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Amesbury Psychological Health

We Care About Our *Future and Our Health*

BUSINESS PLAN

Amesbury
Psychological Health

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1.

Executive Summary

- Executive Summary
- Company Summary
- Services
- Market Analysis Summary
- Management Summary
- Financial Plan

1.0 Executive Summary

Amesbury Psychological Center (the Center) is a multidisciplinary behavioral health care practice that offers mental health and substance abuse services to the communities of the Merrimack Valley. Our focus is to provide cost-effective, quality treatment. Our mission is to create, promote, and maintain a positive customer relationship with our clients, Anna Jaques Hospital (AJH), payors, associates and staff, and our community.

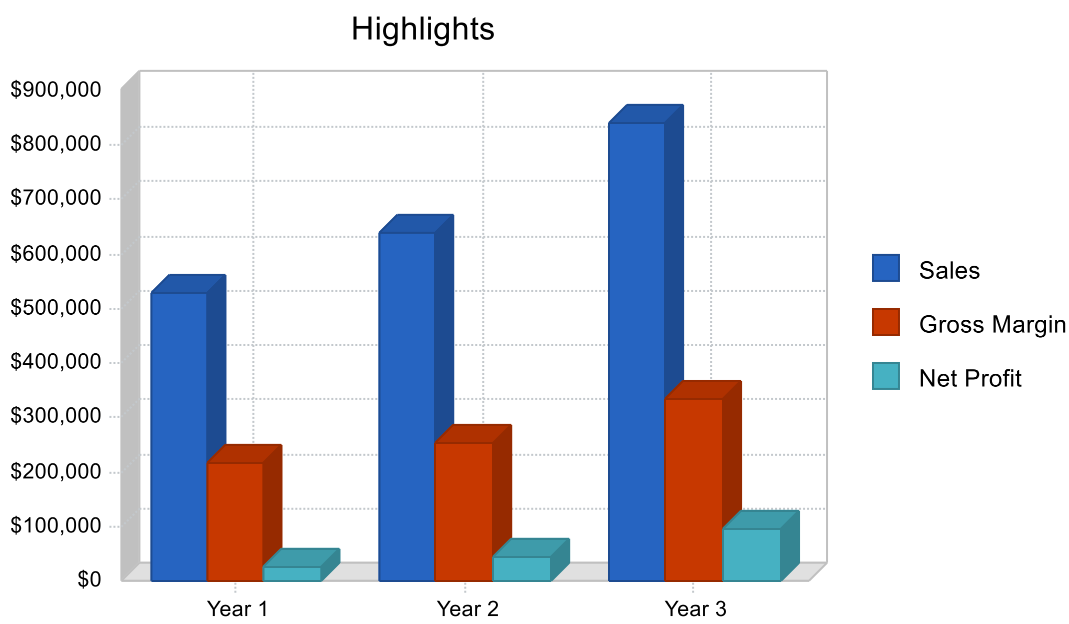
The market for behavioral health services is healthy, as will be shown by the growth the existing Center has experienced during the past two and a half years. Massachusetts has recently passed a mental health parity bill that will become effective in month one. The bill requires insurance companies to develop benefits for biologically based behavioral health disorders similar to those provided for health disorders. This should help sustain the anticipated projected growth. Currently, the Outpatient Psychiatric Center is referring approximately four phone calls a day to other providers.

The key to success for this turnkey project includes:

1. An ability to transfer existing hospital behavioral health contracts to the Center.
2. Credentialing clinicians promptly.
3. Obtaining initial working capital.
4. Contracting with clinicians using reasonable rates.
5. Developing and implementing a successful billing and collection system.
6. Listening to all customers and attempting to meet their needs.
7. Obtaining a Medicaid provider number.

The business plan provides a map for sustaining growth, improving revenue collections, and increasing our bottom line to produce a profit.

Chart: Highlights



1.1 Objectives

Goal 1: To continuously develop, strengthen, and improve services offered by the Center.

1. Strengthen the current payor mix by developing and maintaining strategic alliances with five major behavioral health managed care companies.
2. Identify and develop strategic alliances with three community human service and addiction agencies.
3. Identify and foster strategic alliances and networks with eight community medical group practices.
4. Transfer and/or hire 80% of staff two months before the starting date.
5. Identify and implement a billing system two months before the starting date.
6. Improve the expected receipts rate by 40% over the previous year.
7. Increase all services offered through the Center by 80% over the previous year.
8. Arrange working capital for the initial phase of the turnkey venture.

Goal 2: To strengthen the Center's commitment to excellence.

1. Enhance customer service by offering three in-service trainings related to client satisfaction with treatment, accessibility, and staff-client interactions.
2. Continuously assess referral base satisfaction using a referral base satisfaction survey.
3. Continuously assess client satisfaction from three perspectives: accessibility, environmental factors, and treatment-related factors.

1.2 Mission

To promote the well-being of the individuals and families in the Merrimack Valley community by providing accessible, quality mental health and substance abuse/addiction care for children, adolescents, adults, and their families, utilizing a service system that emphasizes trust, respect, confidentiality, and compassion. We are committed to quality mental health care that is provided in a collaborative effort with consumers' overall health strategies and an array of medical services. We are further committed to the philosophy that we exist for the customer/client.

1.3 Keys to Success

- Secure working capital by the start of the project.
- Be profitable on a forward basis by the seventh month of the first fiscal year.
- Be cash flow positive by the seventh month of operation.
- Being affiliated with a well-respected community acute-care hospital.
- Managed Care friendliness through cooperation, accessibility, and clinical focus.
- Community awareness of services provided by the Center.
- Ascertain a Medicaid provider number and develop an interim plan to function during the application phase.
- Staff commitment to excellence as evidenced by the Center's growth and customer satisfaction.
- Accessibility and responsiveness to the needs of the Center's customers.
- Functioning as an organization that is fluid, responsive, and willing to change to meet the frequent shifts in the behavioral health industry.

2.

Company Summary

2.0 Company Summary

The Amesbury Psychological Center is a for-profit behavioral health company located in Amesbury, Massachusetts. It was founded by the privatization of an existing mental health center that was a part of the Anna Jaques Hospital psychiatry program. The transfer of clients to the Center from the Outpatient Mental Health and Addiction Center was an effort to provide for uninterrupted, continued quality services to its present consumers, and expand its network of providers to ensure further growth. The transition to a privatized center enables the residents of the Merrimack Valley area to have continued access to a quality, accessible mental health center.

History

Although the Center is a new company, it is taking over the operation of an existing full-service mental health center. Before the privatization of the Outpatient Mental Health and Addictions Center, the Center was part of Anna Jaques Hospital's Psychiatric Services Program. This program offered an array of behavioral health services which included both inpatient and outpatient services. Currently, there are approximately 565 active cases. There are another 233 inactive cases that use the Center's services on an as-needed basis. The Center is located at the Amesbury Health Center, a facility owned by Anna Jaques Hospital. The Amesbury Health Center, formerly a city-owned community hospital, is a four-story brick building. It has been modified to accommodate a child inpatient unit and medical office spaces, including the mental health center.

The outpatient center began as a psychopharmacology center at Anna Jaques Hospital. In 1995, the psychopharmacology center moved to the Amesbury Health Center. At that time, the center expanded to include an Addictions Program.

In 1998, the Center further expanded to offer psychotherapy services. The psychotherapy component consisted of individual, couple, family therapies, and specialized groups. The composition of staff was multidisciplinary and included independently licensed/certified mental health centers and certified addiction treatment specialists. During this time, the Center was licensed by the Department of Public Health to offer specialized addiction services that included a Second Offenders Program, an Addiction Counseling Program, and an Intensive Outpatient Program. The licensing enables the Center to collaborate with other state and community agencies working with substance abuse/addiction populations, resulting in further growth for this program.

Since 1996 the number of visits/procedures has continued to grow to its present-day tallies. The total number of visits for 1996 was 1,471, in 1997 it was 1,869, in 1998 it was 3,399, and in 1999 it was 6,158. The projected number of units of service for 2000 is 5,700. Although units of service have increased by 45% over the past two years, the net revenue has decreased per unit of service. As volume has increased, expenses per unit of service have fallen from $88 in 1996 to $52 in 1999. Since 1998, operating expenses have been under control and reasonably proportionate to units of service provided.

2.1 Company Ownership

The Center is a privately owned sub-chapter S corporation formed to privatize, manage, and offer mental health and substance abuse services to the community of the Merrimack Valley. It is solely owned by its principal operator, John Nestor, Ph.D., M.P.A. It has been chartered and the name has been reserved with the Secretary of State's office.

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal	$2,000
Stationery etc.	$400
Insurance	$500
Rent	$900
Redecorating and signage	$2,500
Staff Training	$2,000
Other	$700
Total Start-up Expenses	$9,000
Start-up Assets	
Cash Required	$101,000
Other Current Assets	$5,000
Long-term Assets	$0
Total Assets	$106,000
Total Requirements	$115,000

Table: Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	$9,000
Start-up Assets to Fund	$106,000
Total Funding Required	$115,000
Assets	
Non-cash Assets from Start-up	$5,000
Cash Requirements from Start-up	$101,000
Additional Cash Raised	$0
Cash Balance on Starting Date	$101,000
Total Assets	$106,000
Liabilities and Capital	
Liabilities	
Current Borrowing	$0
Long-term Liabilities	$50,000
Accounts Payable (Outstanding Bills)	$0
Other Current Liabilities (interest-free)	$0
Total Liabilities	$50,000
Capital	
Planned Investment	
Direct Owner Investment	$65,000
Investor 2	$0
Other	$0
Additional Investment Requirement	$0
Total Planned Investment	$65,000
Loss at Start-up (Start-up Expenses)	($9,000)
Total Capital	$56,000
Total Capital and Liabilities	$106,000
Total Funding	$115,000

2.2 Company Locations and Facilities

The Center is in Amesbury, Massachusetts, and has been in the same location since 1996. The location is excellent because the Center is easily accessible by automobile or public transportation and has ample parking. The psychological center has its entrance on the south side of the building, ensuring moderate privacy and confidentiality. The Center has been recently refurbished by the hospital and there is space available for growth. Leasing arrangements are yet to be negotiated, though $10-12 dollars a square foot is the customary rate as quoted by local realtors. The Center will ask the hospital to subsidize rent for the first two years of operation, representing their support to ensure the success of this project.

The Center occupies approximately 2,200 square feet. It has nine clinical offices and group rooms. There is a larger reception area that is separated by a divider, allowing for a child and adult reception area. Included in the square footage is a small staff kitchen, a staff bathroom, and a business/intake office. The offices are handicapped-accessible. There is a public unisex, handicapped-accessible bathroom within proximity to the Center, and one within the building.

Leasing arrangements are in process. Based on financial analysis and financial projections, the hospital will need to subsidize rent for the first two years if the project is to succeed. It is our goal to obtain a three-year lease from the Anna Jaques Hospital with an option to renew a second three-year lease. The present location is not critical to the success of the business. After three years we will review our rental options, the need for additional space, and other available facilities in the geographical area before renewing the contract.

3.

Services

- Services
- Service Description
- Competitive Comparison
- Sales Literature
- Fulfillment
- Future Services

3.0 Services

The Center provides an array of quality mental health and substance abuse/addiction services to individuals, couples, and families. The service population includes people of all age ranges. Specifically, services include psychopharmacology, psychotherapy, substance abuse programs, and contracted mental health services. A multidisciplinary staff provides quality treatment of mood disorders, anxiety disorders, attention deficit hyperactivity disorders, behavioral disorders, post-traumatic stress disorders, stress management, substance abuse disorders, and gambling addiction disorders.

3.1 Service Description

There are four components of the Center that interact closely with each other, and with the consumer's primary care physician, when appropriate. The philosophy of treatment recognizes the totality of the individual in his or her life situation. This includes the interconnection of multiple dimensions from biomedical to spiritual, as well as external relationships of the individual to the family and larger social groups.

1. **Psychopharmacology:** This service is provided by licensed and board-certified psychiatrists (MD/DO) and certified nurse specialists (RNCNS). Persons utilizing this service may or may not be in therapy but need medication to stabilize the presenting symptoms and to facilitate a return to the person's previous level of functioning. All age groups are treated. The average number of sessions is ten per year. Treatment is tailored to the needs of the individual and guided by an individualized treatment plan based on a comprehensive biopsychosocial assessment of the individual and their family, if appropriate. Rates are contracted.

2. **Psychotherapy:** This intervention is provided by independently licensed certified nurse specialists, psychologists, licensed mental health counselors, and licensed, independent social workers. The format of these services is individual, couple, family, and/or group sessions. All age groups are treated. The average number of sessions is eight per year. Treatment is tailored to the needs of the individual and is guided by an individualized treatment plan based on a comprehensive biopsychosocial assessment of the individual and his/her family, if appropriate. Rates are contracted.

3. **Substance Abuse/Addiction:** Substance Abuse and Addiction treatment centers provide professionally-directed evaluation, treatment, and recovery services to persons with substance-related disorders. Interventions are provided by licensed independent practitioners and/or certified alcohol and addiction counselors. These services are provided through individual and group modalities. The program consists of a four-week program that meets nine contact hours per week. Services are designed to treat the individual's level of illness severity and to achieve significant changes in an individual's addictive behavior. Treatment is tailored to the needs of the individual and guided by an individualized treatment plan based on a comprehensive biopsychosocial assessment of the individual and his/her family, if appropriate. Rates are contracted.

4. **Contracted Services:** Services provided to consumers within this category are generally provided off-site at another facility. The services are provided with associated staff and billed via the Center at contracted rates. Services include consultation, psychotherapy, psychopharmacology, and addiction services.

3.2 Competitive Comparison

The Center provides quality, accessible service. The key to differentiation is to promote and evidence the mission of the Center to our customers in a meaningful and understandable manner. We will not be able to compete doing "business as usual." Our approach will be customer-directed. Our customers will be able to discern our intangible, as well as our tangible, benefits. Our dedicated focus on all our customers will place us ahead of our competitors. When compared with its competitors, the Center stands out in several respects:

1. **Environment.** The Center is managed-care friendly; we provide prompt and accurate information as well as good communication. The Center has a shared treatment philosophy. Our services are accessible and cost-effective.

2. **Marketability.** When marketing our services to managed-care companies and preferred provider organizations, we take into consideration their needs. For example: group vs. individual treatment, family vs. individual treatment, after-hours accessibility, access on weekends, use and tracking of outcome measures, and customer satisfaction.

3. **Value-added Customer Contact.** The Center provides free phone or face-to-face contact with therapists before treatment as a means of initiating a therapeutic relationship.

4. **Location and Ease of Access to Facility.** The Center is easily accessible by both automobile and public transportation. It has a private entrance which provides confidentiality. It is accessible to the physically challenged and there is ample free parking.

5. **Promotion.** Our customer-first philosophy will help attract new customers and maintain existing ones.

6. **Self-Assessment.** A major thrust of the Center is to continuously self-assess our mode of operating to evaluate how user-friendly the Center is for clients, referral sources, payor, staff and associates, and others.

7. **Integrated Delivery System.** The Center has familiarity, understanding, and willingness to work closely with other healthcare providers. We are affiliated with an integrated health and behavioral health care system encompassing inpatient, partial, and outpatient services.

3.3 Sales Literature

At the time of this writing, our logo, brochure, business cards, and advertising are in the process of being developed. Our focus will be on selling the Center's perceived qualities and intangibles.

3.4 Fulfillment

The key of fulfillment will be provided by the philosophy and principals of the business. The core values are customer focus, quality treatment, and professional expertise, as is evidenced by associates and staff performance, compassion, trust, and hard work.

3.5 Future Services

If the Center is to sustain its growth and other capacities, it must continuously strengthen its customer relations and identify their ongoing needs. We will watch closely for industry trends that may impact our delivery service system. Our energies will be focused on creative problem-solving solutions in how we deliver our service and how we reimburse our associates and staff for their hard work.

4.

Market Analysis Summary

4.0 Market Analysis Summary

In this age of healthcare reform and increased use of contracts with health maintenance organizations (HMOs), preferred provider organizations (PPOs), and other groups, the demand for behavioral healthcare providers continues to decline. This phenomenon, being driven by behavioral health "carve-outs," has created a competitive clinical market, resulting in customer service being a critical factor. From this particular perspective, the customer identified as payor is: self-payor, Medicare, Medicaid, and managed care companies. They drive a large percentage of referrals within the industry.

The Center has identified several behavioral health payors who have a strong foothold in the Merrimack Valley area. They include Tufts HMO and Tufts Affiliated Health Programs, Harvard/Pilgrim Health Care, Medicare, Medicaid/MBHP, Magellan/MBC, Magellan Lucent, United Behavioral Health, Behavior Health Network, managed care company (MCC)/Cigna, US Health Care, and Health Care Value Management (indemnity products). Consumers participating in these programs are drawn from the communities of the Merrimack Valley and Southern New Hampshire area. Within this service area, it is estimated that HMOs provide insurance for approximately 51% of the population.

It should be noted that there is an abundant supply of behavioral health providers/institutions within the Merrimack Valley and Southern New Hampshire. They include psychiatric hospitals, residential facilities, outpatient group practices that vary from public to private organizations, and solo practitioners. Customer service, then becomes an even more critical factor. Obtaining and maintain a foothold in the behavioral health market will necessitate the provision of optimal, accessible, quality customer service.

The Center has four primary customers, each with their own specific needs. These include:

1. **Referral Source**	**Customer Needs**
Physicians	Professionalism
Hospitals	Consultation
Schools	Correspondence
Agencies	Accessibility

2. **Individuals and Families**	
Individuals	Accessibility
Couples	Respect
Families	Compassion
Groups	Empathy

3. **Managed Care Companies and Other Payors**	
MCO's	Clear communication
Self-pay	Cost-effective care
Agencies	Easy access for clients
PPOs	Shared treatment philosophy
Indemnity Program	Responsiveness and cooperation

4. **Vendors**	
Billing/Collectable	Cooperative working relationship
Legal	Timely payment facility owner
Human Resource	Respect
Insurance	

4.1 Target Market Segment Strategy

If the Center is going to survive and grow, we must market our services aggressively. As previously noted, our referral base is primarily driven by managed care companies, Medicare and Medicaid, indemnity products, and self-payors. Within the Merrimack Valley geographical area, HMOs have approximately 51% of the covered lives. Focusing on and identifying the needs of these five referral sources is critical for our growth.

4.1.1 Market Trends

Trends that began with health care reengineering and the introduction of managed health care will continue during the next decade. There will continue to be change within this industry, but change will be less dramatic than the healthcare revolution of the 1980s and 1990s. Managed care companies will continue to influence fee structures and restructure the provider network.

With the advent of mental health parity in Massachusetts, utilization rates and reimbursement rates should improve. Under the mental health parity law, insurance companies are not allowed to cap mental health services for biologically based mental health disorders. Co-payments cannot escalate during treatment for these disorders.

Managed care organizations (MCOs) are beginning to review provider compensation packages with the intent of increasing compensation rates. Rates have been flat for the past ten years.

4.1.2 Market Growth

As noted in a previous section, the growth rate for the Center during the past three years has been significant. There is no identified reason indicating that this will change. We are currently referring out four to five phone calls per day. Within the geographical area, it takes approximately six to eight weeks to get an appointment with a psychiatrist. For psychotherapy, it takes approximately seven to eight days to get an appointment. With the use of additional staff and creative scheduling, some of these challenges can positively impact the bottom line.

Dr. Marc Shay, an adult psychiatrist, has recently become an associate of the Center. He has committed to 12 hours per week, resulting in an increase of services by 48 units per week. His schedule is filled for the next three weeks as of July 10, 2000. He will begin work on July 17, 2000. We are also in the process of negotiating with a clinical nurse specialist to work 12 hours per week. Her specialty is with children and adolescents. Her starting date is estimated to be early September 2000.

4.1.3 Market Needs

Previously, we have identified the significant aspects of services offered by the Center. Of these services, children and adolescent services are in greatest demand by all referral sources. This gives strength to the four segments of our delivery service system which address these needs. Additionally, there is significant population growth in the Merrimack Valley and southern New Hampshire areas, and this growth is projected to continue over the next decade.

4.2 Service Business Analysis

The behavioral healthcare industry consists of inpatient programs, residential and partial programs, outpatient group practices, and outpatient solo practices. For this business plan, we will focus on multidisciplinary group practices, both public and private. Within the geographical area designated as the service area for this business plan, the industry participants include North Essex Mental Health Center, Arbour/HRI Counseling Services, Harris Street Associates, and Harborside Psychological Center.

4.2.1 Main Competitors

To identify the principal behavioral health competitors within the Merrimack Valley, it is important to have an understanding of the behavioral health industry as it has been transformed by the influence of health care restructuring. There are primarily four types of behavioral health facilities: (1) psychiatric hospitals, (2) residential facilities, (3) outpatient group practices, and (4) solo practices. The primary competitors of the Center fall within the third category, outpatient group practices. These practices can be further categorized as public, not-for-profit facilities, and for-profit private practice facilities that include homogeneous group practices and multidisciplinary group practices.

Not-for-Profit Facility

1. North Essex Mental Health Center

North Essex Mental Health Center, Inc., Newburyport, Massachusetts with a satellite office in Haverhill, Massachusetts. Three years ago, this facility was bought by a subsidiary of Northeast Health Systems of Beverly, Massachusetts. This facility is a community mental health center whose primary consumer is the Medicaid population. The center has been providing behavioral health services in the Merrimack Valley area for over 20 years. This center has grown significantly in the last 10 years, culminating in the opening of an Amesbury office. North Essex Mental Health Center is the dominant provider in the Northeast area of Massachusetts. They are the emergency services provider for MBHP and have contracted with the AJH to provide emergency services to their emergency room. Their payor mix is composed of Medicare, Medicaid, self-pay, and some MCOs.

a. Strengths:

- Size
- Location
- Capital
- Bureaucratic flexibility
- Affiliations programming
- Availability of home-based and school-based services

b. Weaknesses:

- Size (considered to be arrogant by some area professionals resulting in a negative perception in the community).
- Accessibility - the perception among professionals that it is difficult to obtain appointments within a reasonable period.
- High staff turnover.
- No IOP.

c. Potential Impact of Strengths:

- Politically well-connected
- Large pool of resources to draw from
- Staff availability to respond to requests for proposals (RFPs) and requests for quotations (RFQs)

d. Strategies to Thwart Competition:

- Develop a reputation for providing quality services.
- Respond to the needs of referral sources.
- Respond and demonstrate respect for consumers.
- Develop niche markets.
- Continuum of services available from inpatient, to partial, to intensive outpatient services
- Availability of child/adolescent psychopharmacologist
- Increase visibility of, and procedures offered by the Center.
- Strong referral base from physicians practicing within the AJH healthcare system

2. Arbour/HRI Counseling

HRI/Arbour Psychological Center is a moderate-size, for-profit mental health center. It is a full-service multidisciplinary center, offering mental health services to children, adolescents, and adults. It was recently procured by Arbour Mental Health Systems. This center has recently invested money to refurbish a facility that houses its geropsychiatry program. Their payor mix is spread among Medicare, Medicaid, self-pay, and MCOs

a. Strengths:

- Size
- Good location in downtown Haverhill
- Resources
- Affiliations
- Programming: geropsychiatry partial hospitalization program
- Community respectability

b. Weaknesses:

- Unknown at this time

c. Potential Impact of Strengths:

- Part of a large system
- Strong referral base
- Programming/outreach home-based legal services

d. Strategies to Thwart Competition:

- Develop a reputation for providing quality services.
- Respond to the needs of referral sources!
- Respond and demonstrate respect for consumers.
- Develop niche markets!
- Continue services available, from inpatient to partial, to intensive outpatient services
- Availability of child/adolescent psychopharmacologist
- Increase visibility of, procedures offered by, the Center
- Strong referral base from physicians practicing within the AJH health care system

3. Harris Street Associates

Harris Street Associates is a multidisciplinary group practice providing mental health services to the Newburyport and Haverhill communities. It was established over fifteen years ago by several local psychiatrists and psychologists. Their payor mix has been primarily with MCOs, with some indemnity programs. It has had a rocky financial history, culminating in being bought by H.E.S. For the past three years, H.E.S. has attempted to turn around the financial status of the agency without success. It was recently announced that the center is closing on October 30, 2000.

4. Harborside Psychological Center

Harborside Psychological Center is in Newburyport, Massachusetts. It is a multidisciplinary mental health group practice. Until recently, their service focus has been psychotherapy with children, adolescents, and adults. Currently, this center has added pharmacology to their list of services. Their payor mix is composed of MCOs and employee assistance programs (EAPs).

a. Strengths:

- Size
- Location quite good in downtown Newburyport
- Resources
- Community respectability
- Multidisciplinary composition of the Center

b. Weaknesses:

- Not close to public transportation
- Not visibly known to the public
- Psychopharmacology time is limited.

c. Potential Impact of Strengths:

- Strong referral base with MCOs

d. Strategies to Thwart Competition:

- Develop a reputation for providing quality services.
- Respond to the needs of referral sources.
- Respond and demonstrate respect to consumers.
- Develop niche markets, especially with children and adolescents!
- Continue services available, from inpatient to partial, to intensive outpatient services.
- Availability of child/adolescent psychopharmacologist
- Increase visibility of, procedures offered by the Center
- Strong referral base from physicians practicing within the AJH healthcare system

4.3 Market Segmentation

The market segmentation can best be understood from an analysis of the clinical services being offered by the Center. Presently, three services are offered: psychotherapy, pharmacology, and substance abuse/addiction treatment. When the Center commences its operations, a fourth service will be implemented: behavioral health contracts. Contracts are different from the previous three segments in that the services are provided offsite at another facility.

All services are offered to all age groups, with a modality of treatments that includes individuals, couples, families, and groups. Some customers will use only one service at a time, while others will use a mix of the various services simultaneously.

Chart: Market Analysis (Pie)

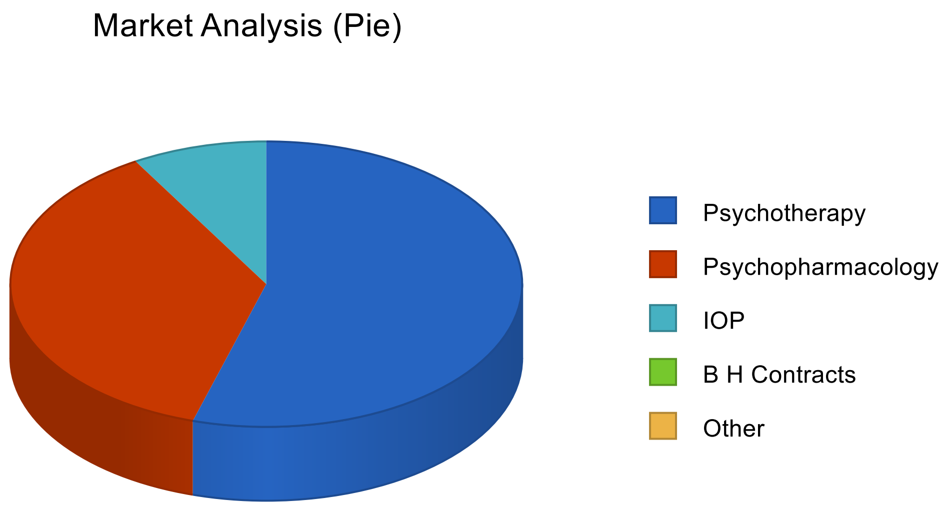


Table: Market Analysis

Market Analysis							
		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
Psychotherapy	6%	5,784	6,793	7,374	7,846	8,348	9.61%
Psychopharmacology	0%	3,911	5,184	6,282	6,282	6,282	12.58%
IOP	0%	898	898	988	988	988	2.42%
B H Contracts	5%	0	0	2,000	2,000	2,000	0.00%
Other	0%	0	0	0	0	0	0.00%
Total	13.56%	10,593	12,875	16,644	17,116	17,618	13.56%

5.

Strategy and Implantation Summary

5.0 Strategy and Implementation Summary

The Center will focus its market activities on two market areas: the communities of Merrimack Valley, and Southern New Hampshire. Services will include psychotherapy, psychopharmacology, and substance abuse/addiction services.

The target customers are the consumers of mental health services (i.e. individuals, couples, families, and groups). The composition breakdown is approximately 50% adults and 50% children, adolescents, and families. The second target customer is the payors. They are an integral piece of this turn-key project. The payors are the gatekeepers for referrals and authorizations.

5.1 Sales Strategy

The Center's sales strategy will target potential purchasers and referral sources of our services, from:

1. Managed Care Companies (5-6)
2. Preferred Provider Organizations (2-3)
3. Medical Groups (5)
4. Community Agencies (3)
5. Consumers/Clients

Wherever possible, our niche marketing approach will be linked to our sales strategies.

5.1.1 Sales Forecast

The following chart and table depict the Center's forecasted sales. During the first year, we expect a yearly growth rate of approximately 100% from the previous fiscal year. Since existing associates will remain with the Center, and several associates from a closed center will join us and bring at least sixty percent of their current caseload with them, the forecast is reasonable. The Center is in the process of negotiating with Harbor Schools to provide mental health services, resulting in 3,300 additional units of service. The sales forecast is also based on the assumptions that we meet projected staffing patterns, managed care contracts are transitioned to the Center without difficulty, and a Medicaid provider number is obtained without complications.

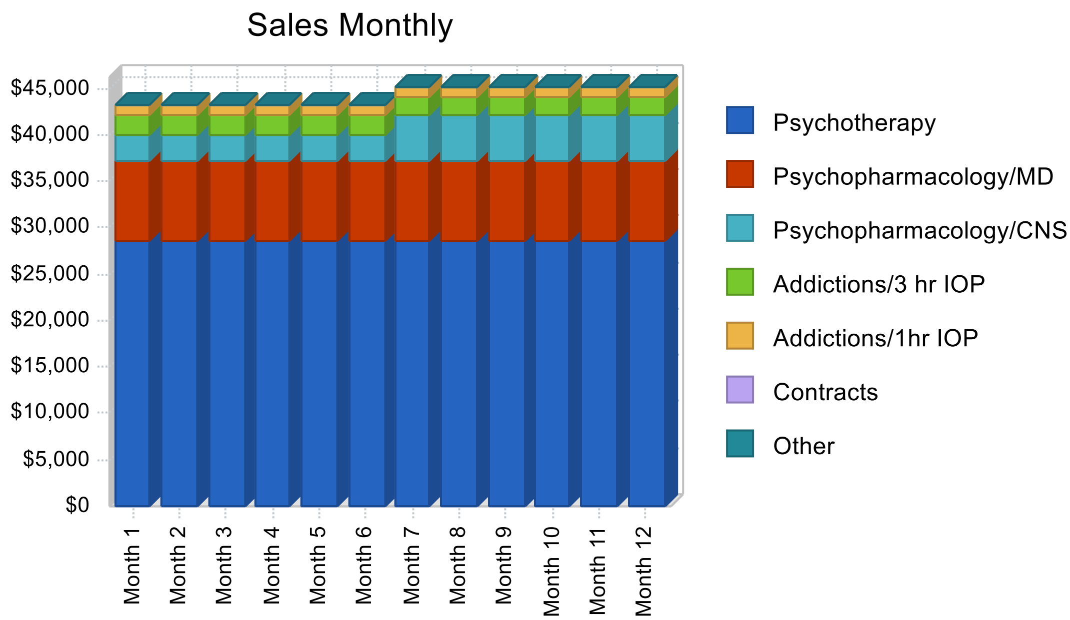
Operationally, the Center is prepared to handle growth. Support staff is in place, as are other necessary environmental resources. The immediate problem would be to transfer patients from one center to another. Through a planned transition program being driven by the therapists, it should occur without too much difficulty or confusion.

The chart and table depict a modest 18% growth rate for the second year and a 23% growth rate for the third year. The second-year growth rate will be the result of adding additional therapy hours. The third-year growth will be a result of adding therapy contracts. We are in the process of negotiating with Harbor Schools to provide on-site therapy services.

Table: Sales Forecast

Sales Forecast			
	Year 1	Year 2	Year 3
Unit Sales			
Psychotherapy	5,784	6,792	7,374
Psychopharmacology/MD	2,520	3,264	3,950
Psychopharmacology/CNS	1,391	1,920	2,332
Addictions/3 hr IOP	310	310	450
Addictions/1hr IOP	588	588	538
Contracts	0	0	2,000
Other	0	0	0
Total Unit Sales	10,593	12,874	16,644
Unit Prices	Year 1	Year 2	Year 3
Psychotherapy	$59.52	$59.52	$59.52
Psychopharmacology/MD	$40.92	$40.92	$40.92
Psychopharmacology/CNS	$32.55	$32.55	$32.55
Addictions/3 hr IOP	$77.19	$77.19	$77.19
Addictions/1hr IOP	$22.32	$22.32	$22.32
Contracts	$0.00	$0.00	$59.52
Other	$0.00	$0.00	$0.00
Sales			
Psychotherapy	$344,264	$404,260	$438,900
Psychopharmacology/MD	$103,118	$133,563	$161,634
Psychopharmacology/CNS	$45,277	$62,496	$75,907
Addictions/3 hr IOP	$23,929	$23,929	$34,736
Addictions/1hr IOP	$13,124	$13,124	$12,008
Contracts	$0	$0	$119,040
Other	$0	$0	$0
Total Sales	$529,712	$637,372	$842,225
Direct Unit Costs	Year 1	Year 2	Year 3
Psychotherapy	$35.71	$35.71	$35.71
Psychopharmacology/MD	$28.64	$28.64	$28.64
Psychopharmacology/CNS	$19.53	$19.53	$19.53
Addictions/3 hr IOP	$13.12	$27.02	$27.02
Addictions/1hr IOP	$4.91	$6.47	$6.47
Contracts	$0.00	$0.00	$35.71
Other	$0.00	$0.00	$0.00
Direct Cost of Sales			
Psychotherapy	$206,558	$242,542	$263,326
Psychopharmacology/MD	$72,183	$93,481	$113,128
Psychopharmacology/CNS	$27,166	$37,498	$45,544
Addictions/3 hr IOP	$4,068	$8,376	$12,159
Addictions/1hr IOP	$2,887	$3,804	$3,481
Contracts	$0	$0	$71,420
Other	$0	$0	$0
Subtotal Direct Cost of Sales	$312,863	$385,701	$509,057

Chart: Sales Monthly



5.2 Value Proposition

If the Center is going to compete effectively, it will need to clearly define its value-added benefits. Our goal is to meet and exceed the needs of our customers: consumers, staff and associates, payors, consultants, and other referral sources. Previously, we discussed the needs of our customers. These needs will drive the value-added philosophy and marketing strategy.

5.3 Competitive Edge

Our competitive edge is our associates and staff affiliations. Our associates and staff spread the company proposition, "our mission is to meet/exceed customer's expectations." Our affiliations with the Anna Jaques Hospital and other medical group practices allow us to interface easily with a strong referral base. Hard work, integrity, accessibility, experience, quality service, and customer satisfaction are the factors influencing our competitive edge. When the customers call the Center, they will get a real person, not a voicemail message.

5.4 Marketing Strategy

Target marketing of our services is critical to growth. Strategies will include:

- An emphasis on customer-driven, quality service.
- Building a relationship business.
- Focusing on five behavioral health payors.
- Identify and build a niche market.

Marketing tools will include direct mail, print and audio advertising, public speaking, and relationship building with identified managed care corporations and persons.

5.4.1 Promotion Strategy

Multiple strategies will be used to promote the Center. Throughout the promotional strategy, our focus will be on selling the Center. The types of promotions will include:

1. Participation in activities related to treated disorders at the center, e.g., National Depression Screening Day.

2. Developing a brochure, logo, and business cards to promote the Center.

3. Networking with various health care providers, community agencies, and state agencies.

4. Media advertisement, especially to announce the professional affiliation of a new associate or new program.

5. Use of follow-up letters to referral sources.

6. Offering informational workshops to the public.

7. Networking with the media to facilitate articles about the Center.

8. Join small business groups/organizations as a means of increasing public awareness.

5.4.2 Positioning Statement

It is our goal to enhance our image and reputation by being responsive, and accessible, and by providing quality treatment. By building relationships, we will cultivate our image with case managers and network managers of identified managed care organizations.

5.4.3 Pricing Strategy

Pricing for the services provided by the Center is market driven. Our fee structure is based on a survey of existing MCOs and other payors. To operate profitably under these prices, it is imperative that the Center monitor and control costs. Behavioral health industry watchers believe that there is at least a 15% range of variation in what certain managed care companies will pay different providers for a given service. Our goal is to obtain the highest price within the competitive range by convincing the payor that we have a service to offer that exceeds that of our competitor. A possible example of this is creative bundling.

5.5 Strategic Alliances

Strategic alliances are critical to the goals of the Center and include selling more services and strengthening our relationship with all our customers. If we are to meet our strategic goals, we must have a strong, continued alliance with Anna Jaques Hospital. Concurrently, we must strengthen and develop our relationship with our referral networks, especially medical groups within the Anna Jaques System and the surrounding community.

6.

Management Summary

6.0 Management Summary

The Center's organizational structure is based upon a shared services model. The founding president/director of the Center has an accumulated twenty years of administrative, management, and clinical experience in the human service and behavioral health industry. The management philosophy is based upon open-book management, shared responsibility, and mutual respect.

6.1 Organizational Structure

The founding president/director will manage the company. Since the company is organized as a shared service model, relationships will be a key variable in setting the direction of the Center. There will be an advisory board composed of four leaders in the field of behavioral health, managed care, organizational dynamics, and a consumer.

An advisory management group, consisting of the Center's staff, will meet regularly to review the Center's financial structure, identify customer relations issues, and develop future goals for growth, marketing, and sales. This group will be assigned the task of developing a plan to implement and integrate a Continuous Quality Improvement (CQI) component and culture into a private practice Shared Service Model (SSM). A customer relations committee will be formed to brainstorm, formulate ideas, plan, and implement activities to enhance levels of satisfaction among all customers. The organizational chart follows:

Amesbury Psychological Center
Organizational Chart

ADVISORY BOARD	CENTER DIRECTOR	CONSULTANTS
SUPPORT STAFF	ASSOCIATES	MEDICAL DIRECTOR
	MEDICAL STAFF	
	THERAPISTS	
	ADDICTION STAFF	
	CONTRACTS STAFF	

6.2 Management Team

The proposed personnel team includes the individuals listed below. It will involve one to three consultants, a five-member advisory board composed of professionals, and a consumer and CQI team composed of associates and staff. Dr. John Nestor will be the president and director. He has an extensive employment history in program start-up, budgeting, and program development. The advisory board includes:

***Names have been removed for confidentiality*

6.3 Management Team Gaps

At present, we are in the process of identifying a financial services company and consultants for several other areas.

6.4 Personnel Plan

The personnel plan reflects the need of a shared service model for a multidisciplinary behavioral health center. It should be noted that benefits are provided to those personnel designated as salaried or hourly employees who work more than 30 hours per week. Associates will be paid a predetermined percentage of their collectible fees. Employees will be paid every two weeks. Associates will be able to draw the first paycheck and reconcile the second paycheck each month.

Human resources, legal, fiscal billing, and marketing/sales will be outsourced. We are in the process of identifying a human resource company and a billing/collection company. The billing company will be paid a percentage of fees collected to collect at least 93% of that billed. Thought will be given to other risk variables to be included in the contract. The costs for the Human Resource services are not determined as of this writing.

The president/director's compensation will be a combined package that includes 75% administrative salary and 25% from clinical work.

Table: Personnel

Personnel Plan			
	Year 1	Year 2	Year 3
Center Director (.75 FTE)	$41,244	$42,481	$43,755
Client Accounts Coord. (.75 FTE)	$23,244	$23,941	$24,659
Secretary/Recep (1 FTE)	$24,000	$24,720	$25,462
Receptionist (.50 FTE)	$11,256	$11,594	$12,302
Total People	4	4	4
Total Payroll	$99,744	$102,736	$106,178

. Key Managers

- Our Chief Executive Officer, with over 15 years of experience in youth development and nonprofit management, leads the strategic vision of the organization.
- The Chief Operating Officer brings a strong background in education and mentorship program design, ensuring the effective implementation of the Youth Mentoring Program.
- Our Chief Financial Officer, with extensive experience in nonprofit financial management, oversees the fiscal responsibilities and sustainability of the organization.
- The Director of Mentorship Coordination utilizes a deep understanding of mentor-mentee dynamics and community engagement to drive the successful matching of mentors with mentees.
- Our "Communications Director leverages expertise in social media outreach and community partnerships to effectively engage with both potential mentors and mentees.
-

JOHNSON WEINSTEIN

CEO & Co-founder –
Johnson.Weinstein@aph.com

Johnson is a seasoned entrepreneur with a passion for youth development. His visionary leadership drives the strategic direction of " Amesbury Psychological Health".

Education:

- Bachelor's in psychology, University of California, Los Angeles
- Master's in education, Stanford University

Professional Background:

- Over 15 years of experience in youth mentoring and program development.

SUE WEINSTEIN

Chief Mentor - sue.weinstein@aph.org

As Chief Mentor, Sue is responsible for upholding the quality of the mentoring programs and ensuring the best match between mentors and mentees.
Education:

- Bachelors in Sociology, University of California, Berkeley

Professional Background:

- 10 years of experience as a mentor and program coordinator.

ALICE BOWEN

COO – alice.bowen@aph.org.

Alice manages the day-to-day operations and plays a key role in implementing effective strategies for program delivery in operations management in the non-profit sector.
Education:

- MBA, Harvard University

Professional Background:

- 12 years of experience in operations management in the non-profit sector.

ROBERT FIELDS

CMO - robert.fields@aph.org

Robert oversees the company’s marketing strategies, aiming to increase brand awareness and drive business growth.

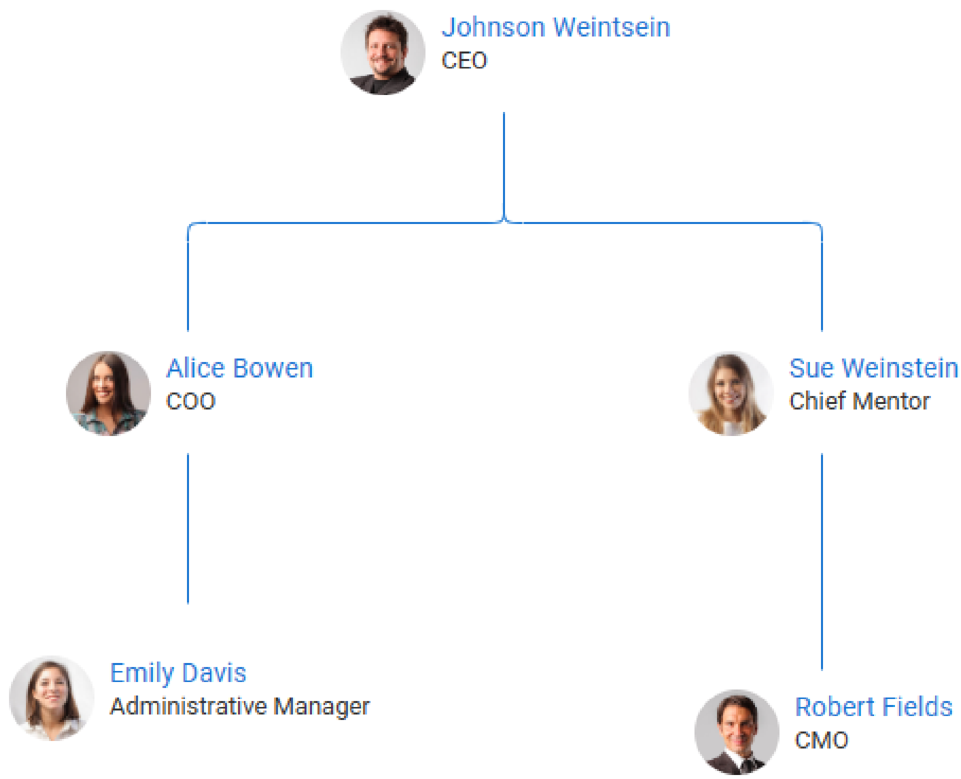
Education:

- Bachelor’s in business administration, University of Southern California

Professional Background:

- 8 years of experience in marketing with a focus on the non-profit sector.

Organization chart



7.

Financial Plan

- Financial Plan:
- 7.0 Financial Plan
- 7.1 Important Assumptions
- 7.2 Key Financial Indicators
- 7.3 Break-even Analysis
- 7.4 Projected Profit and Loss
- 7.5 Projected Cash Flow
- 7.5 Projected Cash Flow
- 7.6 Projected Balance Sheet
- 7.7 Business Ratios

7.0 Financial Plan

The financial plan for this turnkey project is presented in detail in the following sections. There are three important factors in the financial plan:

1. Reducing the days in receivables and improving the quality of receivables,
2. Improving cash flow, and
3. Significant growth in the first year and modest growth in the second and third years.

7.1 Important Assumptions

There are several assumptions related to this turn-key project.

1. The economy continues at its present rate, without a major recession.
2. Expected receipts will improve dramatically by outsourcing billing and collections.
3. The current climate for these services will continue.
4. Behavioral health contracts will be transferred to the Center without difficulty.
5. Center clinical associates will be credentialed promptly, or the Center will be able to credential by "job description."
6. Our staffing patterns and facilities will be able to handle the projected growth.
7. The average days of receivable will be 67 or less.
8. Unlike inpatient behavioral health services, managed care manages the services but has not attempted to cap them. It is assumed that this trend will continue. Some signs that managed care companies are moving away from micromanaging these services.
9. A mutually agreed upon plan will be devised to prepare for the transition of Medicaid clients to the Center.

The following table summarizes the general financial assumptions.

Table: General Assumptions

General Assumptions			
	Year 1	Year 2	Year 3
Plan Month	1	2	3
Current Interest Rate	9.75%	9.75%	9.75%
Long-term Interest Rate	9.75%	9.75%	9.75%
Tax Rate	2.50%	0.00%	2.50%
Other	0	0	0

7.2 Key Financial Indicators

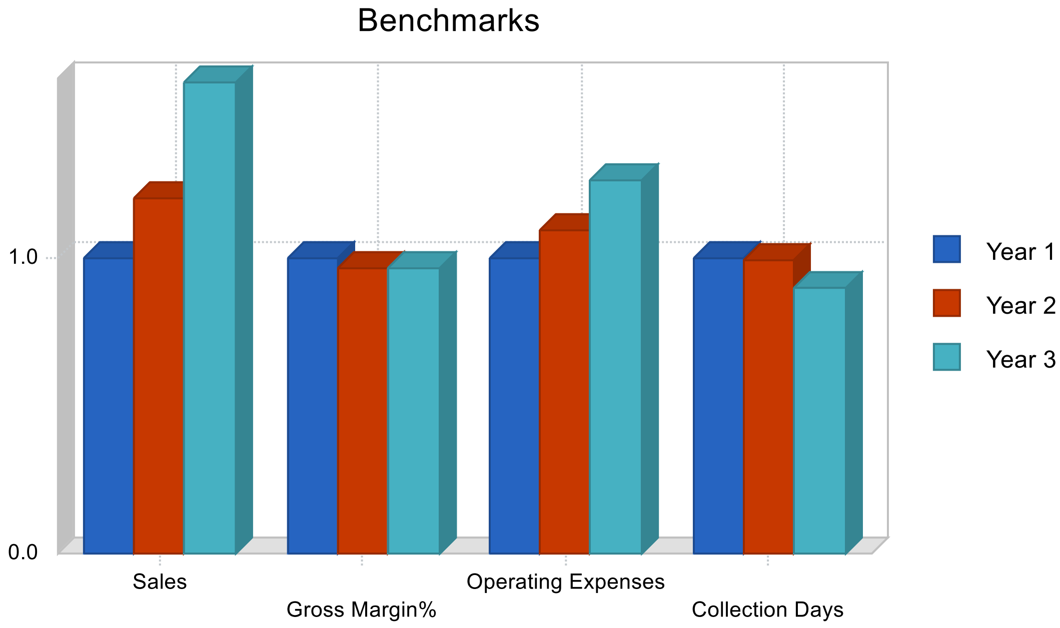
The following benchmark chart indicates our key financial indicators for the first three years of operation. We see significant growth during fiscal year 2001, as compared to the previous fiscal year. Units of service are projected to increase by approximately 75%. The growth during fiscal year 2001 is reasonable in that the existing pharmacology will continue with the pharmacology and three pharmacology/therapists will transfer to the pharmacology with their clients from a center that is closing in the community. A recent medical graduate psychiatrist will join our Center as of July 2000. We will recruit one to two pharmacology nurse specialists during the fiscal year 2001.

The Center will double in size during its first fiscal year, as compared to its previous level of operation. During the second fiscal year, the growth rate will be approximately 18%. During the third year of operation, it will grow at a rate of 23%. This growth will be a result of securing contracts with local human service agencies. Although the rate of expected receipts remains the same during the next two years, it is expected to improve during the third year with new contracts, and experience and familiarity with the new billing system. A financial goal is to be debt-free by the end of the fourth year of operation.

Similarly, collection days remain the same during the next three years. However, efforts will be made to improve this variable with the use of electronic billing.

As sales of services increase, operating costs will rise as well. Every effort will be made to contain these costs proportionately. There are no actual or projected significant increases evident. The variable costs will increase during the third year as we need to hire new staff for the projected contracts. The hiring will not be concluded until the contracts are signed so as to avoid any unnecessary spending.

Chart: Benchmarks



7.3 Break-even Analysis

The following chart and table summarize the Center's Break-even Analysis. These figures and assumptions are well represented since they are based on actual historical data. Cost control and production improvement will ensure profitability.

Chart: Break-even Analysis

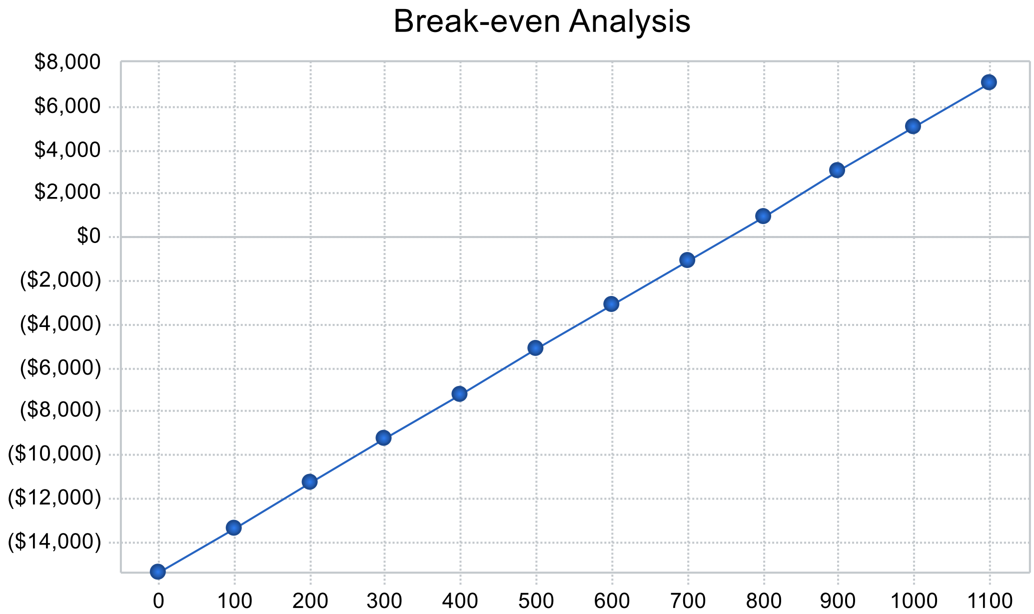


Table: Break-even Analysis

Break-even Analysis	
Monthly Units Break-even	752
Monthly Revenue Break-even	$37,618
Assumptions:	
Average Per-Unit Revenue	$50.01
Average Per-Unit Variable Cost	$29.53
Estimated Monthly Fixed Cost	$15,400

7.4 Projected Profit and Loss

The following table shows the projected profit and loss statement. Projected sales increased from approximately $530,000 in the first year of operation to more than $637,000 in the second year and more than $842,000 in the third year. The third-year growth is a result of additional units of service gained through a contract with a local residential program.

Chart: Gross Margin Monthly

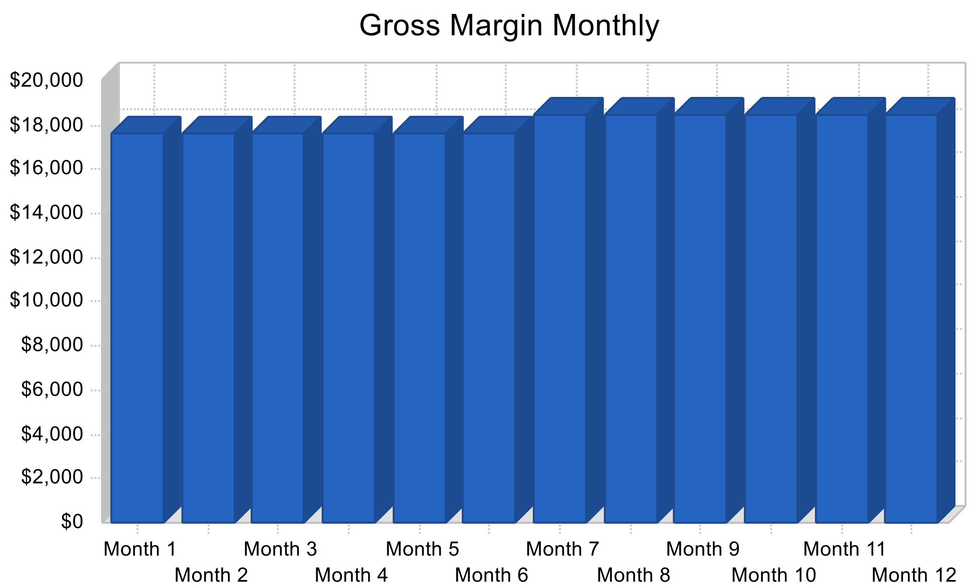


Chart: Gross Margin Yearly

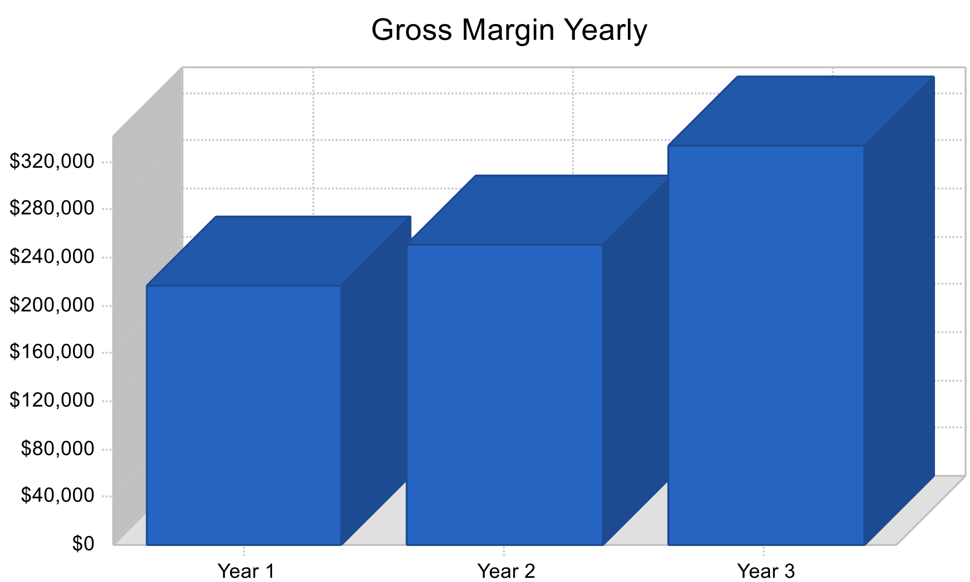


Chart: Profit Monthly

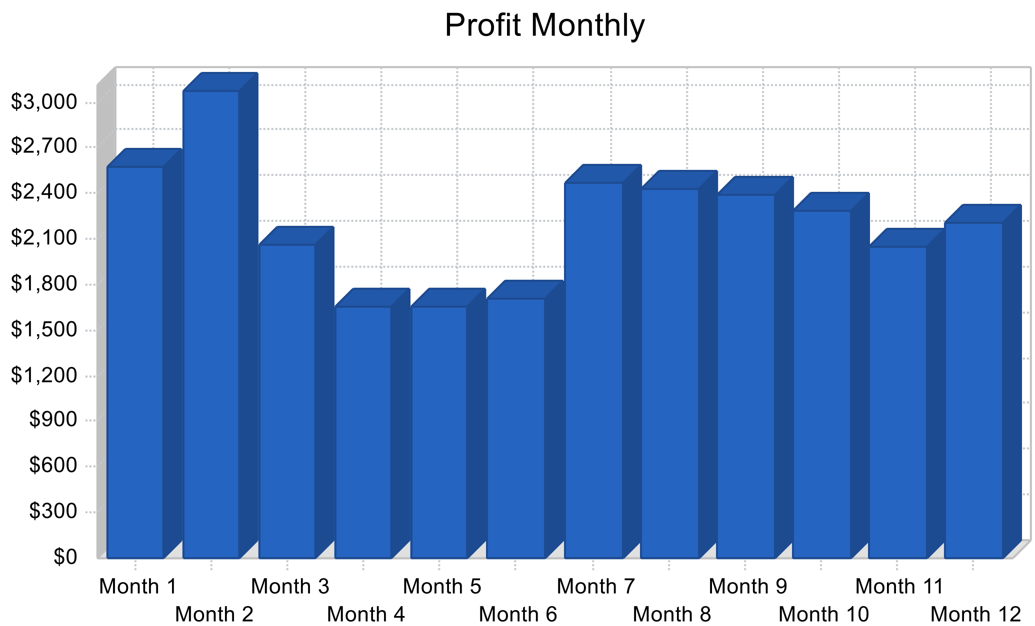


Chart: Profit Yearly

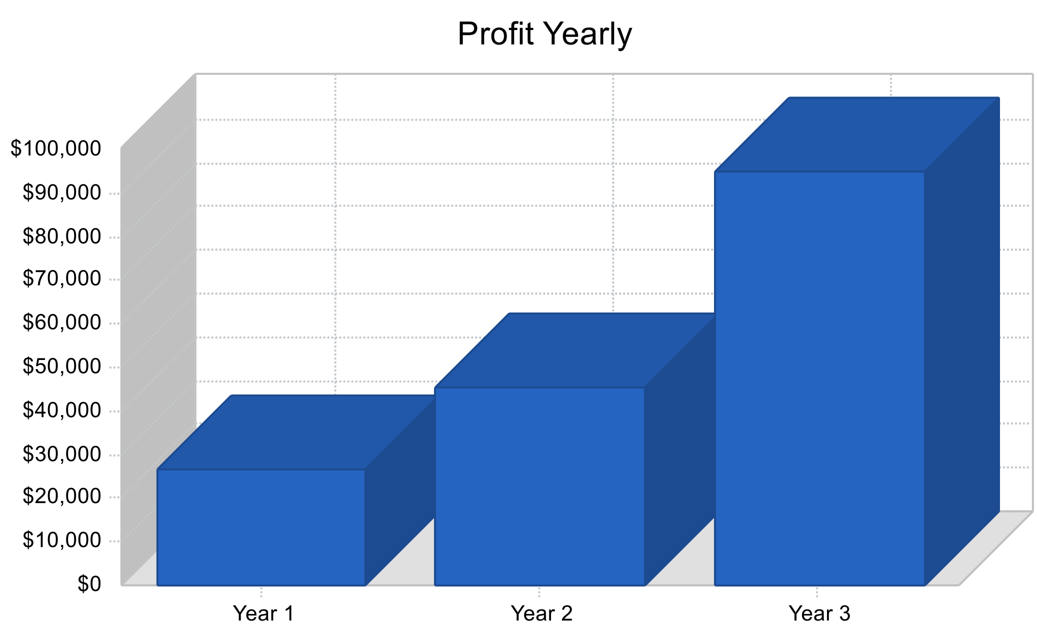


Table: Profit and Loss

Pro Forma Profit and Loss			
	Year 1	Year 2	Year 3
Sales	$529,712	$637,372	$842,225
Direct Cost of Sales	$312,863	$385,701	$509,057
Other	$0	$0	$0
Total Cost of Sales	$312,863	$385,701	$509,057
Gross Margin	$216,850	$251,670	$333,167
Gross Margin %	40.94%	39.49%	39.56%
Expenses			
Payroll	$99,744	$102,736	$106,178
Marketing/Promotion	$7,700	$10,500	$11,100
Depreciation	$0	$0	$0
Leased Equipment	$3,000	$3,000	$3,500
Billing Fees (6% of billed plus 1.5% copays)	$22,951	$31,869	$42,111
Insurance	$3,500	$3,600	$3,600
Rent	$10,992	$11,000	$26,400
Human Resource/HR Logic	$6,000	$6,000	$6,000
Med Dir., Multidisc., RNCS Sup.	$10,000	$12,000	$12,000
Telephone	$6,000	$6,500	$7,000
Postage	$1,050	$1,300	$1,400
Office Supplies	$3,860	$4,110	$4,200
Payroll Taxes	$0	$0	$0
Contract/Consultants	$10,000	$10,000	$10,000
Total Operating Expenses	$184,797	$202,615	$233,489
Profit Before Interest and Taxes	$32,053	$49,055	$99,678
EBITDA	$32,053	$49,055	$99,678
Interest Expense	$4,400	$3,436	$2,260
Taxes Incurred	$1,103	$0	$2,435
Net Profit	$26,550	$45,619	$94,983
Net Profit/Sales	5.01%	7.16%	11.28%

7.5 Projected Cash Flow

The following chart and table summarize the Center's cash flow. The projections are a combination of short-term borrowing and Center receipts. Cash flow is critical to the Center's success. The monthly cash flow, as shown in the table, generally improves from month to month. The chart and table reveal a positive cash flow as operations move beyond the seventh month and steadily continue thereafter.

Chart: Cash

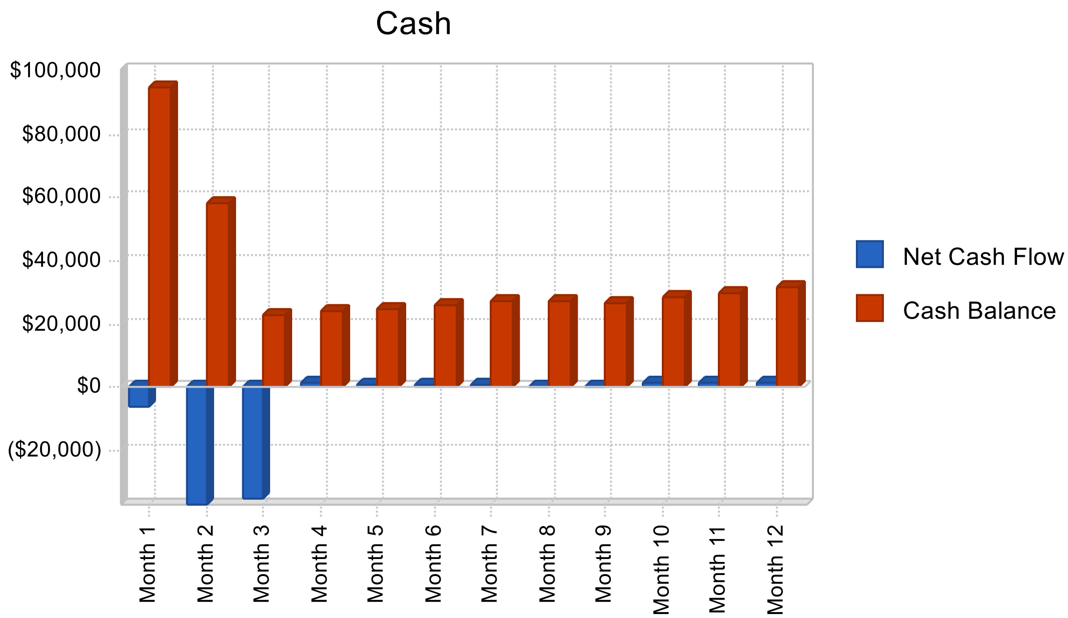


Table: Cash Flow

Pro Forma Cash Flow			
	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	$52,971	$63,737	$84,222
Cash from Receivables	$356,266	$557,202	$724,642
Subtotal Cash from Operations	$409,237	$620,940	$808,864
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	$0	$0	$0
New Current Borrowing	$0	$0	$0
New Other Liabilities (interest-free)	$0	$0	$0
New Long-term Liabilities	$0	$0	$0
Sales of Other Current Assets	$0	$0	$0
Sales of Long-term Assets	$0	$0	$0
New Investment Received	$0	$0	$0
Subtotal Cash Received	$409,237	$620,940	$808,864
Expenditures	Year 1	Year 2	Year 3
Expenditures from Operations			
Cash Spending	$99,744	$102,736	$106,178
Bill Payments	$369,968	$482,273	$628,567
Subtotal Spent on Operations	$469,712	$585,010	$734,744
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	$0	$0	$0
Principal Repayment of Current Borrowing	$0	$0	$0
Other Liabilities Principal Repayment	$0	$0	$0
Long-term Liabilities Principal Repayment	$9,000	$11,515	$12,620
Purchase Other Current Assets	$0	$0	$0
Purchase Long-term Assets	$0	$0	$0
Dividends	$0	$0	$0
Subtotal Cash Spent	$478,712	$596,525	$747,364
Net Cash Flow	($69,475)	$24,415	$61,500
Cash Balance	$31,525	$55,940	$117,439

7.6 Projected Balance Sheet

The following table shows the projected balance sheet. The monthly estimates are included in the appendix.

Table: Balance Sheet

Pro Forma Balance Sheet			
	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	$31,525	$55,940	$117,439
Accounts Receivable	$120,475	$136,908	$170,268
Other Current Assets	$5,000	$5,000	$5,000
Total Current Assets	$157,000	$197,847	$292,708
Long-term Assets			
Long-term Assets	$0	$0	$0
Accumulated Depreciation	$0	$0	$0
Total Long-term Assets	$0	$0	$0
Total Assets	$157,000	$197,847	$292,708
Liabilities and Capital	Year 1	Year 2	Year 3
Current Liabilities			
Accounts Payable	$33,450	$40,193	$52,690
Current Borrowing	$0	$0	$0
Other Current Liabilities	$0	$0	$0
Subtotal Current Liabilities	$33,450	$40,193	$52,690
Long-term Liabilities	$41,000	$29,485	$16,865
Total Liabilities	$74,450	$69,678	$69,555
Paid-in Capital	$65,000	$65,000	$65,000
Retained Earnings	($9,000)	$17,550	$63,169
Earnings	$26,550	$45,619	$94,983
Total Capital	$82,550	$128,169	$223,153
Total Liabilities and Capital	$157,000	$197,847	$292,708
Net Worth	$82,550	$128,169	$223,153

7.7 Business Ratios

The following table shows the projected business ratios as determined by the Standard Industry Classification (SIC) Index code 8063 for the mental health center industry.

Table: Ratios

Ratio Analysis				
	Year 1	Year 2	Year 3	Industry Profile
Sales Growth	0.	20.32%	32.14%	2.30%
Percent of Total Assets				
Accounts Receivable	76.74%	69.20%	58.17%	25.20%
Other Current Assets	3.18%	2.53%	1.71%	33.00%
Total Current Assets	100.00%	100.00%	100.00%	60.00%
Long-term Assets	0.00%	0.00%	0.00%	40.00%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	21.31%	20.32%	18.00%	23.10%
Long-term Liabilities	26.11%	14.90%	5.76%	19.60%
Total Liabilities	47.42%	35.22%	23.76%	42.70%
Net Worth	52.58%	64.78%	76.24%	57.30%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	40.94%	39.49%	39.56%	0.00%
Selling, General & Administrative Expenses	39.65%	36.14%	32.27%	73.80%
Advertising Expenses	0.00%	0.00%	0.00%	0.40%
Profit Before Interest and Taxes	6.05%	7.70%	11.84%	8.90%
Main Ratios				
Current	4.69	4.92	5.56	2.45
Quick	4.69	4.92	5.56	1.95
Total Debt to Total Assets	47.42%	35.22%	23.76%	42.70%
Pre-tax Return on Net Worth	33.50%	35.59%	43.66%	8.10%
Pre-tax Return on Assets	17.61%	23.06%	33.28%	14.20%
Additional Ratios	Year 1	Year 2	Year 3	
Net Profit Margin	5.01%	7.16%	11.28%	n.a
Return on Equity	32.16%	35.59%	42.56%	n.a
Activity Ratios				
Accounts Receivable Turnover	3.96	4.19	4.45	n.a
Collection Days	83	82	74	n.a
Accounts Payable Turnover	12.06	12.17	12.17	n.a
Payment Days	27	27	26	n.a
Total Asset Turnover	3.37	3.22	2.88	n.a
Debt Ratios				
Debt to Net Worth	0.90	0.54	0.31	n.a
Current Liab. to Liab.	0.45	0.58	0.76	n.a
Liquidity Ratios				
Net Working Capital	$123,550	$157,654	$240,018	n.a
Interest Coverage	7.29	14.28	44.11	n.a
Additional Ratios				
Assets to Sales	0.30	0.31	0.35	n.a
Current Debt/Total Assets	21%	20%	18%	n.a
Acid Test	1.09	1.52	2.32	n.a
Sales/Net Worth	6.42	4.97	3.77	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Table: Sales Forecast

Sales Forecast													
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Unit Sales													
Psychotherapy	0%	482	482	482	482	482	482	482	482	482	482	482	482
Psychopharmacology/MD	0%	210	210	210	210	210	210	210	210	210	210	210	210
Psychopharmacology/CNS	0%	86	86	86	86	86	86	146	146	146	146	146	146
Addictions/3 hr IOP	0%	26	26	26	26	26	26	26	26	26	26	26	26
Addictions/1hr IOP	0%	49	49	49	49	49	49	49	49	49	49	49	49
Contracts	0%	0	0	0	0	0	0	0	0	0	0	0	0
Other	0%	0	0	0	0	0	0	0	0	0	0	0	0
Total Unit Sales		853	853	853	853	853	853	913	913	913	913	913	913
Unit Prices		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Psychotherapy	$64.00	$59.52	$59.52	$59.52	$59.52	$59.52	$59.52	$59.52	$59.52	$59.52	$59.52	$59.52	$59.52
Psychopharmacology/MD	$44.00	$40.92	$40.92	$40.92	$40.92	$40.92	$40.92	$40.92	$40.92	$40.92	$40.92	$40.92	$40.92
Psychopharmacology/CNS	$35.00	$32.55	$32.55	$32.55	$32.55	$32.55	$32.55	$32.55	$32.55	$32.55	$32.55	$32.55	$32.55
Addictions/3 hr IOP	$83.00	$77.19	$77.19	$77.19	$77.19	$77.19	$77.19	$77.19	$77.19	$77.19	$77.19	$77.19	$77.19
Addictions/1hr IOP	$24.00	$22.32	$22.32	$22.32	$22.32	$22.32	$22.32	$22.32	$22.32	$22.32	$22.32	$22.32	$22.32
Contracts	$64.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Sales													
Psychotherapy		$28,689	$28,689	$28,689	$28,689	$28,689	$28,689	$28,689	$28,689	$28,689	$28,689	$28,689	$28,689
Psychopharmacology/MD		$8,593	$8,593	$8,593	$8,593	$8,593	$8,593	$8,593	$8,593	$8,593	$8,593	$8,593	$8,593
Psychopharmacology/CNS		$2,794	$2,794	$2,794	$2,794	$2,794	$2,794	$4,752	$4,752	$4,752	$4,752	$4,752	$4,752
Addictions/3 hr IOP		$1,994	$1,994	$1,994	$1,994	$1,994	$1,994	$1,994	$1,994	$1,994	$1,994	$1,994	$1,994
Addictions/1hr IOP		$1,094	$1,094	$1,094	$1,094	$1,094	$1,094	$1,094	$1,094	$1,094	$1,094	$1,094	$1,094
Contracts		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Sales		$43,163	$43,163	$43,163	$43,163	$43,163	$43,163	$45,122	$45,122	$45,122	$45,122	$45,122	$45,122
Direct Unit Costs		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Psychotherapy	60.00%	$35.71	$35.71	$35.71	$35.71	$35.71	$35.71	$35.71	$35.71	$35.71	$35.71	$35.71	$35.71
Psychopharmacology/MD	70.00%	$28.64	$28.64	$28.64	$28.64	$28.64	$28.64	$28.64	$28.64	$28.64	$28.64	$28.64	$28.64
Psychopharmacology/CNS	60.00%	$19.53	$19.53	$19.53	$19.53	$19.53	$19.53	$19.53	$19.53	$19.53	$19.53	$19.53	$19.53
Addictions/3 hr IOP	17.00%	$13.12	$13.12	$13.12	$13.12	$13.12	$13.12	$13.12	$13.12	$13.12	$13.12	$13.12	$13.12
Addictions/1hr IOP	22.00%	$4.91	$4.91	$4.91	$4.91	$4.91	$4.91	$4.91	$4.91	$4.91	$4.91	$4.91	$4.91
Contracts	60.00%	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Other	0.00%	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Direct Cost of Sales													
Psychotherapy		$17,213	$17,213	$17,213	$17,213	$17,213	$17,213	$17,213	$17,213	$17,213	$17,213	$17,213	$17,213
Psychopharmacology/MD		$6,015	$6,015	$6,015	$6,015	$6,015	$6,015	$6,015	$6,015	$6,015	$6,015	$6,015	$6,015
Psychopharmacology/CNS		$1,676	$1,676	$1,676	$1,676	$1,676	$1,676	$2,851	$2,851	$2,851	$2,851	$2,851	$2,851
Addictions/3 hr IOP		$339	$339	$339	$339	$339	$339	$339	$339	$339	$339	$339	$339
Addictions/1hr IOP		$241	$241	$241	$241	$241	$241	$241	$241	$241	$241	$241	$241

Appendix

Contracts		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Direct Cost of Sales		$25,484	$25,484	$25,484	$25,484	$25,484	$25,484	$26,659	$26,659	$26,659	$26,659	$26,659	$26,659

Table: General Assumptions

General Assumptions	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%
Long-term Interest Rate	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%	9.75%
Tax Rate	30.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	0	0	0	0	0	0	0	0	0	0	0	0

Table: Profit and Loss

Pro Forma Profit and Loss													
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales		$43,163	$43,163	$43,163	$43,163	$43,163	$43,163	$45,122	$45,122	$45,122	$45,122	$45,122	$45,122
Direct Cost of Sales		$25,484	$25,484	$25,484	$25,484	$25,484	$25,484	$26,659	$26,659	$26,659	$26,659	$26,659	$26,659
Other		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cost of Sales		$25,484	$25,484	$25,484	$25,484	$25,484	$25,484	$26,659	$26,659	$26,659	$26,659	$26,659	$26,659
Gross Margin		$17,679	$17,679	$17,679	$17,679	$17,679	$17,679	$18,462	$18,462	$18,462	$18,462	$18,462	$18,462
Gross Margin %		40.96%	40.96%	40.96%	40.96%	40.96%	40.96%	40.92%	40.92%	40.92%	40.92%	40.92%	40.92%
Expenses													
Payroll		$8,312	$8,312	$8,312	$8,312	$8,312	$8,312	$8,312	$8,312	$8,312	$8,312	$8,312	$8,312
Marketing/Promotion		$675	$675	$675	$675	$675	$625	$625	$625	$625	$625	$625	$575
Depreciation		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Leased Equipment		$250	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250
Billing Fees (6% of billed plus 1.5% copays)		$53	$665	$1,685	$2,093	$2,096	$2,104	$2,131	$2,174	$2,217	$2,385	$2,628	$2,720
Insurance		$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$300	$200
Rent		$916	$916	$916	$916	$916	$916	$916	$916	$916	$916	$916	$916
Human Resource/HR Logic		$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500
Med Dir., Multidisc., RNCS Sup.		$833	$833	$833	$833	$833	$833	$833	$833	$833	$833	$833	$833
Telephone		$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500
Postage		$100	$100	$100	$100	$100	$100	$100	$100	$100	$50	$50	$50
Office Supplies		$330	$330	$330	$330	$330	$330	$330	$330	$330	$330	$330	$230
Payroll Taxes	15%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Contract/Consultants		$833	$833	$833	$833	$833	$833	$833	$833	$833	$833	$833	$837
Total Operating Expenses		$13,602	$14,214	$15,234	$15,642	$15,645	$15,603	$15,630	$15,673	$15,716	$15,834	$16,077	$15,923
Profit Before Interest and Taxes		$4,077	$3,465	$2,445	$2,037	$2,034	$2,076	$2,832	$2,789	$2,746	$2,628	$2,385	$2,539
EBITDA		$4,077	$3,465	$2,445	$2,037	$2,034	$2,076	$2,832	$2,789	$2,746	$2,628	$2,385	$2,539
Interest Expense		$400	$394	$388	$382	$376	$370	$364	$358	$351	$345	$339	$333
Taxes Incurred		$1,103	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Net Profit		$2,574	$3,071	$2,057	$1,655	$1,658	$1,706	$2,469	$2,432	$2,395	$2,283	$2,046	$2,206
Net Profit/Sales		5.96%	7.11%	4.77%	3.83%	3.84%	3.95%	5.47%	5.39%	5.31%	5.06%	4.53%	4.89%

Table: Cash Flow

Pro Forma Cash Flow		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash Received													
Cash from Operations													
Cash Sales		$4,316	$4,316	$4,316	$4,316	$4,316	$4,316	$4,512	$4,512	$4,512	$4,512	$4,512	$4,512
Cash from Receivables		$0	$0	$1,295	$38,847	$38,847	$38,847	$38,847	$38,847	$38,906	$40,610	$40,610	$40,610
Subtotal Cash from Operations		$4,316	$4,316	$5,611	$43,163	$43,163	$43,163	$43,359	$43,359	$43,418	$45,122	$45,122	$45,122
Additional Cash Received													
Sales Tax, VAT, HST/GST Received	0.00%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New Current Borrowing		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New Other Liabilities (interest-free)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New Long-term Liabilities		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sales of Other Current Assets		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sales of Long-term Assets		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New Investment Received		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Cash Received		$4,316	$4,316	$5,611	$43,163	$43,163	$43,163	$43,359	$43,359	$43,418	$45,122	$45,122	$45,122
Expenditures		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Expenditures from Operations													
Cash Spending		$8,312	$8,312	$8,312	$8,312	$8,312	$8,312	$8,312	$8,312	$8,312	$8,312	$8,312	$8,312
Bill Payments		$1,076	$32,261	$31,815	$32,808	$33,196	$33,192	$33,185	$34,343	$34,379	$34,419	$34,535	$34,759
Subtotal Spent on Operations		$9,388	$40,573	$40,127	$41,120	$41,508	$41,504	$41,497	$42,655	$42,691	$42,731	$42,847	$43,071
Additional Cash Spent													
Sales Tax, VAT, HST/GST Paid Out		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Principal Repayment of Current Borrowing		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Liabilities Principal Repayment		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Long-term Liabilities Principal Repayment		$750	$750	$750	$750	$750	$750	$750	$750	$750	$750	$750	$750
Purchase Other Current Assets		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Purchase Long-term Assets		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Dividends		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Cash Spent		$10,138	$41,323	$40,877	$41,870	$42,258	$42,254	$42,247	$43,405	$43,441	$43,481	$43,597	$43,821
Net Cash Flow		($5,822)	($37,007)	($35,265)	$1,293	$905	$910	$1,112	($45)	($23)	$1,641	$1,525	$1,301
Cash Balance		$95,178	$58,172	$22,906	$24,200	$25,105	$26,014	$27,126	$27,081	$27,058	$28,699	$30,224	$31,525

Table: Balance Sheet

Pro Forma Balance Sheet													
		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Assets	Starting Balances												
Current Assets													
Cash	$101,000	$95,178	$58,172	$22,906	$24,200	$25,105	$26,014	$27,126	$27,081	$27,058	$28,699	$30,224	$31,525
Accounts Receivable	$0	$38,847	$77,694	$115,246	$115,246	$115,246	$115,246	$117,009	$118,772	$120,475	$120,475	$120,475	$120,475
Other Current Assets	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
Total Current Assets	$106,000	$139,026	$140,866	$143,153	$144,446	$145,351	$146,261	$149,135	$150,853	$152,533	$154,174	$155,699	$157,000
Long-term Assets													
Long-term Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Accumulated Depreciation	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Long-term Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Assets	$106,000	$139,026	$140,866	$143,153	$144,446	$145,351	$146,261	$149,135	$150,853	$152,533	$154,174	$155,699	$157,000
Liabilities and Capital		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Current Liabilities													
Accounts Payable	$0	$31,202	$30,721	$31,701	$32,090	$32,087	$32,041	$33,197	$33,232	$33,268	$33,376	$33,605	$33,450
Current Borrowing	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other Current Liabilities	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Current Liabilities	$0	$31,202	$30,721	$31,701	$32,090	$32,087	$32,041	$33,197	$33,232	$33,268	$33,376	$33,605	$33,450
Long-term Liabilities	$50,000	$49,250	$48,500	$47,750	$47,000	$46,250	$45,500	$44,750	$44,000	$43,250	$42,500	$41,750	$41,000
Total Liabilities	$50,000	$80,452	$79,221	$79,451	$79,090	$78,337	$77,541	$77,947	$77,232	$76,518	$75,876	$75,355	$74,450
Paid-in Capital	$65,000	$65,000	$65,000	$65,000	$65,000	$65,000	$65,000	$65,000	$65,000	$65,000	$65,000	$65,000	$65,000
Retained Earnings	($9,000)	($9,000)	($9,000)	($9,000)	($9,000)	($9,000)	($9,000)	($9,000)	($9,000)	($9,000)	($9,000)	($9,000)	($9,000)
Earnings	$0	$2,574	$5,644	$7,701	$9,356	$11,014	$12,720	$15,189	$17,620	$20,015	$22,298	$24,344	$26,550
Total Capital	$56,000	$58,574	$61,644	$63,701	$65,356	$67,014	$68,720	$71,189	$73,620	$76,015	$78,298	$80,344	$82,550
Total Liabilities and Capital	$106,000	$139,026	$140,866	$143,153	$144,446	$145,351	$146,261	$149,135	$150,853	$152,533	$154,174	$155,699	$157,000
Net Worth	$56,000	$58,574	$61,644	$63,701	$65,356	$67,014	$68,720	$71,189	$73,620	$76,015	$78,298	$80,344	$82,550