



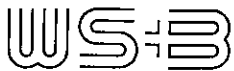
***Partners
In Care***

FINANCIAL STATEMENTS

MAY 31, 2005

PARTNERS IN CARE, CORP.
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MAY 31, 2005

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INDEPENDENT AUDITORS' REPORT

To the Stockholders,
Partners In Care, Corp.:

We have audited the accompanying balance sheet of Partners In Care, Corp. as of May 31, 2005, and the related statements of income, stockholders' equity and cash flows for the five months 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Partners In Care, Corp. as of May 31, 2005, and the results of its operations and its cash flows for the five months then ended in conformity with accounting principles generally accepted in the United States of America.

June 26, 2005

PARTNERS IN CARE, CORP.
BALANCE SHEET
MAY 31, 2005

ASSETS

Current Assets:

Cash	\$ 2,224,244
Accounts and health care provider fees receivable - net	728,524
Current portion of note receivable	50,498
Income tax receivable	1,001,500
Deferred income taxes	355,800
Other current assets	<u>288,235</u>
Total Current Assets	4,648,801

Property and equipment - Net	29,707
Intangible Assets - Net	17,783
Note Receivable - Net of Current Portion - Net	534,795
Deferred Income Taxes	133,500
Other Assets	<u>28,454</u>

TOTAL ASSETS **\$ 5,393,040**

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable	\$ 63,341
Accrued expenses	60,940
Accrued payroll and benefits	378,567
Current portion of provider and LNP contractual distributions payable	500,000
Current portion of long-term debt	<u>870</u>
Total Current Liabilities	1,003,718

Provider and LNP Contractual Distributions Payable - Net of Current Portion 277,322

Stockholders' Equity:

Class A common stock, no par value, 1,000,000 shares authorized, 7,500 shares issued and 7,000 shares outstanding	180,800
Class B common stock, no par value, 1,000,000 shares authorized, 177,500 shares issued and 0 shares outstanding	5,325,110
Notes receivable - Class A common stock	(375)
Retained earnings	<u>3,945,172</u>
	9,450,707

Less treasury stock, Class A common: 500 shares at cost: \$13,597
and Class B common: 177,500 shares at cost: \$5,325,110 (5,338,707)

Total Stockholders' Equity **4,112,000**

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY **\$ 5,393,040**

The Notes to Financial Statements are an integral part of this statement.

PARTNERS IN CARE, CORP.
STATEMENT OF INCOME
FOR THE FIVE MONTHS ENDED MAY 31, 2005

Revenue:	
Health care administration fees	\$1,188,957
Practice management fees	<u>34,920</u>
Total Revenue	1,223,877
Expense:	
Salaries	494,667
Employee benefits	57,101
Provider and LNP contractual distributions	3,629
Supplies and other	<u>704,111</u>
Total Expense - Net	<u>1,259,508</u>
Loss from Operations	(35,631)
Other (Income) Expense:	
Interest income	(78,349)
Interest expense	<u>4,179</u>
Total Other (Income) Expense - Net	<u>(74,170)</u>
Income Before Provision for Income Taxes	38,539
Provision for Income Taxes	<u>15,673</u>
Net Income	<u>\$ 22,866</u>

The Notes to Financial Statements are an integral part of this statement.

PARTNERS IN CARE, CORP.
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE FIVE MONTHS ENDED MAY 31, 2005

	Common Stock		Notes Receivable - Class A	Retained Earnings	Treasury Stock	Total Stockholders' Equity
	Class A	Class B	Common Stock			
Balance, January 1, 2005	\$180,800	\$5,325,110	\$(375)	\$3,922,306	\$ (10,597)	\$9,417,244
Repurchase of Treasury Stock:						
Class A common stock	--	--	--	--	(3,000)	(3,000)
Class B common stock	--	--	--	--	(5,325,110)	(5,325,110)
Net Income	--	--	--	22,866	--	22,866
Balance, May 31, 2005	<u>\$180,800</u>	<u>\$5,325,110</u>	<u>\$(375)</u>	<u>\$3,945,172</u>	<u>\$(5,338,707)</u>	<u>\$4,112,000</u>

The Notes to Financial Statements are an integral part of this statement.

PARTNERS IN CARE, CORP.
STATEMENT OF CASH FLOWS
FOR THE FIVE MONTHS ENDED MAY 31, 2005

Cash Flows From Operating Activities:	
Net income	\$ 22,866
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation and amortization	16,756
Deferred income taxes	72,000
Change in:	
Accounts and health care provider fees receivable	(12,141)
Income tax receivable	(56,328)
Other current assets	62,610
Accounts payable	(71,386)
Accrued expenses	(17,399)
Accrued payroll and benefits	(352,474)
Provider and LNP contractual distributions payable	626
Net Cash Used in Operating Activities	<u>(334,870)</u>
Cash Flows Provided By Investing Activities:	
Purchases of property and equipment	(5,793)
Proceeds from note receivable	7,825
Net Cash Used in Investing Activities	<u>2,032</u>
Cash Flows From Financing Activities:	
Repurchase of Class A common stock	(3,000)
Repurchase of Class B common stock	(5,325,110)
Payments on long-term debt	(695)
Net Cash Used in Financing Activities	<u>(5,328,805)</u>
Net Decrease in Cash	(5,661,643)
Cash at Beginning of Period	<u>7,885,887</u>
Cash at End of Period	<u>\$2,224,244</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the period for:	
Interest	\$ 4,179
Income taxes	\$ --
Schedule of noncash investing activities:	
Other assets applied to purchase price of property and equipment	\$ 4,828

The Notes to Financial Statements are an integral part of this statement.

**PARTNERS IN CARE, CORP.
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies:

Significant accounting policies followed by Partners in Care, Corp. (PIC) in the preparation of the accompanying financial statements are summarized below:

Nature of Business Operations

PIC is a service provider of information and practice management services located in Somerset, New Jersey. These services are provided under two distinct lines of business as follows:

Health Plan Risk Management - The Company provides a health care delivery system ("network") for the benefit of Aetna US Health Care (Aetna) HMO members who choose, as their primary care physician, one of the physicians in the PIC "network" of doctors. The Company contracts with independent physicians throughout Central New Jersey who provide medically necessary primary care health services and acts on behalf of the members to coordinate health care to be provided by specialist physicians, hospitals and other health care providers. The participating physicians generally also have patients who are not members.

PIC is responsible to ensure that each health care provider in the network provides the basic benefits and services as contained in the Aetna agreement. The Company promotes its network physicians to provide high quality, cost effective health care by including participating physicians in the planning, implementation and improvement of network performance and providing incentives for cost efficiency and increased performance. PIC receives certain administrative and incentive fees as compensation for the management of Aetna's risk for the members.

In addition, the Company has Independent Practice Associations (IPA) contracts with other Large Network Providers, and group performance improvement contracts with Self Insured Payors (SIP). Under these contracts, PIC provides data warehousing and analytic services as well as advocacy services. PIC provides certain case data to PIC physicians and executive liaisons to facilitate appropriate care at a reasonable cost.

The Health Plan Risk Management business provided the Company with approximately 97 percent of its gross revenues for 2005.

Physician Support Services - The Company offers a full range of management services to physicians' offices, primarily in the areas of billing and collection. Other services include business office administration, general administration, managed care administration and information systems and services.

The Physician Support Services business is a small part of the Company's operations and the Company has not aggressively sought to expand it.

Revenue Recognition

Health Plan Risk Management - The Company recognizes revenue for three components of its contract with Aetna. The Company recognizes as revenue: 1) a contractual percentage of funding (a percentage of Aetna billed premiums) for the members based on the members age categories; 2) an amount equal to the difference between per member per month (PMPM) funding for the members and the PMPM expenses incurred by the members, not to exceed certain percentages of PMPM funding in each contract year, and; 3) incentive revenue for managing and reducing costs incurred by the members represented by a percentage of the excess of funding over expenses of the members. Administrative revenue is recognized ratably over the terms of the contract and incentive revenue is recognized when it is determined that savings targets have been met.

PARTNERS IN CARE, CORP.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued):

Health Plan Risk Management (Continued) - Revenues from Providers, IPAs, and SIPs are determined by contractually established PMPM rates and include incentives for cost savings generated against contractual benchmarks. Such revenue is recognized ratably over the terms of the contract and when it is determined that savings targets have been met.

Physician Support Services - PIC receives as revenue a percentage of net revenues or a percentage of the cash receipts of the physician office for which management services are being provided. Revenues are recorded in the period which the physician practice office records the net revenues or collects the fees as stated in the contracts.

Receivables and Credit Policies

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Note receivable is stated at principal amount plus accrued interest and is also uncollateralized.

Accounts receivable are stated at the amount billed to the customer plus any accrued and unpaid interest. Customer account balances with invoices dated over 90 days old are considered delinquent. A note receivable is considered delinquent when the debtor has missed two or more payments.

Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Payments of note receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all notes receivable and accounts receivable balances that exceed 90 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided under the straight-line method based upon the following estimated useful lives:

<u>Description</u>	<u>Estimated Useful Life (Years)</u>
Furniture and Fixtures	5-7
Computers	5
Leasehold Improvements	*

* Estimated useful life of the asset or term of the lease, whichever is shorter.

Intangible Assets

Intangible assets consist of a Right of First Refusal (ROFR) to purchase the practices of physicians who participated in the private placement offering of Class A common stock. The ROFR expires 15 years from the date of the offering of April 1, 1998. The intangible asset is recorded at cost and is being amortized on the straight-line basis over its estimated useful life of 15 years.

PARTNERS IN CARE, CORP.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued):

Retirement Plan

PIC sponsors a discretionary contributory thrift and savings plan for PIC's employees, which qualifies under Section 401(k) of the Internal Revenue Service Code. The Company's contributions to the plan are based upon 4 percent of eligible employees' salaries and amounted to \$9,095 for the five months ended May 31, 2005.

Income Taxes

Deferred income taxes are recorded for temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities reflect the tax rates expected to be in effect for the years in which the differences are expected to reverse. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized. The deferred income tax provision or benefit generally reflects the net change in deferred income tax assets and liabilities during the five months. The current income tax provision reflects the tax consequences of revenues and expenses currently taxable or deductible on the Corporation's income tax returns for the year reported.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the incentive portion of health care provider and administration fee revenue, provider distributions, and the provision for doubtful accounts.

Concentration of Credit Risk

PIC generated approximately 73 percent of revenues from their agreements with Aetna for the five months ended May 31, 2005. A deterioration of the financial condition of this significant customer could have a material adverse effect on PIC's operations and financial condition.

The Company maintains cash balances with two financial institutions, and at times, in excess of amounts insured by the Federal Deposit Insurance Corporation. Management monitors the soundness of these institutions and considers the Company's risk negligible.

Note 2 - Accounts and Health Care Provider Fees Receivable:

Accounts and health care provider fees receivable consist of the following at May 31, 2005:

Customer accounts	\$ 698,933
Stop Loss Recoveries Receivable	542,803
Allowance for doubtful accounts	<u>(513,212)</u>
Total	<u>\$ 728,524</u>

Note 3 - Property and Equipment:

Property and equipment consists of the following at May 31, 2005:

Furniture and Fixtures	\$ 54,970
Computers	214,408
Leasehold Improvements	<u>42,693</u>
	312,071
Less Accumulated Depreciation and Amortization	<u>282,364</u>
Property and Equipment - Net	<u>\$ 29,707</u>

Depreciation and amortization expense included as a charge to operations amounted to \$15,676 for the five months ended May 31, 2005.

**PARTNERS IN CARE, CORP.
NOTES TO FINANCIAL STATEMENTS**

Note 4 - Intangible Assets:

Intangible assets consist of the following at May 31, 2005:

Right of First Refusal	\$33,000
Less Accumulated Amortization	<u>15,217</u>
Intangible Assets - Net	<u>\$17,783</u>

Amortization expense included as a charge to operations amounted to \$917 for the five months ended May 31, 2005.

Note 5 - Long-term Debt:

Long-term debt consists of the following at May 31, 2005:

Various notes payable - former stockholders, interest imputed at 7.5 percent, unsecured, final payments due September 2006	\$ 870
Less Current Portion	<u>870</u>
Long-term Debt - Net of Current Portion	<u>\$ --</u>

Note 6 - Income Taxes:

The following table presents the principal reasons for the difference between the effective tax rate and the federal statutory income tax rate for the five months ended May 31, 2005:

Federal Statutory Income Tax Rate	34.0 %
State Income Taxes, Net of Federal Benefits	6.0
Other	<u>.6</u>
Effective Income Tax Rate	<u>40.6 %</u>

The provision for (benefit from) income taxes consists of the following for the five months ended May 31, 2005:

Federal - Current	\$(52,631)
State - Current	(3,696)
Deferred	<u>72,000</u>
Total	<u>\$ 15,673</u>

The components of deferred tax assets and liabilities are summarized as follows at May 31, 2005:

Deferred Income Tax Assets:	
Provider distributions	\$ 38,500
Accrued expenses	58,800
State NOL carryforwards	120,700
Property and equipment	2,300
Allowance for doubtful accounts	<u>269,000</u>
Total Deferred Income Tax Assets	<u>\$ 489,300</u>

At May 31, 2005, the Company has a net operating loss carryforward for state income tax purposes of approximately \$2,012,100 which expires in 2011.

With respect to the transaction described in Note 7, the Company has not performed a detailed analysis to determine whether an ownership change under Section 382 of the Internal Revenue Code occurred. The effect of an ownership change would be the imposition of an annual limitation on the use of net operating loss carryforwards attributable to periods before the change.

PARTNERS IN CARE, CORP.
NOTES TO FINANCIAL STATEMENTS

Note 7 - Related Party Transactions:

On June 1, 2005, the Company entered into an agreement with its majority stockholder, SPUH to repurchase all of the outstanding shares of Class B common stock for a purchase price of \$5,325,110, effective May 31, 2005. In accordance with the agreement, the Company settled \$120,885 of amounts due from SPUH for risk pool deficits which were netted with Provider and LNP contractual distributions payable. In accordance with the agreement, the Company settled \$120,886 of amounts due to SPUH, which were included in health care provider fees payable, for reimbursement of claims incurred in connection with the SPUH self insured plan. The Company recognized no gain or loss on these settlements.

The Company engages in certain transactions with one of its customers (MANB), which is 100 percent owned by a board member. Physician support service fees provided to this customer amounted to \$34,920 for the five months ended May 31, 2005. Included in accounts receivable are physician support service fees billed to MANB of \$215,664, at May 31, 2005. In addition, medical management consulting expenses included in general and administrative expenses charged by MANB amounted to \$55,900 for the five months ended May 31, 2005. Included in accounts payable are invoices from MANB of \$3,500 at May 31, 2005.

In June, 2001, the Company accepted a note receivable in exchange for certain accounts receivable from MANB in an effort to improve collections and structure payments in accordance with MANB's ability to pay. The agreement calls for weekly payments of \$2,138 through August 2014 with interest at 8.0 percent per annum. In addition, there is an agreed upon payment holiday if the payments are timely received. The net note receivable balance, after a deduction of an allowance of \$159,245, was \$585,293 at May 31, 2005. Interest income earned on the note amounted to \$23,828 for the five months ended May 31, 2005.

Note 8 - Commitments and Contingencies:

Commitments

The principal types of property leased by PIC are office space, equipment and furniture. The most significant obligations under the lease terms are utilities and insurance. Total rent expense for the Company amounted to \$115,022 for the five months ended May 31, 2005.

The approximate aggregate minimum rental commitments as of May 31, under all noncancelable leases with terms of one year or more for the periods set forth below, are as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 41,693
2007	35,388
2008	15,946
2009	12,057
2010	<u>7,033</u>
Total	<u>\$ 112,117</u>

Contingencies

At May 31, 2005, the Company is involved in certain litigation which occurred in the ordinary course of operation. As these matters are in their early stages, the outcome of such matters is not determinable at the date of these financial statements. Management believes that any possible outcome will not exceed the Company's general liability insurance policy limits.

PARTNERS IN CARE, CORP.
NOTES TO FINANCIAL STATEMENTS

Note 9 - Provider and LNP Contractual Distributions:

The Company makes distributions to the health care providers in their network, when there is a surplus of health care provider fees over medical delivery costs for health care services. The amount of the distribution and the timing of the payments are made at the board's discretion and is dependent upon overall corporate performance, the risk contract surpluses and corporate cash requirements. Each physician's portion is estimated based on data reported by Aetna as of the balance sheet dates and includes factors such as network and physician performance. Provider and LNP contractual distributions payable amounted to \$777,322 at May 31, 2005. The Company incurred estimated provider distribution expenses of \$3,629 for the five months ended May 31, 2005.

The Company entered into an escrow agreement with a physician group (LNP) that is eligible to receive contractual distributions under the terms of the health care services agreement between PIC and Aetna. Disbursements from an escrow account to LNP may occur at various times, but are subject to final reconciliation of amounts due from Aetna under the health care services agreement. In the event that the final reconciliation indicates insufficient distributable surplus generated by LNP, all or a portion of the escrow will be returned to PIC.

Note 10 - Stop Loss Insurance:

The Company entered into a stop-loss insurance agreement with an insurance company to limit its losses on individual claims by covered members under the amended Aetna and expired ERISA contracts. Under the terms of the agreement, the insurance company will reimburse approximately 90 percent of eligible expenses and costs incurred for the maintenance or restoration of health care services provided to its members in excess of \$150,000 per covered member per policy year. The policy has a maximum benefit of \$1,000,000 per member per year. In addition, the agreement permits the Company to recover 90 percent of aggregate claims between \$50,000 and \$150,000 subject to an inner aggregate deductible.

The agreement expired on December 31, 2002 and was not amended. The Company has accrued stop-loss recoveries of \$542,803 at May 31, 2005. The carrier has denied claim submissions, however the Company intends to aggressively pursue collection and believes that all claims accrued will be collected. The Company has established a provision for uncollectible claims, included in the allowance for doubtful accounts.

Note 11 - Common Stock:

PIC has four classes of stock. Class A voting stock may only be purchased by selected qualifying physicians. Class B voting stock may only be purchased by SPUH. Class C and D stock are non-voting. There was no Class C and Class D common stock outstanding at May 31, 2005.