITY THAT WILL OPERATE OF THE FACILITY (or proposed operator)	
	1401223R	D & T Center	Buffalo Womenservices LLC	
	STREET & NUMBER			
	2500 Main Street			
CITY		COUNTY	ZIP	
Buffalo		Erie	14214	

RECEIVED
 OCT 29 2004
 BUREAU OF PROJECT MANAGEMENT

Is the applicant an existing facility? If yes, attach a resolution of partners, corporate directors, LLC managers, as the case may be, authorizing the project.	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>	Title of Attachment:
Is the applicant part of an "established article 28" network" as defined in section 401.1(j) of 10 NYCRR? If yes, attach a statement that identifies the network and describes the applicant's affiliation. Attach an organizational chart, if available.	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>	

Type of Application: Establishment Construction Administrative Limited

Total Project Cost:

Amount of Application Fee (see Schedule 8)

Acknowledgement And Attestation

I hereby certify, under penalty of perjury, that I am duly authorized to subscribe and submit this application on behalf of the applicant: Buffalo Womenservices LLC

I further certify that the information contained in this application and its accompanying schedules and attachments are accurate, true and complete in all material respects. I acknowledge and agree that this application will be processed in accordance with the provisions of articles 28, 36 and 40 of the public health law and/or article 7 of the social services law, and implementing regulations, as the case may be.

SIGNATURE	DATE
[Redacted Signature]	10/15/04
PRINT OR TYPE NAME	TITLE
[Redacted Name]	Member & Manager

**New York State Department of Health
Certificate of Need Application**

Schedule 1A

Contacts:

Applicant should designate a single person to whom correspondence about this application should be addressed:

CONTACT INFORMATION	CONTACT PERSON'S COMPANY		NAME AND TITLE OF CONTACT PERSON		
	Buffalo Womenservices LLC		[REDACTED] Member and Manager		
	STREET & NUMBER				
	2500 Main Street				
	CITY		STATE		ZIP
	Buffalo		New York		14214
TELEPHONE		FAX NUMBER		E-MAIL ADDRESS	
[REDACTED]		[REDACTED]		[REDACTED]	

The applicant's lead attorney should be identified:

ATTORNEY	NAME				
	Sharon M. Kelly				
	STREET & NUMBER				
	One M & T Plaza Suite 2000				
	CITY		STATE		ZIP
	Buffalo		NY		14203
TELEPHONE		FAX NUMBER		E-MAIL ADDRESS	
716-848-1634		716-849-0349		skelly@hodgsonruss.com	

If a consultant prepared the application, the consultant should be identified:

CONSULTANT	NAME				
	STREET & NUMBER				
	CITY		STATE		ZIP
TELEPHONE		FAX NUMBER		E-MAIL ADDRESS	

The applicant's lead accountant should be identified:

ACCOUNTANT	NAME				
	John Hobel, CPA				
	STREET & NUMBER				
	800 Liberty Building				
	CITY		STATE		ZIP
	Buffalo		NY		14202
TELEPHONE		FAX NUMBER		E-MAIL ADDRESS	
716-847-2651		716-847-0069		John.Hobel@freedmaxick.com	

Checklist of Schedules Included in This Application

Schedule Number	Schedule Name	Required	Included
1	General Information forms	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2a	Personal Qualifying Information	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2b	Personal Financial Statement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
2c	Not-For-Profit Director's Statement	<input type="checkbox"/>	<input type="checkbox"/>
3a	Basic Definitions & General Instructions For Legal Schedules	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
3b	Basic Legal Information and Documentation	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
4	Ownership Transfers Only- Additional Legal Information For All Articles	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
5	Working Capital Financing Plan (Not Applicable for Article 7)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
6	Architectural Submission	<input type="checkbox"/>	<input type="checkbox"/>
7	Environmental Assessment	<input type="checkbox"/>	<input type="checkbox"/>
8	Project & Subproject Cost Summary	<input type="checkbox"/>	<input type="checkbox"/>
9	Proposed Plan For Project Financing	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
10	Space & Construction Cost Distribution	<input type="checkbox"/>	<input type="checkbox"/>
11	Movable Equipment	<input type="checkbox"/>	<input type="checkbox"/>
12a	Adult Care Facilities Program Information	<input type="checkbox"/>	<input type="checkbox"/>
12c	Architectural	<input type="checkbox"/>	<input type="checkbox"/>
12d	Project Financing or Lease	<input type="checkbox"/>	<input type="checkbox"/>
12e	Projected Start Up Operating Budget- (2 Years)	<input type="checkbox"/>	<input type="checkbox"/>
12f	Operating Budget- Adult Care Facility -Full Occupancy	<input type="checkbox"/>	<input type="checkbox"/>
13a	Assurances	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
13b	Staffing	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
13c	Annual Operating Costs	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
13d	Annual Operating Revenues	<input type="checkbox"/>	<input type="checkbox"/>
16a	Hospital Program Information	<input type="checkbox"/>	<input type="checkbox"/>
16b	Community Need	<input type="checkbox"/>	<input type="checkbox"/>
16c	Impact of CON Application - Hospital Operating Certificate	<input type="checkbox"/>	<input type="checkbox"/>
16d	Hospital Outpatient Departments	<input type="checkbox"/>	<input type="checkbox"/>
16e	Hospital Utilization/Discharge and Patient Days	<input type="checkbox"/>	<input type="checkbox"/>
16f	Hospital Facility Access	<input type="checkbox"/>	<input type="checkbox"/>
17a	Diagnostic & Treatment Center Program Information	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
17b	Community Need	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
17c	Impact of CON Application - D& TCs Operating Certificate	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
17d	D&TC Allocation of Operating Costs	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
17e	D&TC Statement of Revenue	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
4	RHCFs Only	<input type="checkbox"/>	<input type="checkbox"/>
18a	Residential Health Care Facility (RHCF) Program Information	<input type="checkbox"/>	<input type="checkbox"/>
18b	Impact of CON Application - RHCF Operating Certificate	<input type="checkbox"/>	<input type="checkbox"/>
18c	RHCF Space & Construction Cost Distribution	<input type="checkbox"/>	<input type="checkbox"/>
18d	RHCF Statement of Functional Expenses	<input type="checkbox"/>	<input type="checkbox"/>
18e	RHCF Analysis of Net Patient Revenue & Total Operating Revenue	<input type="checkbox"/>	<input type="checkbox"/>
19a	Adult Day Health Care Programs (ADHCP) Program Information	<input type="checkbox"/>	<input type="checkbox"/>
19b	ADHCP Services-Staffing/Program Information	<input type="checkbox"/>	<input type="checkbox"/>
20a	OMH Component (If Applicable)	<input type="checkbox"/>	<input type="checkbox"/>
20b	OASAS Component (If Applicable) -To Be Added	<input type="checkbox"/>	<input type="checkbox"/>
20c	OMRDD Component (If Applicable) -To Be Added	<input type="checkbox"/>	<input type="checkbox"/>
21a	CHHAs and LTHHCP Program Information	<input type="checkbox"/>	<input type="checkbox"/>
21b	Impact of CON Application - CHHAs & LTHHCP Operating Certificate	<input type="checkbox"/>	<input type="checkbox"/>
21d	CHHA/LTHHCP Operating Cost	<input type="checkbox"/>	<input type="checkbox"/>
21e	CHHA/LTHHCP Projected Operating Revenue	<input type="checkbox"/>	<input type="checkbox"/>
21f	CHHA/LTHHCP Projected Utilization By Payor Category	<input type="checkbox"/>	<input type="checkbox"/>
22a	Hospices Program Information	<input type="checkbox"/>	<input type="checkbox"/>
22b	Impact of CON Application - Hospices Operating Certificate	<input type="checkbox"/>	<input type="checkbox"/>
22d	Hospices Operating Costs	<input type="checkbox"/>	<input type="checkbox"/>
22e	Hospices Utilization and Revenue Estimates	<input type="checkbox"/>	<input type="checkbox"/>

Schedule 1 Part B - Abbreviated Executive Summary

Instructions:

In the space below, i.e., no more than one page, provide a succinct overview of your proposal. This may be done in bullet format. The purpose of the Abbreviated Executive Summary (AES) is to give the reviewer a conceptual understanding of the proposal. The AES should summarize the key elements of the proposed project. Details will be contained in the appropriate schedules of the application.

The applicant, Buffalo Womenservices LLC, has contracted to purchase the assets of [REDACTED] and intends, once it receives CON approval, to take over the operation of the diagnostic and treatment center currently operated by [REDACTED] at 2500 Main Street, Buffalo, New York. The applicant would provide the same services at the center that are currently provided there by [REDACTED]

[REDACTED] holds operating certificate no. [REDACTED] PFI No. [REDACTED]

The applicant is a limited liability company with two members: [REDACTED] and [REDACTED]. [REDACTED] is currently employed by [REDACTED] as its administrator. [REDACTED] currently provides professional medical services at [REDACTED] diagnostic and treatment center and is its medical director.

The applicant will not be carrying out any construction at the facility. This application is only for establishment and a transfer of ownership of assets.

**New York State Department of Health
Certificate of Need Application**

Schedule 1C

Schedule 1 Part C - Other Facilities Owned or Controlled by the Applicant

(Establishment Applications only)

Does the applicant or any related entity (parent, member or subsidiary corporation) operate or control any of the following in New York State?

FACILITY TYPE - NEW YORK STATE	FACILITY TYPE CODE	
Hospital	HOS	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Nursing Home	NH	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Diagnostic and Treatment Center	DTC	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Licensed Home Care Services Agency	LHH	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Certified Home Health Agency	CHH	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Hospice	HSP	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Adult Home	ADH	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Assisted Living Program	ALP	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Long Term Home Health Care Program	LTC	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Enriched Housing Program	EHP	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Health Maintenance Organization	HMO	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
other	OTH	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

**New York State Department of Health
Certificate of Need Application**

Schedule 1C

For each facility or agency referenced above, enter the name, the PFI and facility type in the chart below .

	FACILITY NAME:	PFI	FACILITY TYPE
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			

**New York State Department of Health
Certificate of Need Application**

Schedule 1C

In addition to the information provided on the above chart, provide a complete list of all health care, adult care, behavioral, or mental health facilities, programs or agencies located outside New York State that are affiliated with the applicant corporation, as well as with parent, member and subsidiary corporations. For each health care entity identified, provide the full name, address, and type of services provided. In conjunction with this list, provide documentation from the regulatory agency in the state(s) where affiliations are noted, reflecting that the facilities/programs/agencies have operated in substantial compliance with applicable codes, rules and regulations for the past ten years (or for the period of the affiliation, whichever is shorter). To assist you in securing this information, instructions for the out-of-state review, a recommended form, and a sample letter of inquiry are provided in Schedule 2 Part D..

Please list the facilities outside of New York State that are owned or controlled by the applicant:

	FACILITY NAME AND ADDRESS:	Services provided:	STATE/ COUNTRY	FACILITY TYPE
1	NONE			
2				
3				
4				
5				
6				
7				
8				
9				
10				

Schedule 2 - Information About Individuals For all Establishment Applications

Contents:

- **Schedule 2 Personal Information Worksheet: Helps determine who is required to provide personal information.**
- **Schedule 2 A - Personal Qualifying Information. Signature and Notary required**
- **Schedule 2 B - Personal Financial Statement. Signature and Notary required**
- **Schedule 2 C - Not for Profit Directors Statement. Signature and Notary required**
- **Schedule 2 D - Out of State Review Forms.**

Note: Individual copies of this schedule must be filled out by each person required to file personal information. Therefore, multiple copies should be made, completed signed and submitted as appropriate. Signed originals should be scanned and saved in PDF format for the electronic copy that applicants should provide as a supplement to the required paper copies.

Introduction:

Schedule 2 is required for directors, proprietors and certain partners and shareholders when an establishment application is filed, including certain transfers of ownership or interest.

Sole Proprietors:

Sole proprietors must submit Schedules 2a and 2b.

Limited Liability Corporations,

Each member and manager, regardless of percentage ownership, must submit Schedules 2a and 2b. There is an exception for CHHA's. Only members who own ten percent or more of a CHHA's membership interest must submit Schedules 2a and 2b.

Not for Profit Corporations:

Each member and officer and director who contributes capital in support of a project must submit Schedules 2a and 2b. Directors who do not contribute capital in support of a project must submit Schedules 2a and 2c; however, Schedule 2c is not required for directors of applicants that are adult homes or enriched housing programs.

Business Corporations:

Each stockholder, regardless of percentage of stock owned, officer and director must submit Schedules 2a and 2b. Again, there is an exception for CHHA's, only stockholders who own ten percent or more of a CHHA's issued stock must submit Schedules 2a and 2b.

Transfer of Ownership Interest:

Incoming owners, stockholders or partners who will own 10% or more of a partnership, business or corporation must submit schedules 2a and 2b. Transfers of less than ten percent to a new partner or stockholder require only prior notice. See PHL 2801-a(4)(b).

Active Member Corporations:

When an owner or stockholder is an active member corporation, the officers, managers and stockholders of that active member corporation must also submit Schedules 2a and 2b.

The worksheet below is intended to assist the applicant in determining who is required to submit personal information.

New York State Department of Health
 Certificate of Need Application
 Table 2A-1 Personal Information Worksheet:

Schedule 2 - Worksheet

Name of individual or proposed active member corporation:	Natural person	Corporate Member	Name of Corporation, if individual is an officer or director of an active member corporation. Otherwise leave blank.	existing			proposed			"X" if applies			"X" if attached			
				position	Partnership, membership or stock interest as %	Percent ownership	position	Partnership, membership or stock interest as %	Percent ownership as %	Capital contribution?	Active member	Officer	Director	2A	2B	2C
[REDACTED]	<input checked="" type="checkbox"/>	<input type="checkbox"/>		Member & Manager	50	50	Member & Manager	50	50	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input checked="" type="checkbox"/>	<input type="checkbox"/>		Member & Manager	50	50	Member & Manager	50	50	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>								<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>								<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>								<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>								<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>								<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>								<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>								<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>								<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Schedule 3 - CON Forms Related to Legal Issues

Contents:

- **Schedule 3 A - General Instructions and Definitions For Legal Schedules. (No data entry required - this schedule is informational only)**
- **Schedule 3 B - Legal Information about the Applicant**

Schedule 3A: General Instructions and Definitions For Legal Schedules

Applicable to all Establishment & Full Construction Applicants and some Administrative Applications

Definitions

1. "PHL" refers to the New York State Public Health Law.
2. "SSL" refers to the New York State Social Services Law.
3. "10 NYCRR" refers to Title 10 (Health) of the Official Compilation of the Codes, Rules and Regulations of the State of New York.
4. "18 NYCRR" refers to Title 18 (Social Services) of the Official Compilation of the Codes, Rules and Regulations of the State of New York.
5. "Department" refers to the New York State Department of Health.
6. "Commissioner" refers to the Commissioner of the Department.
7. "Article 28" refers to Article 28 of the PHL, which governs general hospitals, nursing homes and diagnostic and treatment centers.
8. "Article 36" refers to Article 36 of the PHL, which governs certified home health agencies and long term home health care programs.
9. "Article 40" refers to Article 40 of the PHL, which governs hospices.
10. "Article 44" refers to Article 44 of the PHL, which governs health maintenance organizations.
11. "Article 7" refers to Article 7 of the SSL, which governs adult homes, enriched housing programs and residences for adults.
12. "Facility" refers to all types of facilities, institutions, agencies or other entities regulated under Articles 7, 28, 36, 40, or 44.

General Instructions

1. Unless otherwise specifically indicated, legal documentation submitted should be photocopies or legible scanned images in PDF format of fully executed original documents and **not** the originals themselves.
2. Whenever a requested legal document has been amended, modified, or restated, all amendment(s), modification(s) and/or restatement(s) should also be submitted.
3. Attachments to legal schedules should be numbered sequentially for each particular schedule. The list of attachments should be completed for each schedule required to be completed, with either the number of the attachment or a check in the "Not Applicable" column. In instances where the "Not Applicable" column is shaded, the documentation is required to be included in the application.

Schedule 3 B: Legal Information about the Applicant:

1. The following applicants must complete Part I in its entirety:
 - a. All Article 7 applicants.
 - b. Article 28 applicants seeking combined establishment and construction approval.
 - c. Article 36 applicants seeking combined establishment and construction approval.
 - d. Article 40 applicants seeking combined establishment and construction approval.

2. The appropriate section of Part II must also be completed, depending on the applicant's type of legal entity, as follows:
 - a. Sole proprietors must complete section A.
 - b. General partnerships must complete section B.
 - c. Registered limited liability partnerships must complete section C.
 - d. Not-for-profit corporations must complete section D.
 - e. Business corporations must complete section E.
 - f. Limited liability companies must complete section F.

NB: Whenever a requested legal document has been amended, modified, or restated, all amendment(s), modification(s) and/or restatement(s) should also be submitted.

I. All Applicants

A.	Applicant's Legal Name
	Buffalo Womenservices LLC

B. Designate the type of legal entity that describes the applicant by checking the box at right:	
Sole proprietor (See "II(A)" below.)	<input type="checkbox"/>
General partnership (See "II(B)" below.)	<input type="checkbox"/>
Registered limited liability partnership (See "II(C)" below.)	<input type="checkbox"/>
Not-for-profit corporation (See "II(D)" below.)	<input type="checkbox"/>
Business corporation (See "II(E)" below.)	<input type="checkbox"/>
Limited liability company (See "II(F)" below.)	<input checked="" type="checkbox"/>
Governmental agency	<input type="checkbox"/>
Other: specify in the text box	<input type="checkbox"/>

C. Provide the name and address of the applicant's attorney, if any

Attorney's Name			
Sharon M. Kelly			
STREET & NUMBER			
One M & T Plaza Suite 2000			
CITY	STATE	ZIP	PHONE NUMBER
Buffalo	NY	14203	716-848-1634

			Title or Filename of Attachment
D.	Is the facility name different from the applicant's legal name? If the name of the facility different from the name of the applicant's legal entity, attach the Certificate of Assumed Name.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
E.	For Article 36 applicants only: If the applicant has any partners, members, or stockholders who are not natural persons, applicant must show compliance with the requirements of PHL 3611.	Yes <input type="checkbox"/> No <input type="checkbox"/>	
F.	For Article 36 business corporations only: If the corporation is publicly traded attach the most recently filed Securities Exchange Commission Form 10K	Yes <input type="checkbox"/> No <input type="checkbox"/>	
G.	Summarize briefly in the space below how the applicant has or will obtain site control. Attach documentation of how this will be carried out. N.B.: Lease agreements for Article 28 facilities or for the inpatient components of Article 40 facilities must contain the language set forth in 10 NYCRR 600.2(d) or 790.2 (d), respectively.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	3B-1: Real Estate Purchase Contract 3B-2: Proposed Lease
H.	Are any of the owners of the applicant (partners, stockholders or members, as the case may be) physicians who are in a position to make referrals to the facility? If yes, attach a signed statement that the proposed financial/referral structure has been assessed in light of anti-kickback and self-referral laws, with the consultation of legal counsel, and it is concluded that proceeding with the proposal is appropriate.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
I.	Attach an organizational chart showing the applicant's legal structure.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	3B-3: Organizational Chart
J.	I. Does the applicant intend to enter into any agreement(s) with other entities involving management of, or administrative, billing and/or consulting activities and/or services for, the facility, including, but not limited to, operational policies? If yes, attach the agreement(s).	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
K.	Does the entity proposing to provide administrative/consulting services own, operate or manage any other facilities? If so provide documentation including the location and the time period that the entity owned, operated or managed that facility.	Yes <input type="checkbox"/> No <input type="checkbox"/>	
L.	Is the entity proposing to provide administrative/consulting services affiliated with health care facilities in other states or countries? If yes, attach documentation of current compliance with laws and regulations of that jurisdiction, and documentation that a substantially consistent high level of care was provided for the past ten-year period (or for the period of operation or affiliation). Your assistance in securing the documentation would be appreciated. Documentation must be secured from the appropriate regulatory body in the state or country where the facility is located.	Yes <input type="checkbox"/> No <input type="checkbox"/>	
M.	Has the entity proposing to provide administrative/consulting services been the subject of an administrative action related to the ownership, operation or management of a hospital, facility, home or other institution providing care to persons? If so attach a brief description of the action.	Yes <input type="checkbox"/> No <input type="checkbox"/>	
N.	Have any criminal actions have been taken or are any pending against the entity proposing to provide administrative/consulting services? Attach a brief description of the action.	Yes <input type="checkbox"/> No <input type="checkbox"/>	

O.	Have any civil or administrative actions been taken or are any currently pending against the entity proposing to provide administrative/consulting services by the Medicare or Medicaid programs? If so, attach a brief description of the action.	Yes <input type="checkbox"/> No <input type="checkbox"/>	
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II. Legal Documentation Specific to Type of Legal Entity

In the following section, the "Personal Information Worksheet" refers to table 2A-1 in Schedule 2, which lists owners and other personnel from whom additional information must be obtained. Attach the following legal documentation as applicable for the applicant's type of legal entity:

A. Sole Proprietors:

Requirement:		Title or Filename of Attachment
1.) Make sure that the name of individual proprietor is entered on the "Personal Information Worksheet" in Schedule 2 (table 2A-1)	Done: <input type="checkbox"/>	NA
2.) Certificate of Doing Business.	Attached <input type="checkbox"/>	
3.) Schedules 2a and 2b for the proprietor.	Done <input type="checkbox"/>	

B. General Partnerships:

Requirement:		Title or Filename of Attachment
1.) Make sure the "Personal Information Worksheet" table includes the name, partnership interest and percentage ownership for each partner. If ownership is being transferred, the tablet should include this information before and after the transfer.	Done <input type="checkbox"/>	
2.) Documentation of the transfer of ownership interest.	Attached <input type="checkbox"/>	
3.) Partnership Agreement- see Note below.	Attached <input type="checkbox"/>	
4.) Certificate of Doing Business as a Partnership.	Attached <input type="checkbox"/>	
5.) Schedules 2a and 2b for each remaining and incoming partner must be completed	Done <input type="checkbox"/>	
6.) For ownership transfers, include a fully executed proposed Certificate of Amendment reflecting the change(s) in partners.	Attached <input type="checkbox"/>	

Note: Partnership agreements for Article 36 or Article 40 facilities must contain the language set forth in 10 NYCRR 760.2 (c)(2), or 790.1(c)(2), respectively. Refer to Schedule 12b Part II for language that must be included in partnership agreements for Article 7 general partnerships and to Schedule 14.1 Part II(A) for language that must be included in partnership agreements for Article 28 general partnerships.

C. Registered Limited Liability Partnerships:

Requirement:		Title or Filename of Attachment
1.) Make sure the "Personal Information Worksheet" includes the name, partnership interest and percentage ownership for each partner. If ownership is being transferred, the tablet should include this information before and after the transfer.	Done <input type="checkbox"/>	
2.) Partnership Agreement;	Attached <input type="checkbox"/>	
3.) Certificate of Doing Business as a Partnership; and	Attached <input type="checkbox"/>	
4.) Certificate of Registration.	Attached <input type="checkbox"/>	
5.) Articles of Organization;	Attached <input type="checkbox"/>	
6.) Schedules 2a and 2b must be submitted for each remaining and incoming principal member owning ten percent or more of membership interests.	Done <input type="checkbox"/>	

Note: Registered limited liability partnerships are not a proper entity for adult care facilities. See Schedule 14.1, Part II(B) for language that must be included in partnership agreements for Article 28 registered limited liability partnerships.

Not-for-Profit Corporations:

Note: A change in "active" member requires CON approval. A change in inactive member does not require CON approval. A member is "active" if it has any of the following powers with respect to the Article 40 corporation:

- Appointment or dismissal of hospice management-level employees and medical staff, except the election or removal of corporate officers.
- Approval of hospice operating and capital budgets.
- Adoption or approval of hospice operating policies and procedures.
- Approval of certificate of need applications filed by or on behalf of the hospice.
- Approval of hospice debt necessary to finance the cost of compliance with operational or physical plant standards required by law.
- Approval of hospice contracts for management or for clinical services.
- Approval of settlements of administrative proceedings or litigation to which the hospice is a party, except approval of settlements of litigation that exceed insurance coverage or any applicable self-insurance fund.

1. Enter the number of director positions set by bylaws or otherwise fixed: (See Not-for-Profit Corporation Law 702.)

2. Enter the number of director positions currently filled:

3. Explain below how and by whom the directors will be appointed or elected:

Not-for-Profit Corporations:

Requirements:		Title or Filename of Attachment
1.) Complete the "Personal Information Worksheet" to provide the name of each member, officer and director, including the name of each member, officer and director of a proposed Active member Corporation,	Done <input type="checkbox"/>	
2.) Certificate of Incorporation;	Attached <input type="checkbox"/>	
3.) Bylaws.	Attached <input type="checkbox"/>	
4) Proposed amendments to bylaws if any	Attached <input type="checkbox"/>	
5.) Bylaws for the proposed Active member Corporation,	Attached <input type="checkbox"/>	
6) If an "Active Member Corporation" is proposed, provide Proposed Amendments to bylaws of the active member, if any.	Attached <input type="checkbox"/>	
7.) If an "Active Member Corporation" is proposed, provide a Certificate of Incorporation, as filed for the proposed Active member Corporation,	Attached <input type="checkbox"/>	
8.) If the applicant is not a New York corporation, Application for Authority to Do Business in New York.	Attached <input type="checkbox"/>	
9.) For each member and officer and director, who contributes capital in support of a project, submit Schedules 2a and 2b.	Done <input type="checkbox"/>	
10.) For each directors who does not contribute capital in support of a project, submit Schedules 2a and 2c;	Done <input type="checkbox"/>	

Schedule 2c is not required for directors of applicants that are adult homes or enriched housing programs.)

Business Corporations:

Requirement:		Title or Filename of Attachment
1.) Complete the "Personal Information Worksheet" to provide the name, stock interest and percentage ownership for each stockholder. If ownership transfer is involved this list must include information on stockholders before and after the proposed transfer	Done <input type="checkbox"/>	
2.) Complete the Personal Information Worksheet" with a list providing the name and position held for each officer and director;	Attached <input type="checkbox"/>	
3.) Certificate of Incorporation;	Attached <input type="checkbox"/>	
4.) A copy of the Bylaws of the corporation	Attached <input type="checkbox"/>	
5.) If the applicant is not a New York corporation, Application for Authority to Do Business in New York must be attached.	Attached <input type="checkbox"/>	
6.) Original stock transfer affidavits from each incoming stockholder and each selling stockholder, including the specific information set forth in 10 NYCRR 790.14(b) and (c.) respectively	Attached <input type="checkbox"/>	
7.) Attach a sample stock certificate including the specific language set forth in NYCRR 790.11(c.)	Attached <input type="checkbox"/>	
8.) Attach Schedules 2a and 2b for each stockholder, officer and director.	Done <input type="checkbox"/> N/A <input type="checkbox"/>	
7.) Stockholders who own ten percent or more of a CHHA's issued stock must submit Schedules 2a and 2b.	Done <input type="checkbox"/> N/A <input type="checkbox"/>	
8.) Stockholders of all other applicants, regardless of percentage ownership, must submit Schedules 2a and 2b.	Done <input type="checkbox"/> N/A <input type="checkbox"/>	

Limited Liability Companies:

Requirement:		Title or Filename of Attachment
1.) Complete the "Personal Information Worksheet", identifying each manager, and member, and providing the membership interest and percentage ownership for each member before and after the proposed CON.	Attached <input checked="" type="checkbox"/>	Schedule 2 Worksheet
2.) Articles of Organization;	Attached <input checked="" type="checkbox"/>	3B-4: Articles of Organization 3B-5: Proposed Certificate of Amendment to Articles of Organization
3.) Operating Agreement	Attached <input checked="" type="checkbox"/>	3B-6: Operating Agreement 3B-7: Proposed Amended and Restated Operating Agreement
4.) If the applicant is not a New York limited liability company, Application for Authority to Do Business in New York.	Attached <input type="checkbox"/>	
5.) Schedules 2a and 2b for each member and manager.	Done <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	
6.) Only members who own ten percent or more of a CHHA's membership interest must submit Schedules 2a and 2b.	Done <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	
7.) Members of all other applicants, regardless of percentage ownership, must submit Schedules 2a and 2b.	Done <input checked="" type="checkbox"/> N/A <input type="checkbox"/>	
8.) Does the applicant intend to issue membership certificates? If yes, attach a sample membership certificate including the following legends: <i>That not withstanding anything to the contrary in the Articles of Organization or the Operating Agreement, transfers, assignments or other dispositions of membership interests or voting rights must be effectuated in accordance with section 4004(3)(b) of the Public Health Law and implementing regulations.</i>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	

In Addition, the Articles of Organization of a Limited Liability Corporation must include provisions to the following effect

- a. The name of the LLC, which must contain either the words "Limited Liability Company" or the abbreviations "LLC" or "L.L.C.";
- b. Designation of the Secretary of State as agent of the LLC for service of process and an address to which the Secretary of State may mail a copy of any such process;
- c. That the LLC will be managed by its members and that neither the management structure nor the provisions setting forth such structure may be deleted, modified or amended without the prior approval of the New York State Department of Health;
- d. That the powers and purposes of the LLC are limited to the ownership and operation of the hospice specifically named and the location by street address, city, town, village or locality and county;
- e. The location of the principal office of the LLC, which must be the same address as the hospice or a hospital, home care services agency or health maintenance

organization operated by the LLC in the State of New York;

- f. That notwithstanding anything to the contrary in the Articles of Organization or the Operating Agreement, transfers, assignments, or other dispositions of membership interests or voting rights must be effectuated in accordance with section 4004(3)(b) of the New York State Public Health Law and implementing regulations.

9. The Operating Agreement of an LLC must include provisions to the following effect:

- a. That the powers and purposes of the LLC are limited to the ownership and operation of the hospice specifically named and the location by street address, city, town, village or locality and county;
 - Note: The powers and purposes may also include the operation of an Article 28 facility, an Article 36 facility and/or an Article 44 entity if the applicant has received all appropriate approvals and certifications.
- b. That notwithstanding anything to the contrary in the Articles of Organization or the Operating Agreement, transfers, assignments or other dispositions of membership interests or voting rights must be effectuated in accordance with section 4004(3)(b) of the Public Health Law and implementing regulations; and
- c. That the LLC will be managed by its members and that neither the management structure nor the provision setting forth such structure may be deleted, modified or amended without the prior approval of the Department of Health.

D. Government Entities:

Attach documentation of all necessary governing authority approvals for this application

E. Additional Information concerning CHHAs:

For purposes of the application, a "controlling person" is one who exercises control over the CHHA by directing or causing the direction of the actions, management or policies of the agency whether through the ownership of voting securities or voting rights, electing or appointing directors, the direct or indirect determination of policies, or otherwise. Full disclosure of the governing bodies (including directors, if a corporation, and managers, if a limited liability company) and principal stockholders or members of each immediate, intermediary and ultimate parent or member entity of the CHHA is required since these entities/persons possess direct or indirect operational authority over the CHHA.

Change of controlling person in a CHHA

Requirement:	Title or Filename of Attachment
Complete the "Personal Information Worksheet", including <ul style="list-style-type: none"> d. For corporations, identify officers, directors and principal stockholder(s) (those owning ten percent or more of stock), including interest or position held, e. For limited liability companies, a list of managers and principal member(s) (those owning ten percent or more of membership interests), including interest or position held 	Attached <input type="checkbox"/>

If a corporation, Certificate of Incorporation and Bylaws, or If a limited liability company, Articles of Organization and Operating Agreement	Attached <input type="checkbox"/>	
3.) Operating Agreement	Attached <input type="checkbox"/>	
4.) If the applicant is not a New York limited liability company, Application for Authority to Do Business in New York.	Attached <input type="checkbox"/>	
5.) Schedules 2a and 2b for each member and manager.	Done <input type="checkbox"/> N/A <input type="checkbox"/>	
6.) Only members who own ten percent or more of a CHHA's membership interest must submit Schedules 2a and 2b.	Done <input type="checkbox"/> N/A <input type="checkbox"/>	
7.) Members of all other applicants, regardless of percentage ownership, must submit Schedules 2a and 2b.	Done <input type="checkbox"/> N/A <input type="checkbox"/>	
8.) Does the applicant intend to issue membership certificates? If yes, attach a sample membership certificate including the following legends: <i>That not withstanding anything to the contrary in the Articles of Organization or the Operating Agreement, transfers, assignments or other dispositions of membership interests or voting rights must be effectuated in accordance with section 4004(3)(b) of the Public Health Law and implementing regulations.</i>	Yes <input type="checkbox"/> No <input type="checkbox"/>	

A. Attach the following legal documentation with respect to the CHHA:

1. Formation Documents:

- a. If a corporation, Certificate of Incorporation and Bylaws, or
- b. If a limited liability company, Articles of Organization and Operating Agreement; and

2. Ownership and Governing Authority:

- a. If a corporation, a list of officers, directors and principal stockholder(s) (those owning ten percent or more of stock), including interest or position held, or
- b. If a limited liability company, a list of managers and principal member(s) (those owning ten percent or more of membership interests), including interest or position held; and

B. Attach the following legal documentation with respect to **each proposed controlling person or immediate, intermediary or ultimate parent or member entity:**

1. Formation Documents:

- a. If a corporation, Certificate of Incorporation and Bylaws, or

- b. If a limited liability company, Articles of Organization and Operating Agreement;
 2. Agreements: All agreements between the CHHA and the proposed controlling person or parent entity relating to the manner and mechanisms by which the controlling person or parent entity will control the CHHA;
 3. Control: A detailed description of such control relationship; and
 4. Ownership and Governing Authority:
 - a. If a corporation, a list of officers, directors and principal stockholder(s) (those owning ten percent or more of stock), including interest or position held; or
 - b. If a limited liability company, a list of managers and principal member(s) (those owning ten percent or more of membership interests), including interest or position held; and
- C. Submit Schedules 2a and 2b for **each individual** listed in item B(4) above. Directors of a not-for-profit corporation who contribute capital in support of a project must submit Schedule 2b. Directors of a not-for-profit corporation who do not contribute capital in support of a project must submit Schedule 2c.

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REAL ESTATE PURCHASE CONTRACT

CONTRACT FOR PURCHASE AND SALE OF IMPROVED LAND

THIS AGREEMENT is made this 1st day of June, 2004, between 2500 MAIN STREET, INC., a New York corporation having its offices at 2500 Main Street, Buffalo, New York 14214 (the "Seller") and BUFFALO WOMENSERVICES LLC, a New York limited liability company having an office at 2500 Main Street, Buffalo, New York 14214 (the "Purchaser").

WITNESSETH THAT:

Seller has agreed to sell and Purchaser has agreed to purchase, on the terms and conditions set forth in this Agreement, the real property and improvements situated at 2500 Main Street, Buffalo, New York (S.B.L. No. 89.350-3-26), which real property is more particularly described in **Exhibit A** to this Agreement.

NOW, THEREFORE, for one dollar (\$1.00) and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Seller and Purchaser agree as follows:

1.0 DEFINITIONS.

1.1 Agreement will mean this Contract of Purchase and Sale for Improved Land, dated June 1, 2004, between Seller and Purchaser.

1.2 Asset Purchase Agreement will mean the Asset Purchase Agreement, dated June 1, 2004, among Purchaser, Seller, [REDACTED] and [REDACTED]

1.3 Casualty Loss will mean any damage to the Real Property or Improvements caused by fire, storm or other casualty.

1.4 Closing will mean the closing of title to the Premises to be held at the time and place set forth in **Section 3.1** of this Agreement.

1.5 Closing Date will mean such date as the parties agree to for the Closing; provided, however, that such date must fall within the period during which the Purchaser or Purchaser's designee may acquire new property that qualifies for "like-kind exchange" treatment under Section 1031 of the Code.

1.6 Code will mean the Internal Revenue Code of 1986, as amended.

1.7 Deed will mean the statutory form of bargain and sale deed with lien law covenant and covenant against grantor's acts to be executed and delivered by Seller pursuant to **Section 10.1** of this Agreement.

1.8 Effective Date will mean the date on which this Agreement has been signed by both Seller and Purchaser.

1.9 Encumbrances will mean all mortgages, liens, security, interests, claims, encumbrances, easements, rights-of-way, encroachments, reservations, restrictions, covenants, conditions and any other matters affecting title to the Premises.

1.10 Environmental Law will mean "Environmental Law" as such term is defined in the Asset Purchase Agreement.

1.11 Governmental Authority will mean any federal, State of New York or local government, or any political subdivision of any of the foregoing, or any court, agency or other entity, body, organization or group exercising any executive, legislative, judicial, quasi-judicial, regulatory or administrative function of government.

1.12 Governmental Requirements will mean "Governmental Requirements" as such term is defined in the Asset Purchase Agreement.

1.13 Hazardous Substances will mean "Hazardous Substances" as such term is defined in the Asset Purchase Agreement.

1.14 Improvements will mean all buildings, improvements, structures and fixtures situated on the Real Property, including, but not limited to, those certain buildings, structures, fixtures, built in appliances and other improvements of any kind or nature (including all HVAC systems) presently situated on, in or under or hereafter erected, installed or used on the Real Property.

1.15 Permitted Encumbrances will mean the Encumbrances described in **Exhibit B** attached hereto.

1.16 Person will mean any corporation, Governmental Authority, individual, partnership, trust or other entity.

1.17 Premises will mean the Real Property and the Improvements.

1.18 Purchase Price will mean \$300,000.

1.19 Purchased Assets will mean the "Purchased Assets" as such term is defined in the Asset Purchase Agreement.

1.20 Real Property will mean the real property situated at 2500 Main Street, Buffalo, New York (S.B.L. No. 89.350-3-26), which real property is described with more particularity on **Exhibit A** attached hereto, together with all rights, privileges, interests, easements, hereditaments and appurtenances thereunto in any way incident, appertaining or belonging, including, but not limited to: (a) all right, title and interest in and to adjacent streets, alleys, rights of way and any adjacent strips or gores of real estate; and (b) all right, title and interest in and to all oil, gas and other minerals in, on or that may be produced from the property, all mineral leases, royalty interests and bonuses relating thereto, and all agreements relating to the production, development, exploration or exploitation thereof.

1.21 Representatives will mean any officer, director, principal, attorney, agent, financial advisor, lender or potential lender or investor, employee or other representative of any Person.

1.22 Survey will mean a survey of the Real Property prepared by a professional who is licensed or otherwise authorized under the New York Education Law to practice land surveying and is reasonably satisfactory to Purchaser, dated subsequent to the Effective Date, prepared in accordance with generally accepted professional standards and the Bar Association of Erie County standards showing the location of the Improvements and all easements, restrictions and other matters of record affecting the Real Property and certified at Seller's expense to Purchaser and the Title Company.

1.23 Taking will mean any taking or pending or threatened taking, in condemnation or under the right of eminent domain of the Premises or any portion thereof.

1.24 Title Company will mean Ticor Title Insurance Company, Monroe Title Insurance Corporation, or such other reputable title insurance company as Purchaser may select.

1.25 Title Search will mean a fully guaranteed tax and title search covering the Real Property only, the first set-out of which will be the first recorded source of title in the Erie County Clerk's Office, the last continuation of which will be dated subsequent to the Effective Date and where not covered by the search, a local tax certificate.

2.0 PURCHASE AND SALE.

2.1 Subject to the terms and conditions set forth in this Agreement, Seller agrees to sell, convey, transfer and assign to Purchaser and Purchaser agrees to purchase from Seller, all of Seller's right, title and interest in and to the Premises.

3.0 CLOSING.

3.1 The Closing will take place at 9:00 a.m. on the Closing Date in the offices of Hodgson Russ LLP, Buffalo, New York or at such other place as will be mutually agreed upon.

4.0 PAYMENT OF PURCHASE PRICE.

4.1 On the Closing Date the Purchase Price will be paid as follows:

(a) \$200,000 or more in cash or by certified check, bank draft or wire transfer of funds; and

(b) the balance of the Purchase Price (as adjusted pursuant to **Section 12.0** of this Agreement), if any, by execution and delivery of a non-negotiable promissory note in the form attached hereto as **Exhibit C** (the "Note"). The Note should be secured by a first mortgage on the property.

5.0 TITLE.

5.1 Within thirty days of the Effective Date, Seller will, at its sole cost and expense, cause to be prepared and delivered to Purchaser's attorneys: (i) a fully guaranteed tax and title search of the Real Property, (the "Title Search"); (ii) a survey of the Real Property dated after the Effective Date, certified to Purchaser and such persons or institutions (including, without limitation, any lender(s) providing financing to Purchaser in connection with the transactions contemplated by this Agreement) as are designated by Purchaser, made by a land surveyor and/or engineer duly licensed as such by the State of New York, showing all of the Real Property, the location of any improvements and the location of all easements, restrictions, rights-of-way and other matters of record affecting the Real Property, prepared and certified in accordance with generally accepted professional standards and the standards of the Erie County Bar Association (the "Survey"); (iii) Uniform Commercial Code, federal and state tax, bankruptcy, judgment and lien searches against all current and prior legal and assumed names of Seller, each of Seller's Shareholders, and [REDACTED] (the "Additional Searches"). The delivery of the Additional Searches will include copies of all items appearing in such search results.

5.2 On or before the tenth business day following Purchaser's receipt of the Title Search or Survey, whichever is later, Purchaser will notify Seller in writing (the "Defect Notice") of any unacceptable Encumbrances or other matters disclosed by either the Title Search or the Survey (individually a "Disapproved Encumbrance" and collectively the "Disapproved Encumbrances"). Seller, if Seller elects to attempt to resolve the Disapproved Encumbrances, agrees to use commercially reasonable efforts to eliminate the Disapproved Encumbrances or otherwise resolve the Disapproved Encumbrances to the satisfaction of Purchaser on or before the Closing Date. Seller will have seven business days after receipt of the Defect Notice to notify Purchaser in writing (A) that the Disapproved Encumbrances will be eliminated and otherwise resolved as provided above; or, (B) that the Disapproved Encumbrances will not be eliminated or otherwise resolved. If Seller elects not to cause any Disapproved Encumbrance to be eliminated or otherwise resolved, Purchaser will have the right, in its sole discretion, for a period of five business days following the expiration of the seven business day period provided for above, to notify Seller of Purchaser's election to either waive such objection and proceed with the Closing, without impairing any right of indemnification or other right or remedy hereunder or under the Asset Purchase Agreement, or to terminate this Agreement. Absent any notice from Purchaser within such five business day period, Purchaser will be deemed to have elected to waive such objection. If Seller gives notice that one or more Disapproved Encumbrances will be eliminated or otherwise resolved, and such Disapproved Encumbrances are not so eliminated or otherwise resolved on or before the Closing Date, Purchaser will have the right to either (A) terminate this Agreement by written notice to Seller or (B) proceed with the Closing, with an abatement of the Purchase Price equal to the actual cost of eliminating or resolving such Disapproved Encumbrances.

5.3 At Closing, Seller will furnish Purchaser with a currently dated Title Search, or other proof satisfactory to Purchaser, showing that immediately prior to Closing no person or entity then has any security interest, claim, lien or encumbrance whatsoever on the Real

Property, except as expressly approved in writing by Purchaser or insured by a fee title insurance policy on the Real Property.

5.4 At Closing, Purchaser will pay for the cost of any fee title insurance it elects to obtain; provided, however, that if Seller furnishes Purchaser with a fee title insurance policy with respect to a Disapproved Encumbrance in order to resolve a Disapproved Encumbrance to Purchaser's satisfaction, Seller will pay the full premium for such fee title insurance policy.

6.0 DUE DILIGENCE.

6.1 Within thirty days of the Effective Date, Seller will deliver to Purchaser's attorney written confirmation from the City of Buffalo that (a) the Real Property complies with applicable zoning requirements, is not subject to any variances and its current use as a medical clinic is not a non-conforming use, (b) that the Improvements are covered by a duly issued certificate of occupancy and there is no pending action or proceeding seeking the termination or revocation of such certificate of occupancy and (c) there are no outstanding notices of non-compliance with or violations of applicable building, subdivision, health or fire laws, rules, regulations or ordinances relating to the Premises.

6.2 Prior to the Closing Date, Purchaser or Purchaser's designees and representatives may, at Purchaser's expense, perform a Phase I environmental study with respect to the Real Property (the "Phase I Study"). If the Phase I Study is performed, Purchaser will furnish to Seller a copy of any report related thereto promptly upon receipt thereof. Seller will cooperate with Purchaser and Purchaser's designees and representatives in the performance of such Phase I Study including, without limitation, providing Purchaser and Purchaser's designees and representatives all necessary access to the Real Property prior to Closing and the right to take samples and perform all other actions reasonably necessary to conduct such Phase I Study. If the Phase I Study indicates that remedial work is needed, and Seller does not either perform such work prior to Closing or retain an environmental remediation firm satisfactory to Purchaser prior to Closing to perform such work, at Seller's expense, within a reasonable period of time following the Closing, Purchaser may elect (a) to perform such work at its expense and proceed to Closing or (b) terminate this Agreement by written notice to Seller.

6.3 Prior to the Closing Date, Purchaser or Purchaser's designees and representatives may, at Purchaser's expense, perform such engineering studies of the Premises as Purchaser may elect to make or obtain. Seller will cooperate with Purchaser and Purchaser's designees and representatives in the performance of such engineering studies including, without limitation, providing Purchaser and Purchaser's designees and representatives all necessary access to the Real Property prior to Closing and the right to perform all actions reasonably necessary to conduct such engineering studies. If Purchaser determines (in Purchaser's sole discretion) that the condition of the Premises (other than any condition disclosed in the Phase I Study) is unsatisfactory to Purchaser and remedial work is needed, and Seller does not either perform such work prior to Closing or retain contractors satisfactory to Purchaser to perform such work, at Seller's expense, within a reasonable period of time following the Closing, Purchaser may elect (a) to perform such work at its expense and proceed to Closing or (b) terminate this Agreement by written notice to Seller.

7.0 SELLER'S REPRESENTATIONS.

As a material inducement to cause Purchaser to enter into this Agreement, Seller represents to Purchaser that:

7.1 Seller has full right, power and authority to execute, deliver and perform this Agreement without obtaining any further consents or approvals from, or the taking of any other actions with respect to, any third parties, and this Agreement when executed by Seller and Purchaser, will constitute the valid and binding agreement of Seller, enforceable against Seller in accordance with its terms.

7.2 **Exhibit A** contains a true, complete and correct description of the Real Property. Seller has good and indefeasible fee simple title to the Premises. No party has or will have any right in, or to acquire the Premises. At the Closing, the Premises will be free and clear of all Encumbrances except Permitted Encumbrances or Encumbrances otherwise cured by Seller in accordance in accordance with **Section 5.2** hereof.

7.3 The location, construction, occupancy, operation and use of the Premises (a) do not constitute a non-conforming use under the applicable zoning ordinances and (b) do not violate any applicable law, statute, ordinance, rule, regulation, order or determination of any Governmental Agency or any board of fire underwriters (or other body exercising similar functions), or any restrictive covenant or deed restriction (recorded or otherwise) affecting the Premises, including, without limitation, all applicable zoning and subdivision ordinances and building codes, flood disaster laws and Environmental Laws.

7.4 There is no existing, nor to the knowledge of Seller pending or threatened action, suit, proceeding or investigation (including without limitation condemnation or eminent domain proceeding) before any Governmental Authority relating to the ownership, maintenance, use or operation of the Real Property or Improvements, or any part thereof nor does Seller know of any fact which might give rise to any such action, suit, proceeding or investigation.

7.5 Seller has received no notice from any Governmental Authority of a violation of any applicable governmental requirement with respect to the use, occupation and construction of the Premises, including, but not limited to, environmental, zoning, subdivision and other land use requirements and Seller has received no knowledge of any violations or investigations relating to any such requirement.

7.6 Seller has received no notice of any default or breach by Seller under any covenant, condition, restriction, right of way or easement affecting the Premises or any portion thereof, and no such default or breach now exists.

7.7 No building or other improvement encroaches onto the Real Property, nor does any Improvement encroach onto lands of others or onto any private or public road, easement or right of way.

7.8 No real property adjacent to the Premises is currently used nor to the knowledge of Seller is intended to be used in a manner that might materially adversely affect the use of the Real Property as a medical clinic facility.

7.9 There are no existing, nor to the knowledge of Seller pending or contemplated general or special assessments affecting the Premises or any portion thereof.

7.10 To the knowledge of Seller, all water, sewer, gas, electric, telephone and drainage facilities and all other utilities servicing the Premises are connected pursuant to valid permits, enter the Real Property through adjoining public streets, are adequate for the present medical clinic operations conducted on the Premises and otherwise are in compliance in all material respects with all Governmental Requirements applicable thereto. Access to and from the Real Property is via public streets, which streets are sufficient to ensure adequate vehicular and pedestrian access for the present medical clinic operations conducted on the Premises.

7.11 There are no service contracts, leases, purchase agreements or rights of first refusal affecting all or any part of the Premises and there are no oral or written promises, understandings, agreements or commitments between Seller and any third party with respect to the Premises other than those described on **Schedule 7.11**.

7.12 No labor has been performed or material furnished for the Real Property or Improvements for which a mechanic's or materialman's lien or liens, or any other lien, has been or could be claimed by any Person. There are no outstanding notices calling attention to the need for any unperformed curbing, recurbing, paving, repaving or other construction, improvements or work on or about the Real Property or on any streets or roads abutting the Real Property or for the removal of any nuisance from the Real Property. All street paving, curbing, sewer installation or other public improvements for which the Real Property is assessable have been fully paid for.

7.13 There is no litigation or proceeding pending or threatened against or relating to the Premises nor does Seller know or have reasonable grounds to know of any basis for any such action.

7.14 None of the Real Property is located within an area determined to be flood-prone under the Federal Flood Protection Act of 1973, or any comparable Governmental Requirements. Seller has not received any notices from any insurance company of any defects or inadequacies in the Premises or any part thereof which would materially and adversely affect the insurability of the Premises or the premiums for the insurance thereof, and no notice has been given by any insurance company which has issued a policy with respect to any portion of the Premises or by any board of fire underwriters (or other body exercising similar functions) requesting the performance of any repairs, alterations or other work which has not been complied with.

7.15 The Improvements (including, without limitation, the heating, air conditioning, mechanical, electrical and other systems used in connection therewith) are being sold "as is." Except as set forth in Schedule 7.15, there are no repairs or replacements exceeding \$10,000, in the aggregate or \$1,000 for any single repair or replacement, for the Premises that, to the

knowledge of Seller, should be made in order to maintain the Improvements in a reasonable state of repair.

7.16 Except for the [REDACTED], there are no parties in possession of any portion of the Premises, whether as lessees, tenants in possession, trespassers or otherwise.

7.17 The Real Property and Improvements are in compliance with, and Seller has not been charged with, has not received any notice of and is not under investigation for failure to comply with any Environmental Law. Neither Seller nor any prior owner of the Real Property has stored, treated, generated, transported, processed, handled, produced or disposed of any Hazardous Substances (except in compliance with applicable Environmental Laws) at the Real Property and Improvements nor are there any underground storage tanks at the Real Property.

8.0 CONDITIONS TO SALE.

Notwithstanding anything in this Agreement to the contrary, Purchaser's obligation to complete the Closing under this Agreement is contingent upon satisfaction or waiver by Purchaser of the following conditions:

8.1 The representations and warranties of the Seller contained in this Agreement will be true on and as of the Closing Date with the same effect as if such representations and warranties had been made on and as of such date.

8.2 Purchaser will not have discovered any error, misstatement or omission in the representations and warranties made by Seller in this Agreement.

8.3 Seller will have performed, observed and complied with all of the covenants, agreements and conditions required by this Agreement to be performed, observed and complied with by it prior to or as of the Closing Date.

8.4 As of the Closing Date, the Premises will be in substantially the same condition as it was on the Effective Date, ordinary wear and tear excepted.

8.5 The Title Search will be updated on the Closing Date and Purchaser will have satisfactory evidence that there are no Encumbrances other than Permitted Encumbrances or such other Encumbrance as are expressly approved in writing by Purchaser.

8.6 The Closing of the purchase and sale of the Premises under this Agreement will occur prior to or simultaneously with the closing of the purchase and sale of the Purchased Assets pursuant to the Asset Purchase Agreement.

9.0 SELLER'S COVENANTS.

Seller covenants that between the Effective Date and the Closing Date:

9.1 It will not encumber the Premises or enter into any lease or other occupancy agreement with respect to the Premises without the prior written consent of Purchaser.

9.2 It will, at its sole cost and expense, comply with all notices, orders and requirements issued by any Governmental Authority having jurisdiction against or affecting the Premises.

9.3 It will not withdraw, settle or otherwise compromise any protest or reduction proceeding affecting real estate taxes or assessments imposed with respect to the Premises for any fiscal period in which the Closing is to occur or for any subsequent fiscal period without the prior written consent of Purchaser.

9.4 It will immediately notify Purchaser of any material change with respect to the Premises, or with respect to any information, representation or warranty heretofore or hereafter furnished by Seller to Purchaser concerning the Premises.

9.5 It will, upon Purchaser's request, provide Purchaser with reasonable access to the Premises for the purpose of verifying Seller's performance of its obligations hereunder.

10.0 SELLER'S CLOSING OBLIGATIONS.

At the Closing, Seller will deliver to Purchaser:

10.1 The Deed, properly executed and in proper form for recording, conveying to the Purchaser good and marketable title to the Premises subject only to Permitted Encumbrances;

10.2 An Affidavit regarding Seller's identity for purposes of Section 1445 of the Code;

10.3 Such affidavits as the Title Company will reasonably require in order to omit from any title policies being obtained by Purchaser all exceptions for judgments, bankruptcies or other returns against persons or entities whose names are the same as or similar to the Seller's name;

10.4 Evidence satisfactory to Purchaser and the Title Company that the person executing the documents at the Closing on behalf of Seller has the full right, power and authority to do so;

10.5 Checks to the order of the appropriate officers in payment of all real property transfer taxes due hereunder and the cost to file the transfer tax form;

10.6 Exclusive possession of the Premises, in broom clean condition, free of all persons or parties in possession and free of all debris, refuse, garbage, and other personal property not included in the sale to Purchaser; and.

10.7 Any other documents reasonably required by this Agreement or the Title Company to be delivered by Seller.

10.8 All keys to the Premises that are in the possession of Seller on the Closing Date.

11.0 PURCHASER'S CLOSING OBLIGATIONS.

At the Closing, Purchaser will:

- 11.1 Record the Deed;
- 11.2 Execute and deliver the Note;
- 11.3 Deliver the balance of the Purchase Price to Seller; and
- 11.4 Deliver any other documents reasonably required by this Agreement to be delivered by Purchaser.

12.0 TAXES; ASSESSMENTS; CLOSING COSTS.

12.1 Non-delinquent real estate taxes, assessments, special district charges, water charges and sewer rents, if any, will be prorated and adjusted as of the Closing Date on the basis of the fiscal period for which assessed, except that if there is a water meter on the Real Property, apportionment at the Closing will be based on the last available reading, subject to adjustment after the Closing when the next reading is available;

12.2 Seller will pay any and all transfer, gains or documentary stamp taxes, and other taxes due in connection with the transfer of the Premises from Seller to Purchaser and the cost to file the transfer tax form.

12.3 Purchaser will pay all recording and filing fees incurred in connection with the recording of the Deed.

13.0 CASUALTY LOSSES AND TAKINGS.

13.1 Seller and Purchaser acknowledge and agree that risk of loss to the Real Property and Improvements between the Effective Date and the Closing Date will remain with the Seller.

13.2 Seller will give Purchaser immediate written notice of any pending or threatened Taking of all or any portion of the Premises. If prior to the Closing, there will occur a Taking of all or any portion of the Premises that would materially interfere with the use of the Premises, as determined by Purchaser then Purchaser, at its option, may terminate this Agreement by written notice given to Seller within seven (7) days after Purchaser has received the notice referred to above. If Purchaser does not elect to terminate this Agreement, the Closing will take place as provided herein without an abatement of the Purchase Price and Seller will assign to Purchaser at Closing, all interest its interest in and to any awards with respect to the Taking. If, prior to the Closing, there will occur a Taking of all or any portion of the Premises which is not material to the use of the Premises, as determined by Purchaser, then Purchaser will not have the right to terminate this Agreement as result of such Taking, but Seller will assign to Purchaser at Closing all its interest in and to any awards payable with respect to such Taking.

14.0 BROKER.

14.1 Purchaser, on the one hand, and Seller on the other hand, represent and warrant to each other that all negotiations between them have been carried on by them directly, each with the other, or with the other's Representatives, without the intervention of any third person and that there are no brokers' commissions, finder's fees or other payments of like nature payable to any person. Purchaser agrees to indemnify and hold harmless Seller from and against any and all losses, claims, costs, damages and expenses of whatsoever nature (including, without limitation, all legal expenses) attributable to any claim, liability or obligation for any brokers' commission, finder's fees or other payment of like nature which arises from any contract or agreement or obligation on the part of the Purchaser with any broker, finder or like person. Seller agrees to indemnify and hold harmless Purchaser from and against any and all losses, claims, costs, damages and expenses of whatsoever nature (including, without limitation, all legal fees and expenses) attributable to any claim or liability or obligation for any brokers' commissions, finder's fees or payment of like nature which arises from any contract, agreement or obligation on the part of Seller with any broker, finder or like person. The representations and obligations under this Section 14.1 will survive the Closing, or, if the Closing does not occur, the termination of this Agreement.

15.0 NOTICES.

15.1 All notices and other communications required or permitted by this Agreement will be made in writing and any such notice or communication will be deemed delivered when (a) delivered in person, by recognized overnight courier or transmitted by facsimile or telecopier, or (b) ten days after it has been sent by air mail, as follows:

To the Seller: 2500 Main Street, Inc.
2500 Main Street
Buffalo, New York 14214



With a copy to: Thomas F. Hewner, Esq.
Cole, Sorrentino, Hurley, Hewner
& Gambino, P.C.
37 Franklin Street, Suite 900
Buffalo, New York 14202
Fax No.: 716-854-2531

Hyman Polakoff, CPA
Brock, Schechter & Polakoff LLP
135 Delaware Avenue
Buffalo, New York 14202
Fax No.: 716-854-7195

To the Purchaser: Buffalo Womenservices LLC
2500 Main Street
Buffalo, New York 14214



With a copy to: Hodgson Russ LLP
One M&T Plaza, Suite 2000
Buffalo, New York 14203
Attn: Pamela Davis Heilman, Esq.
Fax No.: 716-849-0349

Freed Maxick & Battaglia CPA's PC
800 Liberty Building
Buffalo, New York 14202
Attn: Irving Levy, CPA.
Fax No.: 716-847-1179


Any party may from time to time designate by written notice pursuant to this **Section 15.1** any other address or party to which such notice or communication or copies thereof will be sent.

15.2 Notwithstanding anything contained herein to the contrary, the attorneys for the parties identified herein are authorized to issue notices and to consent to adjournments on behalf of their respective clients provided the same are in writing and clearly state that such notice is being given by such attorneys pursuant to the authority conferred pursuant to this **Section 15.2**.

16.0 MISCELLANEOUS PROVISIONS.

16.1 This Agreement, and all of its agreements, warranties and representations, will survive the Closing and the delivery of the Deed by Seller to Purchaser.

16.2 This Agreement may be assigned by Purchaser to any Member of Purchaser ("Member"), or any member or members of the family of a Member, or any agent acting as an accommodator for a Member or any member or members of the family of a Member in accomplishing a like-kind exchange of property, without the consent of Seller, provided the ultimate assignee or assignees agree (i) to the option described in Section 16.3 of this Agreement, and (ii) not to encumber the Premises until all obligations of Purchaser under the Notes (as defined in the Asset Purchase Agreement) have been paid in full. Except as provided in this **Section 16.2**, no party will assign this Agreement or any rights, interests or obligations hereunder, or delegate performance of any of its obligations hereunder, without the prior written consent of the other party.

16.3 If the Asset Purchase Agreement is terminated pursuant to Section 11 of that Agreement after the closing provided for in this Agreement and before the closing provided for in the Asset Purchase Agreement, or if the Purchaser is in default under the Asset Purchase Agreement and has not cured such default within 30 days of receiving notice of the default from the Seller,  or a Shareholder (as defined in the Asset Purchase

Agreement), Seller will have the option to purchase the Premises from the Purchaser (or its assignee(s) as provided for in Section 16.2) for \$200,000, payable over 15 years in equal annual installments of principal plus 6% interest. An agreement reflecting the provisions of Sections 16.2 and 16.3 will be executed by the ultimate assignee(s) at the time of the Closing and recorded with the Deed.

16.4 This Agreement may not be amended or supplemented, and no waivers of or consents to departures from the provisions hereof will be effective, unless set forth in a writing signed by, and delivered to, both parties. No failure to delay of a party in exercising any power or right under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right or power, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the existence of any other right or power.

16.5 This Agreement will be binding upon and inure to the benefit of the parties and their successors and permitted assigns. Nothing expressed or implied herein is intended or will be construed to confer upon or to give any other Person any rights or remedies by virtue hereof.

16.6 The invalidity or unenforceability of any provision hereof in any jurisdiction will not affect the validity or enforceability of the remainder hereof in that jurisdiction or the validity or enforceability of this Agreement, including that provision in any other jurisdiction. To the extent permitted by applicable law, each party waives any provision of applicable law that renders any provision hereof prohibited or unenforceable in any respect. If any provision of this Agreement is held to be unenforceable for any reason, it will be adjusted rather than avoided, if possible, in order to achieve the intent of the parties to the extent possible.

16.7 This Agreement may be executed by facsimile signature transaction and in one or more counterparts each of which when so executed and delivered will be deemed an original but all of which will constitute one and the same Agreement.

16.8 The headings used in this Agreement are for reference purposes only and will not be given substantive effect.

16.9 This Agreement will be governed by and interpreted in accordance with the laws of New York without reference to its principles of conflicts of laws.

16.10 This Agreement, the Schedules and the Exhibits hereto constitute the entire agreement and understanding of the parties in respect of any subject matter contained herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

16.11 Each of the Seller and Purchaser, acknowledges that it has been represented by counsel in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the party that drafted it has no application and any such right is expressly waived. The provisions of this Agreement will be interpreted in a reasonable manner to effect the intent of Seller and Purchaser.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SELLER:

2500 MAIN STREET, INC.

Dated: _____, 2004

By: _____
Name _____
Title: President

PURCHASER:

BUFFALO WOMENSERVICES LLC

Dated: _____, 2004

By: _____
Name _____
Title: President

INDEX OF EXHIBITS AND SCHEDULES

EXHIBITS:

Exhibit A	Description of Real Property
Exhibit B	Permitted Encumbrances
Exhibit C	Form of Promissory Note

SCHEDULES:

Schedule 7.11	Agreements affecting Premises
Schedule 7.15	Status of Improvements and Repairs

E X H I B I T A

THAT TRACT OR PARCEL OF LAND, situate in the City of Buffalo, County of Erie and State of New York, being part of Lot No. 67, Township 11, Range 8 of the Holland Land Company's Survey, described as follows:

COMMENCING at a point in the northwesterly line of Main Street, 140 feet southwesterly from its intersection with the southerly line of Fairfield Avenue, as measured along said northwesterly line of Main Street; proceeding thence northwesterly parallel with the said southerly line of Fairfield Avenue, 175 feet more or less to the easterly line of lands of the New York Central and Hudson River Railroads; thence southerly along said easterly line of said railroad, 137.35 feet to a point; thence southeasterly along a line parallel with the first herein described line, 78.90 feet to the point in the said northwesterly line of Main Street; thence northeasterly along said northwesterly line of Main Street, 97.10 feet to the point or place of beginning.

EXHIBIT B

PERMITTED ENCUMBRANCES

1. Real property taxes not yet due and payable.

EXHIBIT C

FORM OF PROMISSORY NOTE

[DATE]

\$ _____

For value received, Buffalo Womenservices, LLC, a New York State limited liability company having its principal office at 2500 Main Street, Buffalo, New York 14214 (the "Borrower"), promises to pay to 2500 Main Street Inc., a New York business corporation having its principal office at 2500 Main Street, Buffalo, New York 14214 (the "Holder"), in lawful money of the United States, the principal amount of _____ (\$ _____).

The Borrower promises to pay interest on the outstanding principal amount from [date] up to but not including the date the outstanding principal is paid in full at a rate of 5% per annum.

The Borrower will pay principal and interest to the Holder in 60 equal monthly installments of \$ _____ per month, on the ___th day of each month, until all sums due to the Holder under this Note have been paid.

The Borrower may pay the unpaid principal balance of this Note in advance in whole or in part at any time without penalty or premium. All partial prepayments will be applied on the installment of the principal amounts of this Note in the inverse order of their maturity.

All payments of principal and interest under this Note will be made to the Holder at 2500 Main Street, Buffalo, NY 14214, or at any other address designated by the Holder in writing.

The Holder may declare the entire unpaid portion of this Note and all sums payable under this Note to be immediately due and payable if (a) a "Payment Default" occurs; or (b) the Borrower files a voluntary petition in bankruptcy (or any other similar action is taken by or against the Borrower evidencing the Borrower's financial difficulties) (collectively an "Event of Default"). For purposes of this Note, a "Payment Default" occurs if (a) any installment of principal and interest under this Note is not paid when due and (b) the Borrower fails to pay such installment within 10 days after it receives from the Holder written notice of nonpayment, sent by certified mail to the Borrower at the Borrower's address set forth at the beginning of this Note, or at such other address as the Borrower may from time to time designate in writing.

The Borrower promises to pay all costs and expenses incurred by the Holder in collecting this Note and enforcing the Holder's rights under this Note, including all fees and disbursements of counsel to the Holder.

The Borrower and all other persons who are or may become liable for the payment of this Note waive presentment for payment, notice of dishonor, protest and notice of protest.

The Holder's failure or delay in exercising, or a single or partial exercise of, any power or right under this Note is not a waiver of that or any other power or right and does not preclude

any other future exercise of that or any other power or right. A waiver of any power or right under this Note will be in writing and limited to the specific instance, and will not be deemed a waiver of that power or right in the future or a waiver of any other power or right.

This Note may not be modified or terminated orally or by any course of conduct but only by an agreement in writing duly executed by all of the parties.

This Note is delivered in the State of New York and will be governed by and construed in accordance with the laws of that State.

This Note is binding upon and inures to the benefit of the Borrower and the Holder and their respective heirs, successors, legal representatives and assigns.

BUFFALO WOMENSERVICES, LLC

By: _____


President

ATTACHMENT 3B-2

PROPOSED LEASE

LEASE

THIS LEASE, made as of _____, 20__, is by and between RAY MORRISON AND RENATE MORRISON AS TRUSTEES OF THE MORRISON TRUST DATED AUGUST 24, 1992 (the "Landlord") and BUFFALO WOMENSERVICES LLC, having its principal office and place of business at 2500 Main Street, Buffalo, New York 14214 (the "Tenant").

RECITALS

1. Landlord owns certain real property and improvements situated in the City of Buffalo, County of Erie and State of New York, commonly known as 2500 Main Street, Buffalo, New York (the "Building").

2. Landlord desires to lease to Tenant and Tenant desires to lease from Landlord the entire Building on the terms and conditions specified in this Lease.

NOW THEREFORE, in consideration of the mutual covenants contained in this Lease and for other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties agree as follows:

AGREEMENT

1. **Premises.** Landlord leases to Tenant, and Tenant leases from Landlord, the entire Building (the "Leased Premises").

2. **Term.** The initial term of this Lease is 10 years, beginning _____, 20__. Thereafter, this Lease will automatically renew for additional 5-year periods unless one party notifies the other at least 180 days prior to the expiration date that it does not intend to renew this Lease.

3. **Rent.** During the first 2 years of the initial term, Tenant will pay Landlord rent of \$4366.67 per month ("Base Rent"). Thereafter, the amount Tenant pays to Landlord as Base Rent will increase on the first day of each additional year of the term by \$_____ per month.

4. **Taxes.** In addition to the Base Rent, Tenant will pay all real estate, school and city taxes that may be levied or assessed against the land, buildings or other improvements containing or serving the Leased Premises.

5. **Utilities.** Tenant will be responsible for and will pay for all utility services to the Leased Premises, including but not limited to gas, electric, water and sewer charges, and garbage collection charges.

6. **Repairs and Maintenance.** Landlord will be responsible for any major structural repairs to the Leased Premises. Tenant will be responsible for all other repairs and for maintaining the Leased Premises and the grounds serving the Leased Premises, including

parking areas. Tenant will be responsible for cleaning the Leased Premises, including disposal of hazardous waste, if any.

7. **Tenant's Installations and Alterations.** Installations and alterations by the Tenant within the Leased Premises will comply with local zoning requirements and all other regulations or requirement of governmental authorities having applicable jurisdiction. Tenant may make reasonable alterations to the Leased Premises and install signs or other similar devices outside of the Leased Premises or in the windows and on walls of the Leased Premises.

8. **Insurance.** Tenant, at its expense, will carry fire insurance and general liability insurance for the Leased Premises protecting Tenant, and Landlord as a named insured, against any liability arising in or about the Leased Premises, with limits of liability of not less than \$3,000,000 for combined single limit bodily injury, death and property damage liability. At the request of Landlord, Tenant will provide Landlord with a Certificate of this insurance. If Tenant defaults in maintaining this insurance, the Landlord may elect to obtain the insurance coverage and change Tenant for the cost of the insurance.

9. **Quiet Enjoyment.** Landlord covenants that so long as Tenant keeps and performs the covenants and agreements of this Lease, Tenant will quietly enjoy the Leased Premises without hindrance or molestation by Landlord.

10. **Parking.** Landlord grants to Tenant exclusive use of the Building's parking areas. Tenant will provide snow removal and maintenance of the parking area.

11. **Entry by Landlord.** Tenant will permit Landlord and its authorized representatives to enter the Leased Premises at all reasonable times, and on reasonable notice except in the case of emergency, for the purpose of inspection or making necessary repairs, taking into consideration Tenant's professional operations.

12. **Assignment and Subletting.** Tenant will not assign this Lease or sublet all or any part of the Leased Premises unless the Landlord, in its sole discretion, consents in writing to the assignment or sublease.

13. **Condition of Leased Premises.** Tenant agrees to leave the Leased Premises broom clean and in good condition, normal wear and tear excepted, at the expiration of this Lease. Tenant further agrees to leave all improvements affixed to the Leased Premises at the termination of the Lease.

14. **Fire or Casualty.** If any part of the Leased Premises is damaged by fire or other casualty, this Lease will continue in full force and effect, subject to the provisions of this Section 11. Landlord will repair the damage or cause it to be repaired. If the damage renders the Leased Premises untenable, rent will be abated for the period from the date the damage occurred until the date when the damage has been repaired. If the Leased Premises will remain untenable for more than 180 days, Tenant may terminate this Lease by providing Landlord with a written notice of termination. Tenant acknowledges and agrees that Landlord will not

carry insurance of any kind on Tenant's furniture, furnishings, trade fixtures, equipment, or other property of Tenant located in the Leased Premises, and that Landlord is not obligated to repair any damage to or to replace any such property.

15. **Force Majeure.** If Landlord is delayed or hindered in or prevented from the performance of any act required under this Lease by reason of strikes, lockouts, labor trouble, inability to procure materials, failure of power, restrictive governmental laws or regulations, riots, insurrection, war or other reason of like nature, then performance of that act will be excused for the period of delay and the period for the performance of that act will be extended for a period equivalent to the period of the delay.

16. **Bankruptcy.** The Landlord, in its sole discretion, may terminate and cancel this Lease at any time if the Tenant petitions in bankruptcy or makes an assignment for the benefit of creditors.

17. **Default.** If Tenant defaults in fulfilling any of its obligations under this Lease, or if the Leased Premises becomes vacant or deserted, Landlord, in its sole discretion, may serve written notice on Tenant specifying the nature of the default. If Tenant does not cure the default within 10 days of that notice, Landlord may serve a 3-day notice of cancellation of this Lease on Tenant, and at the expiration of those 3 days, this Lease will be terminated and cancelled.

18. **Remedies of the Landlord.** If Tenant defaults in fulfilling any of its obligations under this Lease, or if the Leased Premises become vacant or deserted, Landlord may resume possession of the Leased Premises and re-let them for the remainder of the term at the best rent Landlord can obtain for the account of Tenant, and Tenant will make good any deficiency. Tenant will be responsible for any expenses that Landlord incurs in the act of re-letting the Leased Premises, including legal expenses, brokerage commissions and disbursements.

19. **Indemnity.** Tenant will indemnify and hold harmless Landlord against and from all expense, liabilities, damages, penalties, claims, costs and expenses, including reasonable attorney fees, incurred in connection with or arising from any material breach by the Tenant, Tenant's agents, contractors, servants, employees, patients, visitors, or licensees, of any covenant or condition of this Lease or as the result of negligence or intentional actions or omissions of Tenant or its agents, servants, employees or patients. Landlord will indemnify and hold harmless Tenant against and from all expense, liabilities, damages, penalties, claims, costs and expenses, including reasonable attorney fees, incurred in connection with or arising from any material breach by the Landlord, Landlord's agents, contractors, servants, employees, patients, visitors, or licensees, of any covenant or condition of this Lease or as the result of negligence or intentional actions or omissions of Landlord or its agents, servants, employees or patients.

20. Public Health Law Provisions.

A. The Landlord acknowledges that its rights of reentry into the Leased Premises set forth in this Lease do not confer on Landlord the authority to operate a hospital as defined in article 28 of the Public Health Law on the Leased Premises and agrees that it will give the New York State Department of Health, Tower Building, Empire State Plaza, Albany, NY 12237, notification by certified mail of its intent to reenter the Leased Premises or to initiate dispossess proceedings or that the lease is due to expire, at least 30 days prior to the date on which the Landlord intends to exercise a right of reentry or to initiate such proceedings or at least 60 days before expiration of the Lease.

B. Upon receipt of notice from the Landlord of its intent to exercise its right of reentry or upon the service of process in dispossess proceedings and 60 days prior to the expiration of the Lease, the Tenant shall immediately notify by certified mail the New York State Department of Health, Tower Building, Empire State Plaza, Albany, NY 12237, of the receipt of such notice or service of such process or that the lease is about to expire.

21. **Successors and Assigns.** The covenants, conditions and agreements in this Lease will bind and inure to the benefit of Landlord and Tenant and their respective heirs, distributors, executors, administrators, successors and assigns.

22. **Entire Agreement.** This Lease constitutes the entire agreement between the parties relating to its subject matter. Any changes or alterations to this Lease will be in writing signed by both parties.

23. **Governing Law.** This Lease will be governed by and construed in accordance with the laws of New York State.

MORRISON TRUST

By: Ray Morrison 10/21/04
Ray Morrison, Trustee

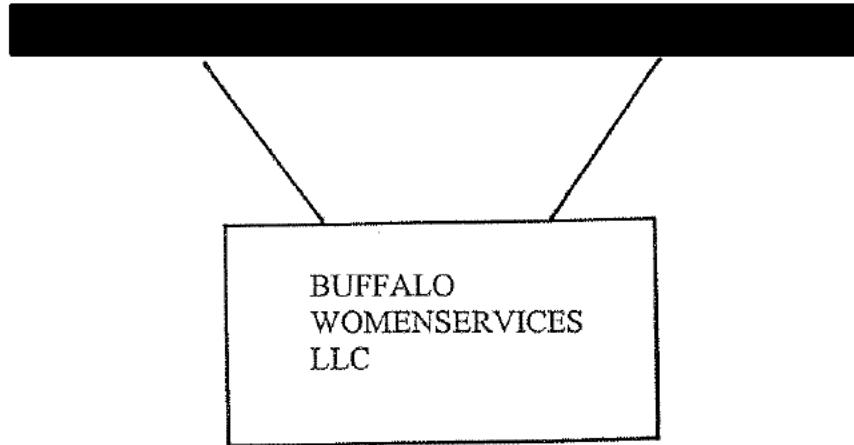
By: Renate Morrison 10/21/04
Renate Morrison, Trustee

BUFFALO WOMENSERVICES, LLC

By: 
Member and Manager 10/21/04

BUFFALO WOMENSERVICES LLC

ORGANIZATIONAL CHART



ARTICLES OF ORGANIZATION

FILING RECEIPT

ENTITY NAME: BUFFALO WOMENSERVICES LLC

DOCUMENT TYPE: ARTICLES OF ORGANIZATION (DOM LLC) COUNTY: ERIE

SERVICE COMPANY: ACCELERATED INFORMATION & DOCUMENT FIL SERVICE CODE: 24 *

FILED:01/30/2004 DURATION:***** CASH#:040130000444 FILM #:040130000422

ADDRESS FOR PROCESS

EXIST DATE

HODGSON RUSS LLP
ATTN PAMELA DAVIS HEILMAN ESQ
BUFFALO, NY 14203

01/30/2004
ONE M & T PLAZA STE 2000

REGISTERED AGENT

FILER	FEE	AMOUNT	PAYMENTS	AMOUNT
HODGSON RUSS LLP	FILING	200.00	CASH	0.00
ONE M & T PLAZA STE 2000	TAX	0.00	CHECK	0.00
BUFFALO, NY 14203-2391	CERT	0.00	CHARGE	0.00
	COPIES	10.00	DRAWDOWN	235.00
	HANDLING	25.00	BILLED	0.00
			REFUND	0.00

State of New York)
Department of State) ss:

I hereby certify that the annexed copy has been compared with the original document filed by the Department of State and that the same is a true copy of said original.

Witness my hand and seal of the Department of State on **February 3, 2004**



A handwritten signature in black ink, appearing to read "R. A. S.", is written over the printed title.

Secretary of State

JK

040130000

P.3
422

AIDF-24

ARTICLES OF ORGANIZATION OF BUFFALO WOMENSERVICES LLC

Under Section 203 of the
Limited Liability Company Law

FIRST: The name of the limited liability company is BUFFALO WOMENSERVICES LLC.

SECOND: The county within this state in which the principal office of the limited liability company is to be located is Erie.

THIRD: The Secretary of State is designated as agent of the limited liability company upon whom process against it may be served. The post office address within this state to which the Secretary of State shall mail a copy of any process against the limited liability company served upon him or her is: Hodgson Russ LLP, One M & T Plaza Suite 2000, Buffalo, NY 14203, Attn: Pamela Davis Heilman, Esq.

IN WITNESS WHEREOF, this certificate has been subscribed this 28th day of January, 2004, by the undersigned who affirms that the statements made herein are true under the penalties of perjury.

Sharon M. Kelly

Sharon M. Kelly
Organizer

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AIDF-24

ARTICLES OF ORGANIZATION

OF

BUFFALO WOMENSERVICES LLC

UNDER SECTION 203 OF THE LIMITED LIABILITY COMPANY LAW

FILED
2004 JAN 30 AM 11:31

Handwritten signature

STATE OF NEW YORK
DEPARTMENT OF STATE

JAN 30 2004

RECEIVED
2004 JAN 30 AM 11:04

FILED
TAXS _____
BY: *[Signature]*

2

AIDF-24

Drawdown

444

Filed by:
Hodgson Russ LLP
One M & T Plaza, Suite 2000
Buffalo, NY 14203-2391

CUSTOMER REFERENCE #: 0482

ATTACHMENT 3B-5

**PROPOSED CERTIFICATE OF AMENDMENT
TO ARTICLES OF ORGANIZATION**

**CERTIFICATE OF AMENDMENT
OF THE
ARTICLES OF ORGANIZATION
OF
BUFFALO WOMENSERVICES LLC**

Under Section 211 of the
Limited Liability Company Law

FIRST: The name of the limited liability company is BUFFALO WOMENSERVICES LLC.

SECOND: The Articles of Organization of the limited liability company were filed on January 30, 2004.

THIRD: The Articles of Organization of the limited liability company are amended as follows:

A. A new Article FOURTH, describing the management of the limited liability company, is added to read in its entirety as follows:

“FOURTH: The limited liability company will be managed by its members. Neither the management structure nor the provisions setting forth such structure may be deleted, modified or amended without the prior approval of the New York State Department of Health.”

B. A new Article FIFTH, limiting the powers and purposes of the limited liability company, is added to read in its entirety as follows:

“FIFTH: The powers and purposes of the limited liability company are limited to ownership and operation of a diagnostic and treatment center at 2500 Main Street, City of Buffalo, County of Erie, under the name Buffalo Womenservices LLC.”


C. A new Article SIXTH, stating the location of the principal office of the limited liability company, is added to read in its entirety as follows:

“SIXTH: The principal office of the limited liability company will be located at 2500 Main Street, Buffalo, New York.”

D. A new Article SEVENTH, restricting the transfer, assignment or other disposition of membership interests or voting rights of the limited liability company, is added to read in its entirety as follows:

"SEVENTH: Notwithstanding anything to the contrary in these Articles of Organization or the Operating Agreement of the limited liability company, transfers, assignments or other dispositions of membership interests or voting rights must be effectuated in accordance with New York Public Health Law § 2801-a(4)(b) and implementing regulations."

IN WITNESS WHEREOF, this certificate has been subscribed this 15th day of OCTOBER, 2004, by the undersigned who affirms that the statements made herein are true under the penalties of perjury.



Member and Manager
2500 Main Street
Buffalo, New York 14214

ATTACHMENT 3B-6

OPERATING AGREEMENT

**OPERATING AGREEMENT
of
BUFFALO WOMENSERVICES LLC**

A New York Limited Liability Company

This Operating Agreement of BUFFALO WOMENSERVICES LLC (the "Agreement"), dated as of January 30, 2004, is adopted by the Member (as defined below) for good and valuable consideration.

**ARTICLE I
DEFINITIONS**

1.1 **Definitions.** For purposes of this Agreement, the following definitions shall apply:

"Act" means the New York Limited Liability Company Law and any successor statute, as amended from time to time.

"Agreement" has the meaning given that term in the introductory paragraph.

"Articles of Organization" has the meaning given that term in Section 2.1.

"Capital Contribution" means any contribution by a Member to the capital of the Company.

"Company" means Buffalo Womenservices LLC, a New York limited liability company.

"Member" means any Person executing this Agreement as of the date of this Agreement as a member or hereafter admitted to the Company as a member as provided in this Agreement, but does not include any Person who has ceased to be a member of the Company.

"Membership Interest" or "Interest" means the interest of a Member in the Company as set forth in Exhibit A (as the same may be amended from time to time).

"Person" has the meaning given that term in Section 102(w) of the Act.

Other terms defined herein have the meanings so given them.

1.2 **Construction.** Whenever the context requires, the gender of all words used in this Agreement includes the feminine, masculine, and neuter. All references to Articles and Sections refer to articles and sections of this Agreement, and all references to Exhibits are to Exhibits attached to this Agreement, each of which is made a part of this Agreement for all purposes.

ARTICLE II ORGANIZATION

2.1 **Formation.** The Company has been organized as a New York limited liability company by the filing of Articles of Organization (the "Articles of Organization") under and pursuant to the Act.

2.2 **Name.** The name of the Company is "Buffalo Womenservices LLC." The business of the Company shall be conducted under that name or such other name as may at any time be selected by the Members.

2.3 **Principal Office.** The principal office of the Company shall be at 2500 Main Street, Buffalo, New York 14214. The Company may have such other offices as the Member may select from time to time.

2.4 **Purposes.** The purposes of the Company shall be to provide management and administrative services and to engage in any other business or activities as to which a limited liability company may be formed under the Act that the Members determine to be necessary, appropriate or desirable.

2.5 **Term.** The Company was formed at the time of the filing of the Articles of Organization with the Secretary of State of New York and shall continue in existence for the period, if any, fixed in the Articles of Organization for the duration of the Company, or until such earlier time as this Agreement may specify.

2.6 **Title to Company Property.** Title to all real and personal property now or hereafter owned or acquired by the Company shall be held in the name of the Company as an entity. No Member shall have any individual ownership rights in or to such property. The Members irrevocably waive any right that they may have to maintain an action for partition with respect to any property of the Company.

ARTICLE III MEMBERSHIP; DISPOSITIONS OF INTERESTS

3.1 **Initial Members.** The initial members of the Company are the Persons executing this Agreement as of the date of this Agreement as members as set forth on Exhibit A. Such Persons are admitted to the Company as Members effective contemporaneously with the execution by such Person of this Agreement.

3.2 **Representations and Warranties.** Each Member hereby represents and warrants to the Company that (a) the Member has duly executed and delivered this Agreement and (b) the Member's authorization, execution, delivery, and performance of this Agreement do not conflict with any other agreement or arrangement to which the Member is a party or by which she is bound.

3.3 **Additional Members.** The Members may admit additional members to the Company at any time upon such terms and conditions as the Members shall determine. Admission of a new member requires the unanimous vote of all Members.

3.4 **Liability to Third Parties.** The Members shall not be liable for the debts, obligations or liabilities of the Company, including under a judgment, decree or order of a court, except to the extent provided in the Act.

ARTICLE IV CAPITAL CONTRIBUTIONS AND DISTRIBUTIONS

4.1 **Initial Contributions.** Contemporaneously with the execution by the Members of this Agreement, such Members shall make the Capital Contribution described in Exhibit A.

4.2 **Return of Contributions.** No Member is entitled to the return of any part of her Capital Contribution or to be paid interest in respect of her Capital Contribution. An unrepaid Capital Contribution is not a liability of the Company.

4.3 **Loans.** The Company may borrow funds from any Member or from any other person or entity, and may execute and deliver any security agreement, mortgage, guaranty or other instrument granting to such Member or other person or entity a lien or encumbrance upon any of the Company's property to secure such borrowing. In no event shall any loan by a Member be treated as a capital contribution for the purposes of this Agreement. The Company may from time to time make loans to any Member; the outstanding unpaid balance of such loans shall bear interest at the prime rate from time to time in effect as published in The Wall Street Journal or any similar daily business publication.

4.4 **Capital Accounts.** A capital account ("Capital Account") will be established and maintained for each Member. Each Member's capital account (a) will be increased by (i) the amount of money contributed by that Member to the Company, (ii) the fair market value of property contributed by that Member to the Company (net of liabilities secured by the contributed property that the Company is considered to assume or take subject to under section 752 of the Code), and (iii) allocations to that Member of Company income and gain, including income and gain exempt from tax and income and gain described in Treas. Reg. § 1.704 1(b)(2)(iv)(g), but excluding income and gain described in Treas. Reg. § 1.704 1(b)(4)(i), and (b) will be decreased by (i) the amount of money distributed to that Member by the Company, (ii) the fair market value of property distributed to that Member by the Company (net of liabilities secured by the distributed property that the Member is considered to assume or take subject to under section 752 of the Code), (iii) allocations to that Member of expenditures of the Company described in section 705(a)(2)(B) of the Code, and (iv) allocations of Company loss and deductions, including loss and deductions described in Treas. Reg. § 1.704 1(b)(2)(iv)(g), but excluding items described in clause (b)(iii) above and loss or deductions described in Treas. Reg. § 1.704 1(b)(4)(i) or § 1.704 1(b)(4)(iii). The Members' capital accounts also will be maintained and adjusted as permitted by the provisions of Treas. Reg. § 1.704 1(b)(2)(iv)(f) and as required by the other provisions of Treas. Reg. §§ 1.704 1(b)(2)(iv) and 1.7 04 1 (b) (4), including adjustments to reflect the allocations to the Members of depreciation, depletion,

amortization, and gain or loss as computed for book purposes rather than the allocation of the corresponding items as computed for tax purposes, as required by Treas. Reg. § 1.704-1(b)(2)(iv)(g). A Member will have a single capital account. On the transfer of Membership Interests, the capital account of the transferor that is attributable to the transferred Membership Interests will carry over to the transferee Member in accordance with the provisions of Treas. Reg. § 1.704-1(b)(2)(iv)(1).

4.5 **Modifications.** The manner in which Capital Accounts are to be maintained pursuant to this Section is intended to comply with the requirements of Section 704(b) of the Code. If in the opinion of the Managers the manner in which Capital Accounts are to be maintained pursuant to this Agreement should be modified to comply with Section 704(b) of the Code, then the method in which Capital Accounts are maintained will be so modified; provided, however, that any change in the manner of maintaining Capital Accounts will not materially alter the economic agreement between or among the Members.

4.6 **Indemnification.** Each Member will indemnify every other Member for the indemnifying Member's proportionate share of any Company debt paid by the indemnified Member under a personal guarantee of such debt.

4.7 **Additional Capital Contributions.** Members may make additional Capital Contribution as are determined by the Members. All Capital Contributions will be held or expended in furtherance of the business of the Company. No interest will be paid on Capital Contributions

ARTICLE V ALLOCATIONS AND DISTRIBUTIONS

5.1 **Allocations.**

(a) **Ordinary Allocations.** Except as may be required by section 704(c) of the Code and Treas. Reg. § 1.704-1(b)(2)(iv)(f)(4), all items of income, gain, loss, deduction, and credit of the Company will be allocated equally among the Members.

(b) **Property Contributions.** In accordance with Code Section 704(c) and the Treasury Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Company or revalued in accordance with Reg. 1.704-1(b)(2)(iv)(f) will, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial fair market value. Any elections or decisions relating to such allocations will be made by the Managers in any manner that reasonably reflects the purpose and intention of this Agreement.

(c) **Special Allocations.** All capitalized terms used in this section not otherwise defined in this Agreement will have the meaning set forth in the Regulations promulgated pursuant to Section 704 of the Code. The following special allocations will be made in the following order:

(i) **Minimum Gain Chargeback.** Except as otherwise provided in Section 1.704-2(f) of the Regulations, notwithstanding any other provision of this Section 5.1, if there is a net decrease in Partnership Minimum Gain during any Adjustment Period, each Member will be specially allocated items of Company income and gain for such period (and, if necessary, subsequent periods) in an amount equal to such Member's share of the net decrease in Partnership Minimum Gain, determined in accordance with Section 1.704-2(g) of the Regulations. Allocations pursuant to the previous sentence will be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated will be determined in accordance with Section 1.704-2(f)(6) and 1.704-2(j)(2) of the Regulations. This Section 5.1(c)(i) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(f) of the Regulations and will be interpreted consistently therewith.

(ii) **Member Minimum Gain Chargeback.** Except as otherwise provided in Section 1.704-2(i)(4) of the Regulations, notwithstanding any other provision of this Section 5.1, if there is a net decrease in Partner Nonrecourse Debt Minimum Gain attributable to a Partner Nonrecourse Debt during any period, each person who has a share of the Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5) of the Regulations, will be specially allocated items of Company income and gain for such Adjustment Period (and, if necessary, subsequent Adjustment Periods) in an amount equal to such Member's share of the net decrease in Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence will be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated will be determined in accordance with Sections 1.704-2(f)(4) and 1.704-2(j)(2) of the Regulations. This Section 5.1(c)(ii) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(l)(4) of the Regulations and will be interpreted consistently therewith.

(iii) **Qualified Income Offset.** If any Member unexpectedly receives any adjustments, allocations, or distributions described in Section 1.704-1(b)(2)(ii)(d)(4), Section 1.704-1(b)(2)(ii)(d)(5) or Section 1.704-1(b)(2)(ii)(d)(6) of the Regulations, items of Company income and gain will be specially allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of such Member as quickly as possible, provided that an allocation pursuant to this Section 5.1(c)(iii) will be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 5.1(c)(iii) have been tentatively made as if this Section 5.1(c)(iii) were not in the Agreement.

(iv) **Nonrecourse Deductions.** Nonrecourse Deductions for any period will be specially allocated among the Members in proportion to their Sharing Ratios.

(v) **Partner Nonrecourse Deductions.** Any Partner Nonrecourse Deductions for any period will be specially allocated to the Member who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Regulations Section 1.704-2(i)(1).

(vi) Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of her or his Membership Interests, the amount of such adjustment to Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss will be specially allocated to the Members in accordance with their Sharing Ratios in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Member to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(d) Allocation to Transferred Interests. Profits, gains, losses, deductions and credits allocated to Membership Interests assigned or reissued during a fiscal year of the Company will be allocated to the Person who was the holder of such Membership Interests during such fiscal year, in proportion to the number of days that each such holder was recognized as the owner of such Membership Interests during such fiscal year or in any other proportion permitted by the Code and selected by the Managers, without regard to results of Company operations during the period in which each such holder was recognized as the owner of such Membership Interests during such fiscal year, and without regard to the date, amount or recipient of any distributions which may have been made with respect to such Membership Interests.

5.2 Ordinary Distributions.

(a) Cash Distributions. From time to time (but at least once each calendar quarter) the Members will determine in their reasonable judgment to what extent (if any) the Company's cash on hand exceeds its current and anticipated needs, including, without limitation, for operating expenses, debt service, and a reasonable contingency reserve. If such an excess exists, the Members will cause the Company to distribute to the Members each year an amount sufficient to cover the Members' income tax obligations arising from income allocated to the Members under this Agreement, and the Members may cause the Company to distribute additional amounts to the Members. Distributions will be made equally among the Members.

(b) Non-Cash Distributions. From time to time the Members also may cause property of the Company other than cash to be distributed to the Members, which distribution may be made subject to existing liabilities and obligations. Immediately prior to such a distribution, the Capital Accounts of the Members will be adjusted as provided in Treas. Reg. § 1.704-1(b)(2)(iv)(f).

ARTICLE VI MANAGEMENT OF THE COMPANY

6.1 Management by Members. The Company shall be managed by its Members.

6.2 Officers. The Members may designate one or more individuals as officers of the Company, who shall have such titles and exercise and perform such powers and duties as shall

be assigned to them from time to time by the Members. Officers need not be Members or residents of the State of New York. Any officer may be removed by the Members at any time, with or without cause. Each officer shall hold office until her or his successor shall be duly designated and shall qualify or until the earlier of the officer's death, resignation or removal. Any number of offices may be held by the same person. The salaries or other compensation, if any, of the officers and agents of the Company shall be fixed by the Member.

6.3 **Regular Meetings.** Regular periodic meetings of Members shall be held at such times as the Majority in Interest shall determine. There shall be at least one regular meeting per year.

6.4 **Special Meetings.** Special meetings of the Members may be called by Members holding a Majority in Interest for the purpose of addressing any matter upon which the Members may vote under this Agreement. Members may call a meeting by delivering a notice signed by the requisite number of Members stating that the signing Members wish to call a meeting and indicating the specific purpose for which the meeting is to be held. Action at the meeting shall be limited to those matters specified in the call of the meeting.

6.5 **Place of Meetings.** All meetings of the Members shall be held at the principal office of the Company as provided in Section 2.3 above, or at such other place within the United States of America as may be designated by the Members calling the meeting.

6.6 **Notice.** A notification of all meetings, stating the place, day, hour and, for special meetings, the purpose or purposes for which the meeting is called, shall be delivered not less than 1 nor more than 10 days before the meeting to each Member entitled to vote. Notice may be delivered by U.S. mail, telephone, facsimile, electronic mail, or personal delivery.

6.7 **Waiver of Notice.** Attendance of a Member at a meeting shall constitute a waiver of notification of the meeting, except where such Member attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Notification of a meeting may be waived in writing. Attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notification of the meeting but not so included, if the objection is expressly made at the meeting.

6.8 **Quorum.** A Majority in Interest shall constitute a quorum at any meeting of the Members, whether present in person or by proxy. For this purpose, Members shall be considered present in person if they participate in a meeting by conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other.

6.9 **Voting.** All Members shall be entitled to one vote at meetings. With respect to any matter other than a matter for which the affirmative vote of Members owning a specified portion of the Membership Interests is required by the Act, the Articles of Organization or this Agreement, the affirmative vote of a Majority in Interest of the Members at a meeting at which a quorum is present shall be the act of the Members.

6.10 **Action by Written Consent.** Any action that may be taken at a meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by Members holding the Interests required to approve such action under the Act, the Articles of Organization and this Agreement. Such consent shall have the same force and effect as a vote of the signing Members at a meeting duly called and held pursuant to this Article VI. No prior notice from the signing Members to the other Members is required in connection with the use of a written consent pursuant to this Section. Notification of any action taken by means of a written consent of Members shall, however, be sent within a reasonable time after the date of the consent to all Members who did not sign the written consent.

ARTICLE VII INDEMNIFICATION

7.1 **Right to Indemnification.** Subject to the limitations and conditions as provided in this Article, each Person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (hereinafter a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that he or she, or a Person of whom he or she is the legal representative, is or was a member or officer of the Company, or who, while a member or officer of the Company, is or was serving at the request of the Company as a manager, director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, shall be indemnified by the Company to the fullest extent permitted by the Act and the New York State Business Corporation Law, as the same exist or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such Person in connection with such Proceeding, and indemnification under this Article shall continue as to a Person who has ceased to serve in the capacity which initially entitled such Person to indemnity hereunder. The rights granted pursuant to this Article shall be deemed contract rights, and no amendment, modification or repeal of this Article shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings arising prior to any such amendment, modification or repeal. It is expressly acknowledged that the indemnification provided in this Article could involve indemnification for negligence or under theories of strict liability.

7.2 **Advance Payment.** The right to indemnification conferred in this Article shall include the right to be paid or reimbursed by the Company the reasonable expenses incurred by a Person of the type entitled to be indemnified under Section 7.1 who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to the Person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such Person in advance of the final disposition of a Proceeding, shall be made only upon delivery to the Company of a written affirmation by such officer of his or her good faith belief that he or she

has met the standard of conduct necessary for indemnification under this Article and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified Person is not entitled to be indemnified under this Article or otherwise.

7.3 **Indemnification of Employees and Agents.** The Company may indemnify and advance expenses to an employee or agent of the Company to the same extent and subject to the same conditions under which it shall indemnify and advance expenses to a member or officer under this Article. The Company may indemnify and advance expenses to a Person who is not or was not a member, officer, employee or agent of the Company but who is or was serving at the request of the Company as a manager, director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against her or him and incurred by her or him in such a capacity or arising out of her or his status as such a Person to the same extent that it shall indemnify and advance expenses to a member or officer under this Article.

7.4 **Appearance as a Witness.** Notwithstanding any other provision of this Article, the Company may pay or reimburse expenses incurred by a member or officer, agent or employee, in connection with her or his appearance as a witness or other participation in a Proceeding at a time when she or he is not a named defendant or respondent in the Proceeding.

7.5 **Nonexclusivity of Rights.** The right to indemnification and the advancement and payment of expenses conferred in this Article shall not be exclusive of any other right which a member, officer or other Person indemnified pursuant to Section 6.3 may have or hereafter acquire under any law (common or statutory), provision of the Articles of Organization, this Agreement, or any other agreement.

7.6 **Insurance.** The Company may purchase and maintain insurance, at its expense, to protect itself, or any member, officer, employee or agent of the Company who is or was serving at the request of the Company as a manager, director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, against any expense, liability or loss, whether or not the Company would have the power to indemnify such Person against such expense, liability or loss under this Article.

7.7 **Savings Clause.** If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless any member or officer or any other Person indemnified pursuant to this Article as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

**ARTICLE VIII
BOOKS, RECORDS, REPORTS, AND ACCOUNTS**

8.1 **Maintenance of Books.** The Company shall keep books and records of accounts, maintained on an accrual basis in accordance with the terms of this Agreement and in accordance with generally accepted accounting principles. The twelve-month period ending December 31 shall be the accounting year of the Company.

8.2 **Accounts.** The Company shall establish and maintain one or more separate bank and investment accounts and arrangements with financial institutions and firms. The Company may not commingle its funds with the funds of any Member or any other Person.

**ARTICLE IX
DISSOLUTION, LIQUIDATION, AND TERMINATION**

9.1 **Dissolution.** The Company shall dissolve and its affairs shall be wound up on the first to occur of the following:

- (a) the written direction of the Members;
- (b) the expiration of the period, if any, fixed for the duration of the Company set forth in the Articles of Organization;
- (c) the death or withdrawal of all Members; and
- (d) the entry of a decree of judicial dissolution of the Company under section 702 of the Act.



9.2 **Termination.** On completion of the distribution of Company assets pursuant to Section 4.4 of this Agreement, the Company is terminated, and the Members (or such other Person or Persons as the Act may require or permit) shall file Articles of Dissolution with the Secretary of State of New York and take such other actions as may be necessary to terminate the existence of the Company.

**ARTICLE X
GOVERNING LAW; SEVERABILITY**

10.1 **Governing Law.** This Agreement is governed by and shall be construed in accordance with the law of New York, excluding any conflict-of-laws rule or principle that might refer the governance or the construction of this Agreement to the law of another jurisdiction. In the event of a direct conflict between the provisions of this Agreement and (a) any provision of the Articles of Organization, or (b) any mandatory provision of the Act, the applicable provision of the Articles of Organization or the Act shall control.

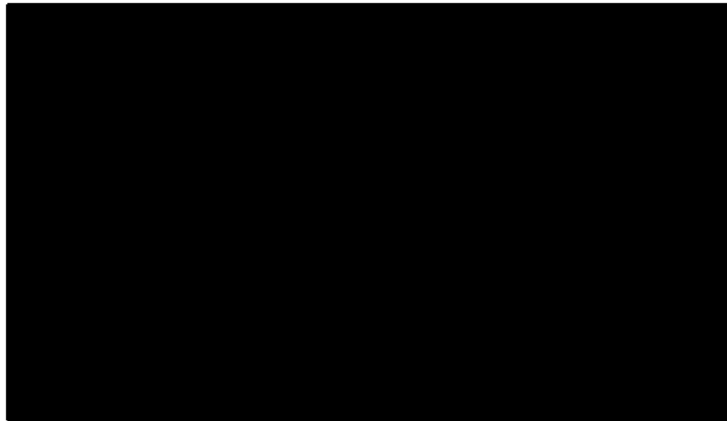
Exhibit A

Information Regarding Members

<u>Name and Address</u>	<u>Capital Contribution(s)</u>	<u>Membership Interest</u>
	\$	50%
	\$	50%

10.2 Severability. If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other Persons or circumstances is not affected thereby and that provision shall be enforced to the greatest extent permitted by law.

IN WITNESS WHEREOF, the Members have executed this Agreement as of the date first set forth above.



ATTACHMENT 3B-7

PROPOSED AMENDED AND RESTATED OPERATING AGREEMENT

**AMENDED AND RESTATED OPERATING AGREEMENT
of
BUFFALO WOMENSERVICES LLC**

A New York Limited Liability Company

This Amended and Restated Operating Agreement of BUFFALO WOMENSERVICES LLC (the "Agreement"), dated as of October 15, 2024 is adopted by the Member (as defined below) for good and valuable consideration.

**ARTICLE I
DEFINITIONS**

1.1 **Definitions.** For purposes of this Agreement, the following definitions shall apply:

"Act" means the New York Limited Liability Company Law and any successor statute, as amended from time to time.

"Agreement" has the meaning given that term in the introductory paragraph.

"Articles of Organization" has the meaning given that term in Section 2.1.

"Capital Contribution" means any contribution by a Member to the capital of the Company.

"Company" means Buffalo Womenservices LLC, a New York limited liability company.

"Member" means any Person executing this Agreement as of the date of this Agreement as a member or hereafter admitted to the Company as a member as provided in this Agreement, but does not include any Person who has ceased to be a member of the Company.

"Membership Interest" or "Interest" means the interest of a Member in the Company as set forth in Exhibit A (as the same may be amended from time to time).

"Person" has the meaning given that term in Section 102(w) of the Act.

Other terms defined herein have the meanings so given them.

1.2 **Construction.** Whenever the context requires, the gender of all words used in this Agreement includes the feminine, masculine, and neuter. All references to Articles and Sections refer to articles and sections of this Agreement, and all references to Exhibits are to Exhibits attached to this Agreement, each of which is made a part of this Agreement for all purposes.

ARTICLE II ORGANIZATION

2.1 **Formation.** The Company has been organized as a New York limited liability company by the filing of Articles of Organization (the "Articles of Organization") under and pursuant to the Act.

2.2 **Name.** The name of the Company is "Buffalo Womenservices LLC." The business of the Company shall be conducted under that name or such other name as may at any time be selected by the Members.

2.3 **Principal Office.** The principal office of the Company shall be at 2500 Main Street, Buffalo, New York 14214. The Company may have such other offices as the Member may select from time to time.

2.4 **Purposes.** The powers and purposes of the Company are limited to ownership and operation of a diagnostic and treatment center at 2500 Main Street, City of Buffalo, County of Erie, under the name Buffalo Womenservices LLC.

2.5 **Term.** The Company was formed at the time of the filing of the Articles of Organization with the Secretary of State of New York and shall continue in existence for the period, if any, fixed in the Articles of Organization for the duration of the Company, or until such earlier time as this Agreement may specify.

2.6 **Title to Company Property.** Title to all real and personal property now or hereafter owned or acquired by the Company shall be held in the name of the Company as an entity. No Member shall have any individual ownership rights in or to such property. The Members irrevocably waive any right that they may have to maintain an action for partition with respect to any property of the Company.

ARTICLE III MEMBERSHIP; DISPOSITIONS OF INTERESTS

3.1 **Initial Members.** The initial members of the Company are the Persons executing this Agreement as of the date of this Agreement as members as set forth on Exhibit A. Such Persons are admitted to the Company as Members effective contemporaneously with the execution by such Person of this Agreement.

3.2 **Representations and Warranties.** Each Member hereby represents and warrants to the Company that (a) the Member has duly executed and delivered this Agreement and (b) the Member's authorization, execution, delivery, and performance of this Agreement do not conflict with any other agreement or arrangement to which the Member is a party or by which she is bound.

3.3 **Additional Members.** The Members may admit additional members to the Company at any time upon such terms and conditions as the Members shall determine. Admission of a new member requires the unanimous vote of all Members.

3.4 **Liability to Third Parties.** The Members shall not be liable for the debts, obligations or liabilities of the Company, including under a judgment, decree or order of a court, except to the extent provided in the Act.

3.5 **Disposition of LLC Interests.** Notwithstanding anything to the contrary in the Articles of Organization or this Operating Agreement, transfers, assignments or other dispositions of membership interests or voting rights must be effectuated in accordance with New York Public Health Law § 2801-a(4)(b) and implementing regulations.”

ARTICLE IV CAPITAL CONTRIBUTIONS AND DISTRIBUTIONS

4.1 **Initial Contributions.** Contemporaneously with the execution by the Members of this Agreement, such Members shall make the Capital Contribution described in Exhibit A.

4.2 **Return of Contributions.** No Member is entitled to the return of any part of her Capital Contribution or to be paid interest in respect of her Capital Contribution. An unrepaid Capital Contribution is not a liability of the Company.

4.3 **Loans.** The Company may borrow funds from any Member or from any other person or entity, and may execute and deliver any security agreement, mortgage, guaranty or other instrument granting to such Member or other person or entity a lien or encumbrance upon any of the Company’s property to secure such borrowing. In no event shall any loan by a Member be treated as a capital contribution for the purposes of this Agreement. The Company may from time to time make loans to any Member; the outstanding unpaid balance of such loans shall bear interest at the prime rate from time to time in effect as published in The Wall Street Journal or any similar daily business publication.

4.4 **Capital Accounts.** A capital account (“Capital Account”) will be established and maintained for each Member. Each Member’s capital account (a) will be increased by (i) the amount of money contributed by that Member to the Company, (ii) the fair market value of property contributed by that Member to the Company (net of liabilities secured by the contributed property that the Company is considered to assume or take subject to under section 752 of the Code), and (iii) allocations to that Member of Company income and gain, including income and gain exempt from tax and income and gain described in Treas. Reg. § 1.704 1(b)(2)(iv)(g), but excluding income and gain described in Treas. Reg. § 1.704 1(b) (4) (i), and (b) will be decreased by (i) the amount of money distributed to that Member by the Company, (ii) the fair market value of property distributed to that Member by the Company (net of liabilities secured by the distributed property that the Member is considered to assume or take subject to under section 752 of the Code), (iii) allocations to that Member of expenditures of the Company described in section 705(a) (2) (B) of the Code, and (iv) allocations of Company loss and deductions, including loss and deductions described in Treas. Reg. § 1.704 1(b)(2)(iv)(g),

but excluding items described in clause (b) (iii) above and loss or deductions described in Treas. Reg. § 1.704 1(b)(4)(i) or § 1.704 1(b)(4)(iii). The Members' capital accounts also will be maintained and adjusted as permitted by the provisions of Treas. Reg. § 1.704 1(b)(2)(iv)(f) and as required by the other provisions of Treas. Reg. §§ 1.704 1(b)(2)(iv) and 1.704 1 (b) (4), including adjustments to reflect the allocations to the Members of depreciation, depletion, amortization, and gain or loss as computed for book purposes rather than the allocation of the corresponding items as computed for tax purposes, as required by Treas. Reg. § 1.704 1(b)(2)(iv)(g). A Member will have a single capital account. On the transfer of Membership Interests, the capital account of the transferor that is attributable to the transferred Membership Interests will carry over to the transferee Member in accordance with the provisions of Treas. Reg. § 1.704 1(b)(2)(iv)(1).

4.5 **Modifications.** The manner in which Capital Accounts are to be maintained pursuant to this Section is intended to comply with the requirements of Section 704(b) of the Code. If in the opinion of the Managers the manner in which Capital Accounts are to be maintained pursuant to this Agreement should be modified to comply with Section 704(b) of the Code, then the method in which Capital Accounts are maintained will be so modified; provided, however, that any change in the manner of maintaining Capital Accounts will not materially alter the economic agreement between or among the Members.

4.6 **Indemnification.** Each Member will indemnify every other Member for the indemnifying Member's proportionate share of any Company debt paid by the indemnified Member under a personal guarantee of such debt.

4.7 **Additional Capital Contributions.** Members may make additional Capital Contribution as are determined by the Members. All Capital Contributions will be held or expended in furtherance of the business of the Company. No interest will be paid on Capital Contributions

ARTICLE V ALLOCATIONS AND DISTRIBUTIONS

5.1 **Allocations.**

(a) **Ordinary Allocations.** Except as may be required by section 704(c) of the Code and Treas. Reg. § 1.704 1(b)(2) (iv)(f)(4), all items of income, gain, loss, deduction, and credit of the Company will be allocated equally among the Members.

(b) **Property Contributions.** In accordance with Code Section 704(c) and the Treasury Regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the capital of the Company or revalued in accordance with Reg. 1.704-1(b)(2)(iv)(f) will, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial fair market value. Any elections or decisions relating to such allocations will be made by the Managers in any manner that reasonably reflects the purpose and intention of this Agreement.

(c) Special Allocations. All capitalized terms used in this section not otherwise defined in this Agreement will have the meaning set forth in the Regulations promulgated pursuant to Section 704 of the Code. The following special allocations will be made in the following order:

(i) Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(f) of the Regulations, notwithstanding any other provision of this Section 5.1, if there is a net decrease in Partnership Minimum Gain during any Adjustment Period, each Member will be specially allocated items of Company income and gain for such period (and, if necessary, subsequent periods) in an amount equal to such Member's share of the net decrease in Partnership Minimum Gain, determined in accordance with Section 1.704-2(g) of the Regulations. Allocations pursuant to the previous sentence will be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated will be determined in accordance with Section 1.704-2(f)(6) and 1.704-2(j)(2) of the Regulations. This Section 5.1(c)(i) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(f) of the Regulations and will be interpreted consistently therewith.

(ii) Member Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(i)(4) of the Regulations, notwithstanding any other provision of this Section 5.1, if there is a net decrease in Partner Nonrecourse Debt Minimum Gain attributable to a Partner Nonrecourse Debt during any period, each person who has a share of the Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5) of the Regulations, will be specially allocated items of Company income and gain for such Adjustment Period (and, if necessary, subsequent Adjustment Periods) in an amount equal to such Member's share of the net decrease in Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence will be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated will be determined in accordance with Sections 1.704-2(f)(4) and 1.704-2(j)(2) of the Regulations. This Section 5.1(c)(ii) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(i)(4) of the Regulations and will be interpreted consistently therewith.

(iii) Qualified Income Offset. If any Member unexpectedly receives any adjustments, allocations, or distributions described in Section 1.704-1(b)(2)(ii)(d)(4), Section 1.704-1(b)(2)(ii)(d)(5) or Section 1.704-1(b)(2)(ii)(d)(6) of the Regulations, items of Company income and gain will be specially allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of such Member as quickly as possible, provided that an allocation pursuant to this Section 5.1(c)(iii) will be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 5.1(c)(iii) have been tentatively made as if this Section 5.1(c)(iii) were not in the Agreement.

(iv) Nonrecourse Deductions. Nonrecourse Deductions for any period will be specially allocated among the Members in proportion to their Sharing Ratios.

(v) Partner Nonrecourse Deductions. Any Partner Nonrecourse Deductions for any period will be specially allocated to the Member who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Regulations Section 1.704-2(i)(1).

(vi) Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of her or his Membership Interests, the amount of such adjustment to Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss will be specially allocated to the Members in accordance with their Sharing Ratios in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Member to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(d) Allocation to Transferred Interests. Profits, gains, losses, deductions and credits allocated to Membership Interests assigned or reissued during a fiscal year of the Company will be allocated to the Person who was the holder of such Membership Interests during such fiscal year, in proportion to the number of days that each such holder was recognized as the owner of such Membership Interests during such fiscal year or in any other proportion permitted by the Code and selected by the Managers, without regard to results of Company operations during the period in which each such holder was recognized as the owner of such Membership Interests during such fiscal year, and without regard to the date, amount or recipient of any distributions which may have been made with respect to such Membership Interests.

5.2 Ordinary Distributions.

(a) Cash Distributions. From time to time (but at least once each calendar quarter) the Members will determine in their reasonable judgment to what extent (if any) the Company's cash on hand exceeds its current and anticipated needs, including, without limitation, for operating expenses, debt service, and a reasonable contingency reserve. If such an excess exists, the Members will cause the Company to distribute to the Members each year an amount sufficient to cover the Members' income tax obligations arising from income allocated to the Members under this Agreement, and the Members may cause the Company to distribute additional amounts to the Members. Distributions will be made equally among the Members.

(b) Non-Cash Distributions. From time to time the Members also may cause property of the Company other than cash to be distributed to the Members, which distribution may be made subject to existing liabilities and obligations. Immediately prior to such a distribution, the Capital Accounts of the Members will be adjusted as provided in Treas. Reg. § 1.704-1(b)(2)(iv)(f).

ARTICLE VI MANAGEMENT OF THE COMPANY

6.1 **Management by Members.** The Company shall be managed by its Members. Neither the management structure of the Company nor this provision setting forth the management structure may be deleted, modified or amended without the prior approval of the Department of Health.

6.2 **Officers.** The Members may designate one or more individuals as officers of the Company, who shall have such titles and exercise and perform such powers and duties as shall be assigned to them from time to time by the Members. Officers need not be Members or residents of the State of New York. Any officer may be removed by the Members at any time, with or without cause. Each officer shall hold office until her or his successor shall be duly designated and shall qualify or until the earlier of the officer's death, resignation or removal. Any number of offices may be held by the same person. The salaries or other compensation, if any, of the officers and agents of the Company shall be fixed by the Member.

6.3 **Regular Meetings.** Regular periodic meetings of Members shall be held at such times as the Majority in Interest shall determine. There shall be at least one regular meeting per year.

6.4 **Special Meetings.** Special meetings of the Members may be called by Members holding a Majority in Interest for the purpose of addressing any matter upon which the Members may vote under this Agreement. Members may call a meeting by delivering a notice signed by the requisite number of Members stating that the signing Members wish to call a meeting and indicating the specific purpose for which the meeting is to be held. Action at the meeting shall be limited to those matters specified in the call of the meeting.

6.5 **Place of Meetings.** All meetings of the Members shall be held at the principal office of the Company as provided in Section 2.3 above, or at such other place within the United States of America as may be designated by the Members calling the meeting.

6.6 **Notice.** A notification of all meetings, stating the place, day, hour and, for special meetings, the purpose or purposes for which the meeting is called, shall be delivered not less than 1 nor more than 10 days before the meeting to each Member entitled to vote. Notice may be delivered by U.S. mail, telephone, facsimile, electronic mail, or personal delivery.

6.7 **Waiver of Notice.** Attendance of a Member at a meeting shall constitute a waiver of notification of the meeting, except where such Member attends for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened. Notification of a meeting may be waived in writing. Attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notification of the meeting but not so included, if the objection is expressly made at the meeting.

6.8 **Quorum.** A Majority in Interest shall constitute a quorum at any meeting of the Members, whether present in person or by proxy. For this purpose, Members shall be considered

present in person if they participate in a meeting by conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other.

6.9 **Voting.** All Members shall be entitled to one vote at meetings. With respect to any matter other than a matter for which the affirmative vote of Members owning a specified portion of the Membership Interests is required by the Act, the Articles of Organization or this Agreement, the affirmative vote of a Majority in Interest of the Members at a meeting at which a quorum is present shall be the act of the Members.

6.10 **Action by Written Consent.** Any action that may be taken at a meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action to be taken, is signed by Members holding the Interests required to approve such action under the Act, the Articles of Organization and this Agreement. Such consent shall have the same force and effect as a vote of the signing Members at a meeting duly called and held pursuant to this Article VI. No prior notice from the signing Members to the other Members is required in connection with the use of a written consent pursuant to this Section. Notification of any action taken by means of a written consent of Members shall, however, be sent within a reasonable time after the date of the consent to all Members who did not sign the written consent.

ARTICLE VII INDEMNIFICATION

7.1 **Right to Indemnification.** Subject to the limitations and conditions as provided in this Article, each Person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitratative or investigative (hereinafter a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that he or she, or a Person of whom he or she is the legal representative, is or was a member or officer of the Company, or who, while a member or officer of the Company, is or was serving at the request of the Company as a manager, director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, shall be indemnified by the Company to the fullest extent permitted by the Act and the New York State Business Corporation Law, as the same exist or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than said law permitted the Company to provide prior to such amendment) against judgments, penalties (including excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such Person in connection with such Proceeding, and indemnification under this Article shall continue as to a Person who has ceased to serve in the capacity which initially entitled such Person to indemnity hereunder. The rights granted pursuant to this Article shall be deemed contract rights, and no amendment, modification or repeal of this Article shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings arising prior to any such amendment,

modification or repeal. It is expressly acknowledged that the indemnification provided in this Article could involve indemnification for negligence or under theories of strict liability.

7.2 **Advance Payment.** The right to indemnification conferred in this Article shall include the right to be paid or reimbursed by the Company the reasonable expenses incurred by a Person of the type entitled to be indemnified under Section 7.1 who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding and without any determination as to the Person's ultimate entitlement to indemnification; provided, however, that the payment of such expenses incurred by any such Person in advance of the final disposition of a Proceeding, shall be made only upon delivery to the Company of a written affirmation by such officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article and a written undertaking, by or on behalf of such Person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified Person is not entitled to be indemnified under this Article or otherwise.

7.3 **Indemnification of Employees and Agents.** The Company may indemnify and advance expenses to an employee or agent of the Company to the same extent and subject to the same conditions under which it shall indemnify and advance expenses to a member or officer under this Article. The Company may indemnify and advance expenses to a Person who is not or was not a member, officer, employee or agent of the Company but who is or was serving at the request of the Company as a manager, director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against her or him and incurred by her or him in such a capacity or arising out of her or his status as such a Person to the same extent that it shall indemnify and advance expenses to a member or officer under this Article.

7.4 **Appearance as a Witness.** Notwithstanding any other provision of this Article, the Company may pay or reimburse expenses incurred by a member or officer, agent or employee, in connection with her or his appearance as a witness or other participation in a Proceeding at a time when she or he is not a named defendant or respondent in the Proceeding.

7.5 **Nonexclusivity of Rights.** The right to indemnification and the advancement and payment of expenses conferred in this Article shall not be exclusive of any other right which a member, officer or other Person indemnified pursuant to Section 6.3 may have or hereafter acquire under any law (common or statutory), provision of the Articles of Organization, this Agreement, or any other agreement.

7.6 **Insurance.** The Company may purchase and maintain insurance, at its expense, to protect itself, or any member, officer, employee or agent of the Company who is or was serving at the request of the Company as a manager, director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, against any expense, liability or loss, whether or not the Company would have the power to indemnify such Person against such expense, liability or loss under this Article.

7.7 **Savings Clause.** If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless any member or officer or any other Person indemnified pursuant to this Article as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and to the fullest extent permitted by applicable law.

ARTICLE VIII BOOKS, RECORDS, REPORTS, AND ACCOUNTS

8.1 **Maintenance of Books.** The Company shall keep books and records of accounts, maintained on an accrual basis in accordance with the terms of this Agreement and in accordance with generally accepted accounting principles. The twelve-month period ending December 31 shall be the accounting year of the Company.

8.2 **Accounts.** The Company shall establish and maintain one or more separate bank and investment accounts and arrangements with financial institutions and firms. The Company may not commingle its funds with the funds of any Member or any other Person.

ARTICLE IX DISSOLUTION, LIQUIDATION, AND TERMINATION

9.1 **Dissolution.** The Company shall dissolve and its affairs shall be wound up on the first to occur of the following:

- (a) the written direction of the Members;
- (b) the expiration of the period, if any, fixed for the duration of the Company set forth in the Articles of Organization;
- (c) the death or withdrawal of all Members; and
- (d) the entry of a decree of judicial dissolution of the Company under section 702 of the Act.

9.2 **Termination.** On completion of the distribution of Company assets pursuant to Section 4.4 of this Agreement, the Company is terminated, and the Members (or such other Person or Persons as the Act may require or permit) shall file Articles of Dissolution with the Secretary of State of New York and take such other actions as may be necessary to terminate the existence of the Company.

**ARTICLE X
GOVERNING LAW; SEVERABILITY**

10.1 **Governing Law.** This Agreement is governed by and shall be construed in accordance with the law of New York, excluding any conflict-of-laws rule or principle that might refer the governance or the construction of this Agreement to the law of another jurisdiction. In the event of a direct conflict between the provisions of this Agreement and (a) any provision of the Articles of Organization, or (b) any mandatory provision of the Act, the applicable provision of the Articles of Organization or the Act shall control.

10.2 **Severability.** If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other Persons or circumstances is not affected thereby and that provision shall be enforced to the greatest extent permitted by law.

IN WITNESS WHEREOF, the Members have executed this Agreement as of the date first set forth above.

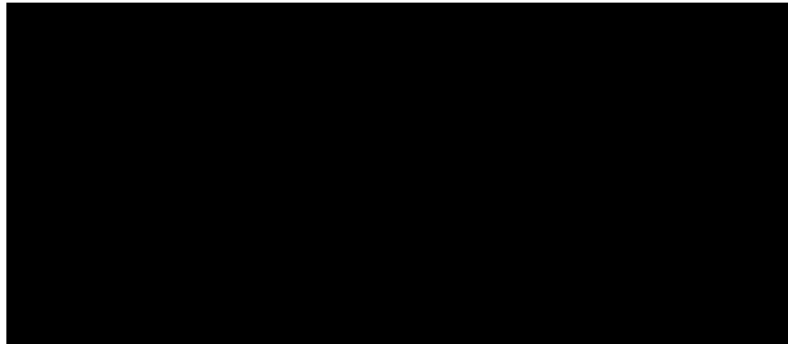
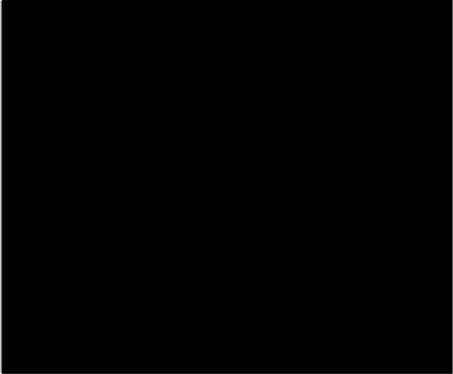


Exhibit A

Information Regarding Members

<u>Name and Address</u>	<u>Capital Contribution(s)</u>	<u>Membership Interest</u>
	\$ 	50%
	\$ 	50%

Schedule 4 - CON Forms Specific to Ownership Transfer

Contents:

- **Schedule 4 A - Legal Information.**
- **Schedule 4 B - Medicaid Affidavit**

Legal Information for Ownership Transfers

Instructions: All applicants seeking establishment approval for a change of ownership must complete this schedule in its entirety.

A. Type of Ownership Change - Check one of the following

- Transfer of Assets
- Change in Active Member of an Article 28, 36, or 40 Facility
- Change in Passive Member of an Article 36 Certified Home Health Agency
- Statutory Merger or Consolidation
- Transfer of Partnership Interest
 Total Percentage Interest to Be Transferred:
- Transfer of Stock
 Total Percentage Interest to Be Transferred:
- Transfer of Membership Interest
 Total Percentage Interest to Be Transferred:

Note: Type of applicant is already defined in Schedule 3.

		Title or Filename of Attachment(s)
B.	I Will there be a change in the facility name after the ownership transfer? If yes, the application must include the applicant's fully executed, proposed Certificate of Assumed Name, Certificate of Amendment to the applicant's Certificate of Incorporation, or Certificate of Amendment to the applicant's Articles of Organization, as the case may be	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> 3B-4: Articles of Organization 3B-5: Proposed Certificate of Amendment to Articles of Organization
C.	Attach a financial statement setting forth the purchase price for the ownership interest or assets being acquired and the financial resources of the applicant to make the purchase, or the basis on which the acquisition will be financed. If the transfer is by gift, attach a statement of the relationship between the parties.	Not Applicable <input type="checkbox"/> 4A-1: Financial Statement for Asset Purchase
D.	Are any of the owners of the applicant (partners, stockholders or members, as the case may be) physicians who are in a position to make referrals to the facility? If yes, attach a signed statement that the proposed financial/referral structure has been assessed in light of anti-kickback and self-referral laws, with the consultation of legal counsel, and it is concluded that proceeding with the proposal is appropriate.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

**New York State Department of Health
Certificate of Need Application**

Schedule 4A

E.	Does the applicant intend to enter into any agreement(s) involving management of, or administrative, billing and/or consulting activities and/or services for, the facility, including, but not limited to, operational policies? If yes, attach the proposed agreements.	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
F.	The applicant must submit an original affidavit, which is acceptable to the Department, in which the applicant agrees, notwithstanding any agreement, arrangement or understanding between the applicant and the transferor to the contrary, to be liable and responsible for any Medicaid overpayments made to the facility and/or any surcharges, assessments or fees due from the transferor pursuant to Article 28 of the Public Health Law with respect to the period of time prior to the applicant acquiring its interest, without releasing the transferor if its liability and responsibility. A model affidavit is on page 4 of this section.	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	Schedule 4B - Medicaid Affidavit

G.	Asset Transfers: Will the ownership change will be accomplished by an asset transfer? If Yes, application must include the following additional legal documentation:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
	1. Evidence that all assets necessary for the ownership and operation of the facility, including site control, will be transferred to the applicant. (Such documentation might include a purchase and sale agreement, a contribution agreement, assignment and assumption agreements, and/or additional transfer documents.)	Not Applicable <input type="checkbox"/>	4A-2: Asset Purchase Agreement
	2. Applicable legal documentation as for initial establishment, depending on the type of facility and the type of legal entity.	Not Applicable <input type="checkbox"/>	3B-4,5,6 & 7
	3. The following documentation, depending on the seller's type of legal entity and whether it will be dissolved following the proposed transfer:	Not Applicable <input type="checkbox"/>	
	a. If the seller is a not-for-profit corporation or business corporation, a fully executed proposed Certificate of Amendment to its Certificate of Incorporation or Certificate of Dissolution, as the case may be;	Not Applicable <input type="checkbox"/>	4A-3: Seller's Certificate of Amendment
	b. If the seller is a limited liability company, a fully executed proposed Certificate of Amendment to its Articles of Organization or Articles of Dissolution, as the case may be.	Not Applicable <input checked="" type="checkbox"/>	

H.	Statutory Merger or Consolidation: Will the ownership change will be accomplished by through a statutory merger or consolidation? If Yes, supply the following documentation:	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
	1. Agreement of Merger or Consolidation, as the case may be; and	Not Applicable <input checked="" type="checkbox"/>	
	2. Certificate of Merger or Consolidation, as the case may be.	Not Applicable <input checked="" type="checkbox"/>	

FINANCIAL STATEMENT FOR ASSET PURCHASE

**(Asset purchase price and financing provisions:
Section 2.2 of Asset Purchase Agreement)**

franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, intangible property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

“Tax Return” means any return, declaration, statement, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and any amendment thereof.

1.2 **Usage of Terms.** Except where the context otherwise requires, words importing the singular number will include the plural number and vice versa.

1.3 **References to Articles, Sections, Exhibits and Schedules.** All references in this Agreement to Articles, Sections (and other subdivisions), Exhibits and Schedules refer to the corresponding Articles, Sections (and other subdivisions), Exhibits and Schedules of or attached to this Agreement, unless the context requires otherwise, expressly or by necessary implication.

2. **PURCHASE AND SALE OF ASSETS**

2.1 **Transfer of Assets; Assumption of Assumed Liabilities.** Subject to the terms and conditions contained in this Agreement:

(a) Seller will sell, convey, transfer, assign, and deliver to Purchaser, and Purchaser will acquire from Seller on the Closing Date the Purchased Assets free and clear of any Encumbrances other than Permitted Encumbrances.

(b) Purchaser will assume the Assumed Liabilities on the Closing Date and pay Seller the Asset Purchase Price as provided in Section 2.2.

2.2 **Asset Purchase Price.**

(a) The purchase price for the Purchased Assets will be Nine Hundred Thousand Dollars (\$900,000), adjusted in accordance with the terms of this Agreement (“Asset Purchase Price”).

(b) The Asset Purchase Price will be paid by four non-negotiable promissory notes substantially in the form of Exhibit 2.2(b), payable as follows:

(i) one note, payable to Seller, in 60 equal monthly installments, commencing on the first month anniversary of the Closing Date (the “First Corporation Note”). The amount of each installment will be based on (i) a total principal amount of \$58,500, and (ii) 4.226% interest accruing from the Closing Date;

(ii) one note, payable to Seller, in 60 equal monthly installments commencing on the sixty-first month anniversary of the Closing Date (the “Second Corporation Note”). The amount of each installment will be based on (i) a total principal amount of \$58,500, and (ii) 5.0% interest accruing from the sixtieth month anniversary of the Closing Date;

(iii) one note, payable to [REDACTED] in equal monthly installments commencing on the first month anniversary of the Closing Date (the "[REDACTED] Note"). The number of installments will equal the number of full calendar months between the first month anniversary of the Closing Date and May 31, 2009. The amount of each installment will be based on (i) a total principal amount equal to \$391,500 (or, if less, one-half of that portion of the Asset Purchase Price that is not payable via the First and Second Corporation Notes), minus all [REDACTED] Payments, and (ii) 4.226% interest accruing from the Closing Date; and

(iv) one note, payable to [REDACTED] in 60 equal monthly installments, commencing on June 30, 2009 (the "[REDACTED] Note", and, together with the First and Second Corporation Notes and the [REDACTED] Note, the "Notes"). The amount of each installment will be based on (i) a total principal amount equal to \$391,500 (or, if less, one-half of that portion of the Asset Purchase Price that is not payable via the First and Second Corporation Notes), minus all [REDACTED] Payments, and (ii) 5.0% interest accruing from June 1, 2009.

(c) The payment of the Notes will be secured by (i) a security interest in the Tangible Personal Property and Purchaser's accounts receivable and cash, pursuant to the terms of the Security Agreement in the form attached hereto as Exhibit 2.2(c)(i), which will provide that the security interest granted therein will be subordinate to any banks financing up to \$300,000 (the "Security Agreement"), and (ii) a pledge of 100% of the membership interests in Purchaser, up to a maximum value of \$300,000, pursuant to a Pledge Agreement in the form attached hereto as Exhibit 2.2(c)(ii) (the "Pledge Agreement"). If Seller chooses, at its own expense, to secure payment of the Notes through insurance on the lives of Purchaser's members, Purchaser will cooperate, and ensure that its members will cooperate, with Seller in obtaining such life insurance.

(d) The Asset Purchase Price adjustments will reflect changes to the book value of the Business between May 31, 2004 and the Closing Date, as more fully described in Exhibit 2.2(d). If the Asset Purchase Price exceeds \$900,000, Purchaser will pay the amount over \$900,000 to Seller within 30 days after the Closing Date, in cash or by certified check, bank draft or wire transfer of funds.

2.3 Assumed Liabilities; Retained Liabilities. It is expressly understood and agreed that, other than the Assumed Liabilities, Purchaser will not assume, nor will it be liable for, any liability, Indebtedness, obligation, or Contract of Seller or Shareholders or any Affiliate thereof, or any claim against any of the foregoing, of any kind or nature whatsoever, at any time existing or asserted, whether or not accrued, whether fixed, contingent or otherwise, whether known or unknown, and whether or not recorded on the books and records of Seller, all of which will be retained by Seller and are hereafter referred to as the "Retained Liabilities." Without limiting the foregoing, Purchaser will have no responsibility with respect to any of the following liabilities of Seller (all of which will be deemed to be Retained Liabilities) whether or not disclosed on the Interim Financial Statements or Certified Financial Statements:

(a) except for any Assumed Operating Liabilities, any liability of Seller for (i) accrued salaries, wages, vacation pay, bonuses and other employment benefits or commissions and related Taxes or under any Employee Plan and/or (ii) severance payments or other termination benefits payable to employees of Seller.

ATTACHMENT 4A-2

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made as of the 1st day of June, 2004, by and among Buffalo Womenservices LLC, a New York limited liability company ("Purchaser"); [REDACTED] a New York corporation ("Seller"); 2500 Main Street, Inc., a New York corporation, and the following individuals who are shareholders of Seller and 2500 Main Street, Inc.: [REDACTED] and [REDACTED] collectively, [REDACTED] and [REDACTED] will be referred to as "Shareholders").

BACKGROUND STATEMENT

Seller desires to sell to Purchaser, and Purchaser desires to purchase from Seller, substantially all of the assets of Seller relating to the Business (as hereafter defined) and to assume certain liabilities of Seller associated with such Business, upon and subject to the terms of this Agreement. In connection therewith, Shareholders are making certain promises to Purchaser as set forth in this Agreement and 2500 Main Street, Inc. is agreeing to transfer the Real Property (as hereafter defined).

TERMS OF AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants and promises contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, Purchaser, Seller, Shareholders and 2500 Main Street, Inc. agree as follows:

1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the terms that are underlined or listed below will have the following meanings (other terms are defined within the text of the Agreement):

"Affiliate" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition "control" (including, with its correlative meanings, "controlled by" and "under common control with") will mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities, ownership of partnership or other equity interests, by contract or otherwise).

"Agreement" means this Asset Purchase Agreement, together with the Schedules and Exhibits attached to this Agreement and the certificates and instruments to be executed and delivered in connection with this Agreement.

"Assumed Contracts" means (i) the Contracts listed on Schedule 4.12(a) except for any of such Contracts that are also identified on Schedule 1.1(a) as being a Retained Liability and (ii) the Minor Contracts.

“Assumed Liabilities” means the following liabilities of Seller and only such liabilities:

- (1) the Assumed Operating Liabilities; and
- (2) Seller’s liabilities under the Assumed Contracts which arise from and after the Closing Date.

“Assumed Operating Liabilities” means the trade accounts payable and other obligations and liabilities of Seller as of the Closing Date of the specific types listed on Schedule 1.1(b) which were incurred in the ordinary course of operating the Business and which have not yet been paid or discharged.

“Payments” means any amounts paid to [REDACTED] by Seller between June 1, 2004 and the Closing Date, other than, or in excess of, the compensation and benefits described in the consulting agreement described in Section 2.6(b).

“Business” means the business and operations of Seller, including, without limitation, the operation of the medical clinic located at 2500 Main Street, Buffalo, New York.

“Business Records” means all originals of all data and records of Seller on whatever media and wherever located, which relate to the operation of the Business or Purchased Assets and the Real Property, including, but not limited to, advertising materials, marketing analyses, credit files, written operating methods and procedures, operating records and other information related to the Tangible Personal Property, all information and documents pertaining to the Intellectual Property, personnel records for the Transferred Employees and other records pertaining to the Purchased Assets or patients or suppliers of, or any other parties having contracts or other business relationships with, Seller relating to the Business, or the Real Property but not including any Excluded Assets.

“Closing Date” means a date to be mutually agreed upon by Seller and Purchaser which will be no later than thirty (30) days following Purchaser’s receipt of approval from the New York State Public Health Council (“PHC”) for Purchaser to operate a diagnostic and treatment center at the Facility (“PHC Approval”); provided, however, that if Purchaser does not receive PHC Approval by December 31, 2006, Seller or Purchaser may terminate this Agreement by providing 30 days’ advance written notice to the other parties.

“Code” means the Internal Revenue Code of 1986, as amended to date.

“Contract” means any contract, agreement, obligation, promise, commitment or undertaking (whether written or oral, express or implied) that is legally binding.

“Employee Pension Benefit Plan” has the meaning set forth in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)

“Employee Welfare Benefit Plan” has the meaning set forth in ERISA Section 3(1).

“Encumbrance” means with respect to any Person any mortgage, deed of trust, pledge, lien, security interest, charge or other security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security and any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing).

“Environmental Claim” means any notice of violation, claim in writing, suit, action, demand in writing or written order by any Person for any damage or liability (including, but not limited to, personal injury, tangible or intangible property damage, contribution, indemnity, indirect or consequential damages, damage to the environment, environmental remediation costs, nuisance, pollution, contamination or other adverse effects on the environment or for fines, penalties or restrictions) resulting from or relating to (i) an Environmental Condition at, in, by or from the Facility, (ii) the use, handling, transportation, storage, treatment or disposal of any Hazardous Substance at or in connection with the operation of the Facility, or (iii) the violation, or alleged violation, of any Environmental Laws relating to any operations at or in connection with the Facility.

“Environmental Condition” means the existence or threat of any Release into the environment of, or exposure to, any Hazardous Substance.

“Environmental Law” means any applicable statutes, ordinances or other laws issued by a Governmental Authority, any rules or regulations promulgated thereunder, and any licenses, permits, orders, judgments, notices or other requirements lawfully issued pursuant thereto and applicable to the Facility, or any operations thereat (including, but not limited to, laws regulating the identification, reporting, generation, manufacture, processing, distribution, use, treatment, storage, disposal, transport or threatened release of, any pollutants, contaminants, wastes or any other substances or materials) relating to pollution or protection of the environment (including, but not limited to, ambient air, surface water, groundwater, land surface or sub-surface strata, whether outside, inside or under any structure). Without limiting the generality of the foregoing, Environmental Laws will include the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, the Toxic Substances Control Act, as amended, the Hazardous Materials Transportation Act, as amended, the Resource Conservation and Recovery Act, as amended, the Clean Water Act, as amended, the Safe Drinking Water Act, as amended, the Clean Air Act, as amended, the Atomic Energy Act of 1954, as amended, the Occupational Safety and Health Act, as amended, and all analogous laws enacted, promulgated or lawfully issued by the United States, any state of the United States or any political subdivision of any such state.

“Excluded Assets” means:

- (1) cash, cash equivalents and marketable securities (determined in accordance with GAAP);
- (2) all accounts receivable;

- (3) all intercompany receivables of Seller, 2500 Main Street, Inc. and Shareholders or related party receivables, including, but not limited to, amounts "due from Affiliates" listed on the Interim Financial Statements;
- (4) all assets, tangible and intangible, of Seller that are not used in connection with the Business and listed on Schedule 1.1(c);
- (5) all tangible property personally owned by the Shareholders that is located at the Real Property and listed on Schedule 1.1(c);
- (6) all financial, accounting and bookkeeping books and records, minute books of Seller that are not Business Records and listed on Schedule 1.1(c);
- (7) all assets related to any Employee Plan of Seller or any Affiliate thereof;
- (8) any and all Tax credits and Tax refunds relating to the operation of the Business prior to Closing other than any such credits and refunds relating to an Assumed Operating Liability;
- (9) any permits of Seller relating to the Business that are not assignable to Purchaser and listed on Schedule 1.1(c);
- (10) all insurance policies of Seller; and
- (11) all funds (regardless of when received) from all rate adjustments and appeals relating to dates of service prior to the Closing.

"Facility" means the Real Property.

"GAAP" means generally accepted accounting principles in the United States.

"Governmental Authority" means any federal, State of New York, or local government or any political subdivision of any of the foregoing, or any court, agency or other entity, body, organization or group, exercising any executive, legislative, judicial, quasi-judicial, regulatory or administrative function of government.

"Governmental Requirement" means any law, statute, rule, regulation, code, plan, injunction, judgment, order, decree, ruling or charge under any Governmental Authority.

"Hazardous Substances" means any pollutants, contaminants, chemicals, wastes and any carcinogenic, ignitable, corrosive, reactive, toxic or other hazardous substances or materials, whether solids, liquids or gases (including, but not limited to, petroleum and its derivatives, PCBs, asbestos, radioactive materials, waste waters, sludges, slag and any other substance, material or waste) that are subject to regulation or remediation under any Environmental Law.

"Indebtedness" means indebtedness for borrowed money or the equivalent or represented by notes, bonds or other similar instruments or letters of credit (or reimbursement agreements in respect thereof) or representing the balance deferred and unpaid of the purchase price of any property (other than trade payables constituting current liabilities and personal property leases), and including without limitation capital lease obligations, including all accrued and unpaid interest thereon, and applicable prepayment, breakage or other premiums, fees or penalties and the costs of discharging such indebtedness, all as determined in accordance with GAAP.

"Intellectual Property" means collectively, any of the following types of intangible assets: (i) all patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions, and re-examinations thereof, (ii) all trademarks, service marks, trade dress, logos, trade names, and corporate names, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith, (iii) all copyrightable works, all copyrights, and all applications, registrations and renewals in connection therewith, (iv) all computer software (including data, billing and related documentation and including software installed on hard disk drives) and, (v) all copies and tangible embodiments thereof (in whatever form or medium).

"Inventory" means all inventories and supplies of the Business, wherever located, including, but not limited to, general office supplies, medical supplies, disposables, prescription medications and pharmaceuticals.

"Minor Contracts" means Contracts entered into in the ordinary course of the Business which involve financial obligations of Seller of less than \$500 individually and \$5,000 in the aggregate, which have a duration of three months or less, or which are cancelable on thirty (30) days notice without penalty to Seller.

"Other Current Assets" means all prepaid expenses and deposits of the Business including those listed on Schedule 1.1(d).

"Payments" means all compensation paid by Seller to [REDACTED] between June 1, 2004 and the Closing Date in accordance with Section 2.6(a) of this Agreement.

"Permits" means all licenses, permits and other authorizations required from any Governmental Authority or other Person in connection with Seller's carrying on the Business as presently conducted.

"Permitted Encumbrance" means (i) liens for Taxes not yet due and payable or for Taxes that the taxpayer is contesting in good faith through appropriate proceedings or (ii) other liens arising in the ordinary course of business (not including any mechanic's lien) that were not incurred in connection with any Indebtedness and which will not materially impair Purchaser's use of the Purchased Assets after the Closing.

"Person" means any corporation, governmental authority, individual, partnership, trust or other entity.

“Proceeding” means any action, order, writ, injunction, judgment, decree, claim, suit, litigation, dispute, grievance, arbitral action, investigation or other proceeding.

“Professional Fees” means the sum of all payments made by Seller on behalf of Purchaser prior to June 1, 2004 to Freed Maxick & Battaglia CPA’S PC and to Hodgson Russ LLP for services provided solely to Purchaser in connection with the asset purchase set forth in this Agreement.

“Purchased Assets” means all right, title and interest of Seller in and to all of the tangible and intangible assets of Seller (other than the Excluded Assets) used in the Business, including, without limitation, the following:

- (1) the Assumed Contracts;
- (2) the Business Records;
- (3) the telephone and fax numbers and e-mail address of the Business;
- (4) the personal goodwill associated with the Business;
- (5) the Intellectual Property;
- (6) the Inventory;
- (7) the Other Current Assets;
- (8) the Permits (to the extent assignable); and
- (9) the Tangible Personal Property.

“Real Property” means all real property and improvements thereon owned by 2500 Main Street, Inc. as of the date of this Agreement, having a street address is 2500 Main Street, Buffalo, New York.

“Release” means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, migration, dumping or disposing into the environment.

“Representative” means any officer, director, principal, attorney, agent, financial advisor, lender or potential lender or investor, employee or other representative of any Person.

“Tangible Personal Property” means all tangible personal property (other than Excluded Assets) used to conduct the Business including, without limitation, all medical equipment, computer hardware, furniture and fixtures, leasehold improvements and other tangible personal property whether located at the Facility or elsewhere, together with any transferable manufacturer or vendor warranties related thereto.

“Tax” means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, startup, occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock,

franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, intangible property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

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2. **PURCHASE AND SALE OF ASSETS**

2.1 **Transfer of Assets; Assumption of Assumed Liabilities.** Subject to the terms and conditions contained in this Agreement:

(a) Seller will sell, convey, transfer, assign, and deliver to Purchaser, and Purchaser will acquire from Seller on the Closing Date the Purchased Assets free and clear of any Encumbrances other than Permitted Encumbrances.

(b) Purchaser will assume the Assumed Liabilities on the Closing Date and pay Seller the Asset Purchase Price as provided in Section 2.2.

2.2 **Asset Purchase Price.**

(a) The purchase price for the Purchased Assets will be Nine Hundred Thousand Dollars (\$900,000), adjusted in accordance with the terms of this Agreement (“Asset Purchase Price”).

(b) The Asset Purchase Price will be paid by four non-negotiable promissory notes substantially in the form of Exhibit 2.2(b), payable as follows:

(i) one note, payable to Seller, in 60 equal monthly installments, commencing on the first month anniversary of the Closing Date (the “First Corporation Note”). The amount of each installment will be based on (i) a total principal amount of \$58,500, and (ii) 4.226% interest accruing from the Closing Date;

(ii) one note, payable to Seller, in 60 equal monthly installments commencing on the sixty-first month anniversary of the Closing Date (the “Second Corporation Note”). The amount of each installment will be based on (i) a total principal amount of \$58,500, and (ii) 5.0% interest accruing from the sixtieth month anniversary of the Closing Date;

(iii) one note, payable to [REDACTED] in equal monthly installments commencing on the first month anniversary of the Closing Date (the "[REDACTED] Note"). The number of installments will equal the number of full calendar months between the first month anniversary of the Closing Date and May 31, 2009. The amount of each installment will be based on (i) a total principal amount equal to \$391,500 (or, if less, one-half of that portion of the Asset Purchase Price that is not payable via the First and Second Corporation Notes), minus all [REDACTED] Payments, and (ii) 4.226% interest accruing from the Closing Date; and

(iv) one note, payable to [REDACTED] in 60 equal monthly installments, commencing on June 30, 2009 (the "[REDACTED] Note", and, together with the First and Second Corporation Notes and the [REDACTED] Note, the "Notes"). The amount of each installment will be based on (i) a total principal amount equal to \$391,500 (or, if less, one-half of that portion of the Asset Purchase Price that is not payable via the First and Second Corporation Notes), minus all [REDACTED] Payments, and (ii) 5.0% interest accruing from June 1, 2009.

(c) The payment of the Notes will be secured by (i) a security interest in the Tangible Personal Property and Purchaser's accounts receivable and cash, pursuant to the terms of the Security Agreement in the form attached hereto as Exhibit 2.2(c)(i), which will provide that the security interest granted therein will be subordinate to any banks financing up to \$300,000 (the "Security Agreement"), and (ii) a pledge of 100% of the membership interests in Purchaser, up to a maximum value of \$300,000, pursuant to a Pledge Agreement in the form attached hereto as Exhibit 2.2(c)(ii) (the "Pledge Agreement"). If Seller chooses, at its own expense, to secure payment of the Notes through insurance on the lives of Purchaser's members, Purchaser will cooperate, and ensure that its members will cooperate, with Seller in obtaining such life insurance.

(d) The Asset Purchase Price adjustments will reflect changes to the book value of the Business between May 31, 2004 and the Closing Date, as more fully described in Exhibit 2.2(d). If the Asset Purchase Price exceeds \$900,000, Purchaser will pay the amount over \$900,000 to Seller within 30 days after the Closing Date, in cash or by certified check, bank draft or wire transfer of funds.

2.3 Assumed Liabilities; Retained Liabilities. It is expressly understood and agreed that, other than the Assumed Liabilities, Purchaser will not assume, nor will it be liable for, any liability, Indebtedness, obligation, or Contract of Seller or Shareholders or any Affiliate thereof, or any claim against any of the foregoing, of any kind or nature whatsoever, at any time existing or asserted, whether or not accrued, whether fixed, contingent or otherwise, whether known or unknown, and whether or not recorded on the books and records of Seller, all of which will be retained by Seller and are hereafter referred to as the "Retained Liabilities." Without limiting the foregoing, Purchaser will have no responsibility with respect to any of the following liabilities of Seller (all of which will be deemed to be Retained Liabilities) whether or not disclosed on the Interim Financial Statements or Certified Financial Statements:

(a) except for any Assumed Operating Liabilities, any liability of Seller for (i) accrued salaries, wages, vacation pay, bonuses and other employment benefits or commissions and related Taxes or under any Employee Plan and/or (ii) severance payments or other termination benefits payable to employees of Seller.

(b) any liability of Seller directly or indirectly as a member of a group of employers under Section 414(b), (c) or (m) of the Code, arising out of any employee benefit plans as defined in Section 3(3) ERISA, maintained by Seller or any Affiliate thereof, or any liabilities arising out of any nonqualified plan or plans covering any employees or former employees of Seller;

(c) any liability of Seller relating to the Excluded Assets;

(d) any liability for any government-imposed fees or charges arising out of doing business prior to Closing in any jurisdiction where Seller is not qualified to do business as a foreign corporation that would not have been incurred if Seller had been so qualified;

(e) any liability of Seller for any Indebtedness or to any trade or non-trade creditor, customer, employee, financial institution, government entity, trust company or other party, either directly or by reason of any guaranty or other Contract other than any Assumed Operating Liabilities (including, without limitation, intercompany payables and amounts due and owing by Seller to any Shareholders);

(f) any liability of Seller arising after the Closing Date, except to the extent specifically assumed by Purchaser pursuant to this Agreement;

(g) any obligations and liabilities arising from the non-compliance by Seller with any federal, state, local or foreign laws, regulations, orders or administrative or judicial determinations (including all Environment Laws), and any obligations and liabilities arising from incidents, occurrences, suits, claims, actions, programs and proceedings of any kind, voluntary or otherwise, relating to alleged or actual pollution, contamination or harm of any kind to the environment (including, without limitation, harm to any person or property), attributable to or caused by, assigned to or otherwise involving Seller, the Purchased Assets, or the Facility, regardless of when the underlying incident, occurrence, suit, claim, action, program or proceeding occurred or is discovered or made, including without limitation anything contained on Schedules 4.13 and Schedules 4.16(a)-4.16(c), hereof, and, if any claim therefor is made by Purchaser, it is made in accordance with the Indemnity provisions contained in Article 10.0;

(h) any liability for workers compensation claims, general liability claims, automobile liability claims or any other negligent act or omission of Seller, whether related to the Business or otherwise;

(i) any liability of Seller under any Contract except for the Assumed Contracts;

(j) any liability of Seller for any Tax except for any Taxes included in the Assumed Liabilities; and

(k) all Medicaid, Medicare or other third-party payor liability of Seller, all of which Seller agrees to pay when due.

On the Closing Date, Purchaser will execute and deliver to Seller an assignment and assumption agreement, which will be substantially in the form of Exhibit 2.3 ("Assumption Agreement") to reflect Purchaser's assumption of the Assumed Liabilities. The assumption by Purchaser of any Assumed Contract of Seller will include only payment and performance obligations thereunder which accrue or arise after the Closing Date; in no event will Purchaser assume or be deemed to assume any liability of any nature (whether known, unknown, absolute, accrued, contingent or otherwise) relating to the performance under any such Assumed Contract which accrued prior to the Closing Date, unless such liability is expressly included within the Assumed Operating Liabilities.

2.4 Real Property. Simultaneously with the execution of this Agreement, Purchaser or Purchaser's designee will enter into a contract for the purchase of the Real Property in the form attached hereto as Exhibit 2.4 ("Real Estate Purchase Contract"). The purchase price for the Real Property will be \$300,000, payable in accordance with the terms of the Real Estate Purchase Contract.

2.5 Allocation of the Asset Purchase Price. The Asset Purchase Price will be allocated among the Purchased Assets in accordance with Schedule 2.5. Purchaser and Seller will duly prepare and timely file such reports and information returns as may be prescribed or appropriate under Section 1060 of the Code and any regulations thereunder and any corresponding provisions of applicable state income tax laws to report the allocation of the Asset Purchase Price in accordance with such allocation.

2.6 Employment Agreements. Effective June 1, 2004, and continuing until the Closing Date, Seller will:

(a) employ [REDACTED] to act as Seller's medical co-director at a compensation rate of \$ [REDACTED] per year;

(b) employ [REDACTED] under a consulting agreement with terms and conditions to be agreed between her and Purchaser;

(c) employ or contract with [REDACTED] to act as Seller's medical co-director under an agreement with terms and conditions to be agreed between her and Seller;

(d) employ [REDACTED] as Seller's Administrator under an agreement with terms and conditions to be agreed between her and Seller.

3. CLOSING

3.1 Closing. The consummation of the transactions contemplated in this Agreement (the "Closing") will be held at 9:00 a.m. local time on the Closing Date at the offices of Hodgson Russ LLP, Buffalo, New York or at such other place as will be mutually agreed upon. The Closing will be effective at 11:59:59 p.m. (Eastern Time) on the Closing Date (the "Effective Time").

3.2 Conveyances at Closing.

(a) Instruments and Possession. Upon the terms and conditions contained in this Agreement, on the Closing Date, Seller will deliver to Purchaser (i) one or more bills of sale or other instruments conveying in the aggregate all of the Tangible Personal Property, (ii) one or more assignments of the Assumed Contracts, (iii) one or more assignments of the Intellectual Property in recordable form, (iv) such deeds and other instruments as will be reasonably required to vest in Purchaser title in and to the Purchased Assets in accordance with the provisions of this Agreement and (v) such other documents and agreements as are contemplated by this Agreement.

(b) Form of Instruments. All of such instruments will be in form and substance, and will be executed and delivered in a manner, reasonably satisfactory to Purchaser and Seller, but will not diminish the status of title to the Purchased Assets required to be delivered by Seller pursuant to this Agreement.

3.3 Assumptions at Closing.

(a) Instruments. Upon the terms and conditions contained in this Agreement, on the Closing Date, Purchaser will deliver to Seller (i) the Assumption Agreement and such other instruments of assumption evidencing Purchaser's assumption of the Assumed Liabilities as will be reasonably requested by Seller and (ii) such other documents and agreements as are contemplated by this Agreement, including, without limitation, the Notes, the Pledge, and the Security Agreement.

(b) Form of Instruments. All such instruments will be in form and substance, and will be executed and delivered in a manner, reasonably satisfactory to Seller and Purchaser, but will not increase or decrease the liabilities and obligations required to be assumed by Purchaser pursuant to this Agreement.

3.4 Certificates and Other Documents. Purchaser and Seller, will deliver the agreements, certificates and other items provided for in Articles 7.0 and 8.0 of this Agreement.

3.5 Simultaneous Transactions. All transactions to be effectuated at the Closing will be deemed to have taken place simultaneously, and no such transaction will be deemed to have been completed until all transactions are completed and all documents delivered.

4. REPRESENTATIONS AND WARRANTIES OF SELLER AND 2500 MAIN STREET, INC.

Seller and 2500 Main Street, Inc., jointly and severally, represent and warrant to Purchaser the following:

4.1 Organization. Each of Seller and 2500 Main Street, Inc. is a corporation duly organized, validly existing and in good standing under the laws of the State of New York and that to the best of Seller's knowledge, neither is required to be registered or qualified to do business in any other jurisdiction. Each entity has all power and authority to own its property, including, without limitation, the Purchased Assets and the Real Property, respectively, and, in the case of Seller, to carry on the Business as now conducted by it. All of the shares of such

entities have been duly paid for and are validly issued to and held by Shareholders. No other Person has any interest therein or right thereto.

4.2 Corporate Action; Legal, Valid and Binding Agreement. Each of Seller and 2500 Main Street, Inc. has all necessary power, and authority, and all necessary corporate action has been properly taken, to authorize, execute and deliver this Agreement and the instruments to be executed and delivered pursuant hereto and to consummate the transactions contemplated hereby, and resolutions of their respective Board of Directors and Shareholders certified by the Secretary or an Assistant Secretary of such entity and in form reasonably satisfactory to counsel for Purchaser, will be delivered to Purchaser at the Closing. This Agreement is the legal, valid and binding agreement of Seller, 2500 Main Street, Inc. and Shareholders enforceable in accordance with its terms.

4.3 No Violation; Consents and Approvals. Except as disclosed on Schedule 4.3, neither the execution, delivery nor performance of this Agreement by Seller or 2500 Main Street, Inc. or Shareholders or the documents executed in connection herewith, nor the consummation of the transactions contemplated hereby or thereby is prohibited by, is a violation of, is in conflict with, constitutes a default under (whether such default would occur with the passage of time, the giving of notice or both) or requires Seller or 2500 Main Street, Inc. or Shareholders to obtain any consent, authorization or approval or registration under, or gives any person the right to accelerate the performance of any obligation under (a) any term or provision of the certificate of incorporation or the by-laws of either entity, (b) any agreement or commitment to which any of them is bound, (c) any Contract relating to any bank or other institutional loans or Indebtedness of any of them, or (d) any judgment, Governmental Requirement or any statute or law applicable to any of them. Except for any filings set forth on Schedule 4.3, no consent, approval or authorization of, or declaration, filing or registration with, any Person is required to be made or obtained by Seller or 2500 Main Street, Inc. or Shareholders in connection with the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement.

4.4 Corporate Records. Except as set forth in Schedule 4.4, none of the records, systems, controls, data or information which are material to the operation of the Business are recorded, stored, maintained, operated or otherwise wholly or partly dependent upon or held by any means (including any electronic, mechanical or photographic process, whether or not computerized) which (including all means of access thereto and therefrom) are not under the exclusive ownership and direct control of Seller. Seller has delivered or made available to Purchaser or Purchaser's counsel, for review, true and complete copies of (a) the certificate of incorporation (and all amendments thereto), and the by-laws (and all amendments thereto) for Seller and 2500 Main Street, Inc. The foregoing have not been amended, except and to the extent provided in any articles of amendment heretofore delivered to Purchaser or Purchaser's counsel.

4.5 Taxes; Tax Returns. As of the Closing Date:

(a) In connection with, or relating to, Seller's operation of the Business, and except as set forth in Schedule 4.5(a):

(i) all Tax Returns required to be filed with any Governmental Authority with respect to any Pre-Closing Date Tax Period by or on behalf of Seller or 2500 Main Street, Inc. have been or will be, to the extent required to be filed on or before the date hereof (including extensions), filed when due in accordance with all applicable Governmental Requirements;

(ii) all such Tax Returns are, or will be at the time of filing, true, complete, and accurate in all material respects;

(iii) all material Taxes shown as due and payable on the Tax Returns that have been filed have been timely paid, or withheld and remitted to the appropriate Governmental Authority;

(iv) neither entity is delinquent in the payment of any material Tax;

(v) neither entity has granted any extension or waiver of the statute of limitations period applicable to any Tax Return, which period (after giving effect to such extension or waiver) has not yet expired;

(vi) neither entity has received notice of a claim, audit, action, suit, proceeding or investigation now pending or threatened against or with respect to either of them in respect of any Tax or Tax Return;

(vii) all information set forth in the Certified Financial Statements relating to any Tax asset or any Tax matters is true and complete in all material respects;

(viii) neither entity has entered into any agreement or arrangement with any Governmental Authority with regard to the Tax liability of either Seller;

(ix) neither entity has participated in or cooperated with an international boycott within the meaning of Section 999 of the Code nor has been requested to do so in connection with any transaction or proposed transaction; and

(x) each entity has withheld and paid all material Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder, or other third party.

(b) Schedule 4.5(b) contains a list of all jurisdictions (whether foreign or domestic) to which any Tax is paid by either entity in connection with, or relating to, the Business.

4.6 Tangible Personal Property.

(a) Seller has delivered to Purchaser (i) a list of each item of Tangible Personal Property owned by Seller or 2500 Main Street, Inc. and used in the Business, and (ii) a list of each item of Tangible Personal Property leased by Seller and used in the Business. Except as set forth in Schedule 4.6, there is no tangible personal property used in the operation of the Business other than the Tangible Personal Property. All of the Tangible Personal Property is located at the Real Property. The Tangible Personal Property is being sold "as is."

(b) Except as set forth on Schedule 4.6, the Tangible Personal Property owned by Seller or 2500 Main Street, Inc. is free and clear of any Encumbrances (other than Permitted Encumbrances).

4.7 Intellectual Property. Schedule 4.7 identifies all Intellectual Property which is currently used in the Business. Except as set forth on Schedule 4.7, with respect to each item of Intellectual Property identified or required to be identified on Schedule 4.7: (i) Seller possesses all right, title and interest in and to the item, free and clear of any Encumbrances or licenses, (ii) the item is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge, (iii) no Proceeding is pending or, to the knowledge of Seller, threatened which challenges the legality, validity, enforceability, use or ownership of the item and (iv) other than routine indemnities given to distributors, sales representatives, dealers and customers, Seller has no current obligations to indemnify any Person for or against any interference, infringement, misappropriation, or other conflict with respect to the item. Except as set forth on Schedule 4.7, to the knowledge of Seller (i) Seller has not in connection with the Business interfered with, infringed upon, misappropriated or otherwise come into conflict with any Intellectual Property rights of third parties, and Seller has not received any charge, complaint, claim, demand or notice alleging any such interference, infringement, misappropriation or violation which has not been resolved and (ii) no third party has interfered with, infringed upon, misappropriated or otherwise come into conflict with any of the Intellectual Property.

4.8 Financial Information. Seller has delivered to Purchaser (i) an internally prepared unaudited balance sheet and unaudited statements of net income for the Business for the year ended December 31, 2003 (the "Interim Financial Statements"), and (ii) audited financial statement of Seller for the years ended December 31, 2000, 2001 and 2002, (the "Certified Financial Statements"). Except as set forth on Schedule 4.8, the Interim Financial Statements and Certified Financial Statements (A) have been prepared in accordance with the books and records of Seller on a basis consistent with Seller's historical practices, (B) are complete and correct in all material respects as of the date hereof and (C) except as indicated therein, reflect all claims against and all debts and liabilities of the Business and its operations, fixed or contingent, as at the respective dates thereof which would be required to be reflected or disclosed in financial statements prepared in accordance with GAAP, and the statements of income, included therein fairly present in all material respects the results of operations of the Business for the periods indicated.

4.9 Employee Benefit Plans.

(a) Schedule 4.9 sets forth a list identifying each Employee Pension Benefit Plan (the "Pension Plans") and a list identifying each "Employee Welfare Benefit Plan" (the "Welfare Plans") that, in either case, are maintained, administered or contributed to by Seller or that cover any employee or former employee of Seller. Schedule 4.9 also contains a list identifying each employment, severance or similar contract, arrangement or policy and each plan or arrangement providing for insurance coverage (including, without limitation, any self-insured arrangements), workers' compensation, disability benefits, supplemental employment benefits, vacation benefits, retirement benefits, deferred compensation, bonuses, profit-sharing, stock options, stock appreciation rights or other forms of incentive compensation or post-retirement compensation or benefit that (i) is not a Pension Plan or a Welfare Plan, (ii) has been entered into or maintained, as the case may be, by Seller or its Affiliates and (iii) covers any employee or former employee of Seller or its Affiliates. Those contracts, plans and arrangements are hereinafter referred to collectively as the "Benefit Arrangements". Collectively, the Pension Plans, the Welfare Plans and the Benefits Arrangements are referred to as the "Employee Plans".

(b) Seller has delivered or has caused to be delivered to Purchaser either (i) true and complete copies of the Employee Plans or (ii) summaries of the terms of and benefits under the Employee Plans. There has been no amendment to, written interpretation or announcement (whether or not written) by Seller in connection with the Business relating to, or change in employee participation or coverage under, any Employee Plan that would increase materially the expense of maintaining the Employee Plan above the level of expense incurred with respect to the Employee Plan for the most recent plan year.

(c) Each Employee Plan has been maintained in compliance with its terms and, in all material respects, the requirements prescribed by any and all statutes, orders, rules and regulations, including but not limited to, ERISA and the Code, that apply to the Employee Plan.

(d) Each Pension Plan is "qualified" within the meaning of Code Section 401(a), and has been qualified during the period from the date of its adoption to the date of this Agreement, and each trust created thereunder is tax-exempt under Code Section 501(a). Seller has delivered, or caused to be delivered, to Purchaser the latest determination letters of the Internal Revenue Service relating to each Pension Plan.

(e) Except as disclosed on Schedule 4.9, there are no pending or, to the knowledge of Seller, threatened (i) claims, suits or other proceedings by any employees, former employees or plan participants or the beneficiaries, spouses or representatives of any of them, other than ordinary and usual claims for benefits by participants or beneficiaries, or (ii) suits, investigations or other proceedings by any Governmental Authority, of or against any Employee Plan, the assets held thereunder, the trustee of any such assets, or Seller relating to any of the Employee Plans. If any of the actions described in this subsection are initiated prior to the Closing Date, Seller will notify Purchaser of such action prior to the date of Closing.

(f) To Seller's knowledge, Seller has not engaged (i) in any transaction or acted or failed to act in a manner that violates the fiduciary requirements of ERISA Section 404, or (ii) in any "prohibited transaction" within the meaning of ERISA Section 406(a) or 406(b), or of Code Section 4975(c), with respect to any Employee Plans, and will not so

engage, act or fail to act prior to the date of Closing. Furthermore, to the knowledge of Seller, no other "party in interest," as defined in ERISA Section 3(14), or "disqualified person," as defined in Code Section 4975(e)(2), has engaged in any such "prohibited transaction."

(g) No Employee Plan provides benefits, including, without limitation, any other post-employment benefit, salary continuation, termination, death, disability, or health or medical benefits (whether or not insured), life insurance or similar benefit with respect to current or former employees (or their spouses or dependents) of Seller beyond their retirement or other termination of service other than (i) coverage mandated by applicable law, (ii) death, disability or retirement benefits under any Pension Plan, (iii) deferred compensation benefits accrued as liabilities on the financial statements of Seller, (iv) benefits, the full cost of which is borne by the current or former employee (or his or her beneficiary), (v) Seller's severance pay policy, or (vi) post-employment payments under Seller's insurance policies relating to events during employment by Seller.

(h) To Seller's knowledge, neither Seller nor any trade or business, whether or not incorporated, that is deemed to be under common control or affiliated with Seller within the meaning of ERISA Section 4001 or Code Sections 414(b), (c), (m) or (o) (an "ERISA Affiliate") has ever maintained, adopted or established, contributed or been required to contribute to, or otherwise participated or been required to participate in, nor will they become obligated to do so through the Closing Date, any defined benefit pension plan or "multiemployer plan" (as defined in ERISA Section 3(37)).

(i) To Seller's knowledge, Seller, and/or its third party administrator who administer any Employee Plan that is a group health plan, has complied, and will continue to comply with, the requirements of Part 6 of Subtitle B of Title I of ERISA and Code Section 4980B, and all applicable regulations thereunder ("COBRA") with respect to each Employee Plan that is subject to the requirements of COBRA, including, but limited to the notification and written notice requirements. Each employee Plan that is a group health plan, within the meaning of Code Section 9832(a), has complied with and satisfied the applicable requirements of Code Section 9801 and 9802.

4.10 Labor Matters.

(a) Schedule 4.10(a) identifies each current employee of the Business and lists their date of hire, job description and current salary, wages and benefits. Except as set forth on Schedule 4.10(a), to the knowledge of Seller, each employee of Seller is an employee at will. Except as set forth on Schedule 4.10(a), no such employee of Seller has a Contract with Seller relating to his or her employment. With respect to the Business, except as set forth on Schedule 4.10(a): (i) Seller has no obligations under any written or oral labor or employment Contract or, collective bargaining Contract with any labor organization or employee group, (ii) to Seller's knowledge Seller is not engaged in any unfair labor practice and there is no unfair labor practice charge or other employee-related or employment-related charge or complaint against Seller pending or threatened before any Governmental Authority, (iii) there is currently no labor strike, labor disturbance, slowdown, work stoppage or other material labor dispute, grievance or arbitration pending or, to the knowledge of Seller, threatened against Seller, (iv) Seller has not experienced a labor strike, labor disturbance, slowdown, work stoppage or other material labor

dispute at any time during the three years immediately preceding the date of this Agreement and (v) there is, to the knowledge of Seller, no organizational campaign being conducted or contemplated and there is no pending or, to the knowledge of Seller, threatened petition before any Governmental Authority or other dispute as to the representation of any employees of Seller. Except as set forth on Schedule 4.10(a), to the knowledge of Seller, Seller has complied in all material respects with, and is currently in compliance in all material respects with, all applicable Governmental Requirements relating to its employees and consultants (including, without limitation, any Governmental Requirement of the Occupational Safety and Health Administration), and neither Seller has not received within the past three (3) years with respect to the Business any written notice of failure to comply with any such Governmental Requirement which has not been rectified.

(b) Except as set forth on Schedule 4.10(b), Seller has on file a valid Form I-9 for each employee hired within the past three (3) years. Except as set forth on Schedule 4.10(b), Seller has not been the subject of an immigration compliance or employment visit from, nor has Seller been assessed any fine or penalty by, or been the subject of any order or directive of, the United States Department of Labor or the Attorney General of the United States (Immigration and Naturalization Service).

(c) Except as set forth on Schedule 4.10(c), Seller has not terminated any employee of the Business during the 365 day period prior to the date hereof (other than voluntary resignations by an employee).

4.11 Insurance. Schedule 4.11 contains a complete and accurate list of all current policies or binders of insurance (showing as to each policy or binder the carrier, policy number, coverage limits, expiration dates, annual premiums, deductibles and a general description of the type of coverage provided and policy exclusions) maintained by each Seller and relating to the Business, its personnel and/or the Purchased Assets and the Real Property. Except as set forth on Schedule 4.11, all of the Insurance is "occurrence" based insurance. The insurance is in full force and effect and sufficient for compliance in all material respects with all requirements of applicable law and of all Contracts to which Seller and 2500 Main Street, Inc. is a party. Neither Seller nor 2500 Main Street, Inc. is in material default under any of the insurance.

4.12 Contracts.

(a) Schedule 4.12(a) contains a true and correct list or description of all Contracts to which Seller is a party. Those marked with an asterisk are deemed to be Material Contracts for which any necessary consent to assignment must be obtained by the Closing Date.

(b) Each Contract disclosed in Schedule 4.12(a) or required to be disclosed in Schedule 4.12(a) is a valid and binding agreement of Seller, and is in full force and effect, and neither Seller nor, to Seller's knowledge, any other party thereto is in default or breach in any material respect under the terms of any such Contract, and, to Seller's knowledge, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute any event of default thereunder.

(c) Schedule 4.12(a) separately identifies any Contract to which 2500 Main Street, Inc. is a party.

4.13 Litigation. Except as set forth on Schedule 4.13, there is no Proceeding pending or to Seller's knowledge, threatened which relates to the Business or the Purchased Assets (including but not limited to any discrimination or sexual harassment claim) or the Real Property. Schedule 4.13 also lists all Proceedings which were pending at any time during the past three (3) years. There is no Proceeding pending or to Seller's knowledge threatened which questions or challenges the validity of this Agreement or any of the transactions contemplated by this Agreement or otherwise seeks to prevent or have the effect of preventing the consummation of the transactions contemplated hereby.

4.14 Compliance with Laws. Except as set forth on Schedule 4.14, each of Seller and 2500 Main Street, Inc. is in material compliance with all applicable statutes, laws and Governmental Requirements pertaining to the Business and the Purchased Assets and the Real Property, and neither entity has, within the past three (3) years, received notice of any violation of any such statutes, laws or Governmental Requirements, including, without limiting the generality of the foregoing, any notice from any Governmental Authority having jurisdiction over such entity as to any violation of any building, fire, environmental, health, immigration or other Governmental Requirement pertaining to the Business, the Purchased Assets or the Real Property.

4.15 Permits, Licenses and Authorizations. Schedule 4.15(a) attached hereto is a complete list of all material permits, approvals, consents, licenses, franchises and other governmental authorizations held by either Seller or 2500 Main Street, Inc. and required for the conduct of the Business and the ownership of the Real Property. Except as set forth on Schedule 4.15(b), each entity possesses all permits, approvals, consents, licenses, franchises and other governmental authorizations necessary for the use and occupancy of the Business and the Real Property.

4.16 Environmental Matters.

(a) Except as set forth on Schedule 4.16(a), to their knowledge, each of Seller and 2500 Main Street, Inc. is currently in compliance with, all Environmental Laws, and has not, within the past three (3) years, been charged with, has not received any notice of, and is not under investigation for the failure to comply with, any Environmental Law pertaining to the Business or the Purchased Assets or the Real Property, or the operation, conduct or occupancy thereof.

(b) Except as set forth in Schedule 4.16(b), neither entity has, to its knowledge, disposed of any Hazardous Substance at or from the Real Property within the past three (3) years, regardless of whether the act of disposal was lawful at the time of disposal, and, to their knowledge, no Environmental Claim has been made against them within the past three (3) years for which either entity or their predecessors are or may be liable.

(c) To the knowledge of Seller, 2500 Main Street, Inc. and Shareholders, each transporter and disposal facility that has transported or disposed of any

Hazardous Substance from the Real Property of either entity, if any, during the last (3) three years (i) is listed on Schedule 4.16(c) attached hereto, (ii) was properly licensed at the time of such transportation or disposal and (iii) all such Hazardous Substances were properly transported or disposed of at a facility with authorization to dispose of such materials. Upon request of Purchaser, Seller will make available any and all documentation regarding such transporter and disposal facility.

(d) Neither the Real Property nor any portion thereof is listed, or, to the knowledge of Seller, 2500 Main Street, Inc. and Shareholders, has ever been listed, on the National Priorities List ("NPL") or on any federal or New York registry, list or report of inactive hazardous waste disposal sites. There is no above ground or underground storage tanks located at the Real Property.

(e) Each of the foregoing representations and warranties of this Section 4.16 will be in addition to, and not in lieu of, any other representation or warranty contained in this Agreement, including but not limited to, those contained in Section 4.14 hereof.

4.17 General Representation and Warranty. None of the representations and warranties of Seller made in this Agreement contain any untrue statements of material fact or omit to state any material fact necessary in order to make said representations and warranties not misleading.

5. REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller and 2500 Main Street, Inc. as follows:

5.1 Organization. Purchaser is a limited liability company duly organized, validly existing and in good standing under the laws of the State of New York. Purchaser is duly qualified to transact business and is in good standing in all jurisdictions where the nature of the business transacted by Purchaser or the character of the properties owned by Purchaser would require such qualification. Purchaser has all power and authority to own its property and to carry on its operations as now conducted by it.

5.2 Corporate Action; Legal, Valid and Binding Agreement. All action of Purchaser necessary to authorize the execution and delivery of this Agreement and the instruments to be executed and delivered pursuant hereto and to consummate the transactions contemplated hereby has been properly taken, and resolutions of its members, certified by the Secretary or an Assistant Secretary of Purchaser and in form satisfactory to counsel for Seller, will be delivered at the Closing to Seller. Upon execution and delivery, this Agreement will constitute a legal, valid and binding agreement of Purchaser enforceable in accordance with its terms.

5.3 No Violation. Except as set forth in Schedule 5.3 attached hereto, neither the execution, delivery nor performance of this Agreement nor the consummation of the transactions contemplated hereby is prohibited by, or requires Purchaser to obtain any consent, authorization or approval or registration under or gives any person the right to accelerate the performance of any obligation under (a) any term or provision of its Certificate of Organization, (b) any Contract to which the Purchaser is bound, (c) any Contract relating to any bank or other

institutional loans or indebtedness of the Purchaser, or (d) any judgment, or Governmental Requirement, or any statute or law applicable to Purchaser. Except for any filings set forth on Schedule 5.3, no consent, approval or authorization of, or declaration, filing or registration with, any Person is required to be made or obtained by Purchaser in connection with the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated by this Agreement.

5.4 Litigation. To the knowledge of Purchaser, there is no Proceeding pending or threatened which questions or challenges the validity of this Agreement or any of the transactions contemplated by this Agreement or otherwise seeks to prevent or have the effect of preventing the consummation of the transactions contemplated hereby.

5.5 PHC Approval. To the knowledge of Purchaser, no fact or circumstance exists which would prevent Purchaser from obtaining the PHC Approval in a timely manner.

5.6 Operation of Business. The Business will not be operated by or through any Person other than Purchaser until the Notes have been paid in full.

5.7 General Representation and Warranty. None of the representations and warranties of Purchaser made in this Agreement contain any untrue statements of material fact or omit to state any material fact necessary in order to make said representations and warranties not misleading.

6. CONFIDENTIALITY; NON-COMPETITION; ACCESS TO BOOKS; INSPECTION

6.1 Confidentiality.

(a) Each party acknowledges that they will be providing each other with information that is non-public, confidential or proprietary in nature (the "Proprietary Information"). Each party agrees and will each cause its respective Representatives to agree, to keep all such Proprietary Information confidential. For purposes of this Agreement, Proprietary Information will not include information that becomes generally available to the public absent any breach of this Agreement, was available on a non-confidential basis to any party or any of such party's Affiliates from a third party prior to its disclosure pursuant to this Agreement, becomes available on a non-confidential basis from a third party who is not bound to keep such information confidential, or information that was already known or independently developed by the receiving party.

(b) Purchaser acknowledges and agrees that (i) the protection of the Proprietary Information of Seller against unauthorized disclosure or use is of critical importance; (ii) the Proprietary Information of Seller will be used only in furtherance or connection with the transactions contemplated by this Agreement; (iii) Purchaser will not at any time use the Proprietary Information of Seller in a manner which is detrimental to Seller; and (iv) Purchaser will not make any independent use of, or disclose to any other person or organization, any of the Proprietary Information of Seller, except as may be specifically authorized in writing by Seller, or in furtherance or connection with the transactions contemplated or as provided for by this

Agreement, as required by a court order or by law, or to protect its rights and remedies under or pursuant to this Agreement.

(c) Seller and Shareholders acknowledge and agree that (i) the protection of the Proprietary Information of Purchaser against unauthorized disclosure or use is of critical importance; (ii) the Proprietary Information of Purchaser will be used only in furtherance or connection with the transactions contemplated by this Agreement; (iii) neither Seller nor Shareholders nor Seller's Affiliates will at any time use the Proprietary Information of Purchaser in a manner which is detrimental to Purchaser; and (iv) they will not make any independent use of, or disclose to any other person or organization, any of the Proprietary Information of Purchaser, except as may be specifically authorized in writing by Purchaser or in furtherance or connection with the transactions contemplated or as provided for by this Agreement, as required by a court order or by law, or to protect its rights and remedies under or pursuant to this Agreement.

(d) Each of the parties agrees that if any of the provisions of this Section 6.1 will be violated by a party or any of its Representatives or Affiliates, in whole or in part, or in the event of the threatened violation of the same, the non-breaching party will be entitled, upon application to a court of competent jurisdiction, to restrain and enjoin the breaching party and its Representatives or Affiliates from such violation or threatened violation and without being required to provide any bond and without prejudice to any other remedies the non-breaching party may have at law or in equity. Nothing herein will be construed as prohibiting the non-breaching party from pursuing any other remedies available to such non-breaching party for such breach or threatened breach, whether for the recovery of damages, including reasonable attorneys' fees and disbursements, or otherwise.

6.2 Non-Competition and Non-Solicitation Covenants.

(a) Seller and each Shareholder covenants and agrees that he or she or it will not, for a period of five (5) years following the Closing Date within a 60 mile radius of the Business, directly or indirectly, engage in or become directly or indirectly interested in any proprietorship, partnership, firm, trust, corporation, limited liability company or other organization or entity whatsoever, whether as an owner, investor, lender, partner, trustee, beneficiary, advisor, stockholder, member, officer, director, employee, independent contractor, agent, servant, lessor, lessee or otherwise) that is engaged in or otherwise connected to or with any business which is competitive with the Business. If Purchaser materially breaches this Agreement, Seller's and Shareholders' obligations under this covenant not to compete will terminate on the 3-month anniversary of the date that Purchaser receives from Seller a notice of such breach; provided, however, that if Purchaser cures, or takes reasonable steps to begin to cure, the breach during that 3-month period to the reasonable satisfaction of the Seller and Shareholders, Seller's and Shareholders' obligations under this covenant not to compete will not terminate and will continue in full force and effect in accordance with the terms of this Section 6.2.

(b) Seller and each of Shareholders covenants and agrees that he or she or it will not, from and following the Closing Date, interfere with or attempt to terminate or otherwise disrupt the relationship, contractual or otherwise, between Purchaser and any of its

employees, agents, affiliates, customers, clients, prospective customers or clients, suppliers, vendors or referral sources.

(c) Seller and each of Shareholders acknowledges that the covenants set forth in this Section are reasonable in scope and essential to the preservation of the business of the Purchaser, including without limitation the Business being acquired pursuant to this Agreement. Each of Shareholders also acknowledges that the enforcement of the covenants set forth in this Section will not preclude such Shareholder from being gainfully engaged in such manner and to the extent as to provide a standard of living for himself or herself, the members of his or her family and the others dependent upon him or her.

(d) Seller and each of Shareholders expressly acknowledges and agrees that a violation of any of the provisions of this Section would cause immediate and irreparable harm, loss and damage to Purchaser not adequately compensable by a monetary award. Each of Shareholders further acknowledges and agrees that the prohibited business, territory and time periods with respect to the covenants contained herein are the minimal necessary to adequately protect Purchaser and the goodwill of the Business being acquired by Purchaser hereunder. Without limiting any of the other remedies available to Purchaser at law or in equity, or the right or ability of Purchaser to collect money damages, Seller and each of Shareholders agrees that any actual or threatened violation of any of the provisions of this Section may be immediately restrained or enjoined by any court of competent jurisdiction, and that a temporary restraining order or emergency, preliminary or final injunction may be issued in any court of competent jurisdiction, upon twenty-four (24) hours notice and without bond. It is the desire of the parties that the provisions of this Section be enforced to the fullest extent permissible under the laws and public policies in each jurisdiction in which enforcement might be sought. Accordingly, if any particular portion of this Section will ever be adjudicated as invalid or unenforceable, or if the application thereof to any party or circumstance will be adjudicated to be prohibited by or invalidated by such laws or public policies, such Section will be (A) deemed amended to delete therefrom such portions so adjudicated or (B) modified as determined appropriate by such a court, such deletions or modifications to apply only with respect to the operation of such portions of such Section in the particular jurisdictions so adjudicating on the parties and under the circumstances as to which so adjudicated.

6.3 Access to Records and Inspection of Purchased Assets. From and after the date of this Agreement up to, through and including the Closing Date, during normal business hours and upon reasonable notice, Purchaser and its agents, employees, accountants and counsel, at Purchaser's cost and expense, will have reasonable access to (a) books, records and financial and operating information for the Business; (b) the Purchased Assets, the Assumed Liabilities, the Contracts, the Real Property and the disclosures made in all exhibits and schedules attached hereto, as limited by any legal restrictions concerning confidentiality to patients and the disclosure of patient record information.

6.4 Return of Information. In the event the transactions contemplated by this Agreement are not consummated for any reason, each party hereto agrees to return to the others all information obtained by such party and to maintain the confidentiality of such information, which agreement will survive termination of the terms and conditions of this Agreement.

6.5 Press Releases. No press release related to this Agreement or the transactions contemplated hereby will be made by any party without the prior written approval of all other parties.

6.6 Access to Records After the Closing. From and after the Closing, Seller, Shareholders and their Representatives will be allowed, at their expense, upon reasonable request, to inspect, copy and, if necessary, remove the business records and accounts of Purchaser pertaining to (i) all matters as to which either Seller or Shareholders or 2500 Main Street, Inc. are required to provide indemnification pursuant to this Agreement, and (ii) any transactions of Seller occurring or assets of Seller held at the Real Property at and through the Closing Date. Any original records that are removed must remain at all times in the control of Freed Maxick & Battaglia CPA's PC, Brock, Schechter & Polakoff, LLP, or a similar accounting firm or legal firm agreed to by Purchaser. Purchaser agrees not to destroy or abandon any such business records or accounts for a period of four (4) years following the Closing and to destroy such business records or accounts only upon thirty (30) days' advance written notice to Seller for an additional period of two (2) years thereafter. If either Seller or Shareholders requests the surrender of such records or accounts, then Purchaser will surrender, at Seller's or Shareholder's expense, such records or accounts so requested rather than proceeding with such destruction.

6.7 Financial Statements. From and after the Closing and until the Notes have been paid in full, Purchaser will provide to Shareholders and their designated representatives copies of monthly financial statements prepared internally by Purchaser in its normal course of business.

7. CONDITIONS PRECEDENT TO CLOSING

7.1 Conditions to Each Party's Obligation to Close. The respective obligations of each party to consummate the transactions provided for in this Agreement will be subject to the satisfaction at or prior to the Closing Date of the following conditions:

(a) No temporary restraining order, preliminary or permanent injunction or other order by any federal or state court in the United States which prohibits the consummation of the transactions provided for in this Agreement will have been issued and remain in effect.

(b) Each of Seller and Purchaser will have obtained such consents from third parties and Governmental Authorities as will be required pursuant to the terms of this Agreement.

7.2 Conditions Precedent to the Obligation of Purchaser to Close. The obligation of Purchaser to consummate the transactions provided for in this Agreement is subject to the satisfaction at or before the Closing Date of each of the following conditions precedent:

(a) Seller will have delivered access to and possession of all of the Purchased Assets to Purchaser and will have delivered to Purchaser such fully executed instruments of assignment, transfer and conveyance as are necessary in the opinion of, and

satisfactory in form to, counsel to Purchaser to transfer good and marketable title to all of the Purchased Assets to Purchaser in accordance with the provisions of this Agreement.

(b) The representations and warranties of Seller and 2500 Main Street, Inc. contained in this Agreement will be true in all material respects as of the date hereof and will be true in all material respects on the Closing Date as if made on this date. All covenants, agreements and obligations and all conditions precedent on the part of Seller, Shareholders and 2500 Main Street, Inc. to be performed hereunder on or prior to the Closing Date will have been duly performed and complied with in all material respects.

(c) Seller and 2500 Main Street, Inc. will have delivered to Purchaser a certificate executed by an authorized officer of each entity dated the Closing Date stating that (i) all representations and warranties made by each entity contained in this Agreement are true, complete and accurate as of the Closing as if made on and as of such date, and (ii) all terms, covenants (to the extent required to be performed prior to the Closing), conditions and provisions of this Agreement to be met by them have been complied with.

(d) The Real Property will have been transferred to Purchaser or Purchaser's designee pursuant to a deed in the form of Exhibit 7.2(d) hereof and in accordance with the terms of this Agreement and the Real Estate Purchase Contract.

(e) Seller and Shareholders will have executed and delivered the instruments of conveyance specified by Section 3.2(a).

(f) Seller will have delivered an opinion of counsel in the form attached hereto as Exhibit 7.2(f).

Purchaser will have the right, exercisable in its sole discretion, to waive any one or more of the foregoing conditions (which waiver will not operate as a waiver of any right of indemnity or any other right or remedy for breach of this Agreement with respect thereto), and to proceed with the Closing, or to terminate this Agreement.

7.3 Conditions Precedent to the Obligation of Seller and 2500 Main Street, Inc. to Close. The obligation of Seller to consummate the transactions provided for in this Agreement is subject to the satisfaction at or before the Closing Date of each of the following conditions precedent:

(a) The representations and warranties of Purchaser contained in this Agreement will be true in all material respects as of the date hereof and will be true in all material respects on the Closing Date as if made on that date. All covenants, agreements and obligations and all conditions precedent on the part of Purchaser to be performed or complied with hereunder at or prior to the Closing will have been duly performed and complied with in all material respects.

(b) Purchaser will have delivered to Seller a certificate executed by an authorized officer of Purchaser dated the Closing Date stating that (i) all representations and warranties made by Purchaser and contained in this Agreement are true and accurate as of the Closing, and (ii) all terms, covenants (to the extent required to be performed prior to the

Closing), conditions and provisions of this Agreement to be met by Purchaser have been complied with.

(c) Purchaser will have delivered the Notes, the Real Estate Note, the Security Agreement and the Pledge to Seller.

(d) Purchaser will have executed and delivered the Assumption Agreement to Seller.

(e) Purchaser will have delivered an opinion of counsel in the form attached hereto as Exhibit 7.3(e).

Seller and 2500 Main Street, Inc. will have the right, exercisable in their sole discretion, to waive any one or more of the foregoing conditions (which waiver will not operate as a waiver of any right of indemnity or any other right or remedy for breach of this Agreement with respect thereto), and to proceed with the Closing, or to terminate this Agreement.

8. ADDITIONAL AGREEMENTS

8.1 Bulk Sales Laws. The parties hereto waive compliance with the bulk transfer provisions of the Uniform Commercial Code as adopted in any state relevant to the transactions provided for in this Agreement. Seller agrees to pay when due and discharge all claims of creditors and all Taxes and interest and penalties and all other liabilities of whatsoever nature which do not constitute Assumed Liabilities and which could be collected from Purchaser by reason of such noncompliance.

8.2 Further Assurances. After the Closing, each of the parties hereto agrees to take such other and further actions as are reasonably necessary in order to fulfill the purposes and the intent of this Agreement; provided that any request for further assurances will not delay or postpone the Closing.

8.3 Brokerage Commissions and Fees. Purchaser, on the one hand, and Seller and Shareholders, on the other hand, represent and warrant to each other that all negotiations between them have been carried on by them directly, each with the other, or with the other's Representatives, without the intervention of any third person and that there are no brokers' commissions, finder's fees or other payments of like nature payable to any person. Purchaser agrees to indemnify and hold harmless Seller and Shareholders from and against any and all losses, claims, costs, damages and expenses of whatsoever nature (including, without limitation, all legal expenses) attributable to any claim, liability or obligation for any brokers' commission, finder's fees or other payment of like nature which arises from any contract or agreement or obligation on the part of the Purchaser with any broker, finder or like person. Seller and Shareholders agree jointly and severally to indemnify and hold harmless Purchaser from and against any and all losses, claims, costs, damages and expenses of whatsoever nature (including, without limitation, all legal fees and expenses) attributable to any claim or liability or obligation for any brokers' commissions, finder's fees or payment of like nature which arises from any contract, agreement or obligation on the part of either of the Seller or Shareholders with any broker, finder or like person.

8.4 Operation of the Business Prior to Closing.

(a) Except as set forth on Schedule 8.4, prior to the Closing, Seller:

(i) will operate the Business in the usual, regular and ordinary course of business (except with the prior written consent of Purchaser) and will maintain the current administration and management practices of the Business;

(ii) will maintain the Purchased Assets in good operating condition and repair;

(iii) will pay its accounts payable and pay and perform its other obligations when they become due and payable in the ordinary course of business consistent with prior practice, or when required to be performed, as the case may be;

(iv) will maintain in full force and effect the insurance coverage detailed in Section 4.11;

(v) will maintain the books, accounts and records of Seller in the usual, regular and ordinary manner on a basis consistent with past practice;

(vi) will establish and maintain a compensation committee consisting of [REDACTED] and

(vii) will use its best efforts to assist Purchaser in connection with Purchaser's filing for PHC Approval.

(b) Except as set forth on Schedule 8.4, prior to the Closing, Seller will not without the written consent of Purchaser:

(i) make any increase in the salary, benefits, bonuses or other compensation (whether commission, benefits (retirement, severance or other) or other direct or indirect remuneration) payable to employees of the Business;

(ii) enter into, amend or terminate any employment contract with any employee of the Business, except that the Seller may terminate any of the employment agreements described in Sections 2.6, for cause, as that term is defined in the applicable employment agreement;

(iii) sell, assign, transfer, convey, lease, pledge, encumber or otherwise dispose of or agree to sell, assign, transfer, convey, lease, pledge, encumber or otherwise dispose of any of the Purchased Assets or other material rights;

(iv) transfer or grant any right under, or enter into any settlement regarding the breach or infringement of, any Intellectual Property, or modify any existing right with respect thereto;

(v) enter into, terminate, amend or waive rights under any Contract, except that the Seller may terminate any of the employment agreements described in Sections 2.6, for cause, as that term is defined in the applicable employment agreement;

(vi) agree to incur any severance payments, "stay bonus", "sale bonus" or similar obligation by reason of this Agreement to any employee of the Business;

(vii) grant or extend any power of attorney relating to the Business;

(viii) make any commitment for capital expenditures or capital additions or improvements relating to the Business;

(ix) enter into or amend any collective bargaining or union contract or agreement covering any employees of the Business;

(x) institute, settle or agree to settle any Proceeding before any arbitrator, tribunal, court or other Governmental Authority that creates or imposes any continuing obligation or restriction on the Business;

(xi) in any other manner, modify, change or otherwise alter the fundamental nature of the Business as presently conducted;

(xii) make or permit any change to its accounting methods or principles;

(xiii) make or permit any change to its administration and management practices, unless such change is mandated by the New York State Department of Health;

(xiv) give any early payment or other discount on or compromise any account receivable;

(xv) make any dividend, distribution, loan or other payment of any kind to Shareholders; or

(xvi) otherwise commit, whether in writing or otherwise, to do, or take any action or omit to take any action that would result in, any of the foregoing.

(c) Shareholders agree to take all reasonable action to cause Seller to comply with this Section 8.4 prior to Closing.

8.5 Expenses; Transfer Tax; Sales Tax. Whether or not the Closing is consummated all costs and expenses incurred in connection with the negotiation, execution and performance of this Agreement, including, but not limited to, legal and accounting fees and expenses, will be paid by the party that incurs such costs and expenses except as expressly provided for in this Agreement. Except for Taxes determined based on the income of either Seller, any Shareholder or any Affiliate thereof, Seller will be responsible for payment of any

Taxes generated by the completion of the purchase of the Purchased Assets contemplated by this Agreement, including but not limited to the transfer of the Real Property to Purchaser, other than sales taxes and mortgage recording taxes, if any. Purchaser will be responsible for paying any sales taxes and mortgage recording taxes generated by its purchase of the Purchased Assets and the Real Property.

8.6 Employee Matters.

(a) Purchaser may, but will not be required to, offer employment to any individual employed by Seller. If any such employment offer is accepted, employment will commence effective on the day following the Closing Date. The terms and conditions of Purchaser's offers of employment to the employees of the Business will be determined in Purchaser's sole discretion (subject to Section 8.6(b) below).

(b) Purchaser will provide initial wages and benefits to all employees of the Business who accept offers of employment by Purchaser ("Transferred Employees") that are reasonably comparable, in the aggregate, to the compensation and benefits received by the Transferred Employees from Seller as of the Closing Date. With respect to Transferred Employees, Purchaser and Seller agree to cooperate fully in the transition of any such employees to employment with Purchaser. Nothing contained in this Section will be construed to affect any right Purchaser or its Affiliates may have after the Closing to terminate the employment of any Transferred Employee at any time.

(c) Purchaser is not assuming, under this Agreement or otherwise, and the Seller is and will remain fully responsible for, any obligation, responsibility or liability, whether contractual or statutory, arising out of the termination of employees not hired by Purchaser. In the case of Transferred Employees, any such obligations, responsibilities or liabilities that relate to their employment with Seller for the period of time up until the Closing will be paid by Seller.

(d) Seller will offer, or cause to be offered by any ERISA Affiliate, continuation coverage as required by COBRA to those individuals, if any, who are eligible to elect such coverage by reason of the transactions contemplated by this Agreement. Seller will provide, or cause to be provided, all certifications required by Code Section 9801(e) and all applicable notifications of any conversion rights or privileges available under any Employee Plan that arise as a result of the transaction contemplated by this Agreement.

(e) Purchaser and Seller agree to work together to accomplish direct rollovers of the Transferred Employees' account balances, including outstanding loans by Seller's 401(k) Plans to the Transferred Employees, under Seller's 401(k) Plans to Purchaser's 401(k) Plan if such direct rollovers are permissible under both Seller's and Purchaser's respective 401(k) Plans, for those Transferred Employees who request to have such balances transferred.

8.7 Consents and Best Efforts.

(a) As soon as practicable, Purchaser and Seller, as applicable, will commence all reasonable action required hereunder to obtain all consents, approvals and agreements of, and to give all notices and make all filings with, any Person as may be necessary to authorize, approve or permit the full and complete sale, conveyance, assignment or transfer of the Purchased Assets and the Real Property, free of Encumbrances, including, but not limited to, approval from the PHC. Purchaser and Seller agree to use commercially reasonable best efforts to satisfy all conditions precedent to their respective obligations to consummate the transactions contemplated by this Agreement.

(b) Seller will not, nor will it authorize any of its Representatives, directly or indirectly, (i) to solicit, initiate or encourage the submission of any proposal by any Person with respect to, or which includes, a purchase of all or any significant portion of the assets of the Business or the Real Property, or any other transaction that would involve a change of ownership or control of any of the Purchased Assets or the Real Property ("Acquisition Proposal"), (ii) to participate in any discussions or negotiations regarding, or furnish to any Person any information with respect to, or take any action to facilitate any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Acquisition Proposal. Notwithstanding the foregoing, Seller will promptly notify Purchaser orally and in writing of (x) the receipt by Seller or any of its Representatives after the date hereof of any Acquisition Proposal, (y) the material terms and conditions thereof and (z) the identity of the Person(s) who has made the Acquisition Proposal.

8.8 Notice of Developments; Updating of Schedules. Seller will promptly notify Purchaser of any matter that existed as of the date of this Agreement and should have been set forth or described in the Disclosure Schedule and any matter hereafter arising which, if existing on the date hereof, would have been required to be set forth or described in the Disclosure Schedule, by delivery of appropriate updates to the Disclosure Schedule up to the business day immediately preceding the Closing Date. No notification or update made pursuant to this Section will have any effect for the purposes of determining the satisfaction of the conditions set forth in Section 7.2. However, such updated schedules will be used for purposes of determining whether any Person is entitled to indemnification under Article 9.0 if and only if Seller will deliver such updated schedules and any information with respect to such updated schedules Purchaser may reasonably request to Purchaser at least three business days prior to the Closing Date.

9. RISK OF LOSS

9.1 Casualty.

(a) Until the Closing will have occurred in accordance with the terms and conditions hereof, Purchaser will not be responsible, obligated or liable for any casualty loss or damage to the Business or the Purchased Assets arising by casualty or otherwise ("Event of Loss").

(b) Upon the occurrence of an Event of Loss prior to the Closing, if the cost of repair, replacement or restoration of the damaged, destroyed or lost property does not exceed the amount of all insurance proceeds payable to 2500 Main Street, Inc., 2500 Main Street, Inc. will repair, replace or restore such property at 2500 Main Street, Inc.'s cost prior to Closing. If the cost of such repair, replacement or restoration exceeds the amount of all insurance proceeds payable to 2500 Main Street, Inc. for such property: (i) Purchaser may elect to repair, replace or restore such property, and 2500 Main Street, Inc. will pay to Purchaser an amount equal to all insurance proceeds payable to 2500 Main Street, Inc. for such property and Purchaser will pay the balance; or (ii) Purchaser may waive such repair, restoration or replacement in which case 2500 Main Street, Inc. will pay to Purchaser all insurance proceeds. In lieu of paying insurance proceeds to Purchaser, 2500 Main Street, Inc. may assign to Purchaser all of its rights under any insurance and to all proceeds of insurance covering the property damage, destruction or loss. If the cost of the repair, replacement or restoration is in excess of all insurance proceeds, and neither party elects to repair, replace or restore such property and Purchaser, in its sole discretion, does not waive such right to repair, replacement or restoration, Purchaser, in its sole discretion, may terminate this Agreement without liability to either party.

10. SURVIVAL AND INDEMNIFICATION

10.1 Survival of Representations, Warranties, Covenants and Indemnities.

The representations, warranties and covenants of the parties to this Agreement will, without regard to any investigation by the Parties, survive the Closing until the fifth anniversary of the Closing Date, at which time they will terminate and (b) any claims made prior to the expiration of the applicable survival period with respect to any Loss arising out of any breach of any representation and warranty or covenant by any party, will survive until the liability will be finally determined; provided, however, that the representations and warranties and the Seller's and Shareholders' indemnification covenant pursuant to this Article 10.0 will survive the Closing (a) until the applicable statute of limitations, as extended, will have expired with respect to breaches of Section 4.5 or any claim for indemnification relating to Taxes.

10.2 Definitions. For purposes of this Article 10.0:

“Loss” and “Losses” means any and all losses, damages, liabilities, payments, costs and obligations, and all expenses related thereto. Losses will include any reasonable legal fees and costs incurred by any of the Indemnified Persons subsequent to the Closing in defense of or in connection with any alleged or asserted liability, payment or obligation, whether or not any liability or payment, obligation or judgment is ultimately imposed against the Indemnified Persons and whether or not the Indemnified Persons are made or become parties to any such action.

“Indemnified Person” means any person entitled to be indemnified under this Article 10.0.

“Indemnifying Person” means any person obligated to indemnify another person under this Article 10.0.

"Purchaser's Indemnified Persons" means Purchaser and its members.

"Seller's Indemnified Persons" means Seller, Shareholders and 2500 Main Street, Inc.

"Third Party Action" means any written assertion of a claim, or the commencement of any action, suit, or proceeding, by a third party as to which any person believes it may be an Indemnified Person hereunder.

10.3 Indemnification by Seller, Shareholders and 2500 Main Street, Inc.

Subject to the terms and conditions of this Article 10.0, Seller, Shareholders and 2500 Main Street, Inc. hereby agree, jointly and severally, to defend, indemnify and hold harmless Purchaser's Indemnified Persons from and against all Losses directly or indirectly incurred by or sought to be imposed upon any of them under the following:

(a) resulting from or arising out of any breach of any of the representations or warranties or covenants made by Seller, Shareholders or 2500 Main Street, Inc. in or pursuant to this Agreement or in any agreement, document or instrument executed and delivered pursuant hereto or in connection with the Closing;

(b) in respect of any Retained Liability or any liability or obligation of either Seller or 2500 Main Street, Inc. not included in the Assumed Liabilities;

(c) resulting from or arising out of the conduct of the Business which act or omission occurred prior to June 1, 2004 and was an not Assumed Liability, including, but not limited to, claims involving any Medicaid claim, the payment or obligation of any Tax liability, any Environmental Claim, and any Employee Plan claim or similar matter arising out of such conduct, whether or not described or required to be described on a schedule to this Agreement.

10.4 Indemnification by Purchaser.

Subject to the terms and conditions of this Article 10.0, from and after the Closing Date, Purchaser agrees, to indemnify and hold harmless Seller's Indemnified Persons from any and all Losses directly or indirectly incurred by or sought to be imposed upon them under the following;

(a) resulting from or arising out of any breach of any of the representations or warranties made by Purchaser, in or pursuant to this Agreement or in any agreement, document or instrument executed and delivered pursuant hereto or in connection with the Closing;

(b) resulting from or arising out of any breach of any covenant or agreement made by Purchaser in or pursuant to this Agreement including but not limited to any failure to pay or otherwise discharge any of the Assumed Liabilities; or

(c) resulting from or arising out of the conduct of the Business which act occurred after the Closing Date, including, but not limited to, claims involving, the payment or obligation of any tax liability, any Environmental Claim, and any Employee Plan claim or similar matter arising out of such conduct.

10.5 Notice of Indemnification Claims.

(a) If (i) a Third Party Claim is made against any Indemnified Person that is subject to a right of indemnification under this Article 10.0 or (ii) any party hereto becomes aware of facts or circumstances establishing that such party has experienced or incurred Losses or will experience or incur Losses subject to indemnification under this Article 10.0, then such Indemnified Person will give to the Indemnifying Person notice of such claim ("Indemnification Notice") as soon as reasonably practicable but in no event more than thirty (30) days after the Indemnified Person has received notice of or obtains actual knowledge of such claims (provided that failure to give such notice will not limit the Indemnifying Person's indemnification obligation hereunder except to the extent that the delay in giving, or failure to give, the notice adversely affects the Indemnifying Person's ability to defend against the claim). To the extent practicable, the Indemnification Notice will describe with reasonable specificity (A) the nature of and the basis for the indemnification claim, including any relevant supporting documentation, and (B) an estimate of all Losses associated therewith. If the Indemnifying Party does not object within thirty (30) days after receipt of the Indemnification Notice, the indemnification claims described in the Indemnification Notice will be deemed final and binding upon the Indemnifying Person (hereinafter, "Permitted Indemnification Claim"). If the Indemnifying Person contests the propriety of an indemnification claim described in any Indemnification Notice and/or the amount of Losses associated with such claim, then the Indemnifying Person will deliver to the Indemnified Person a written notice detailing with reasonable specificity all specific objections that the Indemnified Person has with respect to the indemnification claims contained in the Indemnification Notice ("Indemnification Objection Notice"). If the Indemnifying Person and the Indemnified Person are unable to resolve the disputed matters described in the Indemnification Objection Notice within fifteen (15) business days after the date the Indemnifying Person received the Indemnification Objection Notice, the disputed matters will be subject to the dispute resolution procedures set forth in Section 10.9 hereof. Any undisputed indemnification claims contained in any Indemnification Notice will be deemed to be final and binding upon the Indemnifying Persons and will constitute a Permitted Indemnification Claim. If the determination of the disputed matters pursuant to Section 10.9 results in all or any portion of an indemnification claim properly being subject to indemnification pursuant to this Article 10.0, such claim or portion thereof will be final and binding upon the Indemnifying Person and will constitute a Permitted Indemnification Claim.

(b) Defense of Third Party Actions:

(i) Upon receipt of a notice of a Third Party Action subject to an Indemnification Notice under this Section 10.5, the Indemnifying Person will have the right, at its option and at its own expense, to participate in and be present at the defense of such Third Party Action, but not to control the defense, negotiation or settlement thereof, which control will remain with the Indemnified Person, unless the Indemnifying Person makes the election provided in paragraph (ii) below.

(ii) By written notice within 45 days after receipt of a notice of a Third Party Action, an Indemnifying Person may elect to assume control of the defense, negotiation and settlement thereof, with counsel reasonably satisfactory to the Indemnified Person; provided, however, that its right to assume such control will be subject to the Indemnifying Person agreeing in writing (A) to promptly indemnify the Indemnified Person for its expenses to date, (B) that any Losses arising out of the Third Party Action constitute a Permitted Indemnification Claim and (C) to hold the Indemnified Person harmless from and against any and all Losses caused by or arising out of any settlement of the Third Party Action approved by the Indemnifying Person or any judgment in connection with that Third Party Action. The Indemnifying Person will not in the defense of the Third Party Action enter into any settlement which does not include as a term thereof the giving by the third party claimant of an unconditional release of the Indemnified Person, or consent to entry of any judgment except with the consent of the Indemnified Person.

(iii) Upon assumption of control of the defense of a Third Party Action under paragraph (ii) above, the Indemnifying Person will not be liable to the Indemnified Person hereunder for any legal or other expenses subsequently incurred in connection with the defense of the Third Party Action, other than reasonable expenses of investigation.

(iv) If the Indemnifying Person does not elect to control the defense of a Third Party Action under paragraph (ii), the Indemnifying Person will promptly reimburse the Indemnified Person for expenses incurred by the Indemnified Person in connection with defense of such Third Party Action, as and when the same will be incurred by the Indemnified Person.

(v) Any person who has not assumed control of the defense of any Third Party Action will have the duty to cooperate with the party which assumed such defense.

10.6 Miscellaneous.

(a) Purchaser's Indemnified Persons will be entitled to indemnification under Section 10.3 and Seller's Indemnified Persons will be entitled to indemnification under Section 10.4 regardless of whether the matter giving rise to the applicable liability, payment, obligation or expense may have been previously disclosed to any such person but only after such Loss exceeds \$30,000 in the aggregate.

(b) If any Loss is recoverable under more than one provision this Article 10.0, the Indemnified Person will be entitled to assert a claim for such Loss until the expiration of the longest period of time within which to assert a claim for Loss under any of the provisions which are applicable.

(c) The obligations of the Indemnifying Parties will continue with respect to any claims for Losses asserted by any Indemnified Party prior to the last date upon which such Indemnified Party may assert such claims until resolution thereof.

(d) Purchaser will undertake commercially reasonable efforts to mitigate all Losses incurred hereunder until such time as any claim for Losses hereunder is finally and fully resolved, including the time during which Seller may be pursuing claims with respect to such Losses under and with respect to any policy or policies of insurance maintained by Seller prior to the Closing Date. In addition, if and to the extent that such Losses are or may be covered by any such policy or policies of insurance maintained by Seller prior to the Closing Date, Purchaser will provide reasonable cooperation and assistance to Seller in conjunction with their efforts to make any and all claims under and with respect to such insurance policies, and any proceeds of such insurance policies which actually are paid or become payable to Purchaser will be applied to offset any Losses which otherwise would be paid or become payable by Seller hereunder, provided that the prosecution or resolution of any claims under or with respect to such insurance policies will not abate, impair, or delay Purchaser's ability to pursue its rights under this Article 10.0.

(e) Notwithstanding any other provision of this Agreement, total liability for breach of representations or warranties for Purchaser or Seller, Shareholders and 2500 Main Street, Inc. will not exceed the amount of the Asset Purchase Price plus the Real Estate Price.

10.7 Payment of Indemnification; Attorneys Fees. Permitted Indemnification Claims under this Article 10.0 will be paid or otherwise satisfied by Indemnifying Persons within 30 days after notice thereof is given by the Indemnified Person. If an Indemnified Person is required to initiate arbitration under Section 10.9(c) or legal action against an Indemnifying Person to enforce any arbitration award under Section 10.9 or Purchaser's rights under the Section 6.2, it will be entitled to recover from the Indemnifying Person reasonable legal fees and expenses incurred by such Indemnified Person if it is successful in such arbitration or action.

10.8 Exclusivity. The parties agree that, except in the case of a breach of Section 6.2, their sole and exclusive remedy for, under or in connection with this Agreement, including, but not limited to, any violations or any breach of this Agreement, will be a claim under and in accordance with the provisions of this Article 10.0.

10.9 Dispute Resolution.

(a) **Negotiated Resolution.** If any dispute arises (i) out of or relating to, this Agreement or any alleged breach thereof, or (ii) with respect to any of the transactions or events contemplated hereby ("Dispute"), the party desiring to resolve such Dispute will deliver a written notice describing such Dispute with reasonable specificity to the other parties ("Dispute Notice"). If any party delivers a Dispute Notice pursuant to this Section 10.9, or if any Indemnifying Person delivers to any Indemnitee an Indemnification Objection Notice pursuant to Section 10.5(a), the parties involved in the Dispute will meet at least twice within the thirty (30) day period commencing with the date of the Dispute Notice or the Indemnification Objection Notice (as the case may be) and in good faith will attempt to resolve such Dispute or the rejected indemnification claim ("Rejected Claim"), as the case may be.

(b) **Arbitration.** If the Dispute or Rejected Claim is not resolved by negotiation pursuant to Section 10.9(a) above, within ninety (90) days after the Dispute Notice or Indemnification Objection Notice (as the case may be), the Dispute or Rejected Claim will be settled by arbitration conducted in Buffalo, New York by a single arbitrator which will be in accordance with the rules and procedures of the American Arbitration Association then in effect with respect to commercial disputes. The arbitration of such issues, including the determination of any amount of damages suffered by any party hereto by reason of the acts or omissions of any party, will be final and binding upon all parties. Notwithstanding the foregoing, the arbitrator will not be authorized to award punitive damages with respect to any such claim or controversy, nor will any party seek punitive damages relating to any matter under, arising out of or relating to this Agreement in any other forum. Except as otherwise set forth in the Agreement, the cost of any arbitration hereunder, including the cost of the record or transcripts thereof, if any, administrative fees, and all other fees involved including reasonable attorneys' fees incurred by the party determined by the arbitrator to be the prevailing party, will be paid by the party determined by the arbitrator not to be the prevailing party, or otherwise allocated in an equitable manner as determined by the arbitrator.

(c) **Injunctive Relief.** The provisions of this Section 10.9 will not preclude Purchaser from seeking an injunction or other equitable relief to enforce the provisions of Section 6.2.

11. TERMINATION

11.1 **Termination by Mutual Consent.** This Agreement may be terminated at any time prior to the Closing Date by mutual written consent of Seller and Purchaser or pursuant to Section 9.1(b) or Section 9.2.

11.2 **Termination by either Seller or Purchaser.** This Agreement may be terminated by Seller or Purchaser if (i) a court of competent jurisdiction or Governmental Authority will have issued an order, decree or ruling or taken any other action (which order, decree or ruling the parties will use their commercially reasonable efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement, and such order, decree, ruling or other action will have become final and nonappealable, or (ii) Purchaser has not received PHC Approval by December 31, 2006, by providing 30 days' advance written notice of such termination to the other parties.

11.3 **Termination by Purchaser.** This Agreement may be terminated by Purchaser by written notice to Seller if Seller terminates either or both of the agreements described in Sections 2.6(c) and 2.6(d) for any reason prior to the Closing Date.

11.4 **Termination by Seller.** This Agreement may be terminated by Seller, upon written notice to Purchaser, if:

(a) Seller terminates both of the agreements described in Sections 2.6(c) and 2.6(d) for cause; or

(b) both [REDACTED] and [REDACTED] die or become permanently disabled prior to closing; or

(c) [redacted] dies or become permanently disabled prior to closing and Purchaser fails to replace [redacted] within 180 day of [redacted] death or permanent disability, with a physician reasonably acceptable to Seller who will assume [redacted] role in operating the Business; or

(d) [redacted] Payments or payments to [redacted] under the agreement described in Section 2.6(b) are not timely paid and Purchaser fails to cure such non-payment within 30 days of receiving Seller's written notice of termination.

For purposes of this Section 11.4, "Permanent Disability" has the meaning given to that term in the agreements described in Sections 2.6(c) and 2.6(d).

11.5 Effect of Termination. In the event of the termination of this Agreement under this Article 11.0, this Agreement will become void and have no effect, without any liability on the part of the Purchaser or the Seller (or their respective Representatives) to the other party except (i) as provided in Sections 6.3 and 8.7 and (ii) as provided in Article 9.0, to the extent that such termination results from the willful breach by any party hereto of any material representation, warranty, covenant or agreement hereunder.

12. GENERAL PROVISIONS

12.1 Notices. All notices and other communications required or permitted by this Agreement will be made in writing and any such notice or communication will be deemed delivered (a) when delivered in person, by recognized overnight courier or transmitted by facsimile or telecopier, or (b) ten (10) days after it has been sent by air mail, as follows:

A. SELLER:

[redacted]
2500 Main Street
Buffalo, New York 14214
[redacted]

B. SHAREHOLDERS:

[redacted]

with a copy of any notice to Seller or Shareholders to:

Thomas F. Hewner, Esq.
Cole, Sorrentino, Hurley, Hewner & Gambino, P.C.

37 Franklin Street, Suite 900
Buffalo, New York 14202
Fax No.: 716-854-2531

Hyman Polakoff, CPA
Brock, Schechter & Polakoff LLP
135 Delaware Avenue
Buffalo, New York 14202
Fax No. 716-854-7195

C. PURCHASER:

Buffalo Womenervices LLC
2500 Main Street
Buffalo, New York 14214



with a copy to:

Hodgson Russ LLP
One M & T Plaza, Suite 2000
Buffalo, New York 14203
Attn: Pamela Davis Heilman, Esq.
Fax No.: 716-849-0349

Freed Maxick & Battaglia CPA'S PC
800 Liberty Building
Buffalo, New York 14202
Attention: Irving Levy, CPA
Fax No.: 716-847-1179

Any party may from time to time designate by written notice pursuant to this Section 12.1 any other address or party to which such notice or communication or copies thereof will be sent.

12.2 No Assignment. Except as provided in this Agreement, no party will assign this Agreement or any rights, interests or obligations hereunder, or delegate performance of any of its obligations hereunder, without the prior written consent of the other party.

12.3 Waiver, Amendment, etc. This Agreement may not be amended or supplemented, and no waivers of or consents to departures from the provisions hereof will be effective, unless set forth in a writing signed by, and delivered to, both parties. No failure to delay of a party in exercising any power or right under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right or power, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the existence of any other right or power.

12.4 Binding Agreement; No Third Party Beneficiaries. This Agreement will be binding upon and inure to the benefit of the parties and their successors and permitted assigns. Nothing expressed or implied herein is intended or will be construed to confer upon or to give any other Person any rights or remedies by virtue hereof.

12.5 Severability. The invalidity or unenforceability of any provision hereof in any jurisdiction will not affect the validity or enforceability of the remainder hereof in that jurisdiction or the validity or enforceability of this Agreement, including that provision in any other jurisdiction. To the extent permitted by applicable law, each party waives any provision of applicable law that renders any provision hereof prohibited or unenforceable in any respect. If any provision of this Agreement is held to be unenforceable for any reason, it will be adjusted rather than avoided, if possible, in order to achieve the intent of the parties to the extent possible.

12.6 Counterparts; Facsimile. This Agreement may be executed by facsimile signature transaction and in one or more counterparts each of which when so executed and delivered will be deemed an original but all of which will constitute one and the same Agreement.

12.7 Headings. The headings used in this Agreement are for reference purposes only and will not be given substantive effect.

[REMAINDER OF THIS PAGE LEFT BLANK]

12.8 **Governing Law.** This Agreement will be governed by and interpreted in accordance with the laws of New York without reference to its principles of conflicts of laws.

12.9 **Entire Agreement.** This Agreement, including the Schedules and Exhibits hereto, constitutes the entire agreement and understanding of the parties with respect to any subject matter contained herein. This Agreement supersedes all prior agreements and understandings between the parties with respect to such subject matter.

12.10 **Representation by Counsel; Interpretation.** Seller and Purchaser each acknowledges that it has been represented by counsel in connection with this Agreement and the transactions contemplated by this Agreement. Accordingly, any rule of law or any legal decision that would require interpretation of any claimed ambiguities in this Agreement against the party that drafted it has no application and any such right is expressly waived. The provisions of this Agreement will be interpreted in a reasonable manner to effect the intent of Seller and Purchaser.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

[Redacted signature line]

By: [Redacted signature] President

SHAREHOLDERS:

[Redacted signature block for Shareholders]

BUFFALO WOMENSERVICES LLC

By: [Redacted signature] President

INDEX OF SCHEDULES AND EXHIBITS

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EXHIBITS:

Exhibit 2.2(b)	Form of Promissory Note
Exhibit 2.2(c)(i)	Security Agreement
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Exhibit 2.2(d)	Adjustments to Asset Purchase Price
Exhibit 2.3	Assumption Agreement
Exhibit 2.4	Real Estate Purchase Contract
Exhibit 7.2(d)	Deed
Exhibit 7.2(f)	Seller's Opinion of Counsel
Exhibit 7.3(e)	Purchaser's Opinion of Counsel

EXHIBIT 2.2(d)
ADJUSTMENTS TO ASSET PURCHASE PRICE

There will be an adjustment to the purchase price of the assets, calculated as follows.

The net book value (excluding fixed assets) will be calculated under GAAP as of 11:59 PM on May 31, 2004 and as of 11:59 PM on the Closing Date. At Closing, Seller will retain Excluded Assets based on their net book value as of May 31, 2004.

Examples of changes in net book value to reflect net book value on May 31, 2004 (amount may be either positive or negative):

Plus	Professional fees
Minus	any deficiency in the settlement of any Asset included on the 5/31/04 balance sheet
Minus	the amount by which any liability is settled in excess of the amount included on the 5/31/04 balance sheet
Plus	the amount saved if any liability is settled for an amount less than the amount included on the 5/31/04 balance sheet
Plus	any deficiency in the settlement of the accounts receivable on the Closing Date balance sheet
Plus	the amount by which any liability is settled in excess of the amount included on the Closing Date Balance sheet
Minus	the amount saved if any liability is settled for an amount less than the amount included on the Closing Date Balance Sheet

Adjustments are to be agreed upon by Purchaser's and Seller's accountants. Any disagreement with respect to such adjustments will be resolved in accordance with Section 10.9 of this Agreement.

See example on following page.

EXAMPLE OF ADJUSTMENTS:

Balance Sheet	5/31/04	Closing Date (If net income was \$20,000)
Cash	80	105
A/R	165	175
Prepays	15	0
Total Assets	260	280
Liabilities	20	20
Equity	240	260
Total Liabilities and Equity	260	280
Professional Fees	10	10
Purchase Price Adjustment:		
Net Book Value as of Closing Date	240	260
+ Net Loss from 06/01/2004 through Closing Date	0	0
- Net Income from 06/01/2004 through Closing Date	0	-20
+ Professional Fees	10	10
	250	250
Payment of Purchase Price Adjustment:		
Net Book Value as of Closing Date		260
Cash		(10)
Total		250

SCHEDULE 1.1 (a)

Contracts that are Retained Liabilities

Building lease between [REDACTED] and 2500 Main Street.

Verizon Wireless - Cell phones for [REDACTED] and [REDACTED]

Agreement between [REDACTED] and Brock, Schechter & Polakoff, LLP

Agreement between [REDACTED] and Cole, Sorrentino, Hurley, Hewner
& Gambino, P.C.

SCHEDULE 1.1 (b)

Assumed Operating Liabilities

Refer to the following list of trade accounts payable; accounts payable for Vendors that have been crossed out are NOT assumed liabilities

SCHEDULE 1.1 (c)

Excluded Assets

"The Book" - picture in lab bathroom
"Picture of Portugal" - painting in Accounting office
Whale print by Sumner in procedure room
"Buffalo 2000" print in conference room
Fireplace mantel
Personal picture and items in [REDACTED] office
Small table in [REDACTED] office

Basement

Metal cabinet
Wheel barrel
Ice bin
Chipper/shredder
Snow blower
Plastic plumbing pipes and fittings
Metal racks

Second floor

Power tools owned by [REDACTED]
Wicker furniture (6 pieces)
Lawn furniture
3 piece sectional
Wicker sofa and love seat

SCHEDULE 1.1(d)

Other Current Assets

Alternative Information Systems

Yearly maintenance contract - computers

Comtel

Quarterly maintenance contract - phones

Xerox


Yearly maintenance contract - photocopier and fax machine

Localnet

Yearly dial up connection (3 lines) for online service

Graber Snowplowing

November to April service


yearly dues based on patient numbers

SCHEDULE 2.5

Asset Purchase Price Allocation

\$117,000 of the Asset Purchase Price is allocated to Tangible Personal Property; \$5,000 is allocated to Assumed Contracts, Business Records, telephone and fax numbers and e-mail address of the Business, Intellectual Property, Inventory, Other Current Assets and Permits; the remainder is allocated to personal goodwill associated with the Business.

SCHEDULE 4.3

Seller Violations and Conflicts; Consents

None

SCHEDULE 4.4

Corporate Records

None

SCHEDULE 4.5
Taxes and Tax Returns

None

SCHEDULE 4.5 (b)

Tax Jurisdictions

New York State Corporation Tax

Federal Corporation Tax

941 Tax - FICA

940 FUTA - federal unemployment insurance

New York State Unemployment Insurance Tax

New York State Sales Tax on General Liability

Erie County Tax

City of Buffalo Water, School, and Sewer Tax

SCHEDULE 4.6
Tangible Personal Property

None

SCHEDULE 4.7

Intellectual Property

Microsoft Windows 98
Microsoft Windows 2000
PC Cillin anti virus
Microsoft Word
Perfectcare - Medical Management software
Peachtree - Accounting software

SCHEDULE 4.8

Financial Statements

None

SCHEDULE 4.9

Employee Benefit Plans

Employee Pension Plans

[REDACTED] 401 (k) Plan (through Pension Services of Western New York, Inc.)

Employee Welfare Benefit Plans

Health insurance: single coverage for full-time employees; ½ of single coverage premium for regular part-time employees; pro-rated payment of single coverage premium for part-time employees

SCHEDULE 4.10 (a)

List of Certain Employees and Contracts

See Attached

SCHEDULE 4.10 (b)

Immigration Matters

None

SCHEDULE 4.10 (c)

List of Terminated Employees

- Nurses Aide
- Lab technician
- Lab technician

SCHEDULE 4.11

Insurance

Malpractice Insurance

Executive Risk Specialty Insurance Company

Policy # [REDACTED]

\$1,000,000/\$3,000,000

\$25,000 deductible

\$87,014.56 Total premium

This is a claims made liability insurance which covers the named physicians as well as the clinic and staff.

Disability Insurance

New York State Disability

Zurich American

Policy # [REDACTED]

Premium is based on wages, # of employees, etc.

This is the required short term disability insurance. The employee is not responsible for any portion of this insurance.

First Unum Insurance

Long term disability

This is not required and is optional for employees. The employer does not pay any portion of the premium.

Workers Compensation Insurance

State Insurance Fund

Policy # [REDACTED]

Holmes Murphy and Associates - Broker

General Liability Insurance

Scottsdale Insurance Commercial General Liability

Policy # [REDACTED]

Premium \$30,000

\$5000 per claim deductible

Commercial Property Insurance

Illinois Union - Building and contents

Premium - \$10,000

\$5000 per occurrence deductible

Policy # [REDACTED]

SCHEDULE 4.12 (a)

Contracts

Kaleida Health -- transfer agreement

Lifetime Health - coverage

Sheehan Memorial Hospital

Iron Mountain - archives

Rural Metro - ambulance services

[REDACTED] - records consultant

[REDACTED] - pharmacy consultant

Stericycle - medical waste

Magic Carpet Cleaning - cleaning service

Excell Services - electrician

BFI - garbage removal

Zoetek - medical equipment maintenance and preventive maintenance

Adema Heating and Air Conditioning, Inc.

[REDACTED] Nurse Practitioner

[REDACTED] MD

[REDACTED] MD

[REDACTED] MD

Reproductive Health Program - [REDACTED]

Alternative Information Systems - computer maintenance

Comtel - phone system

Eastern States - security company

Xerox – photocopier

2500 Main Street - building lease

Verizon Wireless - cell phones

Brock, Schechter & Polakoff, LLP – accounting services

Cole, Sorrentino, Hurley, Hewner & Gambino, P.C. – legal services

SCHEDULE 4.13

Litigation

There are two pending patient malpractice cases. Both cases involve [REDACTED] and are covered by malpractice insurance. [REDACTED] is not aware of their status and is waiting to hear if they become claims.

There is one claim pending against [REDACTED] [REDACTED] general liability insurance for a woman who [REDACTED] on the [REDACTED] in the [REDACTED] owned by the clinic. The insurance company is fighting the lawsuit and has not heard from the claimant for 6 months.

There have been no other Proceedings pending during the past three years.

SCHEDULE 4.14

Noncompliance with Law

None

SCHEDULE 4.15 (a)

Lists of Permits, Licenses and Authorizations

State of New York Department of Health
Office of Health Systems Management
Diagnostic and Treatment Center
Operating Certificate

New York State Department of Health
Certificate of Qualification

New York State Department of Health
Clinical Laboratory Permit

City of Buffalo
Department of Permit and Inspection Services

- Alarm Device Registration License
- Certificate of Operation - Fuel Device
- Certificate of Operation - 2 Gas Furnaces

SCHEDULE 4.15 (b)

Permits, Licenses, Etc. Lacking

None

SCHEDULE 4.16(a)

Notice of Failure to Comply with Environmental Laws

None

SCHEDULE 4.16 (b)

Disposal of Hazardous Materials

Disposal of Medical Waste

SCHEDULE 4.16 (c)

List of Hazardous Waste Disposal Facilities and Transporters

Stericycle - Medical Waste

SCHEDULE 5.3

Purchaser Violation and Conflicts: Consents

None

SCHEDULE 8.4

Permitted Pre-Closing Actions of Seller

None

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SELLER'S CERTIFICATE OF AMENDMENT

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF**

[REDACTED]

Under Section 805 of the Business Corporation Law of the State of New York

The undersigned, being the President and Secretary of [REDACTED]
[REDACTED] does hereby certify:

1. The name of the Corporation is [REDACTED]
2. The Certificate of its incorporation was filed by the Department of State on January 28, 1992.
3. The Certificate of Incorporation is amended:
 - A. To delete reference to the operation of a licensed diagnostic and treatment center and Paragraph 2 is amended to read as follows:

(2) The purpose of the Corporation to engage in any lawful act or activity for which corporations may be organized under the Business Corporation Law of the State of New York, exclusive of any act or activity requiring the consent or approval of any state official, department, board, agency or other body without such consent or approval first being obtained.
 - B. To delete reference to approval for stock ownership by the New York Public Health Council:
 - (6) Deleted.
 - (7) Deleted.
4. The above amendments to the Certificate of Incorporation were authorized by unanimous resolution of the Board and a unanimous resolution of the Shareholders.

IN WITNESS WHEREOF, this undersigned signs and affirms that the statements made herein are true under the penalties of perjury this 21st day of October, 2004.

[REDACTED]

Secretary

New York State Department of Health
 Certificate of Need Application

Schedule 4B

SCHEDULE 4 ATTACHMENTS

DOCUMENT	ATTACHMENT TITLE	FILENAME - PDF FORMAT PREFERRED
Certificate of Assumed Name or Certificate of Amendment	3B-4 Articles of Organization 3B-5 Certificate of Amendment to Articles of Organization	
Financial statement	4A-1 Financial Statement for Assset Purchase	
Evidence regarding Medicaid overpayment liability		
Asset Transfers/Liabilities Assumed Evidence of what assets will be transferred and what liabilities will be assumed Identify any outstanding audit liabilities	4A-2 Asset Purchase Agreement	
Applicable legal documentation as for initial establishment	3B-4 Articles of Organization 3B-5 Proposed Certificate of Amendment to Articles of Organization 3B-6 Operating Agreement 3B-7 Proposed Amended and Restated Operating Agreement	
If seller is a corporation, Certificate of Amendment or Certificate of Dissolution	4A-3 Seller's Certificate of Amendment	
If seller is a limited liability company: Certificate of Amendment or Articles of Dissolution		
Statutory Merger or Consolidation Agreement or Merger or Consolidation Certificate of Merger or Consolidation		
Change in Active Member (Article 28, 36, or 40 facilities only.)		
Change in Passive Member (Article 36 facilities only.)		
Ownership Interest Transfer		

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Schedule 5 - CON Form R regarding Working Capital Plan

Contents:

- Schedule 5 - Working Capital Plan

Working Capital Financing Plan

1. Working Capital Financing Plan and Pro Forma Balance Sheet:

This section should be completed in conjunction with the monthly Cash Flow. The general guidelines for working capital requirements are two months of first year expenses for changes of ownership and two months' of third year expenses for construction projects. Any deviation from these guidelines must be supported by the monthly cash flow analysis. If working capital is required for the project, all sources of working capital must be indicated clearly. Borrowed funds are limited to 50% of total working capital requirements. If borrowed funds are a source of working capital, please summarize the terms below, and attach a letter of interest from the intended source of funds, to include an estimate of the principal, term, interest rate and payout period being considered. Also, describe and document the source(s) of working capital equity.

List Titles of Attachments related to Borrowed Funds	List Filenames of Attachments
<i>Example of first borrowed fund source</i>	<i>example_first_bor_fund.pdf</i>
5-1: Letter of Interest FleetBoston Financial	

In the section below, briefly describe and document the source(s) of working capital equity

A total of \$150,000 will be contributed by the applicant's two members [redacted] and [redacted]

2. Pro Forma Balance Sheet

This section should be completed for all new establishment and change in ownership applications. On a separate attachment identified below, provide a pro forma (opening day) balance sheet. If the operation and real estate are to be owned by separate entities, provide a pro forma balance sheet for each entity. Fully identify all assumptions used in

**New York State Department of Health
Certificate of Need Application**

Schedule 5

preparation of the pro forma balance sheet. If the pro forma balance sheet(s) is submitted in conjunction with a change in ownership application, on a line-by-line basis, provide a comparison between the submitted pro forma balance sheet(s), the most recently available facility certified financial statements and the transfer agreement. Fully explain and document all assumptions.

List Titles of Attachments Related to Pro Forma Balance Sheets	List Filenames of Attachments
<i>Example of attachment for operational balance sheet</i>	<i>Operational bal sheet.pdf</i>
5-2: Pro forma balance sheet	
5-3: Projected financial statement - applicant	
5-4: Audited financial statement FYE 12/31/03 [REDACTED] [REDACTED] (current operator)	

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ATTACHMENT 5-1

LETTER OF INTEREST FLEETBOSTON FINANCIAL

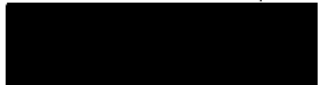


Fleet

FleetBoston Financial

Mail Stop: NY UT 38009D
10 Fountain Plaza
Buffalo, NY 14202
716 847.4257 tel
716 847.4491 fax
andrew_m_constantino@fbct.com

August 10, 2004



Buffalo Womenservices, LLC
2500 Main Street
Buffalo, NY 14214

Fleet National Bank (the "Bank") is pleased to confirm its commitment, subject to the terms and conditions set forth below, to provide \$150,000 ("the Loans") in senior secured credit facilities to Buffalo Womenservices, LLC ("the Borrower").

1. Borrower: Buffalo Womenservices, LLC
2. Facility/Amount:
 - a) Working Capital Line of Credit - \$75,000.00
 - b) Revolver/Term - \$75,000.00
3. Loan Purpose: Working Capital
4. Maturity/Repayment:
 - a) Working Capital Line of Credit - Demand/ Interest only
 - b) Revolver/Term - Ninety (90) months/ Interest only for the first six months followed by equal payments of principal plus interest in an amount necessary to amortize the outstanding principal balance over seven (7) years.
5. Interest Rate:
 - a) Working Capital Line of Credit: The outstanding principal balance shall bear interest at a variable rate per annum equal to the Bank's Prime Rate plus one percent (Prime + 1.00%) with changes to occur automatically without notice upon changes in the Prime Rate.

The term "Prime Rate" means the variable per annum rate of interest so designated from time to time by Fleet National Bank as its prime rate. The Prime Rate is a reference rate and does not necessarily represent the lowest or best rate being charged to any customer.
 - b) Revolver/Term: The first six months shall bear interest at a variable rate per annum equal to the Bank's Prime Rate plus one percent (Prime + 1%) with changes to occur automatically without notice upon changes in the Prime Rate. The subsequent period of sixty (60) months will bear interest at a fixed rate based on the prevailing Prime Rate plus 1% (Prime + 1%) to be reset at a Fixed Rate equal to the Bank's Prime Rate plus 1% beginning with the sixty seventh (67th) month for the remainder of the maturity.

6. **Guarantors:** The following guarantees will be required for both loan facilities: Unlimited joint and several guarantees of [REDACTED] and [REDACTED] Guarantee by the US Small Business Administration for up to 50% of loan commitment.
7. **Loan Fees:**
 - a) US Small Business Administration - \$500.00 combined packaging fee; \$750.00 combined guarantee fee.
8. **Prepayment:** Both facilities will allow for prepayments of principal at any time without penalty.
9. **Collateral:** Security for the Loans to include first priority security interest in all business assets, including accounts receivable, chattel paper, inventory, equipment, fixtures, and intangibles of the Borrower.
10. **Financial Reporting:** Annual Tax Returns for the Borrower and Guarantors will be required within 120 days of fiscal year end. Updated personal financial statements from the guarantors upon request.
11. **Other Terms:**
 - a) This commitment is subject to approval of the US Small Business Administration.
 - b) Closing will be subject to receipt and review of the audited financial statements for 2003 for both [REDACTED] and [REDACTED]
 - c) Closing will be subject to review of asset purchase agreement between Borrower and existing ownership of [REDACTED]
 - d) Borrower will be required to pay all costs related to closing of the transaction, including bank legal fees.

The Bank may terminate this Commitment by written notice to the Borrower in the event that: (a) the Borrower shall fail to comply with any term, condition, or requirement hereunder; (b) any representation, warranty, statement, certificate, schedule, or report made for furnished in connection with this Commitment and the loan transaction described herein shall prove to have been false or misleading in any material respect at the time made or furnished; or (c) Borrower shall become insolvent or shall apply for or be the object of any proceedings or arrangement for relief from creditors or otherwise shall suffer a material adverse change in financial condition.

This commitment letter supersedes your loan application and all prior dealings. The terms of this letter may not be waived, modified, or changed, unless done so in writing and agreed to by all parties. However, the Bank may, at its option, agree in writing to waive any of the terms and conditions of this Commitment Letter prior to closing. If for any reason the Loans contemplated are not closed by October 31, 2004, this Commitment shall lapse unless extended in writing by the Bank. However, you shall remain liable for your obligations with respect to payment of all costs and expenses incurred in connection with this Commitment.

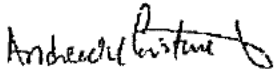
Kindly acknowledge your acceptance of the terms and conditions of this Commitment by signing below and return this letter to my attention by August 31, 2004.

Please note that unless this Commitment is accepted within said time period, the Commitment shall become null and void.

I look forward to working with you on this transaction. If you have any questions concerning the terms of this letter, please do not hesitate to contact me at 716-847-4257.

Sincerely,

Fleet National Bank



Andrew M. Constantino
Vice President

Borrower: Buffalo Womenservices, LLC

By: _____

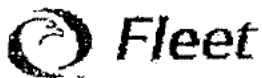
Name: [REDACTED]

Title: _____

By: _____

Name: [REDACTED]

Title: _____



Bank of America



August 10, 2004

[REDACTED]
2500 Main Street
Buffalo, NY 14214

Fleet National Bank (the "Bank") is pleased to confirm its commitment, subject to the terms and conditions set forth below, to provide \$150,000 ("the Loans") as follows:

1. Borrower: [REDACTED]
2. Facility/Amount: \$150,000.00
3. Loan Purpose: Equity advance to Buffalo Womenservices, LLC.
4. Maturity/Repayment: Eight (8) years
5. Interest Rate: A fixed rate to be set at the time of closing equal to 2.25% over Fleet Bank's prevailing Cost of Funds. An indicative rate as of August 9, 2004 is 6.50%.
6. Loan Fees: \$500.00
7. Prepayment: Principal prepayments will be subject to standard yield maintenance provision.
8. Collateral: First mortgage and Assignment of Rents and Leases on property at 2500 Main Street, Buffalo, New York.
9. Guarantors: Legal counsel to be determine if guarantee of Renate and Ray Morrison will be required to perfect security interest in collateral.
10. Financial Reporting: Annual Tax Returns and personal financial statements for the Borrowers and Guarantors will be required within 120 days of fiscal year end, and other information requested from time to time as deemed necessary by the Bank.

11. Other Terms:

- a) Subject to satisfactory Broker's Opinion of Value demonstrating a minimum market value of \$300,000.00. on the real property located at 2500 Main Street, Buffalo, NY.
- b) Subject to satisfactory completion of Environmental Questionnaire, and database records search.
- c) Subject to review of lease between owner of property and Buffalo Womenservices, LLC.
- d) Closing will be subject to receipt and review of the audited financial statements for 2003 for both [REDACTED] and [REDACTED]
- e) Closing will be subject to review of asset purchase agreement between Borrower and existing ownership of [REDACTED]
- f) Borrower will be required to pay all costs related to closing of the transaction, including bank legal fees.

The Bank may terminate this Commitment by written notice to the Borrower in the event that: (a) the Borrower shall fail to comply with any term, condition, or requirement hereunder; (b) any representation, warranty, statement, certificate, schedule, or report made for furnished in connection with this Commitment and the loan transaction described herein shall prove to have been false or misleading in any material respect at the time made or furnished; or (c) Borrower shall become insolvent or shall apply for or be the object of any proceedings or arrangement for relief from creditors or otherwise shall suffer a material adverse change in financial condition.

This commitment letter supersedes your loan application and all prior dealings. The terms of this letter may not be waived, modified, or changed, unless done so in writing and agreed to by all parties. However, the Bank may, at its option, agree in writing to waive any of the terms and conditions of this Commitment Letter prior to closing. If for any reason the Loans contemplated are not closed by October 31, 2004, this Commitment shall lapse unless extended in writing by the Bank. However, your shall remain liable for your obligations with respect to payment of all costs and expenses incurred in connection with this Commitment.

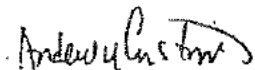
Kindly acknowledge your acceptance of the terms and conditions of this Commitment by signing below and return this letter to my attention by August 31, 2004.

Please note that unless this Commitment is accepted within said time period, the Commitment shall become null and void.

I look forward to working with you on this transaction. If you have any questions concerning the terms of this letter, please do not hesitate to contact me at 716-847-4257.

Sincerely,

Fleet National Bank



Andrew M. Constantino
Vice President

Borrower:

By: 

Name: 

Title: Medical Director

By: 

Name: 

Title: Director

ATTACHMENT 5-2

PRO FORMA BALANCE SHEET

	Opening Balance Sheet Buffalo Womenservices LLC	December 31, 2003 Balance Sheet
ASSETS		
Current assets:		
Cash	\$ 300,000	\$ 95,631
Accounts receivable	-	a 147,405
Due from related parties		b 84,889
Prepaid income taxes		a 25,812
Prepaid expenses		a 7,603
Deferred tax asset		c 5,900
Total current assets	300,000	367,240
 Property and equipment:		
Equipment	107,000	d 395,518
Leasehold improvements	10,000	d 69,311
	117,000	464,829
Less: accumulated depreciation	-	d (379,798)
	117,000	85,031
 Other assets		
Deferred tax asset		c 24,200
Goodwill	783,000	e -
	783,000	24,200
	\$ 1,200,000	\$ 476,471
 LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities:		
Current portion of due to Medicaid	\$ -	f \$ 66,000
Current portion of long term debt	79,292	g -
Accounts payable	-	15,170
Accrued payroll & payroll taxes	-	6,277
Demand note	75,000	h -
Accrued medical director fees	-	93,000
Total current liabilities	154,292	180,447
 Other liabilities		
Due to Medicaid		f 132,000
Long term debt	895,708	g,h -
	895,708	132,000
 Members' equity:		
Common Stock (C-Corp)		i 2,000
Contributed capital (LLC)	150,000	i -
Retained earnings	-	j 162,024
	150,000	164,024
	\$ 1,200,000	\$ 476,471

See Notes on next page

Notes

a - Opening balance sheet for Buffalo Womenservices LLC does not contain these items. These will start to appear after operations begin.

b - [REDACTED] (the selling corporation) had receivables from the related real-estate company (same ownership) and [REDACTED] (owned by [REDACTED] who owned 50% of [REDACTED] Buffalo Womenservices LLC (the newly formed LLC to purchase the assets and goodwill) plans to operate as a single entity who rent their facilities.

c - [REDACTED] is a C-Corporation and follows FASB 109 accounting for income taxes. The new entity, Buffalo Womenservices LLC, is a partnership and pays income taxes at the personal level and therefore does not recorded deferred income taxes.

d - Equipment and leasehold improvements purchased were valued at \$117,000 as agreed upon by the buyer and the seller.

e - The amount allocated to goodwill was \$783,000.

f - The selling Corporation was working with NY State to settle a Medicaid liability. The estimated amount due as of December 31, 2003 was \$198,000. The purchasing LLC is only purchasing assets and not assuming any liabilities.

g - Buffalo Womenservices LLC is purchasing the assets and goodwill through a leveraged buyout:

Current portion of LTD	\$ 75,556
Long Term Debt	<u>824,444</u>
	<u>900,000</u>

h - Working capital requirements

Demand Note	75,000
Revolver/Term Loan - CP	3,736
Revolver/Term Loan - LTD	<u>71,264</u>
	<u>\$ 150,000</u>

i - The LLC had different capital structure than a C-Corp.

j - No retained earnings on the opening balance sheet. Will record after first year of operations.

ATTACHMENT 5-3

PROJECTED FINANCIAL STATEMENT - APPLICANT

PROJECTED FINANCIAL STATEMENTS

BUFFALO WOMENSERVICES LLC
(A PROPOSED PARTNERSHIP)

FOR THE FOUR YEAR PERIODS ENDING
DECEMBER 31, 2005, 2006, 2007, AND 2008

**BUFFALO WOMENSERVICES LLC
(A PROPOSED PARTNERSHIP)**

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ACCOUNTANT'S COMPILATION REPORT ON PROJECTED FINANCIAL STATEMENTS

[REDACTED]
Buffalo Womenservices LLC
(A Proposed Partnership)

We have compiled the accompanying projected balance sheets, and the related statements of income and members' equity, cash flows, and supplementary information of Buffalo Womenservices LLC (A Proposed Partnership) as of December 31, 2005, 2006, 2007 and 2008 and for the years then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

The accompanying projections and this report were prepared for the purpose of supporting information contained in the New York State Department of Health Certificate of Need Application and for obtaining working capital financing related to the asset purchase of [REDACTED] [REDACTED] (an existing corporation) and should not be used for any other purpose.

A compilation is limited to presenting in the form of a projection, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the projection. We have not examined the projection and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements, supplemental information, or assumptions. Furthermore, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Buffalo, New York
June 17, 2004

Fred Mofich, Battaglini P.C.

BUFFALO WOMENSERVICES LLC
(A PROPOSED PARTNERSHIP)
PROJECTED BALANCE SHEETS
December 31,
See Accountant's Compilation Report

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
ASSETS				
Current assets:				
Cash	\$ 62,751	\$ 80,114	\$ 75,336	\$ 54,472
Accounts receivable	261,000	267,525	274,213	281,068
Total current assets	<u>323,751</u>	<u>347,639</u>	<u>349,549</u>	<u>335,540</u>
Property and equipment:				
Equipment	129,000	134,000	139,000	144,000
Leasehold improvements	10,000	10,000	10,000	10,000
	<u>139,000</u>	<u>144,000</u>	<u>149,000</u>	<u>154,000</u>
Less: accumulated depreciation	(20,315)	(43,460)	(67,528)	(92,596)
	<u>118,685</u>	<u>100,540</u>	<u>81,472</u>	<u>61,404</u>
Goodwill	<u>783,000</u>	<u>783,000</u>	<u>783,000</u>	<u>783,000</u>
	<u>\$ 1,225,436</u>	<u>\$ 1,231,179</u>	<u>\$ 1,214,021</u>	<u>\$ 1,179,944</u>
LIABILITIES AND MEMBERS' EQUITY				
Current Liabilities:				
Accounts payable	\$ 17,000	\$ 17,765	\$ 18,564	\$ 19,400
Accrued payroll	15,000	15,675	16,380	17,117
Demand note	75,000	53,321	28,453	2,247
Due to shareholders	-	25,708	59,847	84,284
Current portion of long term debt	95,134	99,332	103,718	108,296
Total current liabilities	<u>202,134</u>	<u>211,801</u>	<u>226,962</u>	<u>231,345</u>
Long term debt	800,574	701,242	597,524	489,228
Members' equity:				
Contributed capital	150,000	150,000	150,000	150,000
Retained earnings	72,728	168,137	239,535	309,372
	<u>222,728</u>	<u>318,137</u>	<u>389,535</u>	<u>459,372</u>
	<u>\$ 1,225,436</u>	<u>\$ 1,231,179</u>	<u>\$ 1,214,021</u>	<u>\$ 1,179,944</u>

BUFFALO WOMENSERVICES LLC
(A PROPOSED PARTNERSHIP)
PROJECTED STATEMENTS OF INCOME AND MEMBERS' EQUITY
For Each of the Four Year Periods Ending December 31,
See Accountant's Compilation Report

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenue (net of patient refunds)	\$ 2,132,000	\$ 2,206,000	\$ 2,261,150	\$ 2,317,679
Expenses:				
Medical supplies and lab expenses	193,325	202,025	211,114	220,615
Occupancy	145,786	149,931	154,185	158,711
Operating expenses	383,537	343,970	359,464	375,612
Payroll and related costs	1,276,515	1,353,345	1,409,136	1,427,766
	<u>1,999,163</u>	<u>2,049,271</u>	<u>2,133,899</u>	<u>2,182,705</u>
Income from operations	132,837	156,729	127,251	134,974
Interest expense	<u>(23,297)</u>	<u>(21,161)</u>	<u>(15,693)</u>	<u>(9,979)</u>
Net income	109,540	135,568	111,558	124,995
Members' equity - beginning of year	-	222,728	318,137	389,535
	<u>109,540</u>	<u>358,296</u>	<u>429,694</u>	<u>514,531</u>
Add: Members' contributions	150,000	-	-	-
Less: Members' withdrawals	<u>(36,812)</u>	<u>(40,159)</u>	<u>(40,159)</u>	<u>(55,159)</u>
Members' equity - end of year	<u>\$ 222,728</u>	<u>\$ 318,137</u>	<u>\$ 389,535</u>	<u>\$ 459,372</u>

BUFFALO WOMENSERVICES LLC
(A PROPOSED PARTNERSHIP)
PROJECTED STATEMENTS OF CASH FLOWS
For Each of the Four Year Periods Ending December 31,
See Accountant's Compilation Report

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Cash flows from operating activities:				
Net income	\$ 109,540	\$ 135,568	\$ 111,558	\$ 124,995
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Depreciation	20,315	23,145	24,068	25,068
Increase in accounts receivable	(261,000)	(6,525)	(6,688)	(6,855)
Increase in accounts payable	17,000	765	798	835
Increase in accrued payroll	15,000	675	705	737
Net cash provided by (used in) operating activities	<u>(99,145)</u>	<u>153,628</u>	<u>130,441</u>	<u>144,781</u>
Cash flows from investing activities:				
Purchases of property and equipment	<u>(22,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>
Net cash used in investing activities	<u>(22,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>
Cash flows from financing activities:				
Demand note, net	75,000	(21,679)	(24,868)	(26,206)
Members' equity contribution	150,000	-	-	-
Advances from members	-	25,708	34,140	24,438
Payments on long term-debt	(79,292)	(95,134)	(99,332)	(103,718)
Members' withdrawals	(36,812)	(40,159)	(40,159)	(55,159)
Net cash provided by (used in) financing activities	<u>108,896</u>	<u>(131,263)</u>	<u>(130,219)</u>	<u>(160,645)</u>
Net increase (decrease) in cash	(12,249)	17,365	(4,779)	(20,864)
Cash - beginning of year	<u>-</u>	<u>62,751</u>	<u>80,114</u>	<u>75,336</u>
Cash - ending of year	<u>\$ 62,751</u>	<u>\$ 80,114</u>	<u>\$ 75,336</u>	<u>\$ 54,472</u>

Significant non-cash transactions:

The assets of the partnership will be financed through a leveraged buyout with the owners of the existing corporations. The amount financed is \$900,000. See Note 7.

**BUFFALO WOMENSERVICES LLC
(A PROPOSED PARTNERSHIP)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROJECTION ASSUMPTIONS

NOTE 1. - BUSINESS DESCRIPTION AND NATURE AND LIMITATIONS OF PROJECTIONS

Description of Business - Buffalo Womenservices LLC. (A Proposed Partnership) (BWS) intended to be a provider of physician and medical services for women in Western New York. BWS will be headquartered in Buffalo, New York and will extend credit to substantially all of its patients and payors. BWS' main source of income will be from Medicaid and other independent health insurance companies.

Nature of Projections - These projections were prepared to assist BWS in acquiring the assets of an existing corporation performing similar services, to support information contained in the New York State Department of Health Certificate of Need Application and to assist in obtaining working capital financing.

This financial projection presents, to the best of the prospective buyers' knowledge and belief, BWS' expected results of operations for the projection period. Accordingly, the projection reflects management's judgment as of June 17, 2004, the date of this projection, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that the prospective buyers' believes are significant to the projection. There will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

NOTE 2. - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying projected financial statement has been prepared on the basis of accounting used for financial statement reporting in compliance with Accounting Principles Generally Accepted in the United States of America.

Pension Plan - BWS will maintain a safe harbor 401(k) plan for all employees. The employees may elect to participate. BWS will make a discretionary contribution on behalf of all employees who meet 1,000 hours and last day of the year employment test. The discretionary contribution is made in the amount necessary to meet certain non-discrimination testing requirements. The discretionary contribution should approximate 2% of eligible compensation.

Income Taxes - BWS will elect to have its income taxed as a limited liability company and as a partnership for income tax reporting purposes. Therefore, BWS is not assessed federal and state income taxes on its earnings. In lieu of corporation income taxes, the members are taxed on their proportionate share of the partnerships taxable income; accordingly, no federal or state income taxes have been provided for in the financial statements.

In addition, BWS will prepare their income tax returns using the cash basis of accounting, in which revenues are reported when received and expenses when paid rather than when incurred.

Use of Estimates - The preparation of the projected statements of income and members' equity requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results could differ from those estimates.

**BUFFALO WOMENSERVICES LLC
(A PROPOSED PARTNERSHIP)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROJECTION ASSUMPTIONS

NOTE 3. - CURRENT ASSETS

Cash - Cash presented is based on excess cash from operations plus cash from advances from owners, lines of credit or other outside sources.

Accounts Receivable - Accounts receivable were based on a collection period of forty-five days to collect patient billings over one year multiplied by revenue.

NOTE 4. - PROPERTY AND EQUIPMENT

Assets purchased from existing corporations - The assets purchased from [REDACTED] for \$ 117,000 are as follows:

Medical equipment	\$ 40,000
Furniture	30,000
Computer equipment	27,000
Building services equipment	10,000
Leasehold improvements	<u>10,000</u>
Total fixed assets	<u>\$ 117,000</u>

Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets for financial statement purposes. Expenditures for renewals and betterments are capitalized while expenditures for repairs and maintenance are charged to expense as incurred. Upon retirement, or other disposal, the asset cost and related accumulated depreciation are removed from the accounts and the net amount, less any proceeds, is credited to income.

Projected asset purchases - The prospective owners have estimated an average of \$5,000 of equipment to be purchased per year. In addition, equipment of approximately \$17,000 will be purchased during the first year of operations. These items have been depreciated using the straight-line method of depreciation over five years.

NOTE 5. - GOODWILL

The excess of the purchase price over the fair value of assets acquired of approximately \$783,000 has been recorded as goodwill in accordance with Financial Accounting Standards Board Statement No. 141 – Business Combinations (FAS 141).

BWS will adopt and apply the provisions of Financial Accounting Standards Board Statement No. 142 "Goodwill and Other Intangible Assets" (FAS 142). Among its provisions is a requirement that goodwill is no longer amortized but instead subject to an impairment test, which is to be performed at least annually. For the purposes of this projection future management has assumed no impairment of goodwill.

**BUFFALO WOMENSERVICES LLC
(A PROPOSED PARTNERSHIP)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROJECTION ASSUMPTIONS

NOTE 6. - DEMAND NOTE

The prospective owners plan on obtaining a working capital line of credit of approximately \$75,000 from Bank of America. This projection assumes that the line of credit will carry an interest rate of prime plus 1 percent. Currently the prime rate is 4.25%. This projection provides for no principal repayment during the first year of operation and for the line to be repaid in equal installments by the fourth anniversary date from the asset purchase. Secured by first priority security interest in all business assets in conjunction with the revolver/term loan (see note 7).

NOTE 7 – LONG TERM DEBT

Long-term debt consists of the following at December 31,

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revolver/Term loan – Bank of America due in monthly installments of \$2,256 (after six months of interest only payments) including interest at prime plus 1% (5.25%) maturing at January or 2009. Secured by first priority security interest in all business assets.	\$ 71,264	\$ 61,957	\$ 52,149	\$ 41,814
Note payable – First Corporation Note due in monthly installments of \$1,083 (commencing on the first month anniversary date of the asset purchase) including interest at 4.226% maturing at January of 2010. Secured by tangible personal property, accounts receivable and cash. Subordinate to Bank of America debt.	\$ 48,678	\$ 37,520	\$ 25,882	\$ 13,742
Note payable – Second Corporation Note due in monthly installments of \$1,104 (commencing on the first month after the fifth anniversary date of the asset purchase) including interest at 5%, maturing at January of 2015. Secured by tangible personal property, accounts receivable and cash. Subordinate to Bank of America debt.	58,500	58,500	58,500	58,500
Note payable – [REDACTED] due in monthly installments of \$7,250 (commencing on the first month anniversary date of the asset purchase) including interest at 4.226%, maturing at January of 2010. Secured by the purchased assets. Subordinate to Bank of America debt.	325,766	251,097	173,211	91,968

**BUFFALO WOMENSERVICES LLC
(A PROPOSED PARTNERSHIP)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROJECTION ASSUMPTIONS

NOTE 7 – LONG TERM DEBT (CONTINUED)

Note payable – [REDACTED] due in monthly installments of \$7,388 (commencing on the first month after the fifth anniversary date of the asset purchase) including interest at 5%, maturing at January of 2015.

Secured by tangible personal property, Accounts receivable and cash.

Subordinate to Bank of America debt.	<u>391,500</u>	<u>391,500</u>	<u>391,500</u>	<u>391,500</u>
	895,708	800,574	701,242	597,524
Less: Current maturities	<u>95,134</u>	<u>99,332</u>	<u>103,718</u>	<u>108,296</u>
	<u>\$ 800,574</u>	<u>\$ 701,242</u>	<u>\$ 597,524</u>	<u>\$ 489,228</u>

The annual maturities of long-term debt subsequent to December 31, 2005 are as follows:

2006	\$	99,332
2007	\$	103,718
2008	\$	108,296
2009	\$	94,105
2010	\$	97,146
Thereafter	\$	297,977

NOTE 8. – REVENUE AND EXPENSE ASSUMPTIONS

Revenue - Patient receipts revenue estimates are based upon projected rates for Medicaid and current rates collected by the seller from private insurance carriers and self-pay individuals. The first year of operations assumes that initial billing will not be collected for a period of forty-five days.

Labor - Labor costs are comprised of intended salaries for the prospective owners and the retention of one of the current owners for a specified period of time (see note 9) and salaries for medical, technical and administrative staff. Wages and salaries for medical, technical and administrative staff are based upon the historical results of the proposed purchased entity with an anticipated increase of 4.5 % beginning on the first anniversary date of the asset purchase. Also, included in labor costs is a bonus to one of the former owners based on accrual basis net income plus interest expense (related to the leveraged asset purchase) in accordance with Generally Accepted Accounting Principles (GAAP) (see note 9) which management expects to pay for a period of five years commencing on the first anniversary date of the asset purchase.

**BUFFALO WOMENSERVICES LLC
(A PROPOSED PARTNERSHIP)**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROJECTION ASSUMPTIONS

Payroll Taxes and Benefits - Payroll taxes and benefits include social security, unemployment insurance, health insurance, and other miscellaneous benefits are projected as a percentage of total wages based upon the historical activity of the proposed purchased entity, along with expected rate increases and employment agreements.

Occupancy Expenses - Occupancy expenses includes, rent, real estate taxes, and repairs and maintenance. Real estate taxes are based on a review of the prior taxes of the proposed purchased corporation and adjusted for the purchase price of the building. Repairs and maintenance are based on historical activity of the proposed purchased entity.

Other Operating Expenses - These estimates are based on management's experience and knowledge of necessary expenses to support the projected revenue levels, along with analysis of the historical data from the corporations to be purchased.

NOTE 9. - COMMITMENTS

Employment Contract - The Proposed Company intends on entering into an employment contract with one of the former owners. This contract would be for a period of five years, commencing on the asset sale date through 2009. This contract would pay a minimum annual salary of \$130,000 per year and a bonus of 25% of the Proposed Company's accrual basis net income in accordance with GAAP, plus interest expense related to the leveraged asset purchase, less amortization of goodwill in accordance with the income tax basis of accounting. As of the date of the asset sale, the total commitment, excluding incentives, was \$650,000.

BUFFALO WOMENSERVICES LLC
(A PROPOSED PARTNERSHIP)
PROJECTED SUPPLEMENTAL SCHEDULE OF OCCUPANCY EXPENSES
For Each of the Four Year Periods Ending December 31,
See Accountant's Compilation Report

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Occupancy expenses:				
Cleaning	\$ 14,630	\$ 15,288	\$ 15,976	\$ 16,695
Depreciation	1,283	1,283	1,206	1,206
Insurance	15,000	15,675	16,380	17,117
Real estate taxes	12,540	13,104	13,694	14,310
Rent	52,400	52,400	52,400	52,400
Repairs and maintenance	20,900	21,841	22,824	23,850
Security	17,033	17,800	18,601	19,438
Utilities	12,000	12,540	13,104	13,695
	<u>\$ 145,786</u>	<u>\$ 149,931</u>	<u>\$ 154,185</u>	<u>\$ 158,711</u>

BUFFALO WOMENSERVICES LLC
(A PROPOSED PARTNERSHIP)
PROJECTED SUPPLEMENTAL SCHEDULE OF OPERATING EXPENSES
For Each of the Four Year Periods Ending December 31,
See Accountant's Compilation Report

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Operating expenses				
Advertising	\$ 22,988	\$ 24,024	\$ 25,107	\$ 26,236
Bank charges	4,704	4,915	5,135	5,363
Depreciation	19,032	21,862	22,862	23,862
Donations and gifts	6,584	6,880	7,189	7,513
Dues and subscriptions	6,479	6,771	7,075	7,394
Equipment rental	1,150	1,201	1,255	1,312
Insurance - malpractice	78,375	81,902	85,587	89,439
Insurance - other	43,800	28,771	30,066	31,419
Legal and accounting	90,160	52,417	54,776	57,241
Meals	5,225	5,460	5,706	5,963
Miscellaneous	8,360	8,736	9,129	9,540
Office supplies	25,080	26,209	27,388	28,620
Payroll service	3,135	3,276	3,423	3,578
Postage and delivery	4,180	4,368	4,565	4,770
Printing	7,315	7,644	7,988	8,348
Seminars	3,135	3,276	3,423	3,578
Storage	3,135	3,276	3,423	3,578
Telephone	22,990	24,025	25,106	26,235
Travel and entertainment	11,495	12,012	12,553	13,118
Waste removal	10,990	11,485	12,002	12,542
Physician reimbursements	5,225	5,460	5,706	5,963
	<u>\$ 383,537</u>	<u>\$ 343,970</u>	<u>\$ 359,464</u>	<u>\$ 375,612</u>

ATTACHMENT 5-4

AUDITED FINANCIAL STATEMENTS FYE 12/31/03 – CURRENT OPERATOR



Financial Statements
December 31, 2003 and December 31, 2002

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BROCK, SCHECHTER & POLAKOFF, LLP
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

Independent Auditors' Report

Board of Directors
[REDACTED]

Buffalo, New York

We have audited the accompanying balance sheets of [REDACTED] as of December 31, 2003 and December 31, 2002, and the related statements of operations and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 financial position of [REDACTED] as of December 31, 2003 and December 31, 2002, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The schedules of expenses on pages 9 and 10 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brock Schechter & Polakoff LLP

Buffalo, New York
May 24, 2004

Balance Sheets

	December 31,	
Assets	2003	2002
Current assets		
Cash	\$ 95,631	\$ 101,230
Accounts receivable	147,405	151,410
Due from related parties	84,889	162,702
Prepaid income taxes	25,812	9,038
Prepaid expenses	7,603	5,981
Deferred tax asset	5,900	2,000
Total current assets	<u>367,240</u>	<u>432,361</u>
Property and equipment		
Leasehold improvements	69,311	69,311
Machinery and equipment	306,378	303,381
Office furniture and equipment	89,140	88,149
	<u>464,829</u>	<u>460,841</u>
Less: depreciation allowance	379,798	347,838
Net property and equipment	<u>85,031</u>	<u>113,003</u>
Other assets		
Deferred tax asset	24,200	25,700
	<u>24,200</u>	<u>25,700</u>
	<u>\$ 476,471</u>	<u>\$ 571,064</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of due to Medicaid	\$ 66,000	\$ 50,000
Accounts payable	15,170	3,862
Accrued payroll and payroll taxes	6,277	20,420
Accrued medical director fees	93,000	108,000
Total current liabilities	<u>180,447</u>	<u>182,282</u>
Other liabilities		
Due to Medicaid	132,000	144,019
	<u>132,000</u>	<u>144,019</u>
Stockholders' equity		
Common stock - authorized 200 shares, no par value, issued and outstanding 200 shares	2,000	2,000
Retained earnings	162,024	242,763
Total stockholders' equity	<u>164,024</u>	<u>244,763</u>
	<u>\$ 476,471</u>	<u>\$ 571,064</u>

The accompanying notes to financial statements are an integral part of these statements

Statements of Operations and Retained Earnings

	For the Years Ended December 31,	
	2003	2002
Revenue - medical fees, net of patient refunds	\$ 1,595,622	\$ 1,672,504
Expenses		
Payroll and related costs	907,880	996,439
Occupancy	73,924	75,968
Medical supplies and lab expenses	171,051	163,894
Operating expenses	475,288	359,485
	<u>1,628,143</u>	<u>1,595,786</u>
Income (loss) from operations	<u>(32,521)</u>	<u>76,718</u>
Other income (expense)		
Interest income	655	949
Miscellaneous	-	(217)
	<u>655</u>	<u>732</u>
Income (loss) before taxes and extraordinary item	<u>(31,866)</u>	<u>77,450</u>
Provision for (benefit from) income taxes		
Current	(13,024)	4,010
Deferred	10,600	15,300
	<u>(2,424)</u>	<u>19,310</u>
Income (loss) before extraordinary item	(29,442)	58,140
Extraordinary item		
Litigation settlement (net of income tax benefit of \$13,000 at December 31, 2003 and \$-0- at December 31, 2002)	<u>51,297</u>	<u>-</u>
Net income (loss)	(80,739)	58,140
Retained earnings - beginning of year	<u>242,763</u>	<u>184,623</u>
Retained earnings - end of year	<u>\$ 162,024</u>	<u>\$ 242,763</u>

The accompanying notes to financial statements are an integral part of these statements

Statements of Cash Flows

	For the Years Ended December 31,	
	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Net income (loss)	\$ (80,739)	\$ 58,140
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation	31,960	38,997
Deferred income taxes	(2,400)	15,300
Changes in assets and liabilities		
Accounts receivable	4,005	(15,259)
Prepaid income taxes	(16,774)	3,685
Prepaid expenses	(1,622)	(3,238)
Accounts payable	11,308	(11,993)
Accrued payroll and payroll taxes	(14,143)	4,526
Accrued medical director fees	(15,000)	-
Due to Medicaid	3,981	(56,055)
Net cash provided by (used in) operating activities	<u>(79,424)</u>	<u>34,103</u>
Cash flows from investing activities		
Cash purchases of property and equipment	(3,988)	(7,563)
Payments from (advances to) related parties	<u>77,813</u>	<u>(29,513)</u>
Net cash provided by (used in) investing activities	<u>73,825</u>	<u>(37,076)</u>
Net decrease in cash	(5,599)	(2,973)
Cash - beginning of period	<u>101,230</u>	<u>104,203</u>
Cash - end of period	<u>\$ 95,631</u>	<u>\$ 101,230</u>
Supplemental disclosure of cash flows information		
Income taxes paid	\$ 3,750	\$ 325

The accompanying notes to financial statements are an integral part of these financial statements

1. Summary of Significant Accounting Policies

Concentration of Cash Balances

At various times during the year, the Company maintained cash balances in its banks in excess of FDIC insurable limits.

Accounts Receivable

Accounts receivable are carried at net realizable value. The Company charges directly to expense any receivables deemed wholly or partially worthless.

Accounts receivable is shown net of third-party payers' contractual adjustments and withhold. This amounted to \$17,750 at December 31, 2003 and December 31, 2002.

Property, Equipment and Depreciation

Property and equipment are stated at cost. Maintenance and repairs are charged to income while major renewals and improvements are capitalized. Depreciation is computed over the estimated useful lives of the assets ranging from 3 to 39 years using straight-line and accelerated methods.

Income Taxes

Current - The income tax returns are prepared using the cash basis of accounting, in which revenues are reported when received and expenses when paid rather than when incurred. For financial statement purposes, the Company uses the accrual basis of accounting, in accordance with generally accepted accounting principles.

Deferred - The recognition of income in different periods for financial accounting and tax purposes gives rise to timing differences which result in deferred taxes. Deferred taxes are computed in accordance with the provisions of FASB Statement 109.

2. Organization and Operations

The Company was incorporated in the state of New York in January 1992 and began operations then for the purpose of providing medical services. The Company's main sources of income are from Medicaid and other independent health insurance companies.

3. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Equipment

Equipment of approximately \$222,703 and \$217,089 was fully depreciated at December 31, 2003 and 2002, respectively. Depreciation expense was \$31,960 and \$38,997 for the years ended December 31, 2003 and 2002, respectively.

5. Demand Loan

The Company has a \$40,000 unsecured demand line of credit with Fleet Bank which carries interest at prime plus 2 percent per annum. The prime rate was 4 percent at December 31, 2003.

6. Related Party

The Company loaned money to 2500 Main Street, Inc. and [REDACTED] related parties, as reflected in due from related parties. The balance on the loan to [REDACTED] was \$-0- as of December 31, 2003. The loan to 2500 Main Street, Inc. is payable on demand and bears no interest. The Company leases its business premises from 2500 Main Street, Inc.

7. Lease Commitments

The Company is leasing its business premises on a month-to-month basis, from a related party (see Note 6). Monthly rent payments are \$2,573.

8. Deferred Taxes

Temporary differences giving rise to the deferred tax asset (liability) consist primarily of excess tax depreciation expense over the amount for financial reporting purposes and accounts receivable, prepaid expenses, accounts payable, accrued liabilities recognized under the accrual basis for financial statement purposes but not recognized under the cash basis for tax purposes.

Amounts for deferred tax asset (liability) are as follows:

	<u>2003</u>	<u>2002</u>
Current portion of deferred tax liability – normal operations	\$ (9,300)	\$ (9,250)
Current portion of deferred tax asset – extraordinary	<u>15,200</u>	<u>11,250</u>
Net current portion of deferred tax asset	<u>\$ 5,900</u>	<u>\$ 2,000</u>
Long-term deferred tax liability – normal operations	\$ (6,200)	\$ (6,700)
Long-term deferred tax asset – extraordinary	<u>30,400</u>	<u>32,400</u>
Net long-term deferred tax asset	<u>\$24,200</u>	<u>\$25,700</u>

The Company has available at December 31, 2003 approximately \$82,000 in unused net operating losses, of which approximately \$60,000 will be utilized to recoup previously paid income taxes.

9. 401(k) Plan

The Company has a 401(k) plan which covers substantially all of its employees. Under the provisions of the plan, the Company may make discretionary contributions. No contributions were made for the years ended December 31, 2003 and 2002.

10. Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2003 and December 31, 2002 was \$13,792 and \$20,934, respectively.

11. Estimated Litigation Settlement

The Company is the defendant in litigation with the State of New York Department of Health. New York State is disputing the rate the clinic was assigned for Medicaid Reimbursement, as set by the Health Department in the early 1990's. The suit claims damages of approximately \$963,000 less a rate adjustment of \$139,563. This litigation was settled during 2003 with the Company owing the State of New York Department of Health \$198,000 at December 31, 2003. The Company estimates that \$66,000 will be the portion payable within the next year.

12. Variable Interest Entities

The Company believes that it is reasonably possible that 2500 Main Street, Inc. will qualify as a variable interest entity under FIN 46, entitled Consolidation of Variable Interest Entities. 2500 Main Street, Inc. is an operating entity formed to own property, which is leased to the Company for use in the performance of its operations. Total assets for 2500 Main Street, Inc. were approximately \$239,000 as of December 31, 2003. The Company believes that its maximum exposure to loss as a result of its involvement with this entity as of December 31, 2003 is immaterial to the Company's financial position.

13. Subsequent Event

During 2004, the Company entered into an agreement to sell its assets for \$900,000. The agreement is contingent upon the buyer obtaining a certificate of need.

Supplementary Information

Schedules of Expenses

	For the Years Ended	
	December 31,	
	<u>2003</u>	<u>2002</u>
Payroll and related costs		
Officer's salary	\$ 142,294	\$ 264,338
Salaries	589,500	554,399
Lab technician	20,578	20,992
Payroll taxes and employee benefits	65,508	66,710
Medical director's fees	90,000	90,000
	<u>\$ 907,880</u>	<u>\$ 996,439</u>
Occupancy		
Rent	\$ 38,568	\$ 41,306
Repairs and maintenance	32,336	30,849
Depreciation of leasehold improvements	3,020	3,813
	<u>\$ 73,924</u>	<u>\$ 75,968</u>

- Continued -

**Schedules of Expenses
(Continued)**

	For the Years Ended	
	December 31,	
	2003	2002
Operating expenses		
Advertising	\$ 13,792	\$ 20,934
Bank charges	5,630	4,412
Cleaning	8,480	1,509
Consulting	7,851	2,629
Depreciation	28,940	35,184
Donations and gifts	5,908	6,003
Dues and subscriptions	4,975	8,586
Equipment rental	510	16,186
Insurance	141,696	104,148
Legal and accounting	66,854	47,677
Meals	7,986	7,234
Miscellaneous	10,143	9,148
Office supplies and expense	30,702	29,316
Other administrative costs	56,997	-
Payroll service	2,206	2,207
Postage and delivery	3,589	3,085
Printing	-	1,917
Security	15,035	4,938
Seminars	3,459	10
Storage	3,508	3,412
Telephone	20,336	21,444
Travel and entertainment	11,908	10,209
Utilities and waste removal	24,783	19,297
	<u>\$ 475,288</u>	<u>\$ 359,485</u>

Schedule 9 - CON Forms Regarding Project Financing

Contents:

- Schedule 9 - Proposed Plan for Project Financing.

Schedule 9 Proposed Plan for Project Financing:

I. Summary of Proposed Financial plan:

Check all that apply and fill in corresponding amounts.

	Type	Amount
<input type="checkbox"/>	A. Lease	
<input type="checkbox"/>	B. Cash	
<input type="checkbox"/>	C. Land	
<input type="checkbox"/>	D. Other	
<input checked="" type="checkbox"/>	E. Mortgage, Notes, or Bonds	900,000
<input type="checkbox"/>	F. Refinancing	
<input type="checkbox"/>	Total Mortgage/Notes/Bonds plus Refinancing: (E + F)	
<input type="checkbox"/>	Total Project Financing (Sum A to F)	

II. Details

A. Leases

	Not Applicable	Title of attachment
1. List each lease with corresponding cost as if purchased each leased item. Breakdown each lease by total project cost and subproject costs, if applicable	<input type="checkbox"/>	
2. Attach a copy of the proposed lease(s).	<input type="checkbox"/>	
3. Submit an affidavit indicating any business or family relationships between principals of the landlord and tenant	<input type="checkbox"/>	
4. If applicable, provide a copy of the lease assignment agreement and the Landlord's consent to the proposed lease assignment	<input type="checkbox"/>	
5. If applicable, identify separately the total square footage to be occupied by the Article 28 facility and the total square footage of the building	<input type="checkbox"/>	
6. Attach two letters from independent realtors verifying square footage rate.	<input type="checkbox"/>	
7. For all capital leases as defined by FASB Statement No. 13, "Accounting for Leases", provide the net present value of the monthly, quarterly or annual lease payments.	<input type="checkbox"/>	

B. Cash - Not required for limited review

**New York State Department of Health
Certificate of Need Application**

Schedule 9

Type	Amount
Accumulated Funds	
Sale of Existing Assets	
Gifts (fundraising program)	
Government Grants	
Other	
TOTAL CASH	

	Not Applicable	Title of attachment
1. Provide a breakdown of the sources of cash. See sample table above.	<input type="checkbox"/>	
2. Attach a copy of the latest certified financial statement and interim monthly or quarterly financial reports to cover the balance of time to date.	<input type="checkbox"/>	
3. If amounts are listed in "Accumulated Funds" provide cross-reference to certified financial statement or Schedule 2b, if applicable.	<input type="checkbox"/>	
4. Attach a full and complete description of the assets to be sold, if applicable.	<input type="checkbox"/>	
5. If amounts are listed in "Gifts (fundraising program)": <ul style="list-style-type: none"> • Provide a breakdown of total amount expected, amount already raised, and any terms and conditions affixed to pledges. • If a professional fundraiser has been engaged, submit fundraiser's contract and fundraising plan. • Provide a history of recent fund drives, including amount pledged and amount collected 	<input type="checkbox"/>	
6. If amounts are listed in "Government Grants": <ul style="list-style-type: none"> • List the grant programs which are to provide the funds with corresponding amounts. Include the date the application was submitted. • Provide documentation of eligibility for the funds. • Attach the name and telephone number of the contact person at the awarding Agency(ies). 	<input type="checkbox"/>	
7. If amounts are listed in "Other" attach a description of the source of financial support and documentation of its availability	<input type="checkbox"/>	
8. Current Department policy requires a minimum equity contribution of 10% of total project cost (Schedule 8b line 10).	<input type="checkbox"/>	

C. Mortgage, Notes, or Bonds - Not required for limited review

1. Provide a breakdown of the terms of the mortgage. See sample table below.

	Total Project	Units
Interest		%
Term		Years
Payout Period		Years
Principal		\$

**New York State Department of Health
Certificate of Need Application**

Schedule 9

	Not Applicable	Title of attachment
2. Attach a copy of a letter of interest from the intended source of permanent financing that indicates principal, interest, term, and payout period.	<input type="checkbox"/>	9-1: Asset Purchase Agreement, Section 2.2
3. If New York State Dormitory Authority (DASNY) financing, then attach a copy of a letter from a mortgage banker.	<input checked="" type="checkbox"/>	
4. If the financing of this project becomes part of a larger overall financing, then a new business plan inclusive of a feasibility package for the overall financing will be required for DOH review prior to proceeding with the combined financing.	<input checked="" type="checkbox"/>	

D. Land: Not required for limited review

1. Provide details for the land including but not limited to; appraised value, historical cost, and purchase price. See sample table below.

	Total Project
Appraised Value	
Historical Cost	
Purchase Price	
Other	

	Not Applicable	Title of attachment
2. If amounts are listed in "Other", attach documentation and a description as applicable.	<input type="checkbox"/>	
3. Attach a copy of the Appraisal. Supply the appraised date and the name of the appraiser.	<input type="checkbox"/>	
4. Submit a copy of the proposed purchase/option agreement.	<input type="checkbox"/>	
5. Provide an affidavit indicating any and all relationships between seller and the proposed operator/owner.	<input type="checkbox"/>	

E. Other - Not required for limited review

1. Provide listing and breakdown of other financing mechanisms.

	Total Project
Notes	
Stock	
Other	

**New York State Department of Health
Certificate of Need Application**

Schedule 9

	Not Applicable	Title of attachment
2. Attach documentation and a description of the method of financing.	<input type="checkbox"/>	

F. Refinancing - Not required for limited Review

	Not Applicable	Title of attachment
1. Provide a breakdown of the terms of the refinancing, including principal, interest rate, and term remaining.	<input type="checkbox"/>	
2. Attach a description of the mortgage to be refinanced. Provide full details of the existing debt and refinancing plan inclusive of original and current amount, term, assumption date, and refinancing fees. The term of the debt to be refunded may not exceed the remaining average useful life of originally financed assets. If existing mortgage debt will not be refinanced, provide documentation of consent from existing lien holders of the proposed financing plan.	<input type="checkbox"/>	

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ATTACHMENT 9-1

ASSET PURCHASE AGREEMENT, SECTION 2.2

franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, intangible property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not.

“Tax Return” means any return, declaration, statement, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and any amendment thereof.

1.2 Usage of Terms. Except where the context otherwise requires, words importing the singular number will include the plural number and vice versa.

1.3 References to Articles, Sections, Exhibits and Schedules. All references in this Agreement to Articles, Sections (and other subdivisions), Exhibits and Schedules refer to the corresponding Articles, Sections (and other subdivisions), Exhibits and Schedules of or attached to this Agreement, unless the context requires otherwise, expressly or by necessary implication.

2. PURCHASE AND SALE OF ASSETS

2.1 Transfer of Assets; Assumption of Assumed Liabilities. Subject to the terms and conditions contained in this Agreement:

(a) Seller will sell, convey, transfer, assign, and deliver to Purchaser, and Purchaser will acquire from Seller on the Closing Date the Purchased Assets free and clear of any Encumbrances other than Permitted Encumbrances.

(b) Purchaser will assume the Assumed Liabilities on the Closing Date and pay Seller the Asset Purchase Price as provided in Section 2.2.

2.2 Asset Purchase Price.

(a) The purchase price for the Purchased Assets will be Nine Hundred Thousand Dollars (\$900,000), adjusted in accordance with the terms of this Agreement (“Asset Purchase Price”).

(b) The Asset Purchase Price will be paid by four non-negotiable promissory notes substantially in the form of Exhibit 2.2(b), payable as follows:

(i) one note, payable to Seller, in 60 equal monthly installments, commencing on the first month anniversary of the Closing Date (the “First Corporation Note”). The amount of each installment will be based on (i) a total principal amount of \$58,500, and (ii) 4.226% interest accruing from the Closing Date;

(ii) one note, payable to Seller, in 60 equal monthly installments commencing on the sixty-first month anniversary of the Closing Date (the “Second Corporation Note”). The amount of each installment will be based on (i) a total principal amount of \$58,500, and (ii) 5.0% interest accruing from the sixtieth month anniversary of the Closing Date;

(iii) one note, payable to [REDACTED] in equal monthly installments commencing on the first month anniversary of the Closing Date (the "[REDACTED] Note"). The number of installments will equal the number of full calendar months between the first month anniversary of the Closing Date and May 31, 2009. The amount of each installment will be based on (i) a total principal amount equal to \$391,500 (or, if less, one-half of that portion of the Asset Purchase Price that is not payable via the First and Second Corporation Notes), minus all [REDACTED] Payments, and (ii) 4.226% interest accruing from the Closing Date; and

(iv) one note, payable to [REDACTED] in 60 equal monthly installments, commencing on June 30, 2009 (the "[REDACTED] Note", and, together with the First and Second Corporation Notes and the [REDACTED] Note, the "Notes"). The amount of each installment will be based on (i) a total principal amount equal to \$391,500 (or, if less, one-half of that portion of the Asset Purchase Price that is not payable via the First and Second Corporation Notes), minus all [REDACTED] Payments, and (ii) 5.0% interest accruing from June 1, 2009.

(c) The payment of the Notes will be secured by (i) a security interest in the Tangible Personal Property and Purchaser's accounts receivable and cash, pursuant to the terms of the Security Agreement in the form attached hereto as Exhibit 2.2(c)(i), which will provide that the security interest granted therein will be subordinate to any banks financing up to \$300,000 (the "Security Agreement"), and (ii) a pledge of 100% of the membership interests in Purchaser, up to a maximum value of \$300,000, pursuant to a Pledge Agreement in the form attached hereto as Exhibit 2.2(c)(ii) (the "Pledge Agreement"). If Seller chooses, at its own expense, to secure payment of the Notes through insurance on the lives of Purchaser's members, Purchaser will cooperate, and ensure that its members will cooperate, with Seller in obtaining such life insurance.

(d) The Asset Purchase Price adjustments will reflect changes to the book value of the Business between May 31, 2004 and the Closing Date, as more fully described in Exhibit 2.2(d). If the Asset Purchase Price exceeds \$900,000, Purchaser will pay the amount over \$900,000 to Seller within 30 days after the Closing Date, in cash or by certified check, bank draft or wire transfer of funds.

2.3 Assumed Liabilities; Retained Liabilities. It is expressly understood and agreed that, other than the Assumed Liabilities, Purchaser will not assume, nor will it be liable for, any liability, Indebtedness, obligation, or Contract of Seller or Shareholders or any Affiliate thereof, or any claim against any of the foregoing, of any kind or nature whatsoever, at any time existing or asserted, whether or not accrued, whether fixed, contingent or otherwise, whether known or unknown, and whether or not recorded on the books and records of Seller, all of which will be retained by Seller and are hereafter referred to as the "Retained Liabilities." Without limiting the foregoing, Purchaser will have no responsibility with respect to any of the following liabilities of Seller (all of which will be deemed to be Retained Liabilities) whether or not disclosed on the Interim Financial Statements or Certified Financial Statements:

(a) except for any Assumed Operating Liabilities, any liability of Seller for (i) accrued salaries, wages, vacation pay, bonuses and other employment benefits or commissions and related Taxes or under any Employee Plan and/or (ii) severance payments or other termination benefits payable to employees of Seller.

Schedule 13- CON Forms Applicable to all Article 28 Facilities

Contents:

- **Schedule 13 A - Assurances.**
- **Schedule 13 B - Staffing**
- **Schedule 13 C - Annual Operating Costs**
- **Schedule 13 D - Annual Operating Revenue**

Schedule 13 A. Assurances From Article 28 Applicants

Article 28 applicants seeking combined establishment and construction or construction approval only must complete this schedule.

The undersigned, as a duly authorized representative of the applicant, hereby gives the following assurances:

- a) The applicant has or will have a fee simple or such other estate or interest in the site, including necessary easements and rights-of-way, sufficient to assure use and possession for the purpose of the construction and operation of the facility.
- b) The applicant will obtain the approval of the Commissioner of Health of all required submissions, which shall conform to the standards of construction and equipment in Subchapter C of Title 10 (Health) of the Official Compilation of Codes, Rules and Regulations of the State of New York (Title 10).
- c) The applicant will submit to the Commissioner of Health final working drawings and specifications, which shall conform to the standards of construction and equipment of Subchapter C of Title 10, prior to contracting for construction, unless otherwise provided for in Title 10.
- d) The applicant will cause the project to be completed in accordance with the application and approved plans and specifications.
- e) The applicant will provide and maintain competent and adequate architectural and/or engineering inspection at the construction site to insure that the completed work conforms to the approved plans and specifications.
- f) If the project is an addition to a facility already in existence, upon completion of construction all patients shall be removed from areas of the facility that are not in compliance with pertinent provisions of Title 10, unless a waiver is granted by the Commissioner of Health, under Title 10.
- g) The facility will be operated and maintained in accordance with the standards prescribed by law.
- h) The applicant will comply with the provisions of the Public Health Law and the applicable provisions of Title 10 with respect to the operation of all established, existing medical facilities in which the applicant has a controlling interest.
- i) The applicant understands and recognizes that any approval of this application is not to be construed as an approval of, nor does it provide assurance of, reimbursement for any costs identified in the application. Reimbursement for all cost shall be in accordance with and subject to the provisions of Part 86 of Title 10.

Date

10/15/04

[Redacted Signature]

Signature:

[Redacted Name]

Name (Please Type)

Member & Manager

Title (Please type)

**New York State Department of Health
Certificate of Need Application**

Schedule 13B

Schedule 13 B. Staffing

Table 13B - 1:

For Establishment and/or Construction Requiring Full/Administrative Review

- Total Project
- Subproject number

A	B	C	D
	Number of FTEs to the Nearest Tenth		
Staffing Categories	Current Year*	First Year of Implementation	Third Year of Implementation
1. Management & Supervision	2.0	2.0	2.0
2. Technician & Specialist	1.31	1.31	1.31
3. Registered Nurses	4.61	4.61	4.61
4. Licensed Practical Nurses	0.68	0.68	0.68
5. Aides, Orderlies & Attendants	4.32	4.32	4.32
6. Physicians			
7. PGY Physicians			
8. Physicians' Assistants			
9. Nurse Practitioners	0.16	0.16	0.16
10. Nurse Midwife			
11. Social Workers and Psychologist**	0.5	0.5	0.5
12. Physical Therapists and PT Assistants			
13. Occupational Therapists and OT Assistants			
14. Speech Therapists and Speech Assistants			
15. Other Therapists and Assistants			
16. Infection Control, Environment and Food Service			
17. Clerical & Other Administrative	6.58	6.58	6.58
18. Other Employee Classifications (please specify)	6.66	6.66	6.66
19. Total Number of Employees	26.82	26.82	26.82

*Last complete year prior to submitting application
 **Use only for RHCF and D and T Center proposals

Describe how the number and mix of staff were determined:

Based on existing staffing of current operator, [REDACTED]

Other employee classifications are counselors (6.28 FTEs) and Security (0.38 FTEs).

Physicians are independent contractors, not employees.

**New York State Department of Health
Certificate of Need Application**

Schedule 13B

1.) All diagnostic and treatment centers should complete the following section:

Name of medical director:	[REDACTED]
License number of the Medical Director	[REDACTED]

	Not Applicable:	Title of Attachment	Filename of attachment
Attach a copy of the medical director's curriculum vitae.	<input type="checkbox"/>	13B-1: [REDACTED] CV	

Acute care facility with which an affiliation agreement is being negotiated:	Kaleida Health - [REDACTED] site
In the space below, indicate the status of those negotiations:	
Existing transfer agreement between Kaleida Health and [REDACTED] Inc. will be assigned to applicant.	

	Not Applicable:	Title of Attachment	Filename of attachment
Attach a copy of a letter of intent or the affiliation agreement, if appropriate.	<input type="checkbox"/>	13B-2: Kaleida Health transfer agreement	

Distance in miles from the proposed facility to the acute care affiliate.	3
Distance in minutes of travel time from the proposed facility to the acute care affiliate.	15
Name of the acute care facility, nearest the proposed facility:	Kaleida Health - [REDACTED] site
Distance in miles from the proposed facility to the nearest acute care facility:	3
Distance in minutes of travel time from the proposed facility to the nearest acute care facility.	15

**New York State Department of Health
Certificate of Need Application**

Schedule 13B

N/A

Table 13B - 2. Ambulatory surgery centers should complete the following Table:

List all practitioners -- including surgeons, Dentists and Podiatrists, who have expressed an interest in practicing at the Center.
NOTE: Attach copies of letters from each giving the number and type of procedures he or she expects to perform per year.

Practitioner's Name	License No.	Specialty (s)	Board Certified or Eligible	Expected Number of Procedures	List hospitals where Physician has Admitting Privileges:	Title and File Name of attachment
			YES <input type="checkbox"/> NO <input type="checkbox"/>			
			YES <input type="checkbox"/> NO <input type="checkbox"/>			
			YES <input type="checkbox"/> NO <input type="checkbox"/>			
			YES <input type="checkbox"/> NO <input type="checkbox"/>			
			YES <input type="checkbox"/> NO <input type="checkbox"/>			
			YES <input type="checkbox"/> NO <input type="checkbox"/>			
			YES <input type="checkbox"/> NO <input type="checkbox"/>			

ATTACHMENT 13B-1



KALEIDA HEALTH TRANSFER AGREEMENT

1.3 No part of this Agreement shall be construed as an authorization for either party to accept reimbursement from the other for services rendered to any patient transferred from [REDACTED] to Kaleida, except to the extent that such an obligation would exist outside of this Agreement.

1.4 [REDACTED] shall have the responsibility to collect from the patient, or the person legally responsible for the patient, payment for all charges, if any, related to the transfer of the patient from [REDACTED] to Kaleida.

1.5 Each party agrees to assume all responsibility for billing and collecting charges incurred by the patient at its facility.

1.6 Each party agrees to admit and treat all patients without regard to race, mental status, marital status, color, creed, religion, national original, sex, disability, sexual orientation, age, or source of payment.

2. **TRANSFER TO KALEIDA:**

2.1 Kaleida agrees to accept transfers of patients from [REDACTED] subject to the provisions of this Agreement whenever deemed medically appropriate and mutually agreed upon by the physician responsible for the medical care of the patient at [REDACTED] facility and by Kaleida's Medical Director or his/her designee.

2.2 Except as may otherwise be provided in Appendix "A" to this Agreement, the transfer of a patient from [REDACTED] to Kaleida shall be made in accordance with the following procedures:

(a) Prior to the initiation of the transfer, [REDACTED] shall contact Kaleida's Medical Director or his/her designee to determine if the required services are currently available and whether Kaleida has the capacity to provide the required treatment.

(b) Once the decision to request has been made, the treating physician at [REDACTED] will contact Kaleida's Medical Director, or his/her designee, to provide clinical information concerning the patient. The Kaleida Medical Director or his/her designee will make an evaluation of whether the transfer is medically appropriate. If any agreement is reached between [REDACTED] and Kaleida that the transfer is appropriate, the treating physician will so document in the patient's medical record. Documentation on an appropriate form shall also be included in the patient's medical record at Kaleida.

(c) The treating physician at [REDACTED] shall provide such medical treatment as may be required to stabilize the condition of the patient. He/she will also document in the medical record that, to a reasonable degree of medical certainty, the transfer will not create a medical hazard to the patient and is in the patient's best interest despite the potential hazard of movement. [REDACTED] will not transfer a patient with a medical condition which is not stable or being managed unless the patient, or the person legally responsible for the patient, consents to the transfer of the treating physician determines that the expected medical benefits of the transfer and treatment at Kaleida outweigh the risk to the patient.

(d) Except in the event of a medical emergency, the treating physician will provide the patient, or the person legally responsible for the patient, with complete information explaining the medical treatment, the reasons for the need to transfer, and the risks to the patient from the proposed transfer. A patient shall not be transferred unless the patient, or person legally responsible for the patient, has signed an informed consent to transfer on a form mutually acceptable to the parties, or the treating physician has signed a written certification that the medical benefits from the treatment at Kaleida outweigh the risks to the patient. Such explanation, reasons and risk shall be documented in the patient's medical record.

(e) [REDACTED] shall transfer the patient in a manner that is safe and medically approved in writing by the treating physician, using qualified personnel and any required certified transportation equipment and medically appropriate life support measures. If deemed necessary by Kaleida's Medical Director or designee, medical personnel from [REDACTED] will accompany the patient during transfer.

(f) The patient's personal effects, including monies and valuables, will be transported safely by [REDACTED] shall prepare a list of such personal effects which shall accompany the patient to Kaleida. Kaleida shall be responsible for reviewing the list upon the patient's admission, documenting receipt of the personal effects in the Kaleida medical record, and storing the patient's personal effects in a place known and reasonably accessible to the patient or the person legally responsible for the patient.

(g) Upon arrival of the patient at Kaleida, Kaleida shall assume responsibility for the care of the patient and shall admit the patient to Kaleida.

(h) [REDACTED] shall complete and deliver with the patient the pertinent copies of the patient's medical records, including, but not limited to:

- (i) patient registration form;
- (ii) pre-hospital care report;
- (iii) lab and x-ray reports, copies of EKG and/or monitor

tracing;

(iv) medical record including observation of signs or symptoms, preliminary diagnosis, treatment provided and results of any tests; and

(v) informed consent to transfer signed by the patient, or person legally responsible for the patient, or physician's certification that the medical benefits of treatment at Kaleida outweigh the potential risk of transfer.

2.3 In respect of any transfers made pursuant to this Agreement, the parties agree to share diagnostic and other services, if and to the extent that the New York State Department of Health may find that such sharing is in the interest of efficiency, economy and quality of care.

3. **INDEMNIFICATION:**

3.1 [REDACTED] agrees to defend, hold harmless and indemnify Kaleida for claims against Kaleida arising out of treatment rendered to the patient transferred while the patient was at [REDACTED] facility, notwithstanding that the condition giving rise to the claim does not become apparent until or after the patient is transferred to Kaleida.

3.2 Kaleida agrees to defend, hold harmless and indemnify [REDACTED] for claims against [REDACTED] arising out of the treatment rendered to the patient while at Kaleida.

4. **CODE COMPLIANCE:**

4.1 Notwithstanding any other provision in this Agreement, each party remains responsible for ensuring that any service(s) provided at its facility complies with all applicable provisions of federal, state and local statutes, rules and regulations.

5. **TERM, TERMINATION AND RENEWAL:**

5.1 This Agreement shall become effective on the date first above written, and shall continue in effect thereafter until terminated with or without cause by either party upon sixty (60) days prior written notice to the other party.

5.2 This Agreement shall be terminated immediately if the license or operating certificate of either party is revoked or suspended by the New York State Department of Health or other state authority.

6. **ASSIGNMENT:**

6.1 Neither party to this Agreement shall assign or otherwise transfer its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld.

7. **MODIFICATION/AMENDMENTS:**

7.1 This Agreement shall be modified or amended only upon the agreement of the parties in writing and signed by both parties.

8. **WAIVER:**

8.1 The wavier by either party of a breach of any provision of this Agreement by the other party shall not constitute or be construed as a waiver of any other breach by such other party of the same or any other provision.

9. **ENTIRE AGREEMENT:**

9.1 This Agreement contains and constitutes the entire agreement of the parties with respect to the subject matter herein and supersedes all prior understandings or agreements between the parties with respect to the subject matter.

10. **MISCELLANEOUS:**

10.1 The terms, covenants, conditions and provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their successors and permitted assigns.


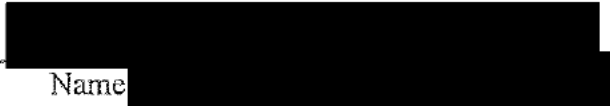
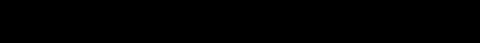
10.2 If any term or provision of this Agreement shall, to any extent, be found by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall not be affected, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

10.3 This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

KALEIDA HEALTH

By: *Kathleen Galvin*
Name: Kathleen J. Galvin
Title: Chief Operating Officer


By: 
Name: 
Title: *Administrator*

**New York State Department of Health
Certificate of Need Application**

Schedule 13C

Schedule 13 C. Annual Operating Costs

For Establishment and/or Construction Requiring Full/Administrative Review

Use this schedule to summarize the first full year's incremental cost for the categories, which are affected by this project. The first full year is defined as the first 12 months of full operation after project completion. Project the first and third full year's direct incremental costs in current year dollars. (Show only additional operating costs to be incurred during the first full year after project completion). Enter in the column heading the year and month when this period begins and ends."

- Total Project
 Subproject Number

Table 13C - 1

	a	b	c
Categories	Current Year	Year 1 Incremental Cost Impact	Year 3 Incremental Cost Impact
Start date of year in question:(m/d/yyyy)	1/1/2003	1/1/2005	
1. Salaries and Wages	\$1,107,942	\$(41,602)	
1a. FTEs			
2. Employee Benefits	65,508	54,667	
3. Professional Fees	83,876	6,284	
4. Medical & Surgical Supplies	164,315	(4,315)	
5. Non-med., non-surg. Supplies	30,702	(5,622)	
6. Utilities	37,620	(2,630)	
7. Purchased Services	161,384	5,304	
8. Other Direct Expenses	273,507	(10,492)	
9. Subtotal (total 1-8)	1,924,854	1,594	
10. Interest	0	23,297	
11. Depreciation and Rent	70,528	2,187	
12. Total Incremental Operating Costs	1,995,382	27,078	

	Title of Attachment	Filename of attachment
1. In an attachment, provide the basis and supporting calculations for depreciation and rent expense	13C-1: Annual Operating Costs Worksheet 13C-2: Depreciation and Rent Expense	
2. In an attachment, provide the basis for interest cost. Separately identify, with supporting calculations, interest attributed to mortgages and working capital	13C-3: Interest Expense	

Any approval of this application is not to be construed as an approval of any of the above indicated current or projected operating costs. Reimbursement of any such costs shall be in accordance with and subject to the provisions of Part 86 of 10 NYCRR. Approval of this

**New York State Department of Health
Certificate of Need Application**

Schedule 13C

application does not assure reimbursement of any of the costs indicated therein by payers under Title XIX of the Federal Social Security Act (Medicaid) or Article 43 of The State Insurance Law or by any other payers.

ATTACHMENT 13C-1

ANNUAL OPERATING COSTS WORKSHEET

**BUFFALO WOMENSERVICES LLC
(A PROPOSED PARTNERSHIP)
Annual Operating Costs - Worksheet
Supplement to 13C**

	Actual 2003	Increase	Projected 2005
1. Salaries & Wages	\$ 1,107,942	(41,602)	\$ 1,066,340
1a. FTEs			-
2. Employee Benefits	65,508	54,667	120,175
3. Professional Fees	83,876	6,284	90,160
4. Medical & Surgical Supplies	164,315	(4,315)	160,000
5. Non-med, non-surgical Supplies	30,702	(5,622)	25,080
6. Utilities	37,620	(2,630)	34,990
7. Purchased Services	161,384	5,304	166,688
8. Other Direct Expenses	273,507	(10,492)	263,016
9. Subtotal (total 1-8)	1924854	1,594	1,926,448
10. Interest	0	23,297	23,297
11. Deprecialton and Rent	70,528	2,187	72,715
12. Total Incremental Operating Costs	<u>\$ 1,995,382</u>	<u>27,078</u>	<u>\$ 2,022,460</u>

ATTACHMENT 13C-2

DEPRECIATION AND RENT EXPENSE

BUFFALO WOMENSERVICES LLC
DEPRECIATION EXPENSE - PROJECTED FINANCIAL STATEMENTS

	<u>Description</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	
See Attached Detail	Building Services Equipment	\$ 1,485	\$ 1,485	\$ 1,485	\$ 1,485	
	Computer Equipment	4,200	6,900	7,900	8,900	
	Software	3,400	3,400	3,400	3,400	
	Furniture	2,546	2,676	2,676	2,676	
	Medical Equipment	7,400	7,400	7,400	7,400	
	Land Improvements	302	302	225	225	
	Leasehold Improvements	982	982	982	982	
	Depreciation Expense		\$ 20,315	\$ 23,145	\$ 24,068	\$ 25,068
	Rent (\$9.60 per sq ft x 5,458 ft)		<u>52,400</u>	<u>52,400</u>	<u>52,400</u>	<u>52,400</u>
Total Depreciation & Rent Expense		<u>\$ 72,715</u>	<u>\$ 75,545</u>	<u>\$ 76,468</u>	<u>\$ 77,468</u>	

Note - Buffalo Womenservices LLC will rent the building from Renate and Ray Morrion. Renate and Ray are related to [REDACTED] (50% partner of Buffalo Womenservices LLC).



May
 Twenty-ninth
 2003

[Redacted]

2500 Main Street
 Buffalo, New York 14214

RE: Limited Summary Appraisal Report
 2500 Main Street, City of Buffalo
 County of Erie, State of New York
 S.B.L. Number 89.35-3-26

Dear [Redacted]

I have prepared the attached limited summary appraisal for the purpose of estimating the "As Is" Market Value of the fee simple title in the subject property located at 2500 Main Street, City of Buffalo, County of Erie, New York, as of May 14, 2003.

The use and function of this appraisal is to undertake the investigations and analyses required to reach a supportable opinion of Market Value of the fee simple title in the subject property. The function of the report is to provide information to [Redacted] of [Redacted] to appropriately analyze the property.

This report is for the exclusive use of [Redacted] of [Redacted] her affiliates, designates, and assignees, and no other person shall have any right to rely on any service provided by Howard P. Schultz & Associates.

9.60 Per Sq. FT.
 $\times 52,400 = 52,396.00$
 $\frac{52,400}{12} = 4,366.67$

The subject property consists of a two-story brick and concrete block medical office building. The first floor contains 5,458± square feet of medical office space. The second floor contains 4,900± square feet of storage space and there is a full 4,800± square foot basement. The total land area is 12,487± square feet.

The analysis and conclusions within the attached limited summary report are based upon field research, interviews with market participants, and publicly available data collected by the appraisers. The appraisal is prepared in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation and the Appraisal Institute. The report complies with the competency provision of the Uniform Standards. Included is a summary description and analysis of the real estate, all pertinent data, valuation methodology and supporting relevant exhibits.



BUFFALO WOMENSERVICES - CON PROJ
DEPRECIATION EXPENSE REPORT

as of 12/31/2005

SYS No	Ext	In Svc Date	Acquired Value	Dep Meth	P Est T Life	Salvage 158(k)/179	Depreciable Basis	Prev Thru	Prior Accum Depreciation	Depreciation This Run	Current Year to Date	Curr Accum Depreciation Key
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Book: PURCHASE FY: December

000020	000	01/01/05	190	SLMM	P 10 00	0	190	00/00/00	0	19	19	19	
SECURITY CAMERA													
000039	000	01/01/05	3767	SLMM	P 05 00	0	3767	00/00/00	0	753	753	753	
GRANGER GENERATOR													
000040	000	01/01/05	563	SLMM	P 05 00	0	563	00/00/00	0	113	113	113	
EXCEL GENERATOR & INSTALL													
000091	000	01/01/05	633	SLMM	P 05 00	0	633	00/00/00	0	127	127	127	
EXCEL GENERATOR SWITCHES													
000051	000	01/01/05	2535	SLMM	P 10 00	0	2535	00/00/00	0	254	254	254	
SECURITY CAMERA													
000052	000	01/01/05	976	SLMM	P 10 00	0	976	00/00/00	0	98	98	98	
SECURITY LIGHTING & CAMERAS													
000053	000	01/01/05	165	SLMM	P 10 00	0	165	00/00/00	0	17	17	17	
SECURITY MONITOR													
000054	000	01/01/05	99	SLMM	P 10 00	0	99	00/00/00	0	10	10	10	
SECURITY CAMERA													
000055	000	01/01/05	538	SLMM	P 10 00	0	538	00/00/00	0	54	54	54	
NEW SECURITY CAMERA													
000061	000	01/01/05	331	SLMM	P 15 00	0	331	00/00/00	0	22	22	22	
SECURITY CAMERA													
000075	000	01/01/05	74	SLMM	P 10 00	0	74	00/00/00	0	7	7	7	
CEILING EXHAUST FAN													
000104	000	01/01/05	128	SLMM	P 10 00	0	128	00/00/00	0	13	13	13	
SECURITY CAMERAS - ALM SECURITY													
Count=		12											
Class:		85											
			10000			0	10000			0	1485	1485	1485
Less disposals and transfers			0			0	0			0			0
Net			10000			0	10000			0	1485	1485	1485
000021	000	01/01/05	721	SLMM	P 05 00	0	721	00/00/00	0	144	144	144	
COMPUTER EQUIPMENT													
000022	000	01/01/05	662	SLMM	P 05 00	0	662	00/00/00	0	132	132	132	
COMPUTER													
000023	000	01/01/05	480	SLMM	P 05 00	0	480	00/00/00	0	96	96	96	
COMPUTER EQUIP													
000024	000	01/01/05	367	SLMM	P 05 00	0	367	00/00/00	0	73	73	73	
COMPUTER													
000025	000	01/01/05	379	SLMM	P 05 00	0	379	00/00/00	0	76	75	76	
LAN UPGRADE													
000026	000	01/01/05	427	SLMM	P 05 00	0	427	00/00/00	0	85	85	85	
COMPUTER													
000027	000	01/01/05	662	SLMM	P 05 00	0	662	00/00/00	0	132	132	132	

BUFFALO WOMENSERVICES - CON PROJ
DEPRECIATION EXPENSE REPORT

as of 12/31/2005

SYS No	Ext	In Svc Date	Acquired Value	Dep Meth	P Est T Life	Salvage 168(k)/179	Depreciable Basis	Prev Thru	Prior Depreciation	Accum Depreciation This Run	Current Year to Date	Curr Accum Depreciation Key
LAPTOP COMPUTER - [REDACTED]												
000028	000	01/01/05	405	SLMM	P 05 00	0	405	00/00/00	0	81	81	81
NEW COMPUTER - [REDACTED] OFFICE												
000029	000	01/01/05	3174	SLMM	P 05 00	0	3174	00/00/00	0	635	635	635
NT SERVER												
000030	000	01/01/05	561	SLMM	P 05 00	0	561	00/00/00	0	112	112	112
LASER PRINTER												
000031	000	01/01/05	62	SLMM	P 05 00	0	62	00/00/00	0	12	12	12
COMPUTER EQUIPMENT												
000032	000	01/01/05	341	SLMM	P 05 00	0	341	00/00/00	0	68	68	68
COMPUTER - ALI												
000100	000	01/01/05	986	SLMM	P 05 00	0	986	00/00/00	0	197	197	197
3 OMNI 3750 TERMINALS - COMPUTER SCIENCES, MEDICAID												
000101	000	01/01/05	245	SLMM	P 05 00	0	245	00/00/00	0	49	49	49
COMPUTER - BILLING												
000102	000	01/01/05	198	SLMM	P 05 00	0	198	00/00/00	0	40	40	40
TAPE DRIVE FOR BILLING COMPUTER												
000103	000	01/01/05	329	SLMM	P 05 00	0	329	00/00/00	0	66	66	66
1 OMNI 3750 TERMINALS - COMPUTER SCIENCES; MEDICAID												
000106	000	06/30/05	22000	SLMM	P 05 00	0	22000	00/00/00	0	2200	2200	2200
COMPUTER EQUIPMENT YEAR ONE												
Count=		17	-----									
Class: CE			-----									
			32000			0	32000		0	4200	4200	4200
Less disposals and transfers			0			0	0		0			0
Net			32000			0	32000		0	4200	4200	4200

000093	000	01/01/05	17000	SLMM	P 05 00	0	17000	00/00/00	0	3400	3400	3400
PERFECT CARE SOFTWARE PACKAGE												
Count=		1	-----									
Class: CS			-----									
			17000			0	17000		0	3400	3400	3400
Less disposals and transfers			0			0	0		0			0
Net			17000			0	17000		0	3400	3400	3400

000056	000	01/01/05	1354	SLMM	P 15 00	0	1354	00/00/00	0	90	90	90
Cabinents												
000057	000	01/01/05	1449	SLMM	P 15 00	0	1449	00/00/00	0	97	97	97
Cabinents												
000058	000	01/01/05	278	SLMM	P 15 00	0	278	00/00/00	0	18	18	18
Cabinents												
000059	000	01/01/05	103	SLMM	P 10 00	0	103	00/00/00	0	10	10	10

BUFFALO WOMENSERVICES - CON PROJ
DEPRECIATION EXPENSE REPORT

as of 12/31/2005

SYS No	Ext	In Svc Date	Acquired Value	Dep Meth	P Est T Life	Salvage 168(k)/179	Depreciable Basis	Prev Thru	Prior Accum Depreciation	Depreciation This Run	Current Year to Date	Curr Accum Depreciation Key
CABINETS												
000060	000	01/01/05	1004	SLMM	P 15 00	0	1004	00/00/00	0	67	67	67
CABINETS												
000063	000	01/01/05	214	SLMM	P 10 00	0	214	00/00/00	0	21	21	21
OFFICE FURNITURE												
000064	000	01/01/05	226	SLMM	P 10 00	0	226	00/00/00	0	23	23	23
OFFICE FURNITURE												
000065	000	01/01/05	646	SLMM	P 10 00	0	646	00/00/00	0	65	65	65
OFFICE FURNITURE												
000066	000	01/01/05	73	SLMM	P 10 00	0	73	00/00/00	0	7	7	7
OFFICE FURNITURE												
000067	000	01/01/05	292	SLMM	P 10 00	0	292	00/00/00	0	29	29	29
OFFICE FURNITURE												
000068	000	01/01/05	4635	SLMM	P 10 00	0	4635	00/00/00	0	464	464	464
OFFICE FURNITURE												
000069	000	01/01/05	3925	SLMM	P 10 00	0	3925	00/00/00	0	392	392	392
OFFICE FURNITURE												
000070	000	01/01/05	78	SLMM	P 15 00	0	78	00/00/00	0	5	5	5
EXECUTIVE CHAIR												
000071	000	01/01/05	219	SLMM	P 15 00	0	219	00/00/00	0	15	15	15
CABINETS												
000072	000	01/01/05	84	SLMM	P 10 00	0	84	00/00/00	0	8	8	8
TACK BOARDS												
000073	000	01/01/05	171	SLMM	P 10 00	0	171	00/00/00	0	17	17	17
TACK BOARDS												
000076	000	01/01/05	218	SLMM	P 20 00	0	218	00/00/00	0	11	11	11
SHELVING												
000077	000	01/01/05	271	SLMM	P 20 00	0	271	00/00/00	0	14	14	14
DESK												
000078	000	01/01/05	202	SLMM	P 10 00	0	202	00/00/00	0	20	20	20
CHAIR & FILE CABINET												
000079	000	01/01/05	646	SLMM	P 15 00	0	646	00/00/00	0	43	43	43
CONFERENCE ROOM TABLE												
000080	000	01/01/05	750	SLMM	P 15 00	0	750	00/00/00	0	50	50	50
CONFERENCE ROOM CHAIRS												
000081	000	01/01/05	697	SLMM	P 10 00	0	697	00/00/00	0	70	70	70
LIGHTING UNIT - PORTABLE EMERGENCY												
000082	000	01/01/05	352	SLMM	P 15 00	0	352	00/00/00	0	23	23	23
STORAGE CABINET												
000083	000	01/01/05	372	SLMM	P 10 00	0	372	00/00/00	0	37	37	37
COMPUTER CABINET												
000084	000	01/01/05	417	SLMM	P 10 00	0	417	00/00/00	0	42	42	42
NEW CHAIRS & FILE CABINET												
000085	000	01/01/05	76	SLMM	P 10 00	0	76	00/00/00	0	8	8	8
COLOR OPTIC LIT DIS												
000086	000	01/01/05	5341	SLMM	P 15 00	0	5341	00/00/00	0	356	356	356

BUFFALO WOMENSERVICES - CON PROJ
DEPRECIATION EXPENSE REPORT

as of 12/31/2005

SYS No	Ext	In Svc Date	Acquired Value	Dep Meth	P Est T Life	Salvage 168(k)/179	Depreciable Basis	Prev Thru	Prior Accum Depreciation	Depreciation This Run	Current Year to Date	Curr Accum Depreciation Key
2 EXAMINATION TABLES												
000087	000	01/01/05	311	SLMM	P 10 00	0	311	00/00/00	0	31	31	31
FILE CABINET												
000088	000	01/01/05	278	SLMM	P 10 00	0	278	00/00/00	0	28	28	28
OFFICE FURNITURE												
000089	000	05/01/05	3894	SLMM	P 10 00	0	3894	00/00/00	0	260	260	260
PHONE SYSTEM												
000090	000	01/01/05	232	SLMM	P 05 00	0	232	00/00/00	0	46	46	46
HEADSETS & CONTROL UNITS - PHONE SYS												
000091	000	01/01/05	588	SLMM	P 05 00	0	588	00/00/00	0	118	118	118
SOUND SYSTEM												
000092	000	01/01/05	158	SLMM	P 05 00	0	158	00/00/00	0	32	32	32
RADIO EQUIPMENT												
000105	000	01/01/05	447	SLMM	P 15 00	0	447	00/00/00	0	30	30	30
3 CHAIRS FRONT OFFICE												
Count=	34	-----										
Class: F			30000			0	30000		0	2546	2546	2546
Less disposals and transfers												
			0			0	0		0			0

Net			30000			0	30000		0	2546	2546	2546
000014	000	01/01/05	1631	SLMM	R 08 00	0	1631	00/00/00	0	204	204	204
FENCE - WOOD												
000062	000	01/01/05	127	SLMM	P 10 10	0	127	00/00/00	0	12	12	12
SIGNS												
000074	000	01/01/05	88	SLMM	P 10 00	0	88	00/00/00	0	9	9	9
OUTDOOR SIGN												
000099	000	01/01/05	153	SLMM	R 02 00	0	153	00/00/00	0	77	77	77
SEAL COAT PARKING LOT												
Count=	4	-----										
Class: LD			2000			0	2000		0	301	301	301
Less disposals and transfers												
			0			0	0		0			0

Net			2000			0	2000		0	301	301	301
000001	000	01/01/05	46	SLMM	R 05 00	0	46	00/00/00	0	9	9	9
WALLCOVERING												
000002	000	01/01/05	512	SLMM	R 05 00	0	512	00/00/00	0	102	102	102
WALLCOVERING												
000003	000	01/01/05	114	SLMM	R 15 00	0	114	00/00/00	0	8	8	8
WIRING												
000004	000	01/01/05	159	SLMM	R 05 00	0	159	00/00/00	0	32	32	32

BUFFALO WOMENSERVICES - CON PROJ
DEPRECIATION EXPENSE REPORT

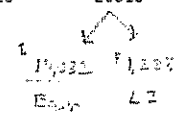
as of 12/31/2005

SYS No	Ext	In Svc Date	Acquired Value	Dep Meth	P Est T Life	Salvage 168(k)/179	Depreciable Basis	Prev Thru	Prior Accum Depreciation	Depreciation This Run	Current Year to Date	Curr Accum Depreciation Key	
PAINT/WALL PAPERING													
000005	000	01/01/05	287	SLMM	R 05 00	0	287	00/00/00	0	57	57	57	
WALLCOVERING													
000006	000	01/01/05	66	SLMM	R 05 00	0	66	00/00/00	0	13	13	13	
PAINT/WALLPAPERING													
000007	000	01/01/05	496	SLMM	R 05 00	0	496	00/00/00	0	99	99	99	
PAINTING													
000008	000	01/01/05	134	SLMM	R 20 00	0	134	00/00/00	0	7	7	7	
WIRING													
000009	000	01/01/05	1669	SLMM	R 15 00	0	1669	00/00/00	0	111	111	111	
REMODLING - INTERIOR FINISHES													
000010	000	01/01/05	60	SLMM	R 05 00	0	60	00/00/00	0	12	12	12	
PAINTING													
000011	000	01/01/05	308	SLMM	R 10 00	0	308	00/00/00	0	31	31	31	
VINYL FLOORS													
000012	000	01/01/05	26	SLMM	R 15 00	0	26	00/00/00	0	2	2	2	
REMODELING - INTERIOR FINISHES													
000013	000	01/01/05	234	SLMM	R 15 00	0	234	00/00/00	0	16	16	16	
NURSE'S STATION - BUILT IN													
000015	000	01/01/05	357	SLMM	R 15 00	0	357	00/00/00	0	24	24	24	
OFFICE REMODELING - INTERIOR FINISHES													
000016	000	01/01/05	520	SLMM	R 05 00	0	520	00/00/00	0	104	104	104	
CARPETS													
000017	000	01/01/05	142	SLMM	P 20 00	0	142	00/00/00	0	7	7	7	
STEEL DOOR AND JAM													
000018	000	01/01/05	779	SLMM	P 05 00	0	779	00/00/00	0	156	156	156	
CARPETING													
000019	000	01/01/05	489	SLMM	R 20 00	0	489	00/00/00	0	24	24	24	
TILE FLOOR													
000094	000	01/01/05	43	SLMM	P 05 00	0	43	00/00/00	0	9	9	9	
WALLPAPER													
000095	000	01/01/05	461	SLMM	P 15 00	0	461	00/00/00	0	31	31	31	
FLOOR MOLDINGS													
000096	000	01/01/05	223	SLMM	R 15 00	0	223	00/00/00	0	15	15	15	
OUTSIDE WOOD SQUARES													
000097	000	01/01/05	266	SLMM	P 05 00	0	266	00/00/00	0	53	53	53	
WALLPAPER													
000098	000	01/01/05	610	SLMM	P 10 00	0	610	00/00/00	0	61	61	61	
VINYL FLOOR													
Count=		23											
Class: LI													
			8000			0	8000			0	982	982	982
Less disposals and transfers													
			0			0	0			0			0
Net			8000			0	8000			0	982	982	982

BUFFALO WOMENSERVICES - CON PROJ DEPRECIATION EXPENSE REPORT

as of 12/31/2005

SYS No	Ext	In Svc Date	Acquired Value	Dep Meth	P Est T Life	Salvage 168(k)/179	Depreciable Basis	Prev Thru	Prior Accum Depreciation	Depreciation This Run	Current Year to Date	Curr Accum Depreciation Key
000033	000	01/01/05	1711	SLMM	P 10 00	0	1711	00/00/00	0	171	171	171
INSTURMENTS												
000034	000	01/01/05	370	SLMM	P 10 00	0	370	00/00/00	0	37	37	37
REFRIGERATOR												
000035	000	01/01/05	386	SLMM	P 05 00	0	386	00/00/00	0	77	77	77
2 WAY RADIOS												
000036	000	01/01/05	913	SLMM	P 05 00	0	913	00/00/00	0	182	182	182
CAMCORDER												
000037	000	01/01/05	259	SLMM	P 10 00	0	259	00/00/00	0	26	26	26
2 REFRIGERATORS												
000038	000	01/01/05	963	SLMM	P 10 00	0	963	00/00/00	0	96	96	96
WASHER & DRYER												
000042	000	01/01/05	17516	SLMM	P 05 00	0	17516	00/00/00	0	3503	3503	3503
UNIVERSAL ULTRA SOUND MACHINE												
000043	000	01/01/05	4609	SLMM	P 05 00	0	4609	00/00/00	0	922	922	922
RECOVERY CHAIRS												
000044	000	01/01/05	2892	SLMM	P 05 00	0	2892	00/00/00	0	578	578	578
AUTO DEFIBULATOR												
000045	000	01/01/05	675	SLMM	P 05 00	0	675	00/00/00	0	135	135	135
STATION CARD												
000046	000	01/01/05	2700	SLMM	P 10 00	0	2700	00/00/00	0	270	270	270
AUTOCLAVE MACHINE												
000047	000	01/01/05	978	SLMM	P 05 00	0	978	00/00/00	0	196	196	196
COLUMBIA DIAGNOSTICS												
000048	000	01/01/05	3761	SLMM	P 05 00	0	3761	00/00/00	0	752	752	752
NEW BOARD ON SONO MACHINE												
000049	000	01/01/05	1779	SLMM	P 05 00	0	1779	00/00/00	0	356	356	356
ZOETEK MEDICAL												
000050	000	01/01/05	488	SLMM	P 05 00	0	488	00/00/00	0	98	98	98
SHREDDER MACHINE												
Count= 15			-----									
Class: ME			-----									
			40000			0	40000		0	7400	7400	7400
Less disposals and transfers			-----									
			0			0	0		0			0
Net			-----									
			40000			0	40000		0	7400	7400	7400
Count= 106			-----									
Grand Total			-----									
			139000			0	139000		0	20315	20315	20315
Less disposals and transfers			-----									
			0			0	0		0			0
Net			-----									
			139000			0	139000		0	20315	20315	20315



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BUFFALO WOMENSERVICES - CON PROJ DEPRECIATION EXPENSE REPORT

as of 12/31/2005

SYS No Ext	In Svc Date	Acquired Value	Dep Meth	P Est T Life	Salvage 168(k)/179	Depreciable Basis	Prev Thru	Prior Accum Depreciation	Depreciation This Run	Current Year to Date	Curr Accum Depreciation Key
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----- Calculation Assumptions -----

Book	Short Years	Midquarter Convention	Adjustment Convention	Include Sec 168(k) Allow & Sec 179
PURCHASE	[N]	[N]	None	[Y]

----- Asset Grouping/Sorting -----

Group: Active Assets

Include Assets that meet the following conditions:

Activity is currently A,D,F,J,K,L,M,N

Sort Assets by:

Class in ascending order and report subtotals

ATTACHMENT 13C-3

INTEREST EXPENSE

BUFFALO WOMENSERVICES LLC
INTEREST EXPENSE - PROJECTED FINANCIAL STATEMENTS

<u>Description</u>	<u>Loan</u>	<u>Term</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Working Capital						
Line of Credit	\$ 75,000	4 Yrs.	\$ 3,609	\$ 3,467	\$ 2,204	\$ 869
Revolver/Term Loan	75,000	7 Yrs.	3,577	3,520	3,016	2,491
Assets & Goodwill						
Note Payable - [REDACTED]	[REDACTED]	5 Yrs	[REDACTED]			
Note Payable - [REDACTED]	[REDACTED]	5 Yrs *	[REDACTED]			
Note Payable - 1st Corp Note	58,500	5 Yrs	2,094	1,842	1,361	861
Note Payable - 2nd Corp Note	58,500	5 Yrs *	-	-	-	-
			<u>\$ 23,297</u>	<u>\$ 21,161</u>	<u>\$ 15,693</u>	<u>\$ 9,979</u>

* These notes will commence on the fifth anniversary date of the asset sale.

Line of Credit - Working Capital

Compound Period : Monthly

Nominal Annual Rate : 5.250 %

CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
1 Loan	01/01/2005	75,000.00	1		
2 Payment	02/01/2005	Interest Only	12	Monthly	01/01/2006
3 Payment	02/01/2006	2,256.25	36	Monthly	01/01/2009

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	01/01/2005				75,000.00
1	02/01/2005	328.13	328.13	0.00	75,000.00
2	03/01/2005	328.13	328.13	0.00	75,000.00
3	04/01/2005	328.13	328.13	0.00	75,000.00
4	05/01/2005	328.13	328.13	0.00	75,000.00
5	06/01/2005	328.13	328.13	0.00	75,000.00
6	07/01/2005	328.13	328.13	0.00	75,000.00
7	08/01/2005	328.13	328.13	0.00	75,000.00
8	09/01/2005	328.13	328.13	0.00	75,000.00
9	10/01/2005	328.13	328.13	0.00	75,000.00
10	11/01/2005	328.13	328.13	0.00	75,000.00
11	12/01/2005	328.13	328.13	0.00	75,000.00
2005 Totals		3,609.43	3,609.43	0.00	
12	01/01/2006	328.13	328.13	0.00	75,000.00
13	02/01/2006	2,256.25	328.13	1,928.12	73,071.88
14	03/01/2006	2,256.25	319.69	1,936.56	71,135.32
15	04/01/2006	2,256.25	311.22	1,945.03	69,190.29
16	05/01/2006	2,256.25	302.71	1,953.54	67,236.75
17	06/01/2006	2,256.25	294.16	1,962.09	65,274.66
18	07/01/2006	2,256.25	285.58	1,970.67	63,303.99
19	08/01/2006	2,256.25	276.95	1,979.30	61,324.69
20	09/01/2006	2,256.25	268.30	1,987.95	59,336.74
21	10/01/2006	2,256.25	259.60	1,996.65	57,340.09
22	11/01/2006	2,256.25	250.86	2,005.39	55,334.70
23	12/01/2006	2,256.25	242.09	2,014.16	53,320.54
2006 Totals		25,146.88	3,467.42	21,679.46	
24	01/01/2007	2,256.25	233.28	2,022.97	51,297.57
25	02/01/2007	2,256.25	224.43	2,031.82	49,265.75
26	03/01/2007	2,256.25	215.54	2,040.71	47,225.04
27	04/01/2007	2,256.25	206.61	2,049.64	45,175.40
28	05/01/2007	2,256.25	197.64	2,058.61	43,116.79
29	06/01/2007	2,256.25	188.64	2,067.61	41,049.18
30	07/01/2007	2,256.25	179.59	2,076.66	38,972.52

Line of Credit - Working Capital

	Date	Payment	Interest	Principal	Balance
	31 08/01/2007	2,256.25	170.50	2,085.75	36,886.77
	32 09/01/2007	2,256.25	161.38	2,094.87	34,791.90
	33 10/01/2007	2,256.25	152.21	2,104.04	32,687.86
	34 11/01/2007	2,256.25	143.01	2,113.24	30,574.62
	35 12/01/2007	2,256.25	133.76	2,122.49	28,452.13
	2007 Totals	27,075.00	2,206.59	24,868.41	
	36 01/01/2008	2,256.25	124.48	2,131.77	26,320.36
	37 02/01/2008	2,256.25	115.15	2,141.10	24,179.26
	38 03/01/2008	2,256.25	105.78	2,150.47	22,028.79
	39 04/01/2008	2,256.25	96.38	2,159.87	19,868.92
	40 05/01/2008	2,256.25	86.93	2,169.32	17,699.60
	41 06/01/2008	2,256.25	77.44	2,178.81	15,520.79
	42 07/01/2008	2,256.25	67.90	2,188.35	13,332.44
	43 08/01/2008	2,256.25	58.33	2,197.92	11,134.52
	44 09/01/2008	2,256.25	48.71	2,207.54	8,926.98
	45 10/01/2008	2,256.25	39.06	2,217.19	6,709.79
	46 11/01/2008	2,256.25	29.36	2,226.89	4,482.90
	47 12/01/2008	2,256.25	19.61	2,236.64	2,246.26
	2008 Totals	27,075.00	869.13	26,205.87	
	48 01/01/2009	2,256.25	9.99	2,246.26	0.00
	2009 Totals	2,256.25	9.99	2,246.26	
	Grand Totals	85,162.56	10,162.56	75,000.00	

 Revolver/Term

Compound Period : Monthly

Nominal Annual Rate : 5.250 %

CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
1 Loan	01/01/2005	75,000.00	1		
2 Payment	02/01/2005	Interest Only	6	Monthly	07/01/2005
3 Payment	08/01/2005	1,068.88	84	Monthly	07/01/2012

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	01/01/2005				75,000.00
1	02/01/2005	328.13	328.13	0.00	75,000.00
2	03/01/2005	328.13	328.13	0.00	75,000.00
3	04/01/2005	328.13	328.13	0.00	75,000.00
4	05/01/2005	328.13	328.13	0.00	75,000.00
5	06/01/2005	328.13	328.13	0.00	75,000.00
6	07/01/2005	328.13	328.13	0.00	75,000.00
7	08/01/2005	1,068.88	328.13	740.75	74,259.25
8	09/01/2005	1,068.88	324.88	744.00	73,515.25
9	10/01/2005	1,068.88	321.63	747.25	72,768.00
10	11/01/2005	1,068.88	318.36	750.52	72,017.48
11	12/01/2005	1,068.88	315.08	753.80	71,263.68
2005 Totals		7,313.18	3,576.86	3,736.32	
12	01/01/2006	1,068.88	311.78	757.10	70,506.58
13	02/01/2006	1,068.88	308.47	760.41	69,746.17
14	03/01/2006	1,068.88	305.14	763.74	68,982.43
15	04/01/2006	1,068.88	301.80	767.08	68,215.35
16	05/01/2006	1,068.88	298.44	770.44	67,444.91
17	06/01/2006	1,068.88	295.07	773.81	66,671.10
18	07/01/2006	1,068.88	291.69	777.19	65,893.91
19	08/01/2006	1,068.88	288.29	780.59	65,113.32
20	09/01/2006	1,068.88	284.87	784.01	64,329.31
21	10/01/2006	1,068.88	281.44	787.44	63,541.87
22	11/01/2006	1,068.88	278.00	790.88	62,750.99
23	12/01/2006	1,068.88	274.54	794.34	61,956.65
2006 Totals		12,826.56	3,519.53	9,307.03	
24	01/01/2007	1,068.88	271.06	797.82	61,158.83
25	02/01/2007	1,068.88	267.57	801.31	60,357.52
26	03/01/2007	1,068.88	264.06	804.82	59,552.70
27	04/01/2007	1,068.88	260.54	808.34	58,744.36
28	05/01/2007	1,068.88	257.01	811.87	57,932.49
29	06/01/2007	1,068.88	253.45	815.43	57,117.06
30	07/01/2007	1,068.88	249.89	818.99	56,298.07

Revolver/Term

	Date	Payment	Interest	Principal	Balance
	31 08/01/2007	1,068.88	246.30	822.58	55,475.49
	32 09/01/2007	1,068.88	242.71	826.17	54,649.32
	33 10/01/2007	1,068.88	239.09	829.79	53,819.53
	34 11/01/2007	1,068.88	235.46	833.42	52,986.11
	35 12/01/2007	1,068.88	231.81	837.07	52,149.04
	2007 Totals	12,826.56	3,018.95	9,807.61	
	36 01/01/2008	1,068.88	228.15	840.73	51,308.31
	37 02/01/2008	1,068.88	224.47	844.41	50,463.90
	38 03/01/2008	1,068.88	220.78	848.10	49,615.80
	39 04/01/2008	1,068.88	217.07	851.81	48,763.99
	40 05/01/2008	1,068.88	213.34	855.54	47,908.45
	41 06/01/2008	1,068.88	209.60	859.28	47,049.17
	42 07/01/2008	1,068.88	205.84	863.04	46,186.13
	43 08/01/2008	1,068.88	202.06	866.82	45,319.31
	44 09/01/2008	1,068.88	198.27	870.61	44,448.70
	45 10/01/2008	1,068.88	194.46	874.42	43,574.28
	46 11/01/2008	1,068.88	190.64	878.24	42,696.04
	47 12/01/2008	1,068.88	186.80	882.08	41,813.96
	2008 Totals	12,826.56	2,491.48	10,335.08	
	48 01/01/2009	1,068.88	182.94	885.94	40,928.02
	49 02/01/2009	1,068.88	179.06	889.82	40,038.20
	50 03/01/2009	1,068.88	175.17	893.71	39,144.49
	51 04/01/2009	1,068.88	171.26	897.62	38,246.87
	52 05/01/2009	1,068.88	167.33	901.55	37,345.32
	53 06/01/2009	1,068.88	163.39	905.49	36,439.83
	54 07/01/2009	1,068.88	159.42	909.46	35,530.37
	55 08/01/2009	1,068.88	155.45	913.43	34,616.94
	56 09/01/2009	1,068.88	151.45	917.43	33,699.51
	57 10/01/2009	1,068.88	147.44	921.44	32,778.07
	58 11/01/2009	1,068.88	143.40	925.48	31,852.59
	59 12/01/2009	1,068.88	139.36	929.52	30,923.07
	2009 Totals	12,826.56	1,935.67	10,890.89	
	60 01/01/2010	1,068.88	135.29	933.59	29,989.48
	61 02/01/2010	1,068.88	131.20	937.68	29,051.80
	62 03/01/2010	1,068.88	127.10	941.78	28,110.02
	63 04/01/2010	1,068.88	122.98	945.90	27,164.12
	64 05/01/2010	1,068.88	118.84	950.04	26,214.08
	65 06/01/2010	1,068.88	114.69	954.19	25,259.89
	66 07/01/2010	1,068.88	110.51	958.37	24,301.52
	67 08/01/2010	1,068.88	106.32	962.56	23,338.96
	68 09/01/2010	1,068.88	102.11	966.77	22,372.19
	69 10/01/2010	1,068.88	97.88	971.00	21,401.19
	70 11/01/2010	1,068.88	93.63	975.25	20,425.94
	71 12/01/2010	1,068.88	89.36	979.52	19,446.42
	2010 Totals	12,826.56	1,349.91	11,476.65	

 Revolver/Term

	Date	Payment	Interest	Principal	Balance
	72 01/01/2011	1,068.88	85.08	983.80	18,462.62
	73 02/01/2011	1,068.88	80.77	988.11	17,474.51
	74 03/01/2011	1,068.88	76.45	992.43	16,482.08
	75 04/01/2011	1,068.88	72.11	996.77	15,485.31
	76 05/01/2011	1,068.88	67.75	1,001.13	14,484.18
	77 06/01/2011	1,068.88	63.37	1,005.51	13,478.67
	78 07/01/2011	1,068.88	58.97	1,009.91	12,468.76
	79 08/01/2011	1,068.88	54.55	1,014.33	11,454.43
	80 09/01/2011	1,068.88	50.11	1,018.77	10,435.66
	81 10/01/2011	1,068.88	45.66	1,023.22	9,412.44
	82 11/01/2011	1,068.88	41.18	1,027.70	8,384.74
	83 12/01/2011	1,068.88	36.68	1,032.20	7,352.54
	2011 Totals	12,826.56	732.68	12,093.88	
	84 01/01/2012	1,068.88	32.17	1,036.71	6,315.83
	85 02/01/2012	1,068.88	27.63	1,041.25	5,274.58
	86 03/01/2012	1,068.88	23.08	1,045.80	4,228.78
	87 04/01/2012	1,068.88	18.50	1,050.38	3,178.40
	88 05/01/2012	1,068.88	13.91	1,054.97	2,123.43
	89 06/01/2012	1,068.88	9.29	1,059.59	1,063.84
	90 07/01/2012	1,068.88	5.04	1,063.84	0.00
	2012 Totals	7,482.16	129.62	7,352.54	
	Grand Totals	91,754.70	16,754.70	75,000.00	

Note

Compound Period : Monthly

Nominal Annual Rate : 4.226 %

CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
1 Loan	01/01/2005	391,500.00	1		
2 Payment	02/01/2005	7,250.07	60	Monthly	01/01/2010

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	01/01/2005				391,500.00
1	02/01/2005	7,250.07	1,378.73	5,871.34	385,628.66
2	03/01/2005	7,250.07	1,358.06	5,892.01	379,736.65
3	04/01/2005	7,250.07	1,337.31	5,912.76	373,823.89
4	05/01/2005	7,250.07	1,316.48	5,933.59	367,890.30
5	06/01/2005	7,250.07	1,295.59	5,954.48	361,935.82
6	07/01/2005	7,250.07	1,274.62	5,975.45	355,960.37
7	08/01/2005	7,250.07	1,253.57	5,996.50	349,963.87
8	09/01/2005	7,250.07	1,232.46	6,017.61	343,946.26
9	10/01/2005	7,250.07	1,211.26	6,038.81	337,907.45
10	11/01/2005	7,250.07	1,190.00	6,060.07	331,847.38
11	12/01/2005	7,250.07	1,168.66	6,081.41	325,765.97
2005 Totals		79,750.77	14,016.74	65,734.03	
12	01/01/2006	7,250.07	1,147.24	6,102.83	319,663.14
13	02/01/2006	7,250.07	1,125.75	6,124.32	313,538.82
14	03/01/2006	7,250.07	1,104.18	6,145.89	307,392.93
15	04/01/2006	7,250.07	1,082.54	6,167.53	301,225.40
16	05/01/2006	7,250.07	1,060.82	6,189.25	295,036.15
17	06/01/2006	7,250.07	1,039.02	6,211.05	288,825.10
18	07/01/2006	7,250.07	1,017.15	6,232.92	282,592.18
19	08/01/2006	7,250.07	995.20	6,254.87	276,337.31
20	09/01/2006	7,250.07	973.17	6,276.90	270,060.41
21	10/01/2006	7,250.07	951.06	6,299.01	263,761.40
22	11/01/2006	7,250.07	928.88	6,321.19	257,440.21
23	12/01/2006	7,250.07	906.62	6,343.45	251,096.76
2006 Totals		87,000.84	12,331.63	74,669.21	
24	01/01/2007	7,250.07	884.28	6,365.79	244,730.97
25	02/01/2007	7,250.07	861.86	6,388.21	238,342.76
26	03/01/2007	7,250.07	839.36	6,410.71	231,932.05
27	04/01/2007	7,250.07	816.79	6,433.28	225,498.77
28	05/01/2007	7,250.07	794.13	6,455.94	219,042.83
29	06/01/2007	7,250.07	771.40	6,478.67	212,564.16
30	07/01/2007	7,250.07	748.58	6,501.49	206,062.67
31	08/01/2007	7,250.07	725.68	6,524.39	199,538.28

Note

	Date	Payment	Interest	Principal	Balance
	32 09/01/2007	7,250.07	702.71	6,547.36	192,990.92
	33 10/01/2007	7,250.07	679.65	6,570.42	186,420.50
	34 11/01/2007	7,250.07	656.51	6,593.56	179,826.94
	35 12/01/2007	7,250.07	633.29	6,616.78	173,210.16
	2007 Totals	87,000.84	9,114.24	77,886.60	
	36 01/01/2008	7,250.07	609.99	6,640.08	166,570.08
	37 02/01/2008	7,250.07	586.60	6,663.47	159,906.61
	38 03/01/2008	7,250.07	563.14	6,686.93	153,219.68
	39 04/01/2008	7,250.07	539.59	6,710.48	146,509.20
	40 05/01/2008	7,250.07	515.96	6,734.11	139,775.09
	41 06/01/2008	7,250.07	492.24	6,757.83	133,017.26
	42 07/01/2008	7,250.07	468.44	6,781.63	126,235.63
	43 08/01/2008	7,250.07	444.56	6,805.51	119,430.12
	44 09/01/2008	7,250.07	420.59	6,829.48	112,600.64
	45 10/01/2008	7,250.07	396.54	6,853.53	105,747.11
	46 11/01/2008	7,250.07	372.41	6,877.66	98,869.45
	47 12/01/2008	7,250.07	348.19	6,901.88	91,967.57
	2008 Totals	87,000.84	5,758.25	81,242.59	
	48 01/01/2009	7,250.07	323.88	6,926.19	85,041.38
	49 02/01/2009	7,250.07	299.49	6,950.58	78,090.80
	50 03/01/2009	7,250.07	275.01	6,975.06	71,115.74
	51 04/01/2009	7,250.07	250.45	6,999.62	64,116.12
	52 05/01/2009	7,250.07	225.80	7,024.27	57,091.85
	53 06/01/2009	7,250.07	201.06	7,049.01	50,042.84
	54 07/01/2009	7,250.07	176.23	7,073.84	42,969.00
	55 08/01/2009	7,250.07	151.32	7,098.75	35,870.25
	56 09/01/2009	7,250.07	126.32	7,123.75	28,746.50
	57 10/01/2009	7,250.07	101.24	7,148.83	21,597.67
	58 11/01/2009	7,250.07	76.06	7,174.01	14,423.66
	59 12/01/2009	7,250.07	50.80	7,199.27	7,224.39
	2009 Totals	87,000.84	2,257.66	84,743.18	
	60 01/01/2010	7,250.07	25.68	7,224.39	0.00
	2010 Totals	7,250.07	25.68	7,224.39	
	Grand Totals	435,004.20	43,504.20	391,500.00	

██████ Note

Compound Period : Monthly

Nominal Annual Rate : 5.000 %

CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
1 Loan	01/01/2010	391,500.00	1		
2 Payment	02/01/2010	7,388.09	60	Monthly	01/01/2015

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	01/01/2010				391,500.00
1	02/01/2010	7,388.09	1,631.25	5,756.84	385,743.16
2	03/01/2010	7,388.09	1,607.26	5,780.83	379,962.33
3	04/01/2010	7,388.09	1,583.18	5,804.91	374,157.42
4	05/01/2010	7,388.09	1,558.99	5,829.10	368,328.32
5	06/01/2010	7,388.09	1,534.70	5,853.39	362,474.93
6	07/01/2010	7,388.09	1,510.31	5,877.78	356,597.15
7	08/01/2010	7,388.09	1,485.82	5,902.27	350,694.88
8	09/01/2010	7,388.09	1,461.23	5,926.86	344,768.02
9	10/01/2010	7,388.09	1,436.53	5,951.56	338,816.46
10	11/01/2010	7,388.09	1,411.74	5,976.35	332,840.11
11	12/01/2010	7,388.09	1,386.83	6,001.26	326,838.85
2010 Totals		81,268.99	16,607.84	64,661.15	
12	01/01/2011	7,388.09	1,361.83	6,026.26	320,812.59
13	02/01/2011	7,388.09	1,336.72	6,051.37	314,761.22
14	03/01/2011	7,388.09	1,311.51	6,076.58	308,684.64
15	04/01/2011	7,388.09	1,286.19	6,101.90	302,582.74
16	05/01/2011	7,388.09	1,260.76	6,127.33	296,455.41
17	06/01/2011	7,388.09	1,235.23	6,152.86	290,302.55
18	07/01/2011	7,388.09	1,209.59	6,178.50	284,124.05
19	08/01/2011	7,388.09	1,183.85	6,204.24	277,919.81
20	09/01/2011	7,388.09	1,158.00	6,230.09	271,689.72
21	10/01/2011	7,388.09	1,132.04	6,256.05	265,433.67
22	11/01/2011	7,388.09	1,105.97	6,282.12	259,151.55
23	12/01/2011	7,388.09	1,079.80	6,308.29	252,843.26
2011 Totals		88,657.08	14,661.49	73,995.59	
24	01/01/2012	7,388.09	1,053.51	6,334.58	246,508.68
25	02/01/2012	7,388.09	1,027.12	6,360.97	240,147.71
26	03/01/2012	7,388.09	1,000.62	6,387.47	233,760.24
27	04/01/2012	7,388.09	974.00	6,414.09	227,346.15
28	05/01/2012	7,388.09	947.28	6,440.81	220,905.34
29	06/01/2012	7,388.09	920.44	6,467.65	214,437.69
30	07/01/2012	7,388.09	893.49	6,494.60	207,943.09
31	08/01/2012	7,388.09	866.43	6,521.66	201,421.43

Note

Date	Payment	Interest	Principal	Balance
32 09/01/2012	7,388.09	839.26	6,548.83	194,872.60
33 10/01/2012	7,388.09	811.97	6,576.12	188,296.48
34 11/01/2012	7,388.09	784.57	6,603.52	181,692.96
35 12/01/2012	7,388.09	757.05	6,631.04	175,061.92
2012 Totals	88,657.08	10,875.74	77,781.34	
36 01/01/2013	7,388.09	729.42	6,658.67	168,403.25
37 02/01/2013	7,388.09	701.68	6,686.41	161,716.84
38 03/01/2013	7,388.09	673.82	6,714.27	155,002.57
39 04/01/2013	7,388.09	645.84	6,742.25	148,260.32
40 05/01/2013	7,388.09	617.75	6,770.34	141,489.98
41 06/01/2013	7,388.09	589.54	6,798.55	134,691.43
42 07/01/2013	7,388.09	561.21	6,826.88	127,864.55
43 08/01/2013	7,388.09	532.77	6,855.32	121,009.23
44 09/01/2013	7,388.09	504.21	6,883.88	114,125.35
45 10/01/2013	7,388.09	475.52	6,912.57	107,212.78
46 11/01/2013	7,388.09	446.72	6,941.37	100,271.41
47 12/01/2013	7,388.09	417.80	6,970.29	93,301.12
2013 Totals	88,657.08	6,896.28	81,760.80	
48 01/01/2014	7,388.09	388.75	6,999.34	86,301.78
49 02/01/2014	7,388.09	359.59	7,028.50	79,273.28
50 03/01/2014	7,388.09	330.31	7,057.78	72,215.50
51 04/01/2014	7,388.09	300.90	7,087.19	65,128.31
52 05/01/2014	7,388.09	271.37	7,116.72	58,011.59
53 06/01/2014	7,388.09	241.71	7,146.38	50,865.21
54 07/01/2014	7,388.09	211.94	7,176.15	43,689.06
55 08/01/2014	7,388.09	182.04	7,206.05	36,483.01
56 09/01/2014	7,388.09	152.01	7,236.08	29,246.93
57 10/01/2014	7,388.09	121.86	7,266.23	21,980.70
58 11/01/2014	7,388.09	91.59	7,296.50	14,684.20
59 12/01/2014	7,388.09	61.18	7,326.91	7,357.29
2014 Totals	88,657.08	2,713.25	85,943.83	
60 01/01/2015	7,388.09	30.80	7,357.29	0.00
2015 Totals	7,388.09	30.80	7,357.29	
Grand Totals	443,285.40	51,785.40	391,500.00	

Purchased Assets - Note 1

Compound Period : Monthly

Nominal Annual Rate : 4.226 %

CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
1 Loan	01/01/2005	58,500.00	1		
2 Payment	02/01/2005	1,083.34	60	Monthly	01/01/2010

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	01/01/2005				58,500.00
1	02/01/2005	1,083.34	206.02	877.32	57,622.68
2	03/01/2005	1,083.34	202.93	880.41	56,742.27
3	04/01/2005	1,083.34	199.83	883.51	55,858.76
4	05/01/2005	1,083.34	196.72	886.62	54,972.14
5	06/01/2005	1,083.34	193.59	889.75	54,082.39
6	07/01/2005	1,083.34	190.46	892.88	53,189.51
7	08/01/2005	1,083.34	187.32	896.02	52,293.49
8	09/01/2005	1,083.34	184.16	899.18	51,394.31
9	10/01/2005	1,083.34	180.99	902.35	50,491.96
10	11/01/2005	1,083.34	177.82	905.52	49,586.44
11	12/01/2005	1,083.34	174.63	908.71	48,677.73
2005 Totals		11,916.74	2,094.47	9,822.27	
12	01/01/2006	1,083.34	171.43	911.91	47,765.82
13	02/01/2006	1,083.34	168.22	915.12	46,850.70
14	03/01/2006	1,083.34	164.99	918.35	45,932.35
15	04/01/2006	1,083.34	161.76	921.58	45,010.77
16	05/01/2006	1,083.34	158.51	924.83	44,085.94
17	06/01/2006	1,083.34	155.26	928.08	43,157.86
18	07/01/2006	1,083.34	151.99	931.35	42,226.51
19	08/01/2006	1,083.34	148.71	934.63	41,291.88
20	09/01/2006	1,083.34	145.42	937.92	40,353.96
21	10/01/2006	1,083.34	142.11	941.23	39,412.73
22	11/01/2006	1,083.34	138.80	944.54	38,468.19
23	12/01/2006	1,083.34	135.47	947.87	37,520.32
2006 Totals		13,000.08	1,842.67	11,157.41	
24	01/01/2007	1,083.34	132.13	951.21	36,569.11
25	02/01/2007	1,083.34	128.78	954.56	35,614.55
26	03/01/2007	1,083.34	125.42	957.92	34,656.63
27	04/01/2007	1,083.34	122.05	961.29	33,695.34
28	05/01/2007	1,083.34	118.66	964.68	32,730.66
29	06/01/2007	1,083.34	115.27	968.07	31,762.59
30	07/01/2007	1,083.34	111.86	971.48	30,791.11
31	08/01/2007	1,083.34	108.44	974.90	29,816.21

Purchased Assets - Note 1

	Date	Payment	Interest	Principal	Balance
	32 09/01/2007	1,083.34	105.00	978.34	28,837.87
	33 10/01/2007	1,083.34	101.56	981.78	27,856.09
	34 11/01/2007	1,083.34	98.10	985.24	26,870.85
	35 12/01/2007	1,083.34	94.63	988.71	25,882.14
	2007 Totals	13,000.08	1,361.90	11,638.18	
	36 01/01/2008	1,083.34	91.15	992.19	24,889.95
	37 02/01/2008	1,083.34	87.65	995.69	23,894.26
	38 03/01/2008	1,083.34	84.15	999.19	22,895.07
	39 04/01/2008	1,083.34	80.63	1,002.71	21,892.36
	40 05/01/2008	1,083.34	77.10	1,006.24	20,886.12
	41 06/01/2008	1,083.34	73.55	1,009.79	19,876.33
	42 07/01/2008	1,083.34	70.00	1,013.34	18,862.99
	43 08/01/2008	1,083.34	66.43	1,016.91	17,846.08
	44 09/01/2008	1,083.34	62.85	1,020.49	16,825.59
	45 10/01/2008	1,083.34	59.25	1,024.09	15,801.50
	46 11/01/2008	1,083.34	55.65	1,027.69	14,773.81
	47 12/01/2008	1,083.34	52.03	1,031.31	13,742.50
	2008 Totals	13,000.08	860.44	12,139.64	
	48 01/01/2009	1,083.34	48.40	1,034.94	12,707.56
	49 02/01/2009	1,083.34	44.75	1,038.59	11,668.97
	50 03/01/2009	1,083.34	41.09	1,042.25	10,626.72
	51 04/01/2009	1,083.34	37.42	1,045.92	9,580.80
	52 05/01/2009	1,083.34	33.74	1,049.60	8,531.20
	53 06/01/2009	1,083.34	30.04	1,053.30	7,477.90
	54 07/01/2009	1,083.34	26.33	1,057.01	6,420.89
	55 08/01/2009	1,083.34	22.61	1,060.73	5,360.16
	56 09/01/2009	1,083.34	18.88	1,064.46	4,295.70
	57 10/01/2009	1,083.34	15.13	1,068.21	3,227.49
	58 11/01/2009	1,083.34	11.37	1,071.97	2,155.52
	59 12/01/2009	1,083.34	7.59	1,075.75	1,079.77
	2009 Totals	13,000.08	337.35	12,662.73	
	60 01/01/2010	1,083.34	3.57	1,079.77	0.00
	2010 Totals	1,083.34	3.57	1,079.77	
	Grand Totals	65,000.40	6,500.40	58,500.00	

Purchased Assets - Note 2

Compound Period : Monthly

Nominal Annual Rate : 5.000 %

CASH FLOW DATA

Event	Date	Amount	Number	Period	End Date
1 Loan	01/01/2010	58,500.00	1		
2 Payment	02/01/2010	1,103.97	60	Monthly	01/01/2015

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	01/01/2010				58,500.00
1	02/01/2010	1,103.97	243.75	860.22	57,639.78
2	03/01/2010	1,103.97	240.17	863.80	56,775.98
3	04/01/2010	1,103.97	236.57	867.40	55,908.58
4	05/01/2010	1,103.97	232.95	871.02	55,037.56
5	06/01/2010	1,103.97	229.32	874.65	54,162.91
6	07/01/2010	1,103.97	225.68	878.29	53,284.62
7	08/01/2010	1,103.97	222.02	881.95	52,402.67
8	09/01/2010	1,103.97	218.34	885.63	51,517.04
9	10/01/2010	1,103.97	214.65	889.32	50,627.72
10	11/01/2010	1,103.97	210.95	893.02	49,734.70
11	12/01/2010	1,103.97	207.23	896.74	48,837.96
2010 Totals		12,143.67	2,481.63	9,662.04	
12	01/01/2011	1,103.97	203.49	900.48	47,937.48
13	02/01/2011	1,103.97	199.74	904.23	47,033.25
14	03/01/2011	1,103.97	195.97	908.00	46,125.25
15	04/01/2011	1,103.97	192.19	911.78	45,213.47
16	05/01/2011	1,103.97	188.39	915.58	44,297.89
17	06/01/2011	1,103.97	184.57	919.40	43,378.49
18	07/01/2011	1,103.97	180.74	923.23	42,455.26
19	08/01/2011	1,103.97	176.90	927.07	41,528.19
20	09/01/2011	1,103.97	173.03	930.94	40,597.25
21	10/01/2011	1,103.97	169.16	934.81	39,662.44
22	11/01/2011	1,103.97	165.26	938.71	38,723.73
23	12/01/2011	1,103.97	161.35	942.62	37,781.11
2011 Totals		13,247.64	2,190.79	11,056.85	
24	01/01/2012	1,103.97	157.42	946.55	36,834.56
25	02/01/2012	1,103.97	153.48	950.49	35,884.07
26	03/01/2012	1,103.97	149.52	954.45	34,929.62
27	04/01/2012	1,103.97	145.54	958.43	33,971.19
28	05/01/2012	1,103.97	141.55	962.42	33,008.77
29	06/01/2012	1,103.97	137.54	966.43	32,042.34
30	07/01/2012	1,103.97	133.51	970.46	31,071.88
31	08/01/2012	1,103.97	129.47	974.50	30,097.38

Purchased Assets - Note 2

Date	Payment	Interest	Principal	Balance
32 09/01/2012	1,103.97	125.41	978.56	29,118.82
33 10/01/2012	1,103.97	121.33	982.64	28,136.18
34 11/01/2012	1,103.97	117.23	986.74	27,149.44
35 12/01/2012	1,103.97	113.12	990.85	26,158.59
2012 Totals	13,247.64	1,625.12	11,622.52	
36 01/01/2013	1,103.97	108.99	994.98	25,163.61
37 02/01/2013	1,103.97	104.85	999.12	24,164.49
38 03/01/2013	1,103.97	100.69	1,003.28	23,161.21
39 04/01/2013	1,103.97	96.51	1,007.46	22,153.75
40 05/01/2013	1,103.97	92.31	1,011.66	21,142.09
41 06/01/2013	1,103.97	88.09	1,015.88	20,126.21
42 07/01/2013	1,103.97	83.86	1,020.11	19,106.10
43 08/01/2013	1,103.97	79.61	1,024.36	18,081.74
44 09/01/2013	1,103.97	75.34	1,028.63	17,053.11
45 10/01/2013	1,103.97	71.05	1,032.92	16,020.19
46 11/01/2013	1,103.97	66.75	1,037.22	14,982.97
47 12/01/2013	1,103.97	62.43	1,041.54	13,941.43
2013 Totals	13,247.64	1,030.48	12,217.16	
48 01/01/2014	1,103.97	58.09	1,045.88	12,895.55
49 02/01/2014	1,103.97	53.73	1,050.24	11,845.31
50 03/01/2014	1,103.97	49.36	1,054.61	10,790.70
51 04/01/2014	1,103.97	44.96	1,059.01	9,731.69
52 05/01/2014	1,103.97	40.55	1,063.42	8,668.27
53 06/01/2014	1,103.97	36.12	1,067.85	7,600.42
54 07/01/2014	1,103.97	31.67	1,072.30	6,528.12
55 08/01/2014	1,103.97	27.20	1,076.77	5,451.35
56 09/01/2014	1,103.97	22.71	1,081.26	4,370.09
57 10/01/2014	1,103.97	18.21	1,085.76	3,284.33
58 11/01/2014	1,103.97	13.68	1,090.29	2,194.04
59 12/01/2014	1,103.97	9.14	1,094.83	1,099.21
2014 Totals	13,247.64	405.42	12,842.22	
60 01/01/2015	1,103.97	4.76	1,099.21	0.00
2015 Totals	1,103.97	4.76	1,099.21	
Grand Totals	66,238.20	7,738.20	58,500.00	

N/A

Schedule 13 D: Annual Operating Revenues

For Establishment and/or Construction Requiring Full/Administrative Review

This schedule is to be used for all proposals except (a) establishment applications for RHCs and D&TCs, and (b) RCHC and D&TC applications which will increase total year current costs by more than 10%.

One schedule must be completed for the total project and one for each of the subprojects. Indicate which one is being reported by checking the appropriate box at the top of the schedule.

Use this schedule to summarize the current year's operating revenue, and the first and third year's incremental operating revenue for the categories that are affected by this project.

Table 1. Enter the current year data in column 1. This should represent the total revenue for the last complete year before submitting the application, using audited data.

Indicate in column 2 and column 3 respectively a projection of the first and third year incremental revenues (i.e., additional operating revenues (i.e., additional operating revenues to be received during the first and third years of operation after project completion). Use current year dollars. Show revenue reductions in parentheses.

Tables 2a and 2b. Enter current year data in the appropriate block. This should represent revenue by payer for the last complete year before submitting the application, using audited data.

Indicate in the appropriate blocks incremental revenues (i.e., additional operating revenues by payer to be received during the first and third years of operation after project completion). As an attachment, provide documentation for the rates assumed for each payer. Where the project will result in a rate change, provide supporting calculations. For managed care, include rates and information from which the rates are derived, including payer, enrollees, and utilization assumptions.

The total of Inpatient and Outpatient Services at the bottom of tables' 2a and b should equal the totals given on line 10 of table 1.

Provide as an attachment to this schedule a cash flow analysis for the first year of operations after the changes proposed by the application, which identifies the amount of working capital, if any, needed to implement the project. Please complete Schedule 5, Working Capital Schedule, in conjunction with the cash flow analysis.

New York State Department of Health
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Schedule 13D

Table 13D - 1

	a	b	c
Categories	Current Year	Year 1 Incremental Revenue Impact	Year 3 Incremental Revenue Impact
Start date of year in question:(m/d/yyyy)			
1. Daily Hospital Services			
2. Ambulatory Services			
3. Ancillary Services			
4. Total Gross Patient Care Services Rendered			
5. Deductions from Revenue			
6. Net Patient Care Services Revenue			
7. Other Operating Revenue (Identify sources)			
8. Total Operating Revenue (Total 1-7)			
9. Non-Operating Revenue			
10. Total Project Revenue			

Table 13D - 3

Inpatient Services Source of Revenue	Total Current Year			First Year Incremental			Third Year Incremental		
	Patient Days	Net Revenue*		Patient Days	Net Revenue*		Patient Days	Net Revenue*	
		%	Dollars (\$)		%	Dollars (\$)		%	Dollars (\$)
Commercial	Fee for Service								
	Managed Care								
Medicare	Fee for Service								
	Managed Care								
Medicaid	Fee for Service								
	Managed Care								
Private Pay									
OASAS									
OMH									
Charity Care									
Bad Debt									
All Other									
Total		100%			100%			100%	

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Schedule 13D

Table 13D - 4

Outpatient Services** Source of Revenue		Total Current Year			First Year Incremental			Third Year Incremental		
		Visits		Net Revenue*	Visits		Net Revenue*	Visits		Net Revenue*
			%	Dollars (\$)		%	Dollars (\$)		%	Dollars (\$)
Commercial	Fee for Service									
	Managed Care									
Medicare	Fee for Service									
	Managed Care									
Medicaid	Fee for Service									
	Managed Care									
Private Pay										
OASAS										
OMH										
Charity Care										
Bad Debt										
All Other										
Total			100%			100%			100%	
Total of Inpatient and Outpatient Services										

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Schedule 17 - CON forms Specific to Diagnostic and Treatment Centers (D&TC)

Contents:

- o **Schedule 17 A - D&TC Program Information.**
- o **Schedule 17 B - D&TC Community Need.**
- o **Schedule 17 C - Impact of CON Application on D&TC
Operating Certificate**
- o **Schedule 17 D - D&TC Allocation of Operating Costs**
- o **Schedule 17 E - D&TC Statement of Revenue**

Schedule 17 A - Diagnostic and Treatment Center Program Information.

For Establishment and/or Construction requiring Full or Administrative Review.

Instructions: In the space below, briefly indicate how the facility intends to comply with state and federal regulations. If the application involves conversion of an existing practice, state who owns the practice and how the conversion will be done. If there are other entities utilizing the same space or resources, please state exactly how the space and resources will be allocated. Also, provide a description of the other entities.

The facility is currently operational and in compliance. The current operator is [REDACTED]
This application involves a transfer of the assets to the applicant from the current operator. The applicant will continue the facility's operations. No other entities will utilize the facility's space or resources.

Schedule 17 B - Community Need

This schedule is required for D&TC Establishment Applications and for Construction Applications requiring Full Review.

Public Need Summary:

Briefly summarize on this schedule, why the project is needed. Use additional paper, as necessary. If the following items have been addressed in the project narrative, please cite the relevant section and pages.

1. Identify the relevant service area (e.g., Minor Civil Division(s), Census Tract(s), street boundaries, Zip Code(s), Health Professional Shortage Area (HPSA) etc.)

The primary service area comprises Erie and ██████ Counties. The secondary service area includes the 6 other counties of Western New York. The clinic is located in a HPSA and a Medically Underserved Area; parts of ██████ County also are Medically Underserved Areas.

Attachment 17B-1 includes a map showing the clinic's service area, relevant statistics on ██████ and a copy of the project narrative and community need description submitted by the current operator of the clinic as part of its 1997 CON application.

2. Provide a quantitative and qualitative description of the population to be served. (Qualitative data may include median income, ethnicity, payor mix, etc.)

The combined total population of the area based on the 2000 census is 1,170,120, including 154,939 women of child-bearing age (20-39). There also are approximately 39,173 women aged 15-19. Clients served at the clinic come from a wide range of socio-economic and education backgrounds. Approximately 45-50% of the clinic's patients are Medicaid recipients, aged 18-25, at the low end of the socio-economic scale. Approximately 30% of the patients pay cash (typically, those with no insurance or with insurance that does not cover the clinic's services). Approximately 22% of the patients use private insurance or HMOs to pay for the clinic services.

3. Document the current and projected demand for the proposed service. If the proposed service is covered by a DOH need methodology, demonstrate how the proposed service is consistent with it.

The clinic serves approximately 4200 women each year. This number is expected to remain relatively constant in the future.

4. (a) Describe how this project responds to and reflects the needs of the residents in the community you propose to serve.

The clinic is currently operational. Statistics indicate that in the year 2000, ██████ women in Erie County and ██████ in ██████ County received ██████. The clinic performed ██████ in 2000, mostly on women from Erie and ██████ Counties, i.e., the clinic provided ██████ of the ██████ to women living in its primary service area. The clinic is the only ██████ provider in ██████ County that accepts Medicaid. There is one Article 28 facility in ██████ County that performs ██████ but only ██████ - it services approximately ██████ patients per year. One private physician in ██████ County performs ██████ but does not see Medicaid patients. There are no known ██████ providers in the counties surrounding Erie and ██████ Counties. The applicant intends to provide the same services, and the same quality of service, that the clinic currently provides to respond to the clear need for ██████ services in the area it serves.

- (b) Describe how this project is consistent with your facility's Community Service Implementation Plan (voluntary not-for-profit hospitals) or strategic plan (other providers).

The applicant's strategic plan is to provide the high quality, personal, confidential medical care and counseling in a supportive and caring environment.

5. Describe where and how the population to be served currently receives the proposed services.

As described above, the population to be served currently receives the proposed services from [REDACTED] the clinic that the applicant will be taking over.

Primary Care Services Review Criteria: N/A
Expansion of Services

When a CON application proposes conversion of a group or solo medical practice to Article 28 status, the applicant must provide a written analysis of the effect of the proposal on the following factors:

1. The full time equivalent (FTE) number of primary care physicians engaged in the practice after the conversion compared with the number before conversion.

[REDACTED]

2. The (FTE) number of non-physician primary care providers, such as physician Assistants and Certified Nurse Practitioners after the conversion compared with the number before conversion.

[REDACTED]

3. The number of primary care visits after the conversion compared with the number before conversion.

[REDACTED]

4. The array of services to underserved clients after the conversion compared with the number before conversion.

[REDACTED]

Target Population and Service Area: N/A

All applications involving primary care services must provide a written analysis that clearly demonstrates that the proposal meets at least one of the following criteria. For criteria that do not apply, enter "not applicable":

1. The proposed clinic is in an underserved area as indicated by location in a Health Professional Shortage Area (HPSA) or Medically Underserved Area (MUA).

[REDACTED]

2. The population to be served exhibits poor health status, as measured by factors such as high levels of inpatient discharges for ambulatory care sensitive conditions (ACSC), incidences of diseases and conditions in excess of standards in Healthy People 2010 or other pertinent indicators.

[REDACTED]

3. The primary care services of the proposed clinic will be targeted to a group or population with special needs or conditions that make it difficult for them to obtain adequate primary care in clinics or physician practices serving the general population. Examples of such needs and conditions are:
 - Developmental disabilities.
 - HIV.
 - Alcohol Substance Abuse.

- Health needs relating to aging.
- Mental Health needs.
- Homelessness
- Linguistic or cultural barriers in obtaining access to primary care.

Capacity of Existing Primary Care Providers N/A

The project narrative should describe existing primary care services in the proposed service area. The narrative should include the number and location of existing D&TCs, extension clinics and part-time clinics and a summary of primary care services available through private practices. The narrative should indicate whether travel time and transportation are factors in access to primary care. Examples of travel related issues include topography, seasonal weather conditions, and availability of public transportation. Applicants are not expected to describe the volume of services delivered by existing providers, since they will rarely have access to such data, but the project narrative should indicate that the applicant is reasonably familiar with the overall availability of primary care in the targeted area.

In instances where the target area is likely to already have significant primary care resources, the CON proposal will be reviewed for the following need related factors:

- The ratio of primary care physicians to population in the proposed service area. HPSA uses a ratio of 1.0 FTE physicians to 3000 persons; Medicaid Managed Care uses a ratio of 1 to 1500.
- The number of primary care physicians in the proposed service area who are "active" in serving the Medicaid population. This is often measured as physicians who are reimbursed \$5000 or more per year by Medicaid.
- The annual number of primary care visits per person by Medicaid eligible persons in the proposed service area. An average lower than 2.0 visits per person is often considered a problem.
- The percentage of the Medicaid population that is enrolled in Managed care will be taken into account where appropriate.
- The current volume of primary care visits to existing D&TC and Extension clinics.

Not all of the above criteria need be evaluated for all applications. The number will vary depending on the type and location of services proposed and on how thoroughly the application addresses need in the project narrative and the related schedules.

ATTACHMENT 17B-1

SUPPORT FOR SCHEDULE 17B

Certificate of Need Application

Schedule **2**

For Establishment/Construction Requiring Full Review*

Project Narrative

I. INTRODUCTION

██████████ requests approval to establish and operate an Article 28 Diagnostic and Treatment Center (D&T) to serve primarily residents of Erie and ██████████ Counties. The D&T Center is proposed to be located at ██████████

██████████ currently operates a full-time clinic at this site, and it is intended that the applicant, ██████████, will assume operations at the site. This project proposes to license the existing clinic under Article 28, and to have ██████████ operate the program consistent with the standards for D&T Centers in the State. The applicant proposes to offer the same range of outpatient health care services as is currently provided in the existing clinic. As a result of the fact that this program is well-established in the community, the costs associated with the proposal, both initial start-up costs and annual operating costs, are expected to be minimal.

This narrative is designed to address each of the following issues: overview of the applicant; description of the project being proposed; discussion of community need; financial feasibility issues; consistency with additional regional planning and review criteria; and a summary and conclusions. This material will provide the rationale and support for the approval of this project on the basis of need.

II. OVERVIEW OF ██████████

██████████ currently operates as a private medical office which provides a range of health care services to women, including ██████████ and related family planning services. All care is provided by New York State licensed gynecologists. All patients receive high quality, personal, confidential medical care and counseling in a supportive and caring environment.

██████████ has been providing services in the community for over six years. Its principals, and ██████████ Executive Director, are highly trained and

qualified health care professionals with over 55 years of combined experience in medical care, treatment and administration.

intends to provide this same high standard of care and service to the community, and its principals are, except for the same as for

is the Executive Director of . It is expected that she will continue in this capacity, as well as be a principal, in the D&T Center. has had over 15 years of practical training and experience in health care administration. During that time she has maintained employment in an administrative capacity at the and her current position with

is one of the current principals in Center. has been a New York State-licensed obstetrician/gynecologist since 1978. He is also trained in several OB/GYN subspecialties. He attended the completed his residency in and has maintained a private practice since 1978. He has admitting privileges at several area hospitals.

, is the second principal in , and will join and as the principals in the D&T Center. has been a licensed obstetrician/gynecologist in New York State since 1959. He is also licensed to practice in the State of . He received his degree from the completed an internship and residency program at and has maintained a practice since 1969. He has had additional practical experience at both and . He has been associated with since 1983.

This combination of education, training, and practical experience are excellent indications of the ability of the applicant, , to proceed with the highest degree of character and competency. It is also reflective of their continued sense of commitment to providing appropriate and high quality health care services to members of the community.

III. PROJECT DESCRIPTION

As previously noted, is a currently operational medical office providing a range of medical care and treatment to women. The purpose of this project is to

obtain New York State licensure of this clinic for [REDACTED] as an Article 28 D&T Center. The basis for this is two-fold: first, the approval of [REDACTED] and establishment of the clinic as a D&T Center will expand the availability and accessibility of health care services to Medicaid and Medicaid-eligible women in Erie and [REDACTED] Counties. Second, Article 28 approval will enable [REDACTED] to receive appropriate reimbursement not now available to [REDACTED], for current services rendered to this population, thus allowing the clinic to continue as a viable entity.

The D&T Center would be operated consistent with the codes, rules and regulations for such facilities established by the New York State Department of Health. The clinic, located at [REDACTED] has been designed and developed in compliance with the appropriate architectural and programmatic standards set forth in the State Hospital Code.

[REDACTED] proposes to offer the same scope of service as is currently provided by [REDACTED] at the site. Specifically, the services to be provided include outpatient [REDACTED] services, related family planning services, social work and counseling services, and personal support services. In addition, the clinic currently offers, and will continue to provide, urine pregnancy tests free of charge. A serum pregnancy test is also available for a small fee.

Outpatient [REDACTED] services are provided for women in the [REDACTED]. The procedure used to accomplish this procedure is the [REDACTED]. Possible complications with this method are very rare - generally less than 1% nationwide. For purposes of comparison, the procedure is statistically safer than a [REDACTED]. In addition, to avoid any risks associated with general anesthesia, patients are awake during the procedure, and are provided with a local anesthetic. [REDACTED] usually last from 3 to 5 minutes. The patient can expect to be in the office for approximately four hours. This includes laboratory testing, individual counseling, procedure, and recovery time.

[REDACTED] are performed from [REDACTED] as long as there are no medical reasons which would require the procedure to be performed in a hospital. The procedure includes a general physical examination and a sonogram. The sonogram is a simple procedure in which an instrument similar to a microphone is passed over a woman's abdomen. Sound waves give readings so that the length of the pregnancy can be determined. If the sonogram indicates that the patient is [REDACTED] and the [REDACTED] the procedure can be performed on an outpatient basis at [REDACTED].

There are two components to a [REDACTED]. The first stage is the [REDACTED] which is done the day prior to the procedure. The patient returns the next day, at which time the [REDACTED] procedure is performed.

The physicians on staff of the clinic maintain, and will continue to offer, a 24-hour answering service to respond to any urgent or emergent situation or pregnancy-related problem. In addition, the patient can phone the office during working hours with any similar problem.

All patients are, and will be, requested to have a follow-up examination 3 to 4 weeks after the procedure. If the patient wishes to return for follow-up care, an appointment is made and the visit is included in the initial fee. There is no additional charge for the follow-up office visit. If the patient wishes to see another physician, agency or clinic for follow-up treatment, the applicant will assist with those arrangements and will provide the appropriate medical records and information.

[REDACTED] maintains business hours on Monday through Friday from 9:00 a.m. to 5:00 p.m., and on Saturdays from 9:00 a.m. to 3:00 p.m. This has been found to enhance the accessibility of the clinic services to those women in need of this care. These office hours will be maintained by the D&T Center.

The fees for the services vary. [REDACTED] are performed for a total fee of \$ [REDACTED]. Fees for [REDACTED] are: [REDACTED] \$ [REDACTED] and [REDACTED] \$ [REDACTED]. [REDACTED] procedure fees include the sonogram and [REDACTED] services. All the fees are all-inclusive, and cover the costs of the lab work, counseling, birth control information, [REDACTED] procedure, recovery and follow-up examination. It should also be noted that patients who are Rh-negative will receive Rhogram at no additional cost.

IV. COMMUNITY NEED

The need for this project can be addressed by an analysis of a variety of issues, including: demographic and population trends, expected changes in the Medicaid population; the provision of similar services by other providers; changes in the provision of care from inpatient to outpatient settings; and other options and choices available to women in need of services. Each of these issues will be discussed in greater detail below.

Demographic/Population Trends

As indicated in Schedule 3 of this application, the primary service area of this program is expected to be Erie and [REDACTED]

Counties. The total 1990 population in this area is expected to be approximately 1.2 million people. This represents a slight increase of approximately 3% from 1980. In addition, the total number of women of childbearing years (those in the 20-35 age group) is expected to be approximately 150,000, or 12.4% of the total population of this area. The number of females in the 14-19 year age group, also a population that would utilize the services of [REDACTED], totals over 40,000, or an additional 3.4% of the total population. This information is also represented in Figure 1.

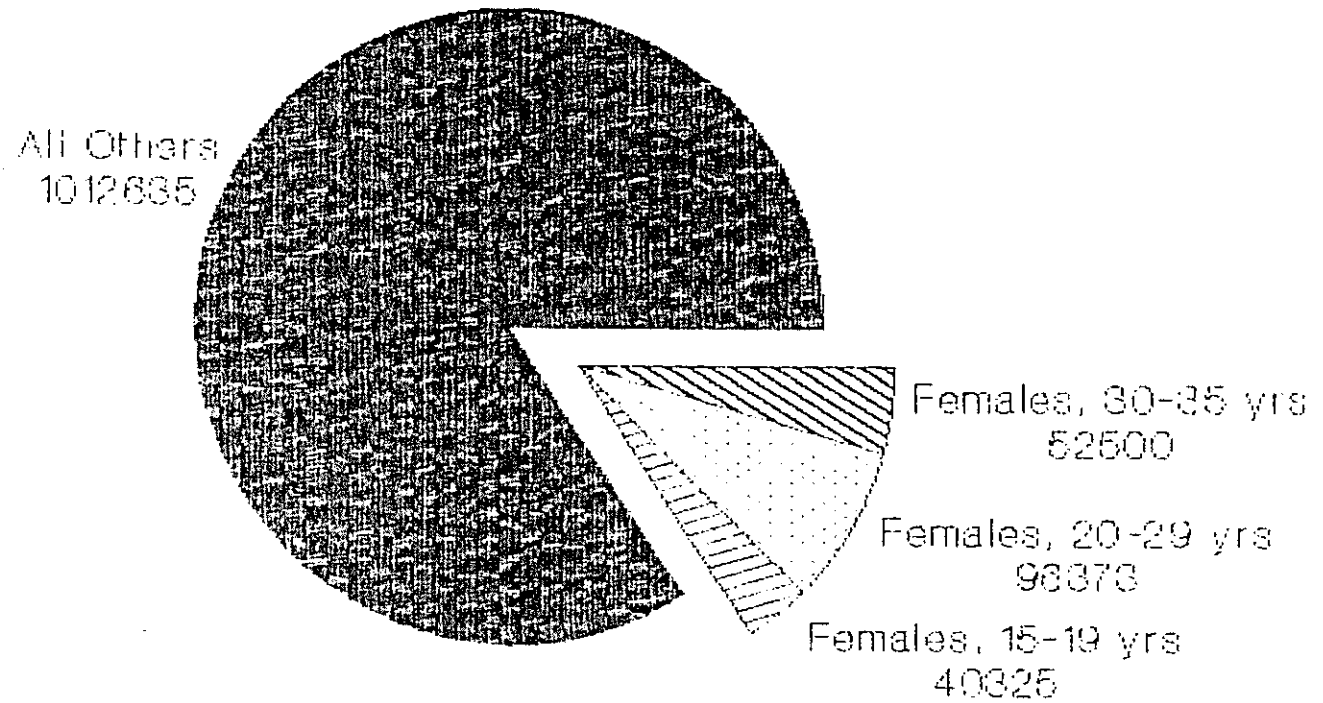
The location of [REDACTED] is particularly important for the population that it will serve. The clinic is in the middle of a Health Manpower Shortage Area (HMSA) and a Medically Underserved Area (MUA), as defined in the HSAWNY Plan for Primary Care for Western New York. It also serves outlying areas that have received similar designations, including several areas in [REDACTED] County. These designations suggest that these areas have high rates of low income people, high infant mortality, high rates of low birthweight babies and other problems related to poor primary care and prenatal care, and a low proportion of health care professionals, most importantly physicians. In addition, the immediate location of the clinic is in an area of the City of Buffalo with one of the highest rates of unemployment, low income and Medicaid or Medicaid-eligible residents.

Trends in the number of [REDACTED] procedures in Erie and [REDACTED] Counties have remained relatively stable over the last several years, with a slight increase from 1986 to 1987. For example, the total number of [REDACTED] in Erie County in 1986 was [REDACTED] and the total number in 1987 was [REDACTED], a [REDACTED]% increase in a one year. Further, there are other key indicators which suggest the existence of continued problems in the health care system for women. For example, over this same time period, infant mortality in the area has steadily increased, as has the rate of low birthweight babies, the number of infants born to teenage girls, the number of infants born to low income females, and the percentage of infants born to mothers out of wedlock. In addition, the percentage of women receiving early prenatal care in these Counties has not even been successfully maintained, and in fact, has decreased from over 14,000 women in 1985 to just over 12,000 in 1987.

Other characteristics relevant to this proposal can be found in Table 1. In general, women obtaining [REDACTED] in New York State in 1987 tended to be younger than women with live births. In addition, almost [REDACTED]% of the [REDACTED] patients were under the age of [REDACTED], while only 36% of women giving birth were under this age. The overwhelming majority of patients were unmarried - approximately [REDACTED]%.

FIGURE 1

PRIMARY SERVICE AREA POPULATION, 1990



Source: NYS Dept. of Commerce

Medicaid Access

At the present time, the Medicaid population cannot generally access outpatient [REDACTED] and related services as easily as insured or private paying individuals. There is one licensed Center in the area that provides these services and receives appropriate reimbursement for the care that is rendered. Other clinics, including [REDACTED], do offer care to the financially indigent. However, the reimbursement is such that the continued viability of these clinics often requires that services to this population be significantly limited.

As will be discussed later in this section, the number of physicians in the area providing these services has also been gradually diminishing. In addition, there are few physicians in general, and even fewer that offer [REDACTED] services, who will accept Medicaid payment for their services. Therefore, access to this care for all women, and most particularly for Medicaid patients, is difficult.

[REDACTED] has provided an increasing amount of services to the Medicaid and financially indigent population (see Figure 2). For example, in 1984, [REDACTED] % of the total number of procedures were Medicaid. This increased to [REDACTED] % in 1986, [REDACTED] % in 1988, and is expected to reach [REDACTED] % for 1989. This trend has been particularly evident after the clinic's recent move into an area of the City of Buffalo with a high Medicaid population. This area, as previously noted, is also a federally designated health manpower shortage area (HMSA) and medically underserved area (MUA). These designations suggest that there are few, if any, physicians in these areas that will accept Medicaid patients or payment for services rendered. This is consistent with the statements above pertaining to physician's acceptance of Medicaid payment.

Appropriate care for all individuals must be provided regardless of their ability to pay, or their payment source. This has been the practice of [REDACTED] in the past, and will continue to be the policy of [REDACTED] after implementation of the D&T Center. Approval of this application will enable the Center to expand the amount of care provided to this population and maintain financial viability in doing so.

Service Availability

The services proposed in this application are not readily available throughout the Western New York community. There is one licensed Article 28 clinic providing outpatient [REDACTED] services in [REDACTED] County. This is an unacceptable number given the increasing utilization of these services by the low income and Medicaid populations.

Other providers of this care, most often private physician offices, are offering [redacted] services on an outpatient basis. However, the number of these physicians has not increased in this area over the last several years. At the present time, there are five physicians providing this care. Two of these physicians are close to retirement age. In addition, for a variety of reasons, recruitment of younger physicians has remained a problem. This issue is further complicated by these doctors' reluctance to accept Medicaid patients, and their necessity to limit the amount of care they do provide to this population because of the inability to receive adequate payment for the services. As a result, [redacted] has been one of the only alternatives for a large portion of women who have made a decision to have an [redacted]

Inpatient/Outpatient Utilization Trends

The provision of [redacted] services has tended to follow the same trend of other health care services, that is, a move from inpatient to outpatient care. For example, in Erie and [redacted] Counties, the number of [redacted] performed in hospitals decreased from [redacted] in 1985 to [redacted] in 1987, a [redacted] decline over a two year period. The number of [redacted] provided on an outpatient basis in these Counties accounted for approximately [redacted] % of the total procedures in 1985, and [redacted] % of the procedures in 1987. These trends are presented in Figure 3.

This trend has occurred for a variety of reasons. First, it is generally less costly for an [redacted] on an outpatient basis as compared to inpatient procedures. At a time when cost containment within the health care system is a critical issue, this must be an important criterion to consider. Second, an outpatient clinic is generally a more preferred and acceptable setting for women to have such a procedure performed. Clinics of this type take every measure to ensure a safe, comfortable and pleasing environment, separate from the somewhat sterile and impersonal setting of an institution. Finally, the trend may also reflect the changes in the local acute care system which has been reduced in size, and as a result, the availability of space and time at acute care facilities to perform these procedures may be substantially less than in previous years.

If the above trend of increased demand for outpatient care continues, as it is expected to do, there will be a need for additional outpatient clinics services to care for these women.

Options/Choices

Finally, a discussion of the ability for any individual to be responsible for his/her own choices and decisions in life must be addressed. The ability for a woman and her family to make their own choice about the very personal and important decision of pregnancy and childbirth, is an absolute and undeniable right, and must be cherished and respected. The decision of [redacted] is

not an easy one, and it may not be an appropriate decision for everyone. However, when that choice is made by an individual, the appropriate, high quality services must be available to care for those persons.

V. FINANCIAL FEASIBILITY

The implementation of this project is proposed to be accomplished for minimal capital expenditures - less than \$150,000. The existing clinic, operated by [REDACTED] recently relocated into its present site, and had the space renovated to meet the needs of the clinic and conform to New York State code requirements for D&T Centers.

The project also carries with it major operational efficiencies that would be maximized through the approval of the proposal. First, since the clinic has been in operation for over six years, the availability of staff, equipment, and support services is not a barrier to program implementation and will not add costs to the program. In addition, administrative overhead is also kept to a minimum due to the fact that the clinic already exists.

The largest financial impact of this project pertains to the delivery of care to the Medicaid population and its impact on the overall fiscal viability of the Center. At the present time, [REDACTED] receives reimbursement for its services at a "doctor's office" rate. This rate of approximately \$100.00 is substantially lower than the costs to the clinic to render that care and treatment. Approval of [REDACTED] and its establishment as a D&T Center, will allow reimbursement for a clinic rate in addition to the physician's fee. The effect of this is three-fold: first, services will be expanded to the Medicaid population, and will no longer have to be restricted due to the inadequate reimbursement for this care; second, the associated fees for the services charged to privately paying individuals can be kept at a minimum since the need to increase these rates to offset the deficit from the Medicaid patients will be eliminated; and three, the Center will be able to regain its costs for providing these services.

VI. CONSISTENCY WITH REGIONAL PLANNING CRITERIA

A variety of additional planning and review criteria appropriate to the determination of the need for this project, and the application's consistency with them, are presented as follows:

Criterion - Geographic accessibility of the project.

The primary service area for the project has been defined as Erie and [REDACTED] Counties. The location of the Center, on Main

Street in Buffalo, is in a perfect location to provide services to all parts of this area. The location is easily accessible by automobile, with the New York State Thruway, Kensington Expressway, and other major north-south and east-west routes all within minutes from the site. In addition, public transportation is readily available, including the MetroRail, which has a stop one block from the site, several bus stops within a short walking distance, and taxi service.

Criterion - The contribution of the project in meeting the health related needs of members of medically underserved groups and members of groups that have traditionally experienced difficulties in obtaining equal access to health services

As previously noted, this clinic proposes to meet the needs of underserved groups, including residents of areas designated as medically underserved, low income women, and minorities. In addition, the Medicaid population, proposed to be served by this project, has traditionally been limited in their access to these services due to their ability to pay. Implementation of this project will have a major and positive impact on eliminating this difficulty.

Criterion - Availability of alternative methods of providing the service

There is only one licensed clinic providing the services identified in this proposal currently operating in this area. As a result, there is an increasingly severe shortage of alternatives to the proposed D&T Center in the identified primary service area. The number of private physicians in the area that offer [REDACTED] services has dropped to five. Two of these physicians are near retirement. Recruitment of additional physicians has been slow. Moreover, the availability of providers who will accept Medicaid payment for these services is virtually non-existent. Therefore, the implementation of this project intends to fill this gap in the service delivery system, and provide the only acceptable alternative to no service at all.

Criterion - Ability to proceed in a timely manner

Proceeding in a timely and efficient manner is one of the strongest aspects of this project. As noted, this clinic has been in operation for several years, and the proposed establishment of [REDACTED] and licensure of the clinic as a D&T Center will be a paper-exercise. No interruption of services will result. In addition, the facility has recently moved into its new location, thus, making the Center a newly renovated site. No additional work will be needed to implement the program.

Criterion - Costs associated with the project

As previously mentioned, the costs associated with this project, both initial capital costs and continued operating costs, are minimal.

Criterion - Evidence of community support for the project

The applicant is in the process of obtaining letters of support for this project from a variety of providers, consumers and community leaders throughout the area. These letters will be submitted under separate cover. In addition, the applicant has an active association with the [REDACTED], a voluntary network of over 2,000 members with an interest in and commitment to the right of choice on the part of women and their families.

VII. SUMMARY/CONCLUSIONS

The implementation of this project can be supported from each aspect of the required review, including community need, financial feasibility and character and competence.

The approval of [REDACTED] as an Article 28 D&T Center will expand the provision of health care services to the Medicaid and financially indigent population in the area, and enable the Center to maintain fiscal viability in doing so.

The expansion of quality, appropriate outpatient [REDACTED] services is consistent with regional and statewide trends, is a cost-effective alternative to inpatient care, and responds to an identified and continued need for such services.

There is an increasing shortage of providers of these services in the area, and there is a critical shortage of those providers who will accept Medicaid patients. The implementation of this project will address this significant gap in service delivery, and have a major positive impact on the continued provision of high quality health care services to all individuals, regardless of their ability to pay.

This project responds to the belief of the majority of people that a woman's ability to make her own choices about health care, pregnancy and childbirth is an individual, personal and undeniable right, and that appropriate health care services must be in place to meet the needs of those women who make such a choice.

Schedule 17 C. Impact of CON Application on Diagnostic and Treatment Center Operating Certificate

For Establishment/Construction Requiring Full Review

1. **OVERALL CLASSIFICATION:** Check the box that defined the type of Diagnostic and Treatment Center (D&TC).

- General D&TC
- Comprehensive Outpatient Rehabilitation Facility (CORF) OPT
- Mobile Services*
- End Stage Renal Disease (ESRD)
- Rural Health Clinic
- Ambulatory Surgery Center: *** Single Specialty
- Ambulatory Surgery Center: *** Multi Specialty
- Ambulatory Surgery Center: *** Limited (i.e. to specific specialties that can function with smaller rooms)

2. **Specific Authorized Services:**

List all the services that are presently on the facility's operating certificate by inserting an "X" in the appropriate box of column C. If services are being added, insert an "x" in column D, if services are being removed insert an "X" in column E, finally indicate all the services that will be on the operating certificate if this CON is approved by inserting an "x" in column F.

Additional Information about Dialysis capacity:

Is the D&TC requesting certification for Chronic Renal Dialysis a change in the number of dialysis stations?

- Yes No

If "yes", provide the following information.

Current Certified Capacity: (number of dialysis stations)	
Dialysis Stations to be added	
Dialysis Stations to be dropped	
Proposed certified Dialysis stations	

Table 17C-1 SPECIFIC AUTHORIZED SERVICES

a	b	c	d	e	f
		Existing certified service	Add	Remove	Proposed certified services
AUDIOLOGY (See Section 700.2)	006	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BIRTHING	180	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CLINICAL LABORATORY SERVICES (see Section 752.4)	018	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CT SCANNER	136	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DRUG ABUSE SCREENING	023	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CHEMICAL DEPENDENCY, OUTPATIENT	024	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ELECTROCARDIOGRAPHY	026	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ELECTROENCEPHALOGRAPHY	027	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FAMILY PLANNING (See Part 753)	029	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HEALTH EDUCATION	031	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LITHOTRIPTSY (See Part 709)	171	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
MAGNETIC RESONANCE IMAGING (See Section 709.15)	119	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
METHADONE MAINTENANCE	054	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PART-TIME CLINIC(S)**	118	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PHARMACEUTICAL SERVICES (See Section 752.5)	073	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PRACTITIONER SERVICES (SELECT ALL THAT APPLY)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FAMILY PRACTICE, INTERNAL MEDICINE	082	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OB/GYN	082	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OPTOMETRY	065	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PRENATAL	081	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PEDIATRICS	071	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CERTIFIED MENTAL HEALTH SERVICES (OMH APPROVAL REQUIRED)	084	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PSYCHOLOGY	085	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
MEDICAL REHABILITATION (Comprehensive Physical Rehab Prgm under the direction of a M.D.)	049	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OPHTHALMOLOGY (Non-surgical eye care)	175	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
WELL-CHILD	108	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DENTAL (Services under the direction of Dentist)	022	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PODIATRY (Organized service under the direction of a Podiatrist as defined by SED)	076	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other (specify) _____		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RADIOLOGY (DIAGNOSTIC)	109	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RADIOLOGY (THERAPEUTIC)	110	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Table 17C-1. SPECIFIC AUTHORIZED SERVICES (continued)

a	b	c	d	e	f
		Existing certified service	Add	Remove	Proposed certified services
RENAL DIALYSIS, CHRONIC (See Part 757.1)	016	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RENAL DIALYSIS HOME TRAINING	037	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RESPIRATORY THERAPY (See Section 700.2)	092	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SPEECH LANGUAGE PATHOLOGY (See Section 700.2)	098	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
SURGERY: select one of the two options below, then select all that apply from the following list of specialties. (See Sections 755.1 and 85.6)		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OUTPATIENT	117	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
AMBULATORY ***	068	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COLO-RECTAL		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DENTISTRY		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
EMBRYO TRANSPLANTS		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
GASTROENTEROLOGY		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
GENERAL SURGERY		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
GYNECOLOGY		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OPHTHALMOLOGY		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
ORTHOPEDICS		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
OTOLARYNGOLOGY		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PLASTIC SURGERY		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TISSUE TRANSPLANTS		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
UROLOGY		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TB RESPIRATORY (Comprehensive management of patients diagnosed with TB, i.e. Direct Observed Therapy)	114	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
THERAPY, OCCUPATIONAL (See Section 702b(11))	061	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
THERAPY, PHYSICAL	074	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
THERAPY, RECREATIONAL	089	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
THERAPY, VOCATIONAL REHABILITATION	107	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TRANSFUSION SERVICES LIMITED	102	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
TRANSFUSION SERVICES FULL	102	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*MOBILE SERVICES: For each site where the vehicle will be parked to provide services, a separate "Mobil Clinic Site Approval Request" must be attached. A blank form is found in Schedule 16C.

**PART-TIME CLINICS: For each site, enclose a completed copy of form DOH-4-197 (9/00). See Schedule 1, page 4 for address to obtain form.

***Requires additional Medicare certification

Schedule 17 D - D&TC Allocation of Operating Costs

For Establishment and/or Construction Requiring Full/Administrative Review

This schedule breaks out operating costs across various categories. A two page table must be completed for the current, first and third year of operation.

Table 17D-1 D&TC Allocation of Operating Costs

Current Year: from 1/1/2003 to 12/31/2003 (m/d/yyyy)

a	b	c	d	e	f	g	h	i	j	k
		Salary & Wages	Employee Benefits	Purchased Contract & Services	Supplies	General Costs	Donations	Total Before Distribution	Distribution of Facility Costs	Total After Distribution
328	TOTAL ADJUSTED COSTS									
	I. Core Cost Centers									
329	a. Administration	\$155,405	\$19,138	\$183,581	\$30,702	\$265,611	\$5,908	\$660,345	\$63,401	\$723,746
330	b. Facility	\$50,327	\$3,920	\$61,679		\$58,872		\$174,798	(\$174,798)	\$0
331	c. Patient Transportation									
332	Subtotal	\$205,732	\$23,058	\$245,260	\$30,702	\$324,483	\$5,908	\$835,143	(\$111,397)	\$723,746
	II. Patient Care Cost Centers									
	a. Multi-service, Child Health									
333	1. Medical									
334	2. Dental									
335	3. Laboratory									
336	4. X-Ray									
337	5. Pharmacy									
338	6. Mental Health									
339	7. Rehab. Therapies									
340	8. Other Health									
341	SUBTOTAL a									
	b. Family Planning									
342	1. Reproductive Health Care									
343	2. Laboratory									
344	3. Pregnancy Counseling									
345	4. Community Service									
346	SUBTOTAL b									
347										
348										
349										
350										
351										
	d. Cerebral Palsy & Rehab.									
352	1. Medical									
353	2. Dental									
354	3. Speech and Hearing									

New York State Department of Health
 Certificate of Need Application
 Table 17D-1 D&TC Allocation of Operating Costs

Schedule TrD

Current Year Continued:

a	b	c	d	e	f	g	h	i	j	k
		Salary & Wages	Employee Benefits	Purchased Contract & Services	Supplies	General Costs	Donations	Total Before Distribution	Distribution of Facility Costs	Total After Distribution
	d. Cerebral Palsy & Rehab. (cont.)									
355	4. Physical Therapy									
356	5. Occupational Therapy									
357	6. Other Therapies									
358	7. Mental Health									
359	8. Medical Social Services									
360	SUBTOTAL d									
	e. Methadone Maintenance									
361	1. Medical									
362	2. Mental Health									
363	3. Dispensing									
364	SUBTOTAL e									
	f. Hemodialysis									
365	1. Medical									
366	2. Chronic Dialysis									
367	3. Home Dialysis									
368	4. Peritoneal Dialysis									
369	SUBTOTAL f									
	g. Dental									
370	1. Dental Services									
371	2. Dental Laboratory									
372	TOTAL (I & IIg)									
	h. Speech & Hearing									
373	1.									
374	2.									
375	3.									
376	SUBTOTAL g									
	i. Drug Free.									
377	1.									
378	2.									
379	3.									
380	SUBTOTAL i									
	j. Hemophilia									
381	1.									
382	2.									
384	3.									
389	SUBTOTAL j									

Certificate of Need Application

Table 17D-1 D&TC Allocation of Operating Costs

First Year of project: from 1/1/2005 to 12/31/2005 (m/d/yyyy)

a	b	c	d	e	f	g	h	i	j	k
		Salary & Wages	Employee Benefits	Purchased Contract & Services	Supplies	General Costs	Donations	Total Before Distribution	Distribution of Facility Costs	Total After Distribution
328	TOTAL ADJUSTED COSTS									
	I. Core Cost Centers									
329	a. Administration	\$198,800	\$30,014	\$194,285	\$25,080	\$162,839	\$6,584	\$617,602	\$71,027	\$688,629
330	b. Facility	\$35,800	\$3,721	\$52,563		\$116,519		\$208,603	(\$208,603)	\$0
331	c. Patient Transportation									
332	Subtotal	\$234,600	\$33,735	\$246,848	\$25,080	\$279,358	\$6,584	\$826,205	(\$137,576)	\$688,629
	II. Patient Care Cost Centers									
	a. Multi-service: Child Health									
333	1. Medical									
334	2. Dental									
335	3. Laboratory									
336	4. X-Ray									
337	5. Pharmacy									
338	6. Mental Health									
339	7. Rehab. Therapies									
340	8. Other Health									
341	SUBTOTAL a									
	b. Family Planning									
342	1. Reproductive Health Care									
343	2. Laboratory									
344	3. Pregnancy Counseling									
345	4. Community Service									
346	SUBTOTAL b									
347										
348										
349										
350										
351										
	d. Cerebral Palsy & Rehab.									
352	1. Medical									
353	2. Dental									
354	3. Speech and Hearing									

New York State Department of Health
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Table 17D-1 D&TC Allocation of Operating Costs

Schedule 17D

First Year Continued

a	b	c	d	e	f	g	h	i	j	k
		Salary & Wages	Employee Benefits	Purchased Contract & Services	Supplies	General Costs	Donations	Total Before Distribution	Distribution of Facility Costs	Total After Distribution
	d. Cerebral Palsy & Rehab. (cont.)									
355	4. Physical Therapy									
356	5. Occupational Therapy									
357	6. Other Therapies									
358	7. Mental Health									
359	8. Medical Social Services									
360	SUBTOTAL d									
	e. Methadone Maintenance									
361	1. Medical									
362	2. Mental Health									
363	3. Dispensing									
364	SUBTOTAL e									
	f. Hemodialysis									
365	1. Medical									
366	2. Chronic Dialysis									
367	3. Home Dialysis									
368	4. Peritoneal Dialysis									
369	SUBTOTAL f									
	g. Dental									
370	1. Dental Services									
371	2. Dental Laboratory									
372	TOTAL (i & IIg)									
	h. Speech & Hearing									
373	1.									
374	2.									
375	3.									
376	SUBTOTAL g									
	i. Drug Free									
377	1.									
378	2.									
379	3.									
380	SUBTOTAL i									
	j. Hemophilia									
381	1.									
382	2.									
384	3.									
389	SUBTOTAL j									

Table 17D-1 D&TC Allocation of Operating Costs

Third Year of project from _____ to _____ (m/d/yyyy)

a	b	c	d	e	f	g	h	i	j	k
		Salary & Wages	Employee Benefits	Purchased Contract & Services	Supplies	General Costs	Donations	Total Before Distribution	Distribution of Facility Costs	Total After Distribution
328	TOTAL ADJUSTED COSTS									
	I. Core Cost Centers									
329	a. Administration									
330	b. Facility									
331	c. Patient Transportation									
332	Subtotal									
	II. Patient Care Cost Centers									
	a. Multi-service, Child Health									
333	1. Medical									
334	2. Dental									
335	3. Laboratory									
336	4. X-Ray									
337	5. Pharmacy									
338	6. Mental Health									
339	7. Rehab. Therapies									
340	8. Other Health									
341	SUBTOTAL a									
	b. Family Planning									
342	1. Reproductive Health Care									
343	2. Laboratory									
344	3. Pregnancy Counseling									
345	4. Community Service									
346	SUBTOTAL b									
347										
348										
349										
350										
351	SUBTOTAL c									
	d. Cerebral Palsy & Rehab.									
352	1. Medical									
353	2. Dental									
354	3. Speech and Hearing									

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Table 17D-1 D&TC Allocation of Operating Costs

Third Year Continued:

a	b	c	d	e	f	g	h	i	j	k
		Salary & Wages	Employee Benefits	Purchased Contract & Services	Supplies	General Costs	Donations	Total Before Distribution	Distribution of Facility Costs	Total After Distribution
	d. Cerebral Palsy & Rehab. (cont.)									
355	4. Physical Therapy									
356	5. Occupational Therapy									
357	6. Other Therapies									
358	7. Mental Health									
359	8. Medical Social Services									
360	SUBTOTAL d									
	e. Melhadone Maintenance									
361	1. Medical									
362	2. Mental Health									
363	3. Dispensing									
364	SUBTOTAL e									
	f. Hemodialysis									
365	1. Medical									
366	2. Chronic Dialysis									
367	3. Home Dialysis									
368	4. Peritoneal Dialysis									
369	SUBTOTAL f									
	g. Dental									
370	1. Dental Services									
371	2. Dental Laboratory									
372	TOTAL (f & Iig)									
	h. Speech & Hearing									
373	1.									
374	2.									
375	3.									
376	SUBTOTAL g									
	i. Drug Free.									
377	1.									
378	2.									
379	3.									
380	SUBTOTAL i									
	j. Hemophilia									
381	1.									
382	2.									
384	3.									
389	SUBTOTAL j									

ATTACHMENT 17D-1

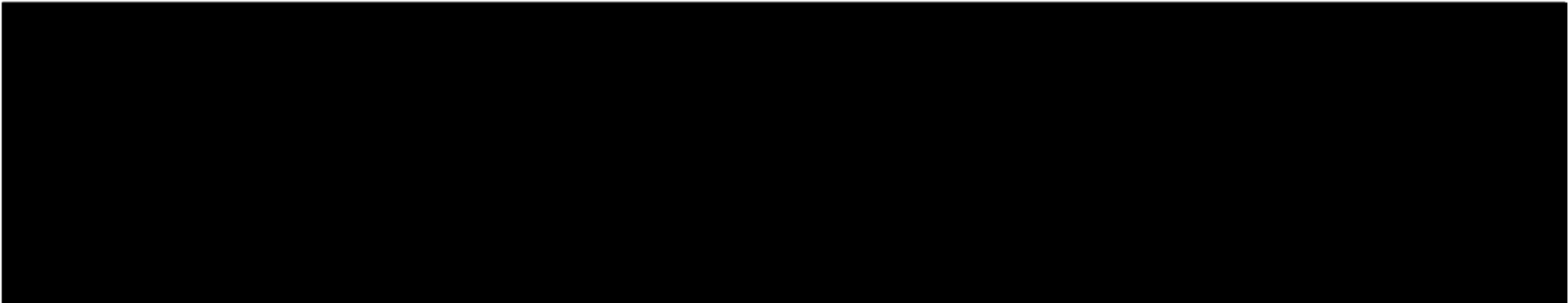
SUPPORT FOR SCHEDULE 17D


D & T Center Allocation of Operating Costs
For the Year Ending December 31, 2003 (Current Year)

	2003 F.S. for (Inc.) 2003 Tax Return (PC)	Reclass	NYS DOH Categories	Schedule 17 D						Total Before Distributon
				Salary & Wages	Employee Benefits	Purchased Contracted & Services	Supplies	General Costs	Donations	
I. Core Costs Center										
a. Administration										
Advertising	13,792		13,792					13,792		13,792
Bank charges	5,630		5,630					5,630		5,630
Consulting	7,851		7,851			7,851				7,851
Donations and gifts	5,908		5,908						5,908	5,908
Dues and subscriptions	4,975		4,975					4,975		4,975
Office supplies	30,702		30,702				30,702			30,702
Insurance - Other (PC = \$13,236)	154,932		154,932					154,932		154,932
Legal & Accounting (PC = \$9,171)	76,025		76,025			76,025				76,025
Meals	7,986		7,986					7,986		7,986
Miscellaneous	10,143	(4,097)	6,046					6,046		6,046
Payroll service	2,206		2,206			2,206				2,206
Postage and delivery	3,589		3,589					3,589		3,589
Printing	510		510					510		510
Seminars	3,459		3,459					3,459		3,459
Storage	3,508		3,508					3,508		3,508
Telephone	20,336		20,336					20,336		20,336
Travel and entertainment	11,908		11,908					11,908		11,908
Utilities & Waste Removal	24,783	(17,284)	7,499			7,499				7,499
Depreciation	28,940	-	28,940					28,940		28,940
Wages	-	245,405	245,405	155,405		90,000				245,405
Employee Benefits		19,138	19,138		19,138					19,138
	<u>417,183</u>	<u>243,162</u>	<u>660,345</u>	<u>155,405</u>	<u>19,138</u>	<u>183,581</u>	<u>30,702</u>	<u>265,611</u>	<u>5,908</u>	<u>660,345</u>

**D & T Center Allocation of Operating Costs
For the Year Ending December 31, 2003 (Current Year)**

	2003 F.S. for (Inc.) 2003 Tax Return (PC)	Reclass	NYS DOH Categories	Schedule 17 D						Total Before Distribution
				Salary & Wages	Employee Benefits	Purchased Contracted & Services	Supplies	General Costs	Donations	
b. Facility										
Security	15,035		15,035			15,035				15,035
Utilities	-	17,284	17,284					17,284		17,284
Interest Expense	-		-					-		-
Cleaning	8,480	10,716	19,196			19,196				19,196
Depreciation	3,020	-	3,020					3,020		3,020
Insurance	-		-					-		-
Real estate taxes	-		-					-		-
Rent	38,568	-	38,568					38,568		38,568
Repairs and maintenance	32,336	(4,888)	27,448			27,448				27,448
Wages	842,372	(792,045)	50,327	50,327						50,327
Employee Benefits	65,508	(61,588)	3,920		3,920					3,920
	<u>1,005,319</u>	<u>(830,521)</u>	<u>174,798</u>	<u>50,327</u>	<u>3,920</u>	<u>61,679</u>	<u>-</u>	<u>58,872</u>	<u>-</u>	<u>174,798</u>



2. Laboratory										
Salary & Wages		20,579	1	20,579	20,579					20,579
Taxes & Employee Benefits		1,600		1,600		1,600				1,600
	<u>0</u>	<u>22,179</u>		<u>22,179</u>	<u>20,579</u>	<u>1,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,179</u>

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Schedule 17E

Schedule 17 E - D&TC Statement of Revenue:

This schedule consists of: "Detailed Monthly Cash Flow Analysis for the first year of operations to be submitted as an attachment; and analysis of:"

- Patient Revenue
- Other Operating Revenue
- Non-Operating Revenue
- Charges

Provide a breakdown of the utilization (threshold visits) by payer source. Provide supporting calculations for the rates assumed for each payer.

Table 17E-1 D&TC Statement of Revenue

I. Patient Revenue	Commercial	Fee for Service	\$577,432.00
	Medicare		
	Medicaid		\$596,428.00
			\$286,632.00
	Private Pay		\$509,919.00
	OASAS		
	OMH		
	Charity Care		
	Bad Debt		
	Ordered Ambulatory Services		
	All Other		
	TOTAL		\$1,970,411.00
II. Other Operating Revenue	Sale of Literature		
	Sale of Supplies to Other than Patients		
	Telephone		
	Other		
	TOTAL		
III. Non-Operating Revenue	Gifts, Legacies, and Bequests		
	Grants		
	Community Health Center (Sec 330)		
	Maternal and Child Health (Title V)		
	WIC Administrative Funds		
	Primary and Ambulatory Care Program		
	Local Health Assistance Funds		
	Family Planning		
	Other Grants (Specify)		
	Other Non-Operating Revenue		\$655.00
	TOTAL		\$655.00

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Certificate of Need Application**

Schedule 17E

IV. Total Revenue (I, II, and III)		1971066
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