

**CORPORATE
ACCESS,
INC.**

PB000063045

1116-D Thomasville Road . Mount Vernon Square . Tallahassee, Florida 32303

P.O. Box 37066 (32315-7066) ~ (850) 222-2666 or (800) 969-1666 . Fax (850) 222-1666

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merger

1.) Ventures Healthcare of Gainesville, Inc.
(CORPORATE NAME & DOCUMENT #)

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DIVISION OF CORPORATION

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SPECIAL INSTRUCTIONS

P93000063045

ARTICLES OF MERGER
Merger Sheet

MERGING:

VENTURE HEALTHCARE OF GAINESVILLE, INC., a Florida corporation,
document number P93000063045

INTO

CHILDREN'S COMPREHENSIVE SERVICES OF GAINESVILLE, INC., a
Tennessee corporation not qualified in Florida.

File date: January 20, 1998

Corporate Specialist: Karen Gibson



FLORIDA DEPARTMENT OF STATE

Sandra B. Mortham
Secretary of State

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January 21, 1998

CORPORATE ACCESS, INC.

TALLAHASSEE, FL

SUBJECT: VENTURES HEALTHCARE OF GAINESVILLE, INC.
Ref. Number: P93000063045

We have received your document for VENTURES HEALTHCARE OF GAINESVILLE, INC. and your check(s) totaling \$70.00. However, the enclosed document has not been filed and is being returned for the following correction(s):

The name of the person signing the document must be typed or printed beneath or opposite the signature.

Please include the exhibit(s) referred to in your document.

Please return your document, along with a copy of this letter, within 60 days or your filing will be considered abandoned.

If you have any questions concerning the filing of your document, please call (850) 487-6880.

Karen Gibson
Corporate Specialist

Letter Number: 398A00003212

Corrected
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Need the 20th
File date, Please
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ARTICLES OF MERGER

The undersigned corporations, pursuant to Section 607.1107 of the Florida Business Corporation Act (the "FBCA"), hereby execute the following Articles of Merger:

FIRST: The names of the corporations proposing to merge and the name of the states under the laws of which such corporations are organized are as follows:

Name of Corporation

State of Incorporation

Ventures Healthcare of Gainesville, Inc.

Florida

Children's Comprehensive Services of Gainesville, Inc.

Tennessee

SECOND: The laws of the state under which such foreign corporation is organized permit such merger and such foreign corporation is complying with those laws in effecting the merger.

THIRD: The foreign corporation is the surviving corporation of the merger and has complied with Section 607.1105 of the FBCA; each domestic corporation has complied with the applicable provisions of Section 607.1101-607.1104 FBCA.

FOURTH: A copy of the Agreement and Plan of Merger is attached hereto as Exhibit "A".

FIFTH: The effective date of the Articles of Merger shall be the 20th day of January 1998.

SIXTH: The Agreement and Plan of Merger was adopted by the shareholders of Ventures Healthcare of Gainesville, Inc. on the 19th day of January, 1998 and was adopted by the shareholders of Children's Comprehensive Services of Gainesville, Inc. on the 19th day of January, 1998.

Signed this 19 day of January, 1998.

CHILDREN'S COMPREHENSIVE SERVICES
OF GAINESVILLE, INC.

By: [Signature]

Its: President - H. NEIL CAMPBELL

VENTURES HEALTHCARE OF
GAINESVILLE, INC.

By: [Signature]

Its: President - WILLIAM PARSONS

EXHIBIT "A"

[Agreement and Plan of Merger]

AGREEMENT AND PLAN OF MERGER

among

**VENTURES HEALTHCARE OF GAINESVILLE, INC.,
a Florida corporation**

"Ventures",

**William A. Parsons, Jr., Ph.D.
S. Dale McNeese
John W. Darrah**

"Shareholders",

and

**CHILDREN'S COMPREHENSIVE SERVICES OF GAINESVILLE, INC.,
a Tennessee corporation,**

"Merger Subsidiary",

and

**CHILDREN'S COMPREHENSIVE SERVICES, INC.,
a Tennessee corporation,**

"Parent"

TABLE OF CONTENTS

Page

ARTICLE I.

THE MERGER	1
1.1 Effect of the Merger	1
1.2 Assets of Ventures at Closing; Properties Acquired in Merger.	2
1.3 Further Assurances.	3

ARTICLE II.

CONVERSION AND EXCHANGE OF SHARES	4
2.1 Conversion of Shares.	4
2.2 Shares Owned by Ventures.	4
2.3 Fractional Shares.	4
2.4 Exchange of Shares; Escrow of Shares.	4

ARTICLE III.

MERGER CONSIDERATION	5
3.1 Merger Consideration.	5
3.2 Adjustments to Merger Consideration	5

ARTICLE IV.

CERTIFICATE OF INCORPORATION; OFFICERS AND DIRECTORS	6
--	---

ARTICLE V.

EFFECTIVE DATE OF MERGER; FILING OF MERGER DOCUMENTS	6
5.1 Effective Date.	6
5.2 Filing of Certificate of Merger.	6

ARTICLE VI.

REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS	6
6.1 Organization, Qualification and Authority	6
6.2 Capitalization and Stock Ownership.	7
6.3 Investments.	7
6.4 Absence of Default	7
6.5 Financial Statements.	8
6.6 Operations since October 31, 1997	8
6.7 Litigation	9
6.8 Licenses	10
6.9 Medicare and Medicaid Matters	10
6.10 Title to and Condition of Assets	10
6.11 Contracts	11
6.12 Environmental Matters	12
6.13 Ventures Employees.	14
6.14 Employee Benefit Plans	14
6.15 Insurance	15

Page

6.16	Conflicts of Interest	15
6.17	Compliance with Laws	15
6.18	WARN Act	15
6.19	Tax Returns; Taxes	16
6.20	No Omissions or Misstatements	16
6.21	Accredited Investor	16
6.22	Purchase for Investment; Restrictions on Transfer	16

ARTICLE VII.

REPRESENTATIONS AND WARRANTIES OF		
MERGER SUBSIDIARY AND PARENT		17
7.1	Organization, Qualification and Authority	17
7.2	Absence of Default	17
7.3	SEC Reports	18
7.4	Shares to be Issued	18
7.5	Capitalization of Merger Subsidiary; Continuation of Ventures Business	18
7.6	Securities Law Compliance	18

ARTICLE VIII.

COVENANTS OF PARTIES		19
8.1	Certificate of Incorporation and Bylaws of Ventures; Capitalization	19
8.2	Approval by Shareholders	19
8.3	Preservation of Business and Assets	19
8.4	Books and Records	19
8.5	Preserve Accuracy of Representations and Warranties	20
8.6	Broker's or Finder's Fee	20
8.7	Indebtedness; Liens	20
8.8	Compliance with Laws and Regulatory Consents	21
8.9	Maintain Insurance Coverage	21

ARTICLE IX.

VENTURES' AND SHAREHOLDERS' CONDITIONS TO CLOSE		21
9.1	Representations and Warranties True at Closing; Compliance with Agreement	21
9.2	No Action/Proceeding	21
9.3	Order Prohibiting Transaction	22
9.4	Opinion of Parent's Counsel	22

ARTICLE X.

PARENT'S AND MERGER SUBSIDIARY'S CONDITIONS TO CLOSE		22
10.1	Representations and Warranties True at Closing; Compliance with Agreement	22
10.2	No Action/Proceeding	22
10.3	Due Diligence; Inspection of Assets; U.C.C. Searches, etc.	22
10.4	Absence of Adverse Change	22
10.5	Order Prohibiting Transaction	23

Page

10.6	Noncompetition Agreements	23
10.7	Licenses and Permits	23
10.8	Consents	23
10.9	Opinion of Ventures' Counsel	23

ARTICLE XI.

	OBLIGATIONS OF VENTURES AND SHAREHOLDERS AT CLOSING	24
11.1	Documents Effecting Closing	24
11.2	Possession	24
11.3	Opinion of Counsel	24
11.4	Corporate Good Standing and Corporate Resolution	24
11.5	Closing Certificate	24
11.6	Third Party Consents	24
11.7	Noncompetition Agreements	25
11.8	Preliminary Closing Statement	25
11.9	Additionally Requested Documents; Post-Closing Assistance	25

ARTICLE XII.

	OBLIGATIONS OF MERGER SUBSIDIARY AT CLOSING	25
12.1	Merger Consideration	25
12.2	Corporate Good Standing and Certified Board Resolutions	25
12.3	Closing Certificate	25
12.4	Opinion of Merger Subsidiary's Counsel	25

ARTICLE XIII.

	TERMINATION	26
13.1	Circumstances of Termination	26
13.2	Effect of Termination	26

ARTICLE XIV.

	SURVIVAL OF PROVISIONS AND INDEMNIFICATION	26
14.1	Survival	26
14.2	Indemnification by Shareholders	27
14.3	Indemnification by Merger Subsidiary and Parent	27
14.4	Rules Regarding Indemnification	27
14.5	Exclusivity	28

ARTICLE XV.

	MISCELLANEOUS	29
15.1	Assignment	29
15.2	Other Expenses	29
15.3	Notices	29
15.4	Confidentiality	30
15.5	Partial Invalidity; Waiver	30

15.6	Interpretation	31
15.7	Entire Agreement; Counterparts	31
15.8	Further Assurance of Shareholders after Closing	31
15.9	Legal Fees and Costs	31
15.10	Controlling Law	31
15.11	Parent Guarantee	31

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>	<u>Responsible Party</u>
A	Description of the Business	Ventures
1.2(1)	List and Description of Owned or Leased Real Estate	Ventures
1.2(2)	Equipment & Furnishings	Ventures
1.2(5)	Bank Accounts and Related Information	Ventures
1.2(9)	Contract Rights; including Consultation Service Agreements and Management Service Agreements	Ventures
2.4	Form of Post Closing Escrow Agreement	Ventures
3.1	Form of Pro Forma Balance Sheet	Ventures
3.2	Form of Preliminary Closing Statement	Ventures and Merger Sub.
6.1	States of Foreign Qualification	Ventures
6.2	Agreements Restricting Transferability of Shares	Ventures
6.3	Investments	Ventures
6.5(1)	Financial Statements; Contingent Liabilities	Ventures
6.5(3)	EBITDA by Location and Projected EBITDA	Ventures
6.6	Operations since October 31, 1997	Ventures
6.7	Litigation	Ventures
6.8	Copies of Licenses	Ventures
6.10(5)	Intellectual Property	Ventures
6.11(1)	Contracts; Consents required under Contracts	Ventures

6.11(4)	Repair and Maintenance Obligations	Ventures
6.13(1)	Employees and Related Information	Ventures
6.13(2)	Employee Litigation	Ventures
6.14	Employee Benefit Plans	Ventures
6.15	Summary of Insurance Coverage	Ventures
6.16	Conflicts of Interest	Ventures
6.19	Pending Tax Audits and Investigations	Ventures
8.3	Description of Payment Arrangements with CIC	Ventures
10.6	Form of Noncompetition Agreement	Ventures
10.8	Consents	Ventures

AGREEMENT AND PLAN OF MERGER

19th This **AGREEMENT AND PLAN OF MERGER** ("Agreement") is entered into on January 19, 1998 by and among **VENTURES HEALTHCARE OF GAINESVILLE, INC.**, a Florida corporation (referred to herein as "Ventures"), **WILLIAM A. PARSONS, JR., Ph.D., S. DALE MCNEESE** and **JOHN W. DARRAH** (individually a "Shareholder" and collectively, the "Shareholders"), **CHILDREN'S COMPREHENSIVE SERVICES OF GAINESVILLE, INC.**, a Tennessee corporation ("Merger Subsidiary") (the Merger Subsidiary and Ventures sometimes collectively herein referred to as the "Constituent Corporations"), and **CHILDREN'S COMPREHENSIVE SERVICES, INC.**, a Tennessee corporation ("Parent").

RECITALS:

WHEREAS, Ventures owns and operates a business providing consultation and management services to behavioral healthcare providers who operate partial psychiatric programs, all as more particularly described on Exhibit "A" hereto (the "Business"); and

WHEREAS, Shareholders own all of the issued and outstanding capital stock of Ventures (the "Ventures Stock"); and

WHEREAS, Shareholders desire to transfer the Ventures Stock and Parent desires to acquire the same from Shareholders in a reorganization under Section 368(a)(2)(D) of the Internal Revenue Code, subject to the terms and conditions set forth in this Agreement; and

WHEREAS, Parent desires to guarantee performance by the Merger Subsidiary under this Agreement of all of the representations, warranties, covenants, conditions and agreements to be performed and observed by Merger Subsidiary.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound hereby, agree that Ventures shall be merged (herein the "Merger") into the Merger Subsidiary in accordance with the terms of this Agreement.

ARTICLE I. THE MERGER

1.1 Effect of the Merger. On the Effective Date of the Merger (as such date is defined in Section 5.1), Ventures shall be merged into Merger Subsidiary, the separate legal existence of Ventures shall cease, and Merger Subsidiary, as the surviving corporation, shall continue its corporate existence under the laws of the State of Tennessee under the name of Ventures Healthcare of Gainesville, Inc. (or

such other name as Parent may subsequently elect). Subsequent to the Merger, the Merger Subsidiary shall possess all the rights, privileges, powers, and franchises of a public as well as of a private nature and be subject to all the restrictions, disabilities, and duties of Ventures. All rights, privileges, powers, and franchises of Ventures and all property, real, personal, and mixed, belonging to Ventures shall be vested in Merger Subsidiary and all property, rights, privileges, powers, and franchises and every other interest shall be thereafter as effectually the property of Merger Subsidiary as they were of Ventures. The title to real estate, if any, vested by deed or otherwise in Ventures, shall not revert or be in any way impaired by reason of this Merger, provided that all rights of creditors and all liens upon any property of Ventures shall be preserved unimpaired and all debts, liabilities, and duties of Ventures shall thenceforth attach to the Merger Subsidiary and may be enforced against Merger Subsidiary to the same extent as if said debts, liabilities, and duties had been incurred or contracted by Merger Subsidiary.

1.2 Assets of Ventures at Closing: Properties Acquired in Merger. At the closing of the Merger (the "Closing"), Ventures will own or lease, as applicable, all assets, tangible and intangible, real and personal, that are currently used to operate the Business (the "Assets"), free and clear of all encumbrances, mortgages, pledges, liens, and security interests, other than Permitted Encumbrances. Permitted Encumbrances are defined as (i) mechanics, materialmen's and similar liens with respect to any amounts not yet due and payable or which are being contested in good faith through appropriate proceedings, (ii) liens for taxes not yet due and payable or which are being contested in good faith through appropriate proceedings, (iii) liens securing rental payments under capital lease agreements and (iv) encumbrances and restrictions on any real property owned or leased by Ventures (including easements, covenants, rights of way and similar restrictions of record) that do not materially interfere with the present uses of such real property. The Assets will include, without limitation, the following:

- (1) All right, title and interest in and to all of the real property owned or leased by Ventures and used in connection with the Business, if any, including, without limitation, the real property listed and described on Exhibit 1.2.(1) attached hereto, and in and to all structures, improvements, fixed assets and fixtures including fixed machinery and fixed equipment owned or leased by Ventures and situated thereon or forming a part thereof and all appurtenances, easements and rights-of-way related thereto (collectively, the "Real Estate");
- (2) All equipment, machinery, data processing hardware and software, furniture, furnishings, appliances, vehicles and other tangible personal property and all replacement parts therefor used in connection with the Business including, without limitation, the equipment listed on Exhibit 1.2(2) attached hereto (collectively, the "Equipment and Furnishings");
- (3) All inventory of goods and supplies used or maintained in connection with the Business reflected on the Financial Statements (collectively, the "Inventory");
- (4) Subject to the provisions of the agreement referenced in Section 8.3, all accounts and notes receivables (the "Receivables") of Ventures (it being understood by the parties that the Receivables shall not include individual patient accounts collectible by Ventures, but not carried on the books of Ventures as its own receivables, on behalf of owners of inpatient psychiatric units managed by Ventures pursuant to management contracts);

(5) All cash, including funds on hand, bank accounts including, without limitation, those accounts listed by name and address of banking institution, account name and account and routing numbers on Exhibit 1.2(5) attached hereto, money market accounts, other accounts, certificates of deposit and other investments of Ventures (the "Cash and Cash Equivalents"), and all prepaid expenses, any and all tax attributes and assets of Ventures as of Closing, including without limitation, all net operating loss carryforwards;

(6) All personnel, corporate and other records related to the Business, including both hard and microfiche copies, and all manuals, books and records used in operating the Business, including, without limitation, personnel policies and files and manuals, accounting records, and computer software;

(7) To the full extent not legally required to be reissued or independently transferred as a consequence of the Merger, all federal, state and local licenses, permits, registrations, certificates, consents, accreditations, approvals and franchises, if any, held by Ventures in connection with the Business as currently conducted (collectively, the "Licenses");

(8) All goodwill, and, to the extent assignable by Ventures, all warranties express or implied and rights and claims related to the Assets or the operation of the Business;

(9) Contract rights and interests held by Ventures arising out of or related to the Business, including but not limited to those certain consultation service agreements, management service agreements and other similar contracts identified on Exhibit 1.2(9) hereto;

(10) All intangible or intellectual property owned, leased, licensed or possessed by Ventures or any Shareholder and utilized in connection with the Business, including without limitation, the name "Ventures Healthcare" and all variations and derivations thereof, to the extent Ventures or any Shareholder has rights in or to each such name;

(11) All of Ventures' right, title and interest in any partnerships, joint ventures or similar arrangements.

1.3 Further Assurances: From time to time as and when requested by Merger Subsidiary or its successors or assigns, the officers, directors and shareholders of Ventures last in office shall execute and deliver such deeds and other instruments and shall take or cause to be taken such other actions as shall be necessary to vest or perfect in or to confirm of record or otherwise Merger Subsidiary's title to, and possession of, all the property, interests, assets, rights, privileges, immunities, powers, franchises, and authority of the Ventures, and otherwise to carry out the purposes of this Agreement.

ARTICLE II.
CONVERSION AND EXCHANGE OF SHARES

2.1 Conversion of Shares. The manner of converting or exchanging the shares of each of the Constituent Corporations shall be as follows:

(1) The Merger shall effect no change in any of the shares of Merger Subsidiary stock, and none of its shares shall be converted as a result of the Merger.

(2) Each share of Ventures Stock issued and outstanding on the Effective Date of the Merger (except shares of Ventures Stock issued and held in the treasury of the Ventures) shall, by virtue of the Merger and on the Effective Date of the Merger, be converted into and become, without action on the part of the holder thereof, shares of fully paid and nonassessable Parent Common Stock in an amount sufficient to comprise the Merger Consideration as set forth in Article III below.

2.2 Shares Owned by Ventures. Each share of Ventures Stock issued and held in the treasury of Ventures shall be canceled and retired, and no shares of stock or other securities of Parent shall be issuable, and no cash shall be exchangeable, with respect thereto.

2.3 Fractional Shares. No fractional shares of Parent Common Stock shall be issued pursuant to Section 2.1(2), but in lieu thereof, cash shall be paid to the holder thereof in an amount based on the closing price of Parent Common Stock on the NASDAQ Stock Market's NASDAQ National Market on the Effective Date of the Merger, or if such shares were not traded on such date, based on the closing price thereof on the next preceding day on which such shares were traded.

2.4 Exchange of Shares; Escrow of Shares. Subject to the escrow provisions set forth below, on and after the Effective Date of the Merger, each holder of Ventures Stock shall be entitled to receive in exchange therefor a certificate or certificates representing the number of shares of Parent Common Stock to which he is entitled as provided in Section 2.1(2), and any cash to which he maybe entitled on account of fractional shares (without interest thereon) as provided in Section 2.3. Until so presented and surrendered in exchange for a certificate representing Parent Common Stock, each certificate which represented issued and outstanding shares of Ventures Stock on the Effective Date of the Merger shall be deemed for all purposes to evidence ownership of the number of shares of Parent Common Stock into which such shares of Ventures Stock have been converted pursuant to the Merger. Until surrender of such certificates in exchange for certificates representing Parent Common Stock, the holder thereof shall not be entitled to vote at any meeting of Parent stockholders or to receive any dividend or other distribution payable to holders of shares of Parent Common Stock; provided, however, that upon surrender of such certificates representing Ventures Stock in exchange for certificates representing Parent Common Stock, there shall be paid to the record holder of the certificate representing Parent Common Stock issued upon such surrender the amount of dividends or other distributions (without interest) that theretofore became payable with respect to the number of shares of Parent Common Stock represented by the certificate issued upon such surrender.

The parties acknowledge and agree that one-half (1/2) of the Parent Common Stock to which each Shareholder shall be entitled to receive shall be issued and held in escrow pursuant to the provisions of a Post Closing Escrow Agreement of substantially the same form as Exhibit 2.4 hereto.

ARTICLE III. MERGER CONSIDERATION

3.1 Merger Consideration.

(1) The Parent Common Stock to be issued as merger consideration ("Merger Consideration") shall have a value of Two Million Seven Hundred Thousand and No/100 Dollars (\$2,700,000.00), subject to adjustment as set forth in this Article III. The Merger Consideration will be subject to adjustment as follows: (i) the Merger Consideration shall be increased or decreased, as appropriate, for additions or deletions of property, plant, equipment or other non-current assets, if any, purchased or sold between June 30, 1997 and the Closing; (ii) the Merger Consideration shall also be adjusted for any Seller employee benefits which are not accrued and reflected in net working capital at Closing to the extent it causes a breach of (iii); and (iii) Merger Consideration shall be adjusted to the extent that the working capital of Ventures is less than Fifty Thousand and No/100 Dollars (\$50,000.00) as of Closing. Shareholders' equity of Ventures at Closing shall not be less than Fifty Thousand and No/100 Dollars (\$50,000.00). The Balance Sheet of Ventures as of January 1, 1998 shall be substantially the same as the pro forma Balance Sheet shown on Exhibit 3.1 hereto.

(2) The Merger Consideration will be One Hundred Forty-Six Thousand Five Hundred Eighty (146,580) shares of Parent Common Stock which is based upon a price of \$18.42 per share. The Parent Common Stock will constitute restricted securities the resale of which shall be subject to the requirements of Rule 144. All aspects of the proposed transaction shall be subject to applicable state and federal securities laws.

3.2 Adjustments to Merger Consideration. The adjustments to the Merger Consideration specified in Section 3.1(1) shall be estimated by the parties hereto in good faith at the Closing to the extent reasonably possible based on the most current interim financial statements with provisional adjustments as shall be mutually agreed at Closing which shall be called the "Preliminary Closing Statement". Attached as Exhibit 3.2 is the format of the Preliminary Closing Statement. No later than sixty-five (65) days after the Closing, the parties hereto shall prepare the "Final Closing Statement" reflecting the items listed above prepared consistent with the past preparation of the internal financial statements of Ventures on an accrual basis applied consistently with prior periods. Adjustments made after the Closing based on the Final Closing Statement shall be payable in cash not more than one (1) year after Closing, with interest on any adjustments at an annual interest rate of eight and one-half percent (8.5%) commencing at Closing. If Merger Subsidiary and Shareholders are unable to agree on the Final Closing Statement within sixty-five (65) days after delivery of the Final Closing Statement, they shall appoint a firm of independent certified public accountants of recognized national standing (excluding any firm regularly engaged by either party) (the "Accountants") to make such determination which determination, shall be final and binding on the parties hereto for the purpose of this Agreement, and Merger Subsidiary and Shareholder shall each pay one-half (1/2) the cost of the Accountants.

ARTICLE IV.
CERTIFICATE OF INCORPORATION; OFFICERS AND DIRECTORS

The Certificate of Incorporation of Merger Subsidiary shall be amended, effective on the Effective Date of the Merger, by changing Article I thereof so as to read in its entirety as follows: "The name of the corporation is Ventures Healthcare of Gainesville, Inc."

On the Effective Date of the Merger, the Certificate of Incorporation of Merger Subsidiary, as amended above, shall be the Certificate of Incorporation of the surviving corporation.

The officers and directors of the Merger Subsidiary on the Effective Date shall from and after the Effective Date be the initial officers and directors of the Merger Subsidiary after the Merger until their respective successors have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Certificate of Incorporation and Bylaws of the Merger Subsidiary.

ARTICLE V.
EFFECTIVE DATE OF MERGER; FILING OF MERGER DOCUMENTS

5.1 Effective Date. The Merger shall become effective on the filing of this Agreement (or appropriate Certificate of Merger or Articles of Merger, as applicable) (such documentation herein the "Certificate of Merger") in the manner required by applicable law (the date of such filing being herein called the "Effective Date of the Merger").

5.2 Filing of Certificate of Merger. Unless this Agreement shall have been terminated prior thereto under the provisions of Article XIII hereof, the Certificate of Merger shall be so filed and recorded as promptly as possible after Closing which shall occur upon satisfaction of the conditions precedent to Closing and in no event later than the end of the next business day following Closing.

ARTICLE VI.
REPRESENTATIONS AND WARRANTIES OF SHAREHOLDERS

As a material inducement to Parent and Merger Subsidiary to enter into this Agreement and to consummate the Merger, Shareholders hereby jointly and severally represent and warrant to Buyer, which representations and warranties will be true and correct on the date of Closing, as follows:

6.1 Organization, Qualification and Authority. Ventures is a corporation duly organized and validly existing under the laws of the State of Florida and is in good standing and duly qualified to do business as a foreign corporation in all states required by its Business as set forth on Exhibit 6.1, except where the failure to be so qualified would not have a material adverse effect on the business or results of operations of Ventures. Ventures has full corporate power and authority to own, lease and operate its facilities and assets as presently owned, leased and operated, and to carry on its business as

it is now being conducted. Ventures and Shareholders each have the full right, power and authority to execute, deliver and carry out the terms of this Agreement and all documents and agreements executed and delivered in connection with this Agreement, to consummate the Merger and other transactions contemplated on the part of each such party hereby, and to take all actions necessary, in their respective capacities, to permit or approve the actions of each of Ventures and Shareholders. The execution, delivery and consummation of this Agreement, and all other agreements and documents executed in connection herewith by each of Ventures and Shareholders, have been duly authorized by all necessary action on the part of such parties. No other action, consent or approval on the part of any of Ventures, Shareholders or any other person or entity is necessary to authorize due and valid execution, delivery and consummation, of this Agreement and all other agreements and documents executed in connection herewith. This Agreement and all other agreements executed in connection herewith by Ventures and/or Shareholders, upon due execution and delivery thereof, will constitute the valid and binding obligations of Ventures and/or Shareholders, as the case may be, enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by general principles of equity.

6.2 Capitalization and Stock Ownership. Except for Shareholders, no other person or entity owns or holds, has any interest in, whether legal, equitable or beneficial, or has the right to purchase, any capital stock or other security of Ventures. The Ventures Stock, being Two Hundred Twenty Five (225) shares, \$1.00 par value, of common stock, constitutes all of the issued and outstanding securities of Ventures, is duly authorized, validly issued, fully paid and nonassessable, and is owned free and clear of any liens, charges, security interests, pledges or other encumbrances. At Closing, Ventures will not have any outstanding subscriptions, options, warrants, calls, contracts, convertible securities or other instruments, agreements or arrangements of any nature whatsoever under which Ventures is or may be obligated or compelled to issue any capital stock, security or interest of any kind, or to transfer or modify any right with respect to any capital stock, security or other interest, and, as of the Closing, no one will have any preemptive rights, right of first refusal or similar rights with respect to the Ventures Stock or any equity interest in Ventures. Except as set forth on Exhibit 6.2, neither Ventures nor any of the Shareholders is a party to any, and there exist no, voting trusts, stockholder agreements, pledge agreements or other agreements relating to or restricting the transferability of any shares of the Ventures Stock or equity interests of Ventures and any such agreements listed on Exhibit 6.2, if any, shall not preclude the Merger or other transactions contemplated by this Agreement.

6.3 Investments. Except as set forth on Exhibit 6.3, Ventures owns no capital stock, securities, interest or other right or any option or warrant convertible into the same, of any corporation, partnership, limited liability company, joint venture or other business enterprise.

6.4 Absence of Default. The execution, delivery and consummation of this Agreement, and all other agreements and documents executed in connection herewith by Ventures and Shareholders will not constitute a violation of, or be in conflict with, and will not, with or without the giving of notice or the passage of time, or both, result in a breach of, constitute a default under, create or cause the acceleration of the maturity of, any debt, indenture, obligation or liability affecting either Ventures, the Shareholders, the Business or Assets or rights in the Ventures Stock, or result in the creation or imposition of any security interest, lien, charge or other encumbrance upon any of the Ventures Stock

or the Assets under: (a) any term or provision of the Charter or Bylaws of Ventures; (b) any contract, lease, purchase order, agreement, document, instrument, indenture, mortgage, pledge, assignment, permit, license, approval or other commitment to which Ventures and/or any Shareholder is a party or by which either Ventures, any Shareholder, the Ventures Stock or the Assets are bound; (c) any judgment, decree, order, regulation or rule of any court or regulatory authority; or (d) any law, statute, rule, regulation, order, writ, injunction, judgment or decree of any court or governmental authority or arbitration tribunal to which Ventures, any Shareholder, the Ventures Stock and/or the Assets are subject.

6.5 Financial Statements.

(1) Attached hereto as Exhibit 6.5(1) are true and correct copies of Ventures' unaudited balance sheets and income statements for the year ended December 31, 1996 (the "Fiscal Year Financial Statements"), and the interim unaudited balance sheet and income statement of Ventures for the eleven (11) month period ended November 30, 1997 (the "Interim Financial Statements," which, with the Fiscal Year Financial Statements, will be referred to as the "Financial Statements"). The Financial Statements are based on the books and records of Ventures and present fairly, in compliance with generally accepted accounting principles applied on a consistent basis, the financial position of Ventures as of, and the results of its operations for, the periods specified, except, in the case of the Interim Financial Statements, for year end adjustments and accruals for income taxes. Except as set forth in the Interim Financial Statements or on Exhibit 6.5(1), Ventures has, and as of the Closing will have, no contingent liabilities or obligations.

(2) The books and records of Ventures are in such order and completeness so that an unqualified audit may be performed for any period prior to Closing not already audited. The Shareholders will cooperate in all reasonable respects with the Merger Subsidiary in attempting to perform an audit of Ventures for any period prior to Closing not already audited at Merger Subsidiary's expense.

(3) Attached as Exhibit 6.5(3) is a schedule setting forth EBITDA derived by Ventures from each of its various managements or similar contracts on a location-by-location basis and a schedule setting forth the projected annual EBITDA of new management contracts, if any, expected to be added on or after January 1, 1998, it being understood that the Shareholders are making no representations or warranties regarding such projections

6.6 Operations since October 31, 1997. Except as set forth in Exhibit 6.6, since November 30, 1997 there has been no:

(1) change in the condition of Ventures, financial or otherwise, which has, or could reasonably be expected to have, a material adverse effect on any of the Assets, the Business or on the results of the operations of Ventures as a whole, including any circumstance or event which the Shareholders reasonably believe may lead to a termination, cancellation or non-renewal of Ventures' existing contracts;

(2) material loss, damage or destruction of or to any of the Assets, whether or not covered by insurance;

(3) sale, lease, transfer or other disposition by Ventures of, or mortgages or pledges of or the imposition of any lien, charge or encumbrance on, any portion of the Assets, except inventory and equipment held for use in the ordinary course of business;

(4) increase in the compensation payable by Ventures to any of the Shareholders, officers, directors or any other employees, independent contractors or agents, or increase in, or institution of, any bonus, insurance, pension, profit-sharing or other employee benefit plan or arrangements made to, for or with the employees, independent contractors or agents of Ventures outside the ordinary course of business;

(5) subject to the provisions of the agreement referenced in Section 8.3, adjustment or write-off of Receivables or reduction in reserves for Receivables outside of the ordinary course of business, or change in the accounting methods or practices employed by Ventures or change in adopted depreciation or amortization policies;

(6) issuance or sale by Ventures, or contract or other commitment entered into by Ventures or any Shareholder for the issuance or sale, of any shares of capital stock or securities convertible into or exchangeable for capital stock of Ventures;

(7) payment by Ventures of any dividend, distribution or extraordinary or unusual disbursement or expenditure or intercompany payable, except for the settlement of Ventures' obligations to Capital Investment Corp. pursuant to the agreement referenced in Section 8.3;

(8) merger, consolidation or similar transaction; or solicitation therefor;

(9) security interest, guarantee or other encumbrance, other than in the ordinary course of business, obligation or liability, in each case whether absolute, accrued, contingent or otherwise, or whether due or to become due, incurred or paid by Ventures to any person or entity; or the making by Ventures of any loan or advance to, or an investment in, any person or entity;

(10) federal, state, or local statute, rule, regulation, or order adopted, promulgated or decided that, to the knowledge of Ventures or any of the Shareholders, materially and adversely affects Ventures, the Ventures Stock, the Business or the Assets;

(11) strike, work stoppage or other labor dispute adversely affecting the Business; or

(12) termination, waiver or cancellation of any material rights or claims of Ventures, under any contract of Ventures or otherwise.

6.7 Litigation. Except as disclosed in Exhibit 6.7, no person or party including, without limitation, any governmental agency has asserted, or, to the knowledge of Ventures or any of the Shareholders, has threatened to assert, any claim for any action or proceeding, against Ventures (or any

officer, director, employee, agent or Shareholder of Ventures) arising out of any statute, ordinance or regulation relating to wages, collective bargaining, discrimination in employment or employment practices or occupational safety and health standards (including, without limitation, the Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, as amended, the Occupational Safety and Health Act, the Age Discrimination in Employment Act of 1967, or the Americans With Disabilities Act or the Family Medical Leave Act of 1993). Neither Ventures nor any of the Shareholders has received notice of any violation of any law, rule, regulation, ordinance or order of any court or federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality (including, without limitation, legislation and regulations applicable to environmental protection, civil rights, public health and safety and occupational health). Except as set forth in Exhibit 6.6, there are no lawsuits, proceedings, actions, arbitrations, governmental investigations, claims, inquiries or proceedings pending or threatened involving Ventures, any of the Shareholders, the Ventures Stock, any of the Assets or the Business.

6.8 Licenses. Ventures has all Licenses necessary for Ventures to operate and conduct the Business, and there does not exist any waivers or exemptions relating thereto, except where the failure to hold such licenses would not have a material adverse effect. There is no material default on the part of Ventures or any other party under any of the Licenses. There exists no grounds for revocation, suspension or limitation of any of the Licenses. Copies of each of the Licenses are attached hereto and are listed on Exhibit 6.8. No notices have been received by Ventures or any of the Shareholders with respect to any threatened, pending, or possible revocation, termination, suspension or limitation of the Licenses.

6.9 Medicare and Medicaid Matters. To the extent applicable to Ventures, Ventures has complied, and, to Ventures' knowledge, each of the providers with which Ventures contracts (herein a "Ventures Provider") has complied with all laws, rules and regulations of the Medicare, Medicaid and other governmental healthcare programs, and has filed all claims, invoices, returns, cost reports and other forms in the manner prescribed. All cost reports, claims, invoices, filings and other forms made or filed by Ventures, if applicable, and, to Ventures' knowledge, made or filed by each Ventures Provider with Medicare, Medicaid or any other governmental health or welfare related entity or any third party payor since the inception of the Business, are in all material respects true, complete, correct and accurate and do not claim reimbursement for any expenses which are not properly reimbursable. No deficiency, either individually or in the aggregate, in any such cost reports, claims, invoices and other filings, including claims for over-payments or deficiencies for late filings, has been asserted or threatened by any federal or state agency or instrumentality or other provider reimbursement entities relating to Medicare or Medicaid claims or any other third party payor, and there is no basis for any claims or requests for reimbursement. Neither Ventures nor, to its knowledge, any Ventures Provider has been subject to any audit relating to fraudulent procedures or practices. To the best of Shareholders' knowledge, there is no basis for any claim or request for recoupment or reimbursement from Ventures or, to its knowledge, from any Ventures Provider, of any federal or state agency or instrumentality or other provider reimbursement entities.

6.10 Title to and Condition of Assets.

(1) Ventures is the sole legal and beneficial owner of the personal property included in the Assets, free and clear of all mortgages, security interests, liens, leases, covenants, assessments,

easements, options, rights of refusal, restrictions, reservations, defects in the title, encroachments, and other encumbrances, except for Permitted Encumbrances. Subject to the provisions of the agreement referenced in Section 8.3, the Assets are all the assets set forth on the Interim Financial Statements or currently used in the operation of the Business.

(2) The descriptions of the Real Estate, if any, contained in Exhibit 1.3(1) are accurate and include all real property leased by Ventures and used in connection with the Business or set forth on the Interim Financial Statements. Ventures is in lawful possession of all of the Real Estate, if any, that is owned or leased including, without limitation, the buildings, structures and improvements situated thereon and appurtenances thereto, in each case free and clear of all mortgages, liens and other encumbrances or restrictions, except for Permitted Encumbrances.

(3) The Equipment and Furnishings are all of the "Equipment" reflected on the Interim Financial Statements, other than those items sold and replaced in the ordinary course of business. All components of all of the Equipment and Furnishings in all material respects (a) operate in accordance with their respective specifications, (b) perform the functions they are supposed to perform, (c) are free of structural, installation, engineering, or mechanical defects or problems, and (d) are otherwise in good working order, subject, in each case above, to reasonable wear and tear. Ventures has received no written recommendation from any insurer to repair or replace any of the material Assets with which Ventures has not complied.

(4) All motor vehicles used in the Business, whether owned or leased, are listed in Exhibit 1.3(2) attached hereto, are properly licensed and are registered in accordance with applicable law. If such vehicles are leased, the leases are in full force and effect, and Ventures has complied with all terms of such leases.

(5) All trademarks, service marks, trade names, patents, inventions, processes, copyrights and applications therefor, whether registered or at common law (collectively, the "Intellectual Property"), owned or used by Ventures are listed and described in Exhibit 6.10(5) attached hereto. No proceedings have been instituted or are pending or, to the knowledge of Ventures or any of the Shareholders, threatened that challenge the validity of the ownership by Ventures of any such Intellectual Property. Ventures has licensed no one to use any such Intellectual Property, and neither Ventures nor any of the Shareholders has any knowledge of the use or the infringement of any of such Intellectual Property by any other person. Ventures owns or possesses adequate and enforceable licenses or other rights to use all Intellectual Property now used in the conduct of the Business.

6.11 Contracts.

(1) Exhibit 6.11(1) sets forth a complete and accurate list of all consultation services agreements, management service agreements or other similar agreements comprising the Business, together with all contracts, leases, subleases, options and commitments, oral or written, and all assignments and amendments thereof, affecting or relating to the Business, the Ventures Stock or any Asset or any interest therein, to which either Ventures and/or any of the Shareholders is a party or by which Ventures, the Assets or the Business is bound (collectively, the "Contracts"). Exhibit 6.11(1), but not the definition of Contracts, may exclude Contracts involving annual amounts of \$5,000.00 or

less. Accurate, complete and unredacted copies of all written Contracts have been supplied, or will be prior to the Closing to Merger Subsidiary. Exhibit 6.11(1) includes written summaries of key terms of all oral Contracts including any oral agreements with J.D. Investments, Inc. ("JDI"). The employee leasing arrangement covered by the Client Service Agreement between Landrum Staff Leasing, Inc. and JDI and the oral agreements between JDI and Ventures are all cancelable by Ventures at will or with thirty (30) days prior notice without any penalty, premium or other charge or expense to Ventures. The Shareholders know of no reason that the persons subject to the employee leasing arrangement may not be hired by the Merger Subsidiary immediately following Closing.

(2) Except as reflected in Exhibit 6.11(1), and except for consents required as a result of the Merger and other transactions contemplated herein, a list of which consents is included in Exhibit 6.11(1), none of the Contracts has been modified, amended, assigned or transferred and, to the best of Shareholders' knowledge, each is in full force and effect and is valid, binding and enforceable in accordance with its respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by general principles of equity. To the best of Shareholders' knowledge, no event or condition has happened or presently exists which constitutes a default or breach or, after notice or lapse of time or both, would constitute a default or breach by any party under any of the Contracts. To the knowledge of Shareholders, there are no counterclaims or offsets under any of the Contracts.

(3) There does not exist any security interest, lien, encumbrance or claim of others created or suffered to exist on any interest created under any of the Contracts. No purchase commitment by Ventures is in excess of Ventures' ordinary business requirements.

(4) Exhibit 6.11(4) lists every repair and maintenance obligation of Ventures pursuant to the Contracts over \$10,000.00 required to be performed on or before the Closing but which will remain unperformed at the Closing.

6.12 Environmental Matters.

(1) Hazardous Substances. As used in this Section 6.12(1), the term "Hazardous Substances" means any hazardous or toxic substances, materials or wastes, including but not limited to those substances, materials, and wastes defined in Paragraph 101 of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), listed in the United States Department of Transportation Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances pursuant to 40 CFR Part 302, or which are regulated under any other Environmental Law (as such term is defined herein), and any of the following: hydrocarbons, petroleum and petroleum products (except as they exist in the ordinary course of business and in material compliance with Environmental Law, asbestos, polychlorinated biphenyls, formaldehyde, radioactive substances (other than naturally occurring materials in place), flammables and explosives.

(2) Compliance with Laws and Regulations. All operations or activities on, and any use or occupancy of any property owned leased or managed by Ventures, any Affiliates of Ventures (wherein the term "Affiliates" will mean any person or entity controlling, controlled by or under common control at any time with Ventures, and the term "control" will mean the power, directly or indirectly to direct the management or policies of such person or entity), and any agent, contractor or employee of any agent or contractor of Ventures or its Affiliates ("Agents"), or to the knowledge of any

of the Shareholders (including any tenant or subtenant of Ventures) is and has been in compliance with any and all laws, regulations, orders, codes, judicial decisions, decrees, licenses, permits and other applicable requirements of governmental authorities with respect to Hazardous Substances, pollution or protection of human health and safety (collectively, "Environmental Laws"), including but not limited to the release, emission, discharge, storage and removal of Hazardous Substances. Ventures, Affiliates and Agents have kept the property owned or managed by Ventures free of any lien imposed pursuant to Environmental Laws. To the knowledge of Ventures and each of the Shareholders, all prior owners, operators, managers and other occupants of such premises have complied with Environmental Law. Except for uses and storage or presence of Hazardous Substances reasonably necessary or incidental to the customary operation of a business similar to the Business, as appropriate which, if required, was stored or present in material compliance with Environmental Law:

(a) Neither Ventures nor any Affiliates or Agents have used, generated, treated, handled, manufactured, voluntarily transmitted or stored any Hazardous Substances, nor, to the knowledge of Ventures or any of the Shareholders, has any premises owned, leased or managed by Ventures ever been used for any of the foregoing.

(b) Neither Ventures nor any Affiliates or Agents have installed on any premises owned, leased or managed by Ventures friable asbestos or any substance containing asbestos in condition or amount deemed hazardous by Environmental Law.

(c) Ventures has not at any time engaged in any dumping, discharge, disposal, spillage or leakage (whether legal or illegal, accidental or intentional) of such Hazardous Substances that would subject Ventures, any of the Shareholders or Merger Subsidiary to clean-up obligations imposed by governmental authorities.

(d) To the knowledge of Shareholders, neither Ventures nor the owners (present or former) of any premises owned, leased or managed by Ventures (i) has either received or been issued a notice, demand, request for information, citations, summons or complaint regarding an alleged failure to comply with Environmental Law, or (ii) is subject to any existing, pending, or, to the knowledge of Ventures or any of the Shareholders, threatened investigation or inquiry by any governmental authority for noncompliance with, or any remedial obligations under Environmental Law, and there are no circumstances known to Ventures or any Shareholders which would likely serve as a basis therefor. Ventures has not assumed any liability of a third party for clean-up under or noncompliance with Environmental Law.

(e) Ventures, their Affiliates or Agents have not transported or arranged for the transportation of any Hazardous Substances to any location which is listed or, to the knowledge of Ventures and any of the Shareholders, proposed for listing under Environmental Law or is the subject of any enforcement action, investigation or other inquiry under Environmental Law.

(3) Other Environmental Matters. Ventures has furnished to Merger Subsidiary a copy of any environmental audit, study, report or other analysis which such Ventures or its Affiliates obtained or were furnished.

(4) Disclaimer. Notwithstanding the foregoing, neither Ventures nor the Shareholders make any representation or warranty regarding the compliance with Environmental Laws at the medical facilities in which Ventures conducts business, except for matters within Ventures' control or matters about which they have actual knowledge.

6.13 Ventures Employees.

(1) Exhibit 6.13(1) attached hereto sets forth: (a) a complete list of all of Ventures' employees, (b) their respective rates of pay, (c) the employment dates and job titles of each such person, (d) categorization of each such person as a full-time or part-time employee of Ventures, (e) the amount of accrued vacation with respect to such person, and (f) the amount of accrued sick pay with respect to such person. For purposes of this paragraph, "part-time employee" means an employee who is employed for an average of fewer than twenty (20) hours per week or who has been employed for fewer than six (6) of the twelve (12) months preceding the date on which notice is required pursuant to the "Worker Adjustment and Retraining Notification Act" ("WARN"), 29 U.S.C. §2102, et seq. Except as provided in Exhibit 6.11(1), Ventures has no employment agreements with its employees and all such employees are employed on an "at will" basis. Exhibit 6.13(1) also (a) lists, and has attached copies of all employee fringe benefits and personnel policies, and (b) lists all ex-employees of Ventures utilizing or eligible to utilize COBRA. Ventures will have adequately accrued and included in the Final Closing Statement, all salaries and wages, related payroll taxes and all sick leave, holiday, vacation benefits, retirement and other fringe benefits that will have accrued to Ventures' employees through the Closing Date, including related payroll taxes.

(2) Ventures is not a party to any labor contract, collective bargaining agreement, contract, letter of understanding, or any other arrangement, formal or informal, with any labor union or organization that obligates Ventures to compensate employees at prevailing rates or union scale, nor are any of its employees represented by any labor union or organization. There is no pending or, to the knowledge of Ventures or any of the Shareholders, threatened labor dispute, work stoppage, unfair labor practice complaint, strike, administrative or court proceeding or order between Ventures and any present or former employee(s) of Ventures. Except as provided in Exhibit 6.13(2), there is no pending or, to the knowledge of Ventures and any of the Shareholders, threatened suit, action, investigation or claim between Ventures and any present or former employee(s) of Ventures. To the knowledge of Shareholders, there has not been any labor union organizing activity with respect to Ventures' employees.

6.14 Employee Benefit Plans.

(1) Exhibit 6.14 attached hereto contains a true, accurate and complete list of each (a) "employee welfare benefit plan" (as defined in Paragraph 3(1) of the Employee Retirement Income Security Act of 1974 as amended ("ERISA")) maintained by Ventures or to which Ventures contributes or is required to contribute, and (b) "employee pension benefit plan" (as defined in Paragraph 3(2) of ERISA) maintained by Ventures, to which Ventures contributes or is required to contribute, or which covers employees of Ventures during the period of their employment with any predecessor of Ventures, including any multi-employer pension plan as defined under Internal Revenue Code of 1986, Paragraph 414(f) (such employee welfare benefit plans and pension benefit plans being hereinafter collectively

referred to as the "Benefit Plans"). Copies of all Benefit Plans have previously been provided to Merger Subsidiary.

(2) Liabilities. There are no unfunded liabilities under any Benefit Plan.

(3) Termination of Participation. Shareholders will, at their cost, take all necessary action so that Ventures, by Closing, will cease to be a participating employer under all Benefit Plans, provided that the Merger Subsidiary will provide coverage for employees of Ventures under the benefit plans provided to similar employees of Parent and will waive waiting periods, pre-existing conditions and similar restrictions on coverage.

6.15 Insurance. Ventures has in effect and has for at least five (5) years continuously maintained insurance coverage for all of its operations, personnel and assets, and for the Assets and the Business. A complete and accurate list of all current insurance policies is included in Exhibit 6.11(1). Exhibit 6.15 attached hereto sets forth a summary of Ventures' current insurance coverage (listing type, carrier and limits), includes a list of any pending insurance claims relating to Ventures or the Business, and includes a recent three (3)-year claims history relating to Ventures and the Business as prepared by the applicable insurance carrier(s). Ventures is not in default or breach with respect to any provision contained in any such insurance policies, nor has Ventures failed to give any notice or to present any claim thereunder in due and timely fashion.

6.16 Conflicts of Interest. Except as set forth on Exhibit 6.16, none of the following is either a supplier of goods or services to Ventures, or directly or indirectly controls or is a director, officer, employee or agent of any corporation, firm, association, partnership or other business entity that is a supplier of goods or services to Ventures: (a) any Shareholder, (b) any director or officer of Ventures, or (c) any entity under common control with Ventures or controlled by or related to any of the Shareholders.

6.17 Compliance with Laws. Neither Ventures nor any of the Shareholders have made any kickback or bribe to any person or entity, directly or indirectly, for referring, recommending or arranging business with, to or for Ventures. Neither WARN nor any similar state law applies to such transactions, and such transactions comply with applicable state antitrust and similar laws. Ventures is in compliance (without obtaining waivers, variances or extensions) with all federal, state and local laws, rules and regulations that relate to the operations of the Business, except where the failure to be in compliance would not have a material adverse effect on the Business. All tax and other returns, reports, plans and filings of any nature required to be or otherwise filed by Ventures or any of the Shareholders with any governmental authorities have been properly completed, except where the failure to be so completed or filed could not have a material adverse effect on the Business, and timely filed in compliance with all applicable requirements. Each return, report, plan and filing contains no materially untrue or misleading statements and does not omit anything which would cause it to be misleading or inaccurate in any material respect.

6.18 WARN Act. Since ninety (90) days prior to Effective Date, Ventures has not temporarily or permanently closed or shut down any single site of employment or any facility or any

operating unit, department or service within a single site of employment, as such terms are used in WARN.

6.19 Tax Returns; Taxes. Ventures and each of Shareholders have filed all federal, state and local tax returns and tax reports required by such authorities to be filed as of the time of Closing. Ventures and each of the Shareholders, as applicable, have paid all taxes, assessments, governmental charges, penalties, interest and fines due as of the time of Closing (including, without limitation, taxes on properties, income, franchises, licenses, sales and payrolls) by any governmental authority. Additionally, the reserves for taxes, if any, shown in the Final Closing Statement are and will be adequate to accurately reflect all tax liabilities accrued or owing as of the Closing. Except as set forth on Exhibit 6.19, there is no pending tax examination or audit of, nor any action, suit, investigation or claim asserted or, to the knowledge of Ventures and each of the Shareholders, threatened against Ventures or any of the Shareholders by any governmental authority; and neither Ventures nor any of the Shareholders has been granted any extension of the limitation period applicable to any tax claims.

6.20 No Omissions or Misstatements. No representation or warranty or statement contained in this Agreement or any certificate furnished in connection with this Agreement contains any untrue statement of a material fact or omits to state any material fact necessary in order to make any of the statements herein or therein not misleading in light of the circumstances in which they were made.

6.21 Accredited Investor. Each of the Shareholders hereby represents and warrants to the Parent and Merger Subsidiary that he is an "Accredited Investor" as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933. Each such Shareholder represents that he has the requisite experience, knowledge and sophistication necessary to evaluate and make an informed decision about the investment being made by such Shareholder in the Merger by virtue of the receipt of the Parent Common Stock. Each Shareholder acknowledges he has been given the opportunity to have complete access to all records of the Parent, as well as its properties and executive employees. In addition to the information and disclosures of the SEC Reports (as defined in Section 7.3), each Shareholder acknowledges that he has had the opportunity to ask questions and receive answers from executive employees of the Parent about the Parent, its business and his investment in the Parent Common Stock.

6.22 Purchase for Investment; Restrictions on Transfer. Each of the Shareholders acknowledges that he is acquiring the Parent Common Stock for his own account and not with a view to or present intention of distribution thereof in violation of the Securities Act of 1933, as amended, or any state securities or blue sky laws. The Parent Common Stock will not be disposed of in contravention of any such laws. Each of the Shareholders also acknowledges that, although there exists a public market for registered shares of the Parent Common Stock, the Parent Common Stock being received by such Shareholders as Merger Consideration has not been registered under any securities laws and, therefore, cannot be sold and must be held indefinitely, unless subsequently registered under applicable securities laws or unless an exemption from such registration is available. The Shareholders acknowledge and agree that certificates representing the Parent Common Stock issued as Merger Consideration will contain a legend substantially similar to the following:

The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, or any state securities laws. The securities have been acquired without a view to distribution and may not be offered, sold, transferred, pledged or hypothecated, whether or not for consideration, in the absence of registration under the Securities Act of 1933, as amended, and applicable state securities laws or written opinion of counsel reasonably satisfactory to Children's Comprehensive Services, Inc. that registration is not required.

ARTICLE VII. REPRESENTATIONS AND WARRANTIES OF MERGER SUBSIDIARY AND PARENT

As an inducement to Shareholders and Ventures to enter into this Agreement and to consummate the transactions contemplated hereunder, Merger Subsidiary and Parent hereby represent and warrant to Shareholders and Ventures, which representations and warranties will be true and correct on the date of Closing, as follows:

7.1 Organization, Qualification and Authority. Merger Subsidiary and Parent are corporations duly organized, validly existing and in good standing under the laws of the State of Tennessee. Merger Subsidiary has the full corporate power and authority to own, lease and operate its properties and assets as presently owned, leased and operated and to carry on its business as it is now being conducted. Merger Subsidiary and Parent have the full right, power and authority to execute, deliver and carry out the terms of this Agreement and all documents and agreements necessary to give effect to the provisions of this Agreement and to consummate the Merger and other transactions contemplated on the part of Merger Subsidiary and Parent hereunder. The execution, delivery and consummation of this Agreement and all other agreements and documents executed in connection herewith by Merger Subsidiary and Parent have been duly authorized by all necessary corporate action on the part of Merger Subsidiary and Parent. No other action on the part of Merger Subsidiary or Parent or any other person or entity is necessary to authorize the execution, delivery and consummation of this Agreement and all other agreements and documents executed in connection herewith. This Agreement, and all other agreements and documents executed in connection herewith by Merger Subsidiary and Parent, upon due execution and delivery thereof, will constitute the valid and binding obligations of Merger Subsidiary and Parent, enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by general principles of equity.

7.2 Absence of Default. The execution, delivery and consummation of this Agreement and all other agreements and documents executed in connection herewith by Merger Subsidiary and Parent will not constitute a violation of, be in conflict with, or, with or without the giving of notice or the passage of time, or both, result in a breach of, constitute a default under, or cause the acceleration of the maturity of, any debt, indenture, obligation or liability affecting Merger Subsidiary or Parent or result in the creation or imposition of any security interest, lien, charge or other encumbrance upon any of the Assets (except in the ordinary course pursuant to the credit agreement, if any, of the Parent) under: (a) any term or provision of the Charter or Bylaws of Merger Subsidiary or Parent; (b) any

contract, lease, agreement, indenture, mortgage, pledge, assignment, permit, license, approval or other commitment to which Merger Subsidiary or Parent is a party or by which Merger Subsidiary or Parent is bound; (c) any judgment, decree, order, regulation or rule of any court or regulatory authority, or (d) any law, statute, rule, regulation, order, writ, injunction, judgment or decree of any court or governmental authority or arbitration tribunal to which Merger Subsidiary or Parent is subject.

7.3 SEC Reports. The Merger Subsidiary has furnished to the Shareholders true and complete copies of Parent's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, its Quarterly Reports on Form 10-Q for each of the fiscal quarters ended March 31, 1997, June 30, 1997 and September 30, 1997 and its proxy materials for the most recently held annual meeting of shareholders (collectively, the "SEC Reports") as such reports were filed with the Securities and Exchange Commission. The SEC Reports, at the time they were filed, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and since then, Parent and its affiliates have not suffered any material adverse change in their business.

7.4 Shares to be Issued. The Shares of Parent Common Stock to be issued and delivered pursuant to this Agreement will be duly and validly issued, fully paid and non-assessable.

7.5 Capitalization of Merger Subsidiary: Continuation of Ventures Business. Prior to the transaction, Parent will be in control of Merger Subsidiary within the meaning of Section 368(c)(1) of the Code. Following the transaction, Merger Subsidiary will not issue additional shares of its stock that would result in Parent losing control of Merger Subsidiary within the meaning of Section 368(c)(1) of the Code. Parent has no plan or intention to reacquire any of its stock issued in the transaction. Parent has no plan or intention to liquidate Merger Subsidiary; to merge Merger Subsidiary with and into another corporation; to sell or otherwise dispose of the stock of Merger Subsidiary; or to cause Merger Subsidiary to sell or otherwise dispose of any of the assets of Ventures acquired in the transaction, except for dispositions made in the ordinary course of business or transfers described in Section 368(a)(2)(C) of the Code. Following the transaction, Merger Subsidiary will continue the historic business of Ventures or use a significant portion of Ventures' business assets in the business.

7.6 Securities Law Compliance. For a period of at least two (2) years after Closing, Parent will timely file periodic reports and other documents required under the Securities Act of 1933 and the Securities Exchange Act of 1934 so that the Shareholders will have access to public information about the Parent to comply with informational requirements relating to sale of the Parent Common Stock received in the Merger under Rule 144 promulgated under the Securities Act of 1933.

**ARTICLE VIII.
COVENANTS OF PARTIES**

8.1 Certificate of Incorporation and Bylaws of Ventures; Capitalization. From the date of this Agreement until Closing, the Certificate of Incorporation and Bylaws of Ventures shall not be changed. Ventures shall not change its authorized or issued capital stock, declare or pay any dividend, or issue, encumber, purchase, or otherwise acquire, any of its capital stock.

8.2 Approval by Shareholders. Ventures will submit this Agreement for approval by its shareholders with a favorable recommendation by its board of directors and will use its best efforts to obtain requisite shareholder approval.

8.3 Preservation of Business and Assets. From the date of this Agreement until Closing, Ventures and each of the Shareholders will use their best efforts and will do or cause to be done all such acts and things as may be reasonably necessary to preserve, protect and maintain intact the operation of the Business and Assets as a going concern consistent with prior practice and not other than in the ordinary course of business, to preserve, protect and maintain for Merger Subsidiary the goodwill of the suppliers, employees, clientele and others having business relations with Ventures or the Business. Ventures will use its reasonable commercial efforts to retain its employees in their current positions up to Closing. Except as provided herein, until termination of this Agreement, neither Ventures nor any of the Shareholders will sell, transfer or pledge, or negotiate the sale, transfer or pledge of, either any of the Assets or Ventures Stock or other security of Ventures, nor merge or consolidate with any other entity; neither Ventures nor any of the Shareholders will solicit any inquiries, proposals or offers relating to any such transactions; and such parties will promptly notify Merger Subsidiary orally, and confirm in writing, of all relevant details relating to inquiries, proposals or offers that any may receive relating to any such matters. Ventures will pay no dividend, and will make no distribution or extraordinary payment to Shareholders or any third party or pay any intercompany payable and, other than in the ordinary course of business, Ventures will not sell, discard or dispose of any of the Assets, except as set forth in that certain agreement settling Ventures' obligation to Capital Investment Corp. of Panama City, Florida, a copy of which is attached as Exhibit 8.3. None of the Contracts will be amended in any material respect, other than to obtain consents to the exchange of the Ventures Stock contemplated in the Merger between the date hereof and Closing without the prior written consent of Merger Subsidiary, and Ventures will not enter into any new material contract, commitment or other transaction with respect to the Business or the Assets without the prior written consent of Merger Subsidiary. From the Effective Date until Closing, Ventures will maintain and keep the Assets in a well-maintained condition and in good order and repair.

8.4 Books and Records.

(1) From the date hereof until the Closing, Ventures will maintain its books of account in the usual, regular and ordinary manner on a basis consistent with prior years and will make no change in its accounting methods or practices.

(2) Subject to the terms of the Letter of Intent dated December 1, 1997 and the confidentiality provisions in that certain letter dated August 4, 1997 from Al J. Smith to William

Parsons, Ph.D. until Closing, Ventures and each of the Shareholders will give to Merger Subsidiary full access to all of Ventures' offices, properties, books, contracts, commitments, records and affairs relating to the Ventures Stock, Assets or the Business so that Merger Subsidiary or Parent may inspect and audit them and will furnish to Merger Subsidiary a copy of all documents and information concerning the properties and affairs of Ventures, the Business, the Ventures Stock or the Assets as Merger Subsidiary may request. If any such books, records and materials are in the custody of third parties, Ventures and each of the Shareholders will direct such third parties to promptly provide them to Merger Subsidiary.

(3) Following the Closing, Parent will permit Shareholders, during normal business hours, to have reasonable access to, and examine and make copies of, all books and records of the Business that relate to transactions or events occurring prior to the Closing. All out-of-pocket costs associated with the delivery of the requested documents will be paid by Shareholders.

(4) The Shareholders will use reasonable efforts to cause Ventures' accounting firm to consent to the inclusion of the Financial Statements in any registration statements, private placement memoranda, and periodic reports, if any, necessary or appropriate in order to enable Parent or its affiliates to comply with any applicable registration or reporting requirements of federal or state securities laws.

8.5 Preserve Accuracy of Representations and Warranties. Shareholders and Ventures will refrain from taking any action which would render any representation and warranty contained in this Agreement untrue, inaccurate or misleading in any material respect as of Closing. Each Shareholder and Ventures will promptly notify Merger Subsidiary of any lawsuit, claim, audit, investigation, administrative action or other proceeding asserted or commenced against Ventures or its directors, officers, or any of the Shareholders, that may involve or relate in any way to Ventures, the Assets, the Ventures Stock, any of the Shareholders or the operation of the Business. Each Shareholder and Ventures will promptly notify Merger Subsidiary of any facts or circumstances that come to his, her or its attention and that cause, or through the passage of time may cause, any of Shareholders' or Ventures' representations, warranties or covenants to be untrue or misleading in any material respect at any time from the date hereof through Closing.

8.6 Broker's or Finder's Fee. None of Parent, Merger Subsidiary, Ventures or any Shareholder has employed or is liable for the payment of any fee to any finder, broker, government official or similar person in connection with the transactions contemplated under this Agreement.

8.7 Indebtedness; Liens. Other than in the ordinary course of business, from the date of this Agreement through Closing, Ventures will not create, incur, assume, guarantee or otherwise become liable or obligated with respect to any indebtedness for borrowed money, nor make any loan or advance to, or any investment in, any person or entity, nor create any lien, security interest, mortgage, right or other encumbrance in any of the Assets, without Merger Subsidiary's prior written approval. At Closing, the Assets will be free and clear of all mortgages, security interests, liens, leases, covenants, assessments, easements, options, rights of first refusal, restrictions, reservations, defects in title, encroachments or other encumbrances, except for Permitted Encumbrances, and Shareholders will

deliver to Merger Subsidiary such pay-off letters, releases, U.C.C. termination statements and other documents as Merger Subsidiary may reasonably request to evidence the same.

8.8 Compliance with Laws and Regulatory Consents. From the date hereof through Closing, (a) Ventures will comply with all applicable statutes, laws, ordinances and regulations, where the failure to comply would likely have a material adverse effect upon Ventures, (b) Ventures will keep, hold and maintain all material Licenses necessary for the Business and operation of the Assets, (c) the Shareholders and Ventures will use their reasonable efforts to obtain all consents, approvals, exemptions and authorizations of third parties, whether governmental or private, necessary to consummate the transactions contemplated by this Agreement, and (d) the Shareholders and Ventures and Merger Subsidiary will make and cause to be made all filings and give and cause to be given all notices which may be necessary on their parts, respectively, under all applicable laws and under their respective contracts, agreements and commitments in order to consummate the transactions contemplated under this Agreement.

8.9 Maintain Insurance Coverage. From the date hereof through Closing, Shareholders will cause Ventures to maintain in full force and effect the existing insurance on the Assets and the operations of the Business and will provide at Closing written evidence satisfactory to Merger Subsidiary that such insurance continues to be in effect, that all premiums due have been paid, and that Merger Subsidiary has been named additional insured since the Effective Date. Shareholders will cancel Ventures' worker's compensation policy effective as of the date of Closing, and Merger Subsidiary will obtain worker's compensation for Ventures beginning as of the Closing.

ARTICLE IX.

VENTURES' AND SHAREHOLDERS' CONDITIONS TO CLOSE

The obligations of Ventures and Shareholders under this Agreement are subject to the satisfaction on or prior to Closing, of the following conditions (which may be waived in writing by Ventures or Shareholders, in whole or in part):

9.1 Representations and Warranties True at Closing: Compliance with Agreement. The representations and warranties of Merger Subsidiary and Parent contained in this Agreement and in any certificate or document delivered pursuant hereto will be deemed to have been made again at the Closing and will then be true in all material respects. Merger Subsidiary and Parent will have performed and complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by it prior to or at Closing.

9.2 No Action/Proceeding. No action or proceeding before a court or any other governmental agency or body will have been instituted or threatened to restrain or prohibit the transactions hereunder contemplated, and no governmental agency or body or other entity will have taken any other action or made any request of Ventures, any of the Shareholders or Merger Subsidiary as a result of which Ventures or the Shareholders reasonably and in good faith deem that to proceed with the transactions hereunder may constitute a violation of law.

9.3 Order Prohibiting Transaction. No order will have been entered in any action or proceeding before any court or governmental agency, and no preliminary or permanent injunction by any court will have been issued which would have the effect of (a) making the transactions contemplated under this Agreement illegal, or (b) otherwise preventing consummation of such transactions. There will have been no United States federal or state statute, rule or regulations enacted or promulgated after the date of this Agreement that would reasonably, directly or indirectly, result in any of the consequences referred to in this Section 9.3.

9.4 Opinion of Parent's Counsel. The Shareholders shall have received an opinion dated as of the Closing from counsel for the Parent in form and substance satisfactory to the Shareholders and their counsel covering those matters described in Section 12.4 as Shareholders may reasonably request.

ARTICLE X. PARENT'S AND MERGER SUBSIDIARY'S CONDITIONS TO CLOSE

The obligations of Parent and Merger Subsidiary under this Agreement are subject to the satisfaction, on or prior to Closing, of the following conditions (which may be waived in writing by Parent and/or Merger Subsidiary, as applicable, in whole or in part):

10.1 Representations and Warranties True at Closing; Compliance with Agreement. The representations and warranties of each of Shareholders and Ventures contained in this Agreement (including the Exhibits hereto) and in any certificate or document delivered pursuant hereto will be deemed to have been made again at the Closing and will then be true in all material respects. Ventures and each of the Shareholders will have performed and complied with all covenants, agreements and conditions required by this Agreement to be performed or complied with by them prior to or at Closing.

10.2 No Action/Proceeding. No action or proceeding before a court or any other governmental agency or body will have been instituted or threatened to restrain or prohibit the transactions hereunder contemplated, and no governmental agency or body or other entity will have taken any other action or made any request of Ventures, any of the Shareholders or Merger Subsidiary as a result of which Merger Subsidiary reasonably and in good faith deems that to proceed with the transactions hereunder may constitute a violation of law.

10.3 Due Diligence; Inspection of Assets; U.C.C. Searches, etc. Merger Subsidiary and its representatives will have had and continue to have reasonable rights of inspection of the Business in connection with Merger Subsidiary's due diligence review as provided herein. Merger Subsidiary shall have received all U.C.C. financing statement, local and central, and federal and state pending litigation, tax lien and judgment searches, with respect to Ventures, including all "DBA's," tradenames and fictitious names of Ventures, with the results disclosing no material liens except Permitted Encumbrances and those that are released as of the Closing.

10.4 Absence of Adverse Change. The Merger Subsidiary shall have verified the absence of the material adverse change in the Business and Assets of Ventures, and Ventures shall not have

entered into any significant contracts or transactions prior to Closing without the prior written approval of the Merger Subsidiary.

10.5 Order Prohibiting Transaction. No order will have been entered in any action or proceeding before any court or governmental agency, and no preliminary or permanent injunction by any court will have been issued which would have the effect of (a) making the transactions contemplated under this Agreement illegal, or (b) otherwise preventing consummation of such transactions. There will have been no federal or state statute, rule or regulations enacted or promulgated after the date of this Agreement that would reasonably result, directly or indirectly, in any of the consequences referred to in this Section 10.5.

10.6 Noncompetition Agreements. Each of the Shareholders will have entered into a noncompetition agreement in the form attached hereto as Exhibit 10.6 in which each such Shareholder shall agree not to compete with the Merger Subsidiary for a period of five (5) years from the date of Closing.

10.7 Licenses and Permits. The Merger Subsidiary shall have obtained all necessary health care or other licenses, permits and approvals, if any, necessary for the continued operation of the Business of Ventures as operated prior to Closing or shall have otherwise procured assurances acceptable to the Merger Subsidiary that such licenses and permits will be issued in due course following Closing.

10.8 Consents. Prior to Closing, Shareholders shall have obtained the consents required to consummate the Merger and the other transactions contemplated herein and involving the agreements listed on Exhibit 6.11(1); provided, however, that the Parent and the Merger Subsidiary shall waive any consent required for the transfer of Ventures' agreements with Bridgewater Center in Ft. Walton, Florida.

10.9 Opinion of Ventures' Counsel. Parent and Merger Subsidiary shall have received a favorable opinion, dated as of the Closing, of counsel for Ventures, in form and substance satisfactory to Parent and its counsel, to the effect that:

(1) All proceedings, other than the filing and recording of this Agreement (or a Certificate of Merger) in the States of Florida and Tennessee, necessary to effectuate the merger of Ventures into Merger Subsidiary have been duly taken by Ventures in accordance with law, and, upon such filing and recording of this Agreement (or the Certificate of Merger), Ventures will be duly merged with and into Merger Subsidiary;

(2) The shares of Common Stock of Ventures outstanding immediately prior to the Closing of the Merger are validly authorized and issued and duly paid and non-assessable; and

(3) Neither the execution and delivery of this Agreement, nor performance hereunder, will conflict with, or result in a breach of the terms, conditions, or provisions of, or constitute a default under, Ventures' Certificate of Incorporation or Bylaws or any agreement, instrument, judgment,

decree, regulation or other restriction known to such counsel to which Ventures is a party or by which it is bound.

ARTICLE XI.

OBLIGATIONS OF VENTURES AND SHAREHOLDERS AT CLOSING

At Closing, Ventures and the Shareholders will deliver or cause to be delivered to Merger Subsidiary the following in form and substance reasonably satisfactory to Merger Subsidiary:

11.1 Documents Effecting Closing. The Shareholders will execute, acknowledge, deliver and cause to be executed, acknowledged and delivered to Merger Subsidiary resignations of each member of the Board of Directors and each officer of Ventures effective as of the Closing together with any and all other documents, certificates or other instruments necessary or desirable to effect Closing.

11.2 Possession. Ventures will deliver to Merger Subsidiary full possession and control Business and Assets.

11.3 Opinion of Counsel. The Shareholders will cause to be delivered to Merger Subsidiary an opinion of counsel, dated as of Closing, in the form described in Section 10.9 hereof.

11.4 Corporate Good Standing and Corporate Resolution. Shareholders will deliver to Merger Subsidiary certificates of good standing from the Secretary of State of Florida, and from each jurisdiction in which Ventures is qualified to do business, certified copies of the Bylaws and Charter of Ventures, and a certified copy of the resolutions of the Board of Directors and Shareholders of Ventures authorizing the execution, delivery and consummation of this Agreement and the execution, delivery and consummation of all other agreements and documents executed in connection herewith by them, sufficient in form and content to meet the requirements of the law of the State of Florida relevant to such transactions and certified by officers of Ventures to be validly adopted and in full force and effect and unamended as of Closing.

11.5 Closing Certificate. Ventures will deliver to Merger Subsidiary a certificate of an officer of Ventures and of the Shareholders, dated as of Closing, certifying that (a) each covenant and obligation of Ventures and the Shareholders has been complied with and (b) each representation and warranty of Ventures and the Shareholders is true and correct in all material respects at the Closing as if made on and as of the Closing.

11.6 Third Party Consents. The Shareholders will deliver to Merger Subsidiary by Closing all consents, including those listed on Exhibit 6.11(1), as provided in Section 10.8, estoppels, approvals, releases, pay-off letters, U.C.C. termination statements and other filings, and authorizations of third parties that are required for the legal and proper execution, delivery and consummation of this Agreement, and the transactions contemplated hereunder, including but not limited to releases of all mortgages, security interests, liens, pledges, restrictions or other encumbrances on or applicable to the Stock or Assets.

11.7 Noncompetition Agreements. The Shareholders will deliver to Merger Subsidiary each of the agreements described in Section 10.6.

11.8 Preliminary Closing Statement. The Shareholders and Ventures will, along with Merger Subsidiary, execute a Preliminary Closing Statement setting forth the Merger Consideration and various adjustments thereto.

11.9 Additionally Requested Documents; Post-Closing Assistance. At the reasonable request of Merger Subsidiary at Closing, and at any time or from time to time thereafter, Shareholders will (a) cooperate with Merger Subsidiary to put Merger Subsidiary in actual possession and operating control of the Business and Assets, (b) execute and deliver such further instruments of sale, conveyance, transfer and assignment effectively to sell, convey, transfer and assign the same to Merger Subsidiary, and (c) execute and deliver such further instruments and to cooperate with Merger Subsidiary as Merger Subsidiary may reasonably request or to enable Merger Subsidiary and Ventures to obtain all necessary regulatory certifications, approvals, consents and licenses, accreditation or permits.

ARTICLE XII. OBLIGATIONS OF MERGER SUBSIDIARY AT CLOSING

At Closing, the Merger Subsidiary will deliver or cause to be delivered to Shareholders the following in a form and substance reasonably satisfactory to Shareholders:

12.1 Merger Consideration. The Merger Subsidiary will deliver to Shareholders the Merger Consideration upon the terms specified in this Agreement.

12.2 Corporate Good Standing and Certified Board Resolutions. The Merger Subsidiary will deliver to Shareholders a certificate of existence from the Secretary of State of Tennessee, dated the most recent practical date prior to Closing, together with a certified copy of the resolutions of the Board of Directors of each of the Merger Subsidiary and Parent authorizing the execution, delivery and consummation of this Agreement and the consummation of the transactions contemplated hereunder.

12.3 Closing Certificate. The Merger Subsidiary and Parent will deliver to Shareholders a certificate of officers of each of the Merger Subsidiary and Parent, dated as of Closing, certifying that (a) each covenant and obligation of Merger Subsidiary and Parent has been complied with, and (b) each representation and warranty of Merger Subsidiary and Parent is true and correct at the Closing as if made on and as of the Closing.

12.4 Opinion of Merger Subsidiary's Counsel. The Merger Subsidiary will deliver to Shareholders an opinion of Harwell Howard Hyne Gabbert & Manner, P.C. dated the date of the Closing to the effect that:

(1) All proceedings, other than the filing and recording of the Agreement (or an appropriate Certificate of Merger) in the States of Tennessee and Florida necessary to effectuate the Merger of Ventures into the Merger Subsidiary have been duly taken by Parent and Merger Subsidiary

in accordance with applicable law and upon such filing and recording of said Agreement, Ventures will be duly merged with and into Merger Subsidiary;

(2) The shares of Parent Common Stock that are to be issued and delivered to the stockholders of Ventures upon consummation of the Merger are validly authorized and, when so issued, will be validly issued, fully paid and non-assessable; and

(3) Neither the execution and delivery of this Agreement nor performance hereunder will conflict with or result in a breach of the terms, conditions or provisions of or constitute a default under Articles of Incorporation or Bylaws of either the Parent or the Merger Subsidiary or any judgment, decree, regulation or similar restriction of which such counsel has knowledge and to which Parent or Merger Subsidiary is a party or by which either is bound.

ARTICLE XIII. TERMINATION

13.1 Circumstances of Termination. This Agreement may be terminated as follows:

(1) By the mutual consent in writing of the boards of directors of Ventures and Parent.

(2) By the board of directors of Ventures if any condition provided in Article IX hereof has not been satisfied or waived on or before the Effective Date.

(3) By the board of directors of Parent if any condition provided in Article X hereof has not been satisfied or waived on or before the Effective Date.

(4) By the board of directors of either Ventures or Parent if the Effective Date has not occurred by January 31, 1998.

13.2 Effect of Termination. In the event of a termination of this Agreement pursuant to Section 13.1 hereof, each party shall pay the costs and expenses incurred by it in connection with this Agreement and no party (or any of its officers, directors and shareholders) shall be liable to any other party for any costs, expenses, damage, or loss of anticipated profits hereunder.

ARTICLE XIV. SURVIVAL OF PROVISIONS AND INDEMNIFICATION

14.1 Survival. The representations and warranties of Merger Subsidiary, Parent, Ventures and each of the Shareholders contained in this Agreement, or in any certificate or document delivered pursuant to this Agreement, will survive the date of Closing for a period of thirty-six (36) months. The obligations of Shareholders, on the one hand, or Merger Subsidiary and Parent, on the other hand, under this Article XIV will not begin until the indemnified party incurs one or more claims that equal,

in the aggregate, Fifty Thousand and No/100 Dollars (\$50,000.00) (the "Basket") in which case the indemnified party shall be indemnified for all such claims. The parties acknowledge and agree that any information discovered by Merger Subsidiary or Parent that is not otherwise disclosed herein or in writing by Ventures or the Shareholders will provide no limitation on obligations of an indemnifying party. All claims sought by any party hereunder shall be net of any insurance proceeds received by such party with respect to such claim. In no event shall the aggregate liability of each Shareholder exceed one-half (1/2) the lesser of Purchase Price received by such Shareholder or the fair market value of the Parent Common Stock received by him in the Merger valued at the average closing price of such stock on the National Association of Securities Dealers' Automated Quotation System National Market System for the twenty (20) trading days immediately preceding the date of satisfaction of a particular claim for indemnification.

14.2 Indemnification by Shareholders. Subject to the provisions of Section 14.1, Shareholders will, jointly and severally, promptly indemnify, defend, and hold harmless Merger Subsidiary and its directors, officers, stockholders, employees and agents against any and all losses, costs, and expenses (including reasonable cost of investigation, court costs and legal fees actually incurred) and other damages resulting from (i) any breach by Ventures or the Shareholders of any of the covenants, obligations, representations or warranties of this Agreement or any certificate or document of Ventures and/or Shareholders delivered pursuant to this Agreement, and (ii) any claim (whether or not disclosed herein) that is brought or asserted by any third party(ies) against Merger Subsidiary or Ventures arising out of the ownership, licensing, operation or conduct of the Business or Assets or related to the Ventures Stock or the conduct of any of Ventures' employees, agents or independent contractors, relating to all periods of time prior to the Closing, except to the extent disclosed in the Final Closing Statement.

14.3 Indemnification by Merger Subsidiary and Parent. Subject to the provisions of Section 14.3, Merger Subsidiary and Parent will promptly indemnify, defend, and hold Shareholders harmless against any and all losses, costs, and expenses (including reasonable cost of investigation, court costs and legal fees) and other damages resulting from (i) any breach by Merger Subsidiary and Parent of any of its covenants, obligations, representations or warranties contained in this Agreement or any certificate or document of Merger Subsidiary delivered pursuant to this Agreement and (ii) any claim that is brought or asserted by any third party(ies) against Shareholders arising out of the ownership, licensing, operation or conduct of the Business or the conduct of Ventures' employees, agents or independent contractors, relating to periods of time subsequent to the Closing.

14.4 Rules Regarding Indemnification. The obligations and liabilities of each party that may be subject to indemnification liability hereunder (such claims the "Indemnified Claims") (such party the "Indemnifying Party") to the other party (the "Indemnified Party") will be subject to the following terms and conditions:

(1) **Claims by Non-Parties.** The Indemnified Party will give written notice to the Indemnifying Party, within such time as not to prejudice unduly the Indemnifying Party's ability to defend against the underlying claim, of any written claim by a third party which is likely to give rise to a claim by the Indemnified Party against the Indemnifying Party based on the indemnity agreements contained in this Article XIV, stating the nature of said claim and the amount thereof, to the extent

known. The Indemnified Party will give notice to the Indemnifying Party that pursuant to the indemnity, the Indemnified Party is asserting against the Indemnifying Party a claim with respect to a potential loss from the third party claim, and such notice will constitute the assertion of a claim for indemnity by the Indemnified Party. If, within thirty (30) days after receiving such notice, the Indemnifying Party advises the Indemnified Party that it will provide indemnification and assume the defense at its expense, then so long as such defense is being conducted, the Indemnified Party will not settle or admit liability with respect to the claim and will afford to the Indemnifying Party and defending counsel reasonable assistance in defending against the claim. If the Indemnifying Party assumes the defense, counsel will be selected by such party and if the Indemnified Party then retains its own counsel, it will do so at its own expense. If the Indemnified Party does not receive a written objection to the notice from the Indemnifying Party within ten (10) days after the Indemnifying Party's receipt of such notice, the claim for indemnity will be conclusively presumed to have been assented to and approved, and in such case the Indemnified Party may control the defense of the matter or case and, at its sole discretion, settle or admit liability. If within the aforesaid ten (10) day period the Indemnified Party will have received written objection to a claim (which written objection will briefly describe the basis of the objection to the claim or the amount thereof, all in good faith), then for a period of sixty (60) days after receipt of such objection the parties will attempt to settle the dispute as between the indemnified and indemnifying parties. If they are unable to settle the dispute, the unresolved issue or issues will be settled by arbitration in a location mutually acceptable to each party, in accordance with the rules and procedures of the American Arbitration Association; and

(2) Claims by a Party. The determination of a claim asserted by a party hereunder (other than as set forth in subparagraph 14.4(1) above) pursuant to this Article XIV will be made as follows: The Indemnified Party will give written notice to the Indemnifying Party, within such time as not to prejudice unduly the Indemnifying Party's ability to defend against the underlying claim, of any claim by the Indemnified Party which has not been made pursuant to subparagraph (1) above, stating the nature and basis of such claim and the amount thereof, to the extent known. The claim will be deemed to have resulted in a determination in favor of the Indemnified Party and to have resulted in a liability of the Indemnifying Party in an amount equal to the amount of such claim estimated pursuant to this paragraph if within thirty (30) days after the Indemnifying Party's receipt of the claim the Indemnified Party will not have received written objection to the claim. In such event, the claim will be conclusively presumed to have been assented to and approved. If within the aforesaid thirty (30) day period the Indemnified Party will have received written objection to a claim (which written objection will briefly describe the basis of the objection to the claim or the amount thereof, all in good faith), then for a period of sixty (60) days after receipt of such objection the parties will attempt to settle the disputed claim as between the indemnified and indemnifying parties. If they are unable to settle the disputed claim, the unresolved issue or issues will be settled by arbitration in a location mutually acceptable to each party, in accordance with the rules and procedures of the American Arbitration Association.

14.5 Exclusivity. Each of the parties to this Agreement acknowledges and agrees that its sole and exclusive remedy subsequent to Closing with respect to any and all claims for all losses, costs, and expenses covered by the indemnification provisions in Sections 14.2 and 14.3, as the case may be, shall be pursuant to the indemnification provisions set forth in this Article XIV. Each of the parties also to this Agreement also acknowledges and agrees that Parent may satisfy any claim against Shareholders

by resort to shares of Parent Common Stock held in that certain Post Closing Escrow establish pursuant to Section 2.4; provided, however, that Parent shall be free to pursue its indemnification rights against Shareholders to the extent the escrow is exhausted. Subject to Section 14.1, in furtherance of the foregoing, each of the Shareholders, Ventures, the Merger Subsidiary and Parent hereby waive, to the fullest extent permitted under applicable law, any and all rights, claims and causes of actions it or any of its respective subsidiaries or its affiliates may have against the other party or such other party's subsidiaries or its affiliates, as the case may be, arising under or based upon any federal, state or local statute, law, ordinance, rule, regulation or common law or at equity but only to the extent they relate to the matters described in the immediately proceeding sentence.

ARTICLE XV. MISCELLANEOUS

15.1 Assignment. Following Closing, Merger Subsidiary may assign any or all of its respective rights or delegate any or all of its respective obligations under this Agreement with the express written consent of Shareholders, which consent shall not be unreasonably withheld. No Shareholder or Ventures may assign any rights or delegate any obligations under this Agreement without the prior written consent of Merger Subsidiary, and any prohibited assignment or delegation will be null and void. Subject to the foregoing, this Agreement will be binding upon and inure to the exclusive benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. This Agreement is not intended to nor will it, create any rights in any other party.

15.2 Other Expenses. Except as otherwise provided in this Agreement, Shareholders will jointly and severally pay all of their and Ventures' expenses in connection with the negotiation, execution, and implementation of the transactions contemplated under this Agreement and Merger Subsidiary will pay all of its expenses in connection with the negotiation, execution, and implementation of the transactions contemplated under this Agreement. All sales and use taxes, recording fees and transfer fees and taxes incurred in connection under the transactions contemplated within this Agreement will be jointly and severally borne by Shareholders and paid at Closing.

15.3 Notices. All notices, requests, demands, waivers and other communications required or permitted to be given under this Agreement will be in writing and will be deemed to have been duly given: (a) if delivered personally or sent by facsimile, on the date received, (b) if delivered by overnight courier, on the day after mailing, and (c) if mailed, five days after mailing with postage prepaid. Any such notice will be sent as follows:

To Shareholders and, prior to Closing, Ventures:

c/o Ventures Healthcare of Gainesville, Inc.
227 Harrison Avenue
Panama City, Florida 32401
Phone: (850) 784-3900
Fax: (850) 784-3902

with a copy to:

David Waterman, Esq.
Shumaker, Loop & Kendrick, LLP
North Courthouse Square
1000 Jackson Street
Toledo, Ohio 43624
Phone: (419) 241-9000
Fax: (419) 241-6894

To Merger Subsidiary, Parent and, after Closing, to Ventures:

H. Neil Campbell
Children's Comprehensive Services, Inc.
3401 West End Avenue
Suite 500
Nashville, TN 37203
Phone: (615) 383-0376
Fax: (615) 269-7525

with a copy to:

Glen Allen Civitts, Esq.
Harwell Howard Hyne Gabbert & Manner, P.C.
1800 First American Center
315 Deaderick Street
Nashville, Tennessee 37238-1800
Phone: (615) 256-0500
Fax: (615) 251-1059

15.4 Confidentiality. Except for press releases issued by Merger Subsidiary or Parent in the ordinary course following the execution of this Agreement, the content of which press releases shall be agreed upon by Parent and Shareholders, all parties agree to maintain the confidentiality of the existence of this Agreement and the transactions contemplated hereunder, unless disclosure is required by law.

15.5 Partial Invalidity; Waiver. The invalidity or unenforceability of any particular provision of this Agreement will not affect the other provisions hereof, and this Agreement will be construed in all respects as if such invalid or unenforceable provisions were omitted. Further, there will be automatically substituted for such invalid or unenforceable provision a provision as similar as possible which is valid and enforceable. Neither the failure nor any delay on the part of any party hereto in exercising any rights, power or remedy hereunder will operate as a waiver thereof, or of any other right, power or remedy; nor will any single or partial exercise of any right, power or remedy preclude any further or other exercise thereof, or the exercise of any other right, power or remedy. No waiver of any of the provisions of this Agreement will be valid, unless it is in writing and signed by the party against which it is sought to be enforced.

15.6 Interpretation. All pronouns and any variation thereof will be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the person or entity, or the context, may require. Further, it is acknowledged by the parties that this Agreement has undergone several drafts with the negotiated suggestions of both; and, therefore, no presumptions will arise favoring either party by virtue of the authorship of any of its provisions or the changes made through revisions. Any table of contents and paragraph headings in this Agreement are for convenience of reference only and will not be considered or referred to in resolving questions of interpretation.

15.7 Entire Agreement; Counterparts. This Agreement, including the Exhibits and any other attachments hereto, constitutes the entire agreement between the parties hereto with regard to the matters contained herein and it is understood and agreed that all previous undertakings, negotiations, letter of intent and agreements between the parties are merged herein. This Agreement may not be modified orally, but only by an agreement in writing signed by Merger Subsidiary, Ventures and the Shareholders. This Agreement may be executed simultaneously in two or more counterparts each of which will be deemed an original and all of which together will constitute but one and the same instrument.

15.8 Further Assurance of Shareholders after Closing. Subsequent to the Closing, Shareholders will, from time to time, at Merger Subsidiary's reasonable request, execute and deliver such other instruments of conveyance and transfer, and take such other action as Merger Subsidiary may reasonably request, in order to sell, transfer, assign and deliver and vest in Merger Subsidiary the benefits of, title to and possession of the Stock and Assets.

15.9 Legal Fees and Costs. In the event any party hereto incurs legal expenses to enforce or interpret any provision of this Agreement, the prevailing party will be entitled to recover such legal expenses, including, without limitation, attorney's fees, costs and disbursements, in addition to any other relief to which such party will be entitled.

15.10 Controlling Law. This Agreement will be construed, interpreted and enforced in accordance with the substantive laws of the State of Tennessee, without giving effect to its conflicts of laws provisions.

15.11 Parent Guarantee. Parent agrees that it is executing this Agreement to guarantee the obligation of Merger Subsidiary to pay the Merger Consideration on the terms and conditions provided herein and to guarantee the indemnification obligations of the Merger Subsidiary as set forth in Section 14.3 of this Agreement. Parent waives any right to require Shareholders to proceed against Merger Subsidiary or pursue any other right or remedy available to the Shareholders. Parent consents and agrees that the Shareholders, without prejudice to any claim they may have against Parent, may extend or change any of the obligations hereby guaranteed and settle or compromise any obligation hereby guaranteed. Parent hereby waives all suretyship or other similar defenses.

[Remainder of this page intentionally left blank.]

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

"VENTURES":

VENTURES HEALTHCARE OF
GAINESVILLE, INC.

By: William A. Parsons, Jr.

Title: President

"SHAREHOLDERS":

William A. Parsons, Jr.
William A. Parsons, Jr., Ph.D.

S. Dale McNeese
S. Dale McNeese

John W. Darrah
John W. Darrah

"MERGER SUBSIDIARY":

CHILDREN'S COMPREHENSIVE SERVICES OF
GAINESVILLE, INC.

By: John W. Darrah

Title: President

"PARENT":

CHILDREN'S COMPREHENSIVE SERVICES, INC.

By: John W. Darrah

Title: Executive Vice President

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GAINESVILLE, INC.

By: William A. Parsons, Jr.

Title: President

"SHAREHOLDERS":

William A. Parsons, Jr.
William A. Parsons, Jr., Ph.D.

S. Dale McNeese
S. Dale McNeese

John W. Darrah
John W. Darrah

"MERGER SUBSIDIARY":

CHILDREN'S COMPREHENSIVE SERVICES OF
GAINESVILLE, INC.

By: John W. Darrah

Title: President

"PARENT":

CHILDREN'S COMPREHENSIVE SERVICES, INC.

By: John W. Darrah

Title: Executive Vice President

EXHIBITS

DATED AS OF JANUARY 15, 1998

Attached are the Exhibits referred to in the Agreement and Plan of Merger Agreement (the "Agreement"), of even date herewith, among Ventures Healthcare of Gainesville, Inc., William A. Parsons, Jr., PhD., Dale McNeese and John W. Darrah, Children's Comprehensive Services of Gainesville, Inc., and Children's Comprehensive Services, Inc. Any item disclosed on any Exhibit in response to a specific Section of the Agreement shall also be deemed to have been disclosed for purposes of all other Exhibits where disclosure of such item would be pertinent.

Exhibit A

Description of the Business

Ventures owns and operates a business providing consultation and management services to behavioral health care providers who operate partial psychiatric programs.

Since its formation in 1993, Ventures has expanded throughout the State of Florida. The Company manages seven partial hospitalization programs and a psychiatric inpatient unit of a 352-bed medical surgical hospital. With operations in Orlando, Ocala, Inverness, Ft. Walton Beach and Panama City, Florida and West Memphis and Forrest City, Arkansas, the company has commitments for additional programs in both these states as well as in the state of Tennessee. Management services are extended to private and not-for-profit organizations.

Exhibit 1.2(1)

List and Description of Owned or Leased Real Estate

Ventures leases office space, receives secretarial support, telephone services and purchases office supplies from J.D. Investments, Inc., a Florida corporation ("JDI"). JDI is wholly-owned by John W. Darrah. All of these services are provided to Ventures at below market rates. Upon completion of the merger, JDI will charge Ventures market value for all of these services, including, without limitation, the provision of office space.

Exhibit 1.2(2)

Equipment and Furnishings

1 - Merlin Phone System acquired 9/27/94

2 - Computers acquired 9/15/93

1 - Power book computer

1 - Printer acquired 9/30/94

1 - Power book computer acquired 4/19/96

Furniture and Fixtures acquired 2/1/94

Furniture and Fixtures acquired 3/1/94

1 - Ultra light phone acquired 5/1/96

1 - computer power book acquired 10/1/96

2 - copiers

The above list represents assets as of 12/31/96.

There have been no material changes since 12/31/96.

Exhibit 1.2(5)

Banks Accounts and Related Information

Checking Account

Suntrust Bank
638 Harrison Avenue
Panama City, FL 32401
Acct. Name: Ventures Healthcare of Gainesville, Inc.
Acct. No.: 0464 000182842
Authorized Signatures: William A. Parsons, John W. Darrah, S. Dale McNeese. The
account requires only one signature.

Exhibit 1.2(9)

Contract Rights; including Consultation Service Agreements
and Management Services Agreement

1. Management Services Agreement between Ventures Healthcare of Gainesville, Inc. and Marion-Citrus Mental Health Centers, Inc. covering Marion-Citrus Mental Health Center in Crystal River, dated October 2, 1997.
2. Management Services Agreement between Ventures Healthcare of Gainesville, Inc. and Marion-Citrus Mental Health Centers, Inc. covering Marion-Citrus Mental Health Center in Ocala, dated May 28, 1996.
3. Management Services Agreement between Ventures Healthcare of Gainesville, Inc. and Marion-Citrus Mental Health Centers, Inc. covering Marion-Citrus Mental Health Center in Inverness, dated July 1, 1996.
4. Management Services Agreement between Ventures Healthcare of Gainesville, Inc. and Lakeside Alternatives, dated November 1, 1996.
5. Consultation Services Agreement between Ventures Healthcare of Gainesville, Inc. and Bridgeway Center, Inc., dated July 1, 1997.
6. Consultation Services Agreement between Ventures Healthcare of Gainesville, Inc. and Behavioral Health Services Inc. of Arkansas covering Behavioral Health Services in West Memphis, Arkansas, dated January 29, 1997.
7. Consultation Services Agreement between Ventures Healthcare of Gainesville, Inc. and Behavioral Health Services of Arkansas covering Behavioral Health Services at Forrest City, Arkansas, dated September 1, 1997.
8. Consultation Services Agreement between Ventures Healthcare of Gainesville, Inc. and Compass Intervention Center LLC, dated November 1, 1997.
9. Termination Agreement between Ventures Healthcare of Gainesville, Inc. and Capital Investment Corp., effective November 30, 1997
10. Client Service Agreement between J.D. Investments, Inc. and Landrum Staff Leasing Inc. d/b/a AmStaff, dated January 27, 1994.
11. Personal Property Lease between Ventures Healthcare of Gainesville, Inc. and American Business Credit Corporation dated May 11, 1995.
12. Oral Lease Agreement between Ventures Healthcare of Gainesville, Inc. and J.D. Investments, Inc., a Florida corporation.

Exhibit 3.2

Form of Preliminary Closing Statement

See attached.

Exhibit 6.1

States of Foreign Qualification

Arkansas.

Exhibit 6.2

Agreements Restricting Transferability of Shares

None.

Exhibit 6.3

Investments

None.

Exhibit 6.5(1)

Financial Statements; Contingent Liabilities

See attached.

Ventures Healthcare of Gainesville
Balance Sheet
December 31, 1997

Print Date January 6, 1998

ASSETS

Current Assets		
Checking-Sun Bank	\$	47,273.21
Due from MCMHC Ocala		20,674.00
Due from MCMHC Inverness		16,539.00
Due from Lakeside - Orlando		19,040.00
Due from Bridgeway- FtWalton		4,500.00
Due from BMC - Admin Fee		7,000.00
Due To/From BHS- WMemphis		14,616.00
Due To/From BHS- FCity		27,144.00
Due from BMC -Therapists		6,400.00
Prepaid Expenses		6,109.34
Total Current Assets		169,295.55
Property and Equipment		
F&F Gainesville		2,000.00
F&F Gainesville-Geri		1,583.41
Computers & Equipment		16,967.37
Accum Depr - Furn & Fixtures		<2,016.33>
Accum Depr - Comp & Equipment		<5,914.02>
Total Property and Equipment		12,620.43
Other Assets		
Organization Costs		37,279.89
Organization Costs-Ocala		967.00
Accum Amort - Organiz Costs		<25,336.77>
Deposits		548.00
Total Other Assets		13,458.12
Total Assets	\$	195,374.10

LIABILITIES AND CAPITAL

Current Liabilities		
Accounts Payable	\$	71,256.17
Estimate of Expenses for Dec.		66,979.34
Estimate of Payments Dec.		<71,706.17>
N/P CIC 90 days		30,000.00
Accrued Expenses		20,000.00
Total Current Liabilities		116,529.34
Long-Term Liabilities		
Total Long-Term Liabilities		0.00
Total Liabilities		116,529.34
Capital		
Common Stock		225.00
Beginning Equity		63,581.24
Beg Equity-fix 93		2,900.70
Contributed Cap. - JD		39,485.08

Unaudited - For Management Purposes Only

Ventures Healthcare of Gainesville
Balance Sheet
December 31, 1997

Print Date January 6, 1998

Stockholder Draws - JD

<30,750.00>

Contributed Capital- BP

48,842.08

Stockholder Draws - BP

<30,750.00>

Contributed Capital- DM

24,086.32

Stockholder Draws - DM

<30,750.00>

Offset error NI/beg.equity

1,027.75

PPA Discount Factor Recourse

<289,007.32>

Net Income

279,953.91

Total Capital

78,844.76

Total Liabilities & Capital

\$ 195,374.10

Ventures Healthcare of Gainesville
Income Statement
For the Twelve Months Ending December 31, 1997

Print Date January 12, 1998

	Current Month		Year to Date	
Revenues				
Gross Fees-Inverness	16,539.00	17.03	545,331.00	45.43
Contract Red -Inverness	0.00	0.00	<345,788.23>	<28.81>
Gross Fees-Orlando	19,040.00	19.61	655,804.00	54.64
Contract Red - Orlando	0.00	0.00	<425,311.16>	<35.43>
Gross Fees-WMemphis	7,308.00	7.53	484,514.00	40.37
Contract Red - WMemphis	0.00	0.00	<409,502.00>	<34.12>
Gross Fees-F.City	7,308.00	7.53	144,108.00	12.01
Contract Red - F.City	0.00	0.00	<116,964.00>	<9.74>
Gross Fees-Ocala	20,674.00	21.29	616,490.00	51.36
Contract Red-Ocala	0.00	0.00	<365,920.71>	<30.49>
Gross Fees - BMC	15,243.87	15.70	183,170.31	15.26
Other Income - BMC	6,400.00	6.59	78,643.69	6.55
Gross Fees - FtWal	4,500.00	4.63	412,000.00	34.33
Contract Red - FtWal	0.00	0.00	<256,301.48>	<21.35>
Other Income - Bridgeway FWB	0.00	0.00	9,000.00	0.75
Other Income	100.20	0.10	816.48	0.07
Bad Debt Expense	0.00	0.00	<9,803.00>	<0.82>
Total Revenues	97,113.07	100.00	1,200,286.90	100.00
Cost of Sales				
Factor Fee-General All	0.00	0.00	12,500.00	1.04
Factor Fee-Ocala	0.00	0.00	10,643.95	0.89
Factor Fee-Inverness	0.00	0.00	8,330.59	0.69
Factor Fee-FWB	0.00	0.00	6,526.85	0.54
Factor Fee-Orlando	0.00	0.00	10,474.45	0.87
Gardner Salary/Ben-Inverness	0.00	0.00	28,877.84	2.41
Clifford Salary/Ben-Inverness	0.00	0.00	10,968.95	0.91
Clifford travel &Exp-Inverness	0.00	0.00	193.76	0.02
Telephone - Inverness	0.00	0.00	289.28	0.02
Mktg./Adv- Inverness	0.00	0.00	1,653.64	0.14
Travel&Exp- Inverness	0.00	0.00	3,308.98	0.28
Meeting&Seminar-Inverness	0.00	0.00	557.80	0.05
Collection Fee-DBS-Inverness	0.00	0.00	14,469.57	1.21
Post-Salary/Benefit-Orlando	0.00	0.00	50,655.19	4.22
Post-Moving Exp.-Orlando	0.00	0.00	3,072.00	0.26
Dr. Cutler-Orlando	0.00	0.00	20,000.00	1.67
Telephone-Orlando	0.00	0.00	1,236.13	0.10
Mktg./Adv.-Orlando	0.00	0.00	51.84	0.00
Travel & Exp.-Orlando	0.00	0.00	6,364.80	0.53
Meetings & Seminars-Orlando	0.00	0.00	675.00	0.06
Charitable - Orlando	0.00	0.00	1,500.00	0.12
Travel & Exp.-W.Memphis	0.00	0.00	8,223.91	0.69
Mktg.&Adv.-W.Memphis	0.00	0.00	892.88	0.07
Legal Fees-W.Memphis	0.00	0.00	2,319.71	0.19
Other-W.Memphis	0.00	0.00	86.56	0.01
Mktg.&Adv.-Helena	0.00	0.00	63.60	0.01
Travel & Exp.-Forest City	0.00	0.00	1,453.29	0.12
Mktg.&Adv.-Forest City	0.00	0.00	135.30	0.01
R&M-Gainesville-Geri	0.00	0.00	25.00	0.00
Gardner Salary/Ben-Ocala	0.00	0.00	28,877.87	2.41
Clifford Salary/Ben-Ocala	0.00	0.00	10,968.95	0.91
Clifford travel&exp.-Ocala	0.00	0.00	1,564.81	0.13
Telephone -Ocala	0.00	0.00	1,930.64	0.16
Ocala-Markting/Adv	0.00	0.00	3,241.36	0.27
Travel & Exp.-Ocala	0.00	0.00	2,220.80	0.19

For Management Purposes Only

Ventures Healthcare of Gainesville
Income Statement
For the Twelve Months Ending December 31, 1997

Print Date January 12, 1998				
Ocala-Meetings/Seminars	0.00	0.00	557.79	0.05
Collection Fees -DBS-Ocala	0.00	0.00	22,364.33	1.86
Kelly David - Fees	0.00	0.00	30,555.00	2.55
Melissa Baxter - Fees	0.00	0.00	7,956.04	0.66
Barry Benefield - Fees	0.00	0.00	24,573.95	2.05
Belcher Salary/Benefit/BMC	0.00	0.00	54,444.90	4.54
Prof Fees-Debra Shade-BMC	0.00	0.00	2,611.20	0.22
Therapist Fees -BMC	0.00	0.00	2,410.76	0.20
Telephone -BMC	0.00	0.00	269.99	0.02
Other Operat-BMC	0.00	0.00	281.46	0.02
Travel -BMC	0.00	0.00	1,797.47	0.15
Meetings/Seminars-BMC	0.00	0.00	356.50	0.03
Thompson Salary/Benefit/FtWal	0.00	0.00	19,569.03	1.63
Lopes Salary/Ben -FtWal	0.00	0.00	13,273.37	1.11
Professional fees-Gajo-FtWal	0.00	0.00	15,000.00	1.25
Cost Report Prep	0.00	0.00	3,250.00	0.27
Eq.Rent-FtWal	0.00	0.00	3,333.55	0.28
Telephone -FtWal	0.00	0.00	1,481.82	0.12
Other Operat-FtWal	0.00	0.00	216.26	0.02
Travel -FtWal	0.00	0.00	1,765.66	0.15
Ft. Walton Office Supplies	0.00	0.00	794.41	0.07
Collection Fees-DBS-FtWal	0.00	0.00	14,215.10	1.18
Estimate Operating Expense Dec	30,130.00	31.03	30,130.00	2.51
PC Storage	0.00	0.00	638.44	0.05
Total Cost of Sales	30,130.00	31.03	506,202.33	42.17
Gross Profit	66,983.07	68.97	694,084.57	57.83
Expenses				
Parsons Salary	0.00	0.00	87,681.55	7.31
Parsons Car	0.00	0.00	6,169.61	0.51
Interest Expense BP Car	0.00	0.00	340.02	0.03
JD Time	0.00	0.00	21,527.00	1.79
JDM Fees	0.00	0.00	52,470.00	4.37
LC Time	0.00	0.00	7,560.04	0.63
PC-Marketing/Advertising	0.00	0.00	2,098.47	0.17
PC - Miscellaneous Exp.	0.00	0.00	802.99	0.07
Prof Fees-Thompson-PC	0.00	0.00	48,182.69	4.01
PC-Prof Fees-Tax/Consult	0.00	0.00	4,756.71	0.40
PC-consult-Prov. Reimb	0.00	0.00	12,357.37	1.03
Prof Fees - Medicaid Crossover	0.00	0.00	1,150.00	0.10
PC-Prof Fees-Legal	0.00	0.00	86.71	0.01
Bookkeeping all locations	0.00	0.00	32,500.00	2.70
PC - Travel Expenses	0.00	0.00		
PC- Meetings/Seminars	0.00	0.00		
PC Postage,Copy,FedEx	0.00	0.00		
PC Office Supplies	0.00	0.00	1,899.63	0.16
PC Office Other	0.00	0.00	999.63	0.08
PC-Tax & filing fees	0.00	0.00	1,521.92	0.13
PC Utilities	0.00	0.00	1,200.00	0.10
PC Telephone	0.00	0.00	11,176.39	0.93
PC-Insurance	763.66	0.79	9,840.19	0.82
Key ManLife-Insurance	0.00	0.00	1,482.92	0.12
PC-Food/Supplies	0.00	0.00	1,544.20	0.13
Dues & Subscriptions PC	0.00	0.00	2,092.48	0.17
Write-of old deposits	0.00	0.00	4,924.87	0.41
Merger Expense- Travel	0.00	0.00	264.53	0.02
Merger Expense- Legal	0.00	0.00	4,823.75	0.40

For Management Purposes Only

Ventures Healthcare of Gainesville
Income Statement
For the Twelve Months Ending December 31, 1997

Print Date January 12, 1998				
Merger Expense- Various	20,000.00	20.59	28,195.00	2.35
Est. Admin Exp. Dec.	36,849.34	37.94	36,849.34	3.07
Depreciation/Amortization	0.00	0.00	2,701.00	0.23
	<u>57,613.00</u>	<u>59.33</u>	<u>413,102.91</u>	<u>34.42</u>
Total Expenses				
Net Income	\$ <u>9,370.07</u>	9.65	\$ <u>280,981.66</u>	23.41

Ventures Healthcare of Gainesville
Balance Sheet
November 30, 1997

Print Date January 6, 1998

ASSETS

Current Assets

Checking-Sun Bank	\$ 3,109.28
Accounts Receivable	11,500.00
To/From CIC (Extra)	20,000.00
Due To/From BHS- WMemphis	47,704.00
Due To/From BHS- FCity	19,836.00
Due from BMC -Therapists	5,630.03
Prepaid Expenses	6,873.00

Total Current Assets 114,652.31

Property and Equipment

F&F Gainesville	2,000.00
F&F Gainesville-Geri	1,583.41
Computers & Equipment	16,967.37
Accum Depr - Furn & Fixtures	<2,016.33>
Accum Depr - Comp & Equipment	<5,914.02>

Total Property and Equipment 12,620.43

Other Assets

Organization Costs	37,279.89
Organization Costs-Ocala	967.00
Accum Amort - Organiz Costs	<25,336.77>
Deposits	548.00

Total Other Assets 13,458.12

Total Assets \$ 140,730.86

LIABILITIES AND CAPITAL

Current Liabilities

Accounts Payable	\$ 71,256.17
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Total Current Liabilities 71,256.17

Long-Term Liabilities

Total Long-Term Liabilities 0.00

Total Liabilities 71,256.17

Capital

Common Stock	225.00
Beginning Equity	63,581.24
Beg Equity-fix 93	2,900.70
Contributed Cap. - JD	39,485.08
Stockholder Draws - JD	<30,750.00>
Contributed Capital- BP	48,842.08
Stockholder Draws - BP	<30,750.00>
Contributed Capital- DM	24,086.32
Stockholder Draws - DM	<30,750.00>
Offset error NI/beg.equity	1,027.75
PPA Discount Factor Recourse	<289,007.32>

Unaudited - For Management Purposes Only

Ventures Healthcare of Gainesville
Balance Sheet
November 30, 1997

Print Date January 6, 1998
Net Income

270,583.84

Total Capital

69,474.69

Total Liabilities & Capital

\$ 140,730.86

Ventures Healthcare of Gainesville
Income Statement
For the Eleven Months Ending November 30, 1997

Print Date January 12, 1998

	Current Month		Year to Date	
Revenues				
Gross Fees-Inverness	35,153.00	37.20	528,792.00	47.93
Contract Red -Inverness	<18,614.07>	<19.70>	<345,788.23>	<31.34>
Gross Fees-Orlando	66,400.00	70.27	636,764.00	57.72
Contract Red. - Orlando	<46,367.12>	<49.07>	<425,311.16>	<38.55>
Gross Fees-WMemphis	50,400.00	53.34	477,206.00	43.26
Contract Red. - WMemphis	<43,092.00>	<45.60>	<409,502.00>	<37.12>
Gross Fees-F.City	50,400.00	53.34	136,800.00	12.40
Contract Red. - F.City	<43,092.00>	<45.60>	<116,964.00>	<10.60>
Gross Fees-Ocala	42,944.00	45.45	595,816.00	54.01
Contract Red-Ocala	<22,270.48>	<23.57>	<365,920.71>	<33.17>
Gross Fees - BMC	15,243.87	16.13	167,926.44	15.22
Other Income - BMC	12,687.49	13.43	72,243.69	6.55
Gross Fees - FtWal	4,500.00	4.76	407,500.00	36.94
Contract Red - FtWal	0.00	0.00	<256,301.48>	<23.23>
Other Income - Bridgeway FWB	0.00	0.00	9,000.00	0.82
Other Income	0.00	0.00	716.28	0.06
Bad Debt Expense	<9,803.00>	<10.37>	<9,803.00>	<0.89>
Total Revenues	94,489.69	100.00	1,103,173.83	100.00

Cost of Sales				
Factor Fee-General All	0.00	0.00	12,500.00	1.13
Factor Fee-Ocala	766.48	0.81	10,643.95	0.96
Factor Fee-Inverness	489.30	0.52	8,330.59	0.76
Factor Fee-FWB	0.00	0.00	6,526.85	0.59
Factor Fee-Orlando	1,001.64	1.06	10,474.45	0.95
Gardner Salary/Ben-Inverness	2,626.68	2.78	28,877.84	2.62
Clifford Salary/Ben-Inverness	582.64	0.62	10,968.95	0.99
Clifford travel &Exp-Inverness	0.00	0.00	193.76	0.02
Telephone - Inverness	0.00	0.00	289.28	0.03
Mktg./Adv- Inverness	0.00	0.00	1,653.64	0.15
Travel&Exp- Inverness	108.69	0.12	3,308.98	0.30
Meeting&Seminar-Inverness	0.00	0.00	557.60	0.05
Collection Fee-DBS-Inverness	314.00	0.33	14,469.57	1.31
Post-Salary/Benefit-Orlando	4,601.16	4.87	50,655.19	4.59
Post-Moving Exp.-Orlando	0.00	0.00	3,072.00	0.28
Dr. Cutler-Orlando	0.00	0.00	20,000.00	1.81
Telephone-Orlando	129.00	0.14	1,236.13	0.11
Mktg./Adv.-Orlando	0.00	0.00		
Travel & Exp.-Orlando	183.30	0.19		
Meetings & Seminars-Orlando	0.00	0.00		
Charitable - Orlando	0.00	0.00		
Travel & Exp.-W.Memphis	452.58	0.48	8,221.11	0.74
Mktg.&Adv.-W.Memphis	0.00	0.00	892.88	0.08
Legal Fees-W.Memphis	0.00	0.00	2,319.71	0.21
Other-W.Memphis	0.00	0.00	86.56	0.01
Mktg.&Adv.-Helena	0.00	0.00	63.60	0.01
Travel & Exp.-Forest City	633.69	0.67	1,453.29	0.13
Mktg.&Adv.-Forest City	135.30	0.14	135.30	0.01
R&M-Gainesville-Geri	0.00	0.00	25.00	0.00
Gardner Salary/Ben-Ocala	2,626.68	2.78	28,877.87	2.62
Clifford Salary/Ben-Ocala	582.64	0.62	10,968.95	0.99
Clifford travel&exp.-Ocala	0.00	0.00	1,564.81	0.14
Telephone -Ocala	176.91	0.19	1,930.64	0.18
Ocala-Markting/Adv	0.00	0.00	3,241.36	0.29
Travel & Exp.-Ocala	108.70	0.12	2,220.80	0.20

For Management Purposes Only

Ventures Healthcare of Gainesville
Income Statement
For the Eleven Months Ending November 30, 1997

Print Date January 12, 1998	0.00	0.00	557.79	0.05
Ocala-Meetings/Seminars	2,000.00	2.12	22,364.33	2.03
Collection Fees -DBS-Ocala	2,430.00	2.57	30,555.00	2.77
Kelly David - Fees	454.17	0.48	7,956.04	0.72
Melissa Baxter - Fees	2,595.60	2.75	24,573.95	2.23
Barry Benefield - Fees	4,951.94	5.24	54,444.90	4.94
Belcher Salary/Benefit/BMC	0.00	0.00	2,611.20	0.24
Prof.Fees-Debra Shade-BMC	150.26	0.16	2,410.76	0.22
Therapist Fees -BMC	0.00	0.00	269.99	0.02
Telephone -BMC	0.00	0.00	281.46	0.03
Other Operat-BMC	0.00	0.00	1,797.47	0.16
Travel -BMC	0.00	0.00	356.50	0.03
Meetings/Seminars-BMC	0.00	0.00	19,569.03	1.77
Thompson Salary/Benefit/FtWal	0.00	0.00	13,273.37	1.20
Lopes Salary/Ben.-FtWal	0.00	0.00	15,000.00	1.36
Professional fees-Gajo-FtWal	0.00	0.00	3,250.00	0.29
Cost Report Prep	303.05	0.32	3,333.55	0.30
Eq.Rent-FtWal	0.00	0.00	1,481.82	0.13
Telephone -FtWal	0.00	0.00	216.26	0.02
Other Operat-FtWal	27.05	0.03	1,765.66	0.16
Travel -FtWal	0.00	0.00	794.41	0.07
Ft. Walton Office Supplies	253.13	0.27	14,215.10	1.29
Collection Fees-DBS-FtWal	153.36	0.16	638.44	0.06
PC Storage				
Total Cost of Sales	28,837.95	30.52	476,072.33	43.15
Gross Profit	65,651.74	69.48	627,101.50	56.85
Expenses	7,605.12	8.05	87,681.55	7.95
Parsons Salary	<1,242.56>	<1.32>	6,169.61	0.56
Parsons Car	340.02	0.36	340.02	0.03
Interest Expense BP Car	440.00	0.47	21,527.00	1.99
JD Time	1,595.00	1.69	52,470.00	4.76
JDM Fees	750.00	0.79	7,560.04	0.69
LC Time	0.00	0.00	2,098.47	0.19
PC-Marketing/Advertising	0.00	0.00	802.99	0.07
PC - Miscellaneous Exp.	6,185.09	6.55	48,182.69	4.39
Prof Fees-Thompson-PC	571.50	0.60	4,750.00	0.43
PC-Prof Fees-Tax/Consult	2,000.00	2.12	12,000.00	1.09
PC-consult-Prov. Reimb	0.00	0.00	1,000.00	0.09
Prof Fees - Medicaid Crossover	0.00	0.00	800.00	0.07
PC-Prof Fees-Legal	3,500.00	3.70	32,500.00	2.93
Bookkeeping all locations	<246.18>	<0.26>	14,793.46	1.34
PC - Travel Expenses	0.00	0.00	9,589.98	0.87
PC- Meetings/Seminars	150.00	0.16	1,522.59	0.14
PC Postage,Copy,FedEx	278.00	0.29	1,858.78	0.17
PC Office Supplies	0.00	0.00	999.63	0.09
PC Office Other	0.00	0.00	1,521.92	0.14
PC--Tax & filing fees	100.00	0.11	1,200.00	0.11
PC Utilities	1,386.01	1.47	11,176.39	1.01
PC-Insurance	<3,305.02>	<3.50>	9,076.53	0.82
Key ManLife-Insurance	491.96	0.52	1,482.92	0.13
PC-Food/Supplies	0.00	0.00	1,544.20	0.14
Dues & Subscriptions PC	89.55	0.09	2,092.48	0.19
Write-of old deposits	4,924.87	5.21	4,924.87	0.45
Merger Expense- Travel	0.00	0.00	264.53	0.02
Merger Expense- Legal	2,017.25	2.13	4,823.75	0.44
Merger Expense- Various	8,195.00	8.67	8,195.00	0.74

For Management Purposes Only

Ventures Healthcare of Gainesville
Income Statement
For the Eleven Months Ending November 30, 1997

Print Date January 12, 1998
Depreciation/Amortization

	<u>2,701.00</u>	2.86	<u>2,701.00</u>	0.24
Total Expenses	<u>38,526.61</u>	40.77	<u>355,489.91</u>	32.22
Net Income	\$ <u>27,125.13</u>	28.71	\$ <u>271,611.59</u>	24.62

Ventures Healthcare of Gainesville
Balance Sheet
December 31, 1996

Print Date January 12, 1998

ASSETS

Current Assets		
Checking-Sun Bank	\$ 7,414.58	
Accounts Receivable	7,000.00	
Due To/From CIC -Adol	14,917.76	
To/From CIC (Extra)	170,623.55	
Due to CIC bad debt-Adol	<62,045.00>	
Due to CIC bad debt-Gain	<28,073.00>	
Due to CIC Reserve Writeoff	<28,861.00>	
Due to CIC bad debt -Ocala	<28,232.00>	
Due To/From CIC-Geri	20,326.32	
Due To/From CIC-Ocala	38,798.77	
Due To/From CIC-Ocala Mon Min	28,760.00	
Due To/From CIC-Inverness	25,507.06	
Due To/From CIC-Inv. Month Min	26,736.00	
Due To/From CIC- Other	8,404.45	
Due To/From CIC- FtWal	36,639.01	
To/From CIC FW fix	<7,343.40>	
Due To/From JD	2,995.20	
Due To/From BP	12,431.88	
Due from DM	20,000.00	
Prepaid Expenses	7,320.53	
	<hr/>	
Total Current Assets		273,320.71
Property and Equipment		
F&F Gainesville	2,000.00	
F&F Gainesville-Geri	1,583.41	
Computers & Equipment	11,992.95	
Autos - BP	16,881.08	
Accum Depr - Furn & Fixtures	<2,016.33>	
Accum Depr - Comp & Equipment	<5,914.02>	
Accum Depr - Trucks & Autos	<3,060.00>	
	<hr/>	
Total Property and Equipment		21,467.09
Other Assets		
Organization Costs	37,279.89	
Organization Costs-Ocala	967.00	
Accum Amort - Organiz Costs	<25,336.77>	
Deposits	5,472.87	
	<hr/>	
Total Other Assets		18,382.99
Total Assets	\$	<u><u>313,170.79</u></u>

LIABILITIES AND CAPITAL

Current Liabilities		
Accounts Payable	\$ 47,989.80	
Accrued Expenses	73.23	
	<hr/>	
Total Current Liabilities		48,063.03
Long-Term Liabilities		
N/P AFCO Insurance	4,916.55	

Unaudited - For Management Purposes Only

Ventures Healthcare of Gainesville
Balance Sheet
December 31, 1996

Print Date January 12, 1998	12,553.63	
N/P Barnett Bank- Concorde	201.88	
Note Payable - JDI-94	5,969.76	
Note Payable - Kantor	31,172.76	
Note Payable - JD	31,172.76	
Note Payable - BP	10,900.58	
Accrued Interest -JD&BP	<10,900.58>	
Deferred Int. Expense-JD&BP		
Total Long-Term Liabilities		85,987.34
Total Liabilities		134,050.37
Capital	225.00	
Common Stock	<176,336.24>	
Beginning Equity	2,900.70	
Beg Equity-fix 93	39,485.08	
Contributed Cap. - JD	48,842.08	
Contributed Capital- BP	24,086.32	
Contributed Capital- DM	1,027.75	
Offset error NI/beg.equity	238,889.73	
Net Income		179,120.42
Total Capital		\$ 313,170.79
Total Liabilities & Capital		

Ventures Healthcare of Gainesville
Income Statement
For the Twelve Months Ending December 31, 1996

Print Date January 12, 1998

	Current Month		Year to Date	
Revenues	71,536.00	63.97	237,136.00	22.76
Gross Fees-Inverness	<29,363.04>	<26.26>	<137,900.90>	<13.24>
Contract Red -Inverness	0.00	0.00	345,999.00	33.21
Gross Fees-Gen Geri	0.00	0.00	<224,478.00>	<21.55>
Contract Red -Other Geri	23,551.00	21.06	23,551.00	2.26
Restore bad debt factored-Geri	59,560.00	53.26	664,360.00	63.77
Gross Fees-Ocala	<18,242.84>	<16.31>	<412,568.83>	<39.60>
Contract Red-Ocala	<10,897.00>	<9.74>	<10,897.00>	<1.05>
Restore baddebt factored-Ocala	15,000.00	13.41	110,000.00	10.56
Gross Fees - BMC	1,038.89	0.93	139,347.28	13.38
Other Income - BMC	61,600.00	55.08	842,001.00	80.82
Gross Fees - FtWal	<39,719.00>	<35.52>	<530,864.00>	<50.96>
Contract Red - FtWal	<14,821.00>	<13.25>	<14,821.00>	<1.42>
Med. Repay - FtWal	0.00	0.00	10,000.00	0.96
Gross Fees Crossroads	<7,074.68>	<6.33>	1,266.37	0.12
Other Income	<340.27>	<0.30>	<340.27>	<0.03>
Gain/Loss Sale FF&E				
Total Revenues	111,828.06	100.00	1,041,790.65	100.00
Cost of Sales	0.00	0.00	6,076.00	0.58
Factor Fee-Gain-Geri	627.86	0.56	11,151.27	1.07
Factor Fee-Ocala	771.85	0.69	3,625.00	0.35
Factor Fee-Inverness	1,216.60	1.09	15,925.82	1.53
Factor Fee-FWB	0.00	0.00	2,130.21	0.20
Lodging Gainesville-geri	2,621.53	2.34	11,552.69	1.11
Gardner Salary/Ben-Inverness	0.00	0.00	1,750.00	0.17
Gardner Moving Exp-Inv	0.00	0.00	243.92	0.02
Mktg./Adv. Inverness	306.16	0.27	1,034.98	0.10
Travel&Exp- Inverness	1,000.00	0.89	1,000.00	0.10
Post-Moving Exp.-Orlando	432.00	0.39	432.00	0.04
Mktg./Adv.-Orlando	0.00	0.00	7,433.71	0.71
StroufSalary/Benefit/Cost-Geri	0.00	0.00	9,694.58	0.93
Sroufe Salary/Benefits/Gain	0.00	0.00	24,000.00	2.30
Prof.Fees-Jones -Geri	0.00	0.00	562.50	0.05
Prof Consult-Geri	0.00	0.00	444.53	0.04
Food/Supplies-Geri	5,560.00	4.97	37,410.85	3.59
Rent-Gainesville-Geri	0.00	0.00	2,023.00	0.19
R&M-Gainesville-Geri	0.00	0.00	1,372.97	0.13
Rent -F&F - Geri	0.00	0.00	2,722.85	0.26
Eq.Rent-Gainesville-Geri	0.00	0.00	3,291.33	0.32
Cleaning Service -Geri	0.00	0.00	3,246.45	0.31
Telephone -Gaine.-Geri	0.00	0.00	2,849.23	0.27
Utilities-Gaine-Geri	0.00	0.00	393.56	0.04
Dues & Subscriptions - Geri	0.00	0.00	128.50	0.01
Other Operat-Gaine-Geri	0.00	0.00	3,388.63	0.33
Travel -Geri	0.00	0.00	129.95	0.01
Meals -Gain-Geri	0.00	0.00	20,289.18	1.95
Mahle Salary/Benefit/Cost-Ocal	2,621.53	2.34	11,552.69	1.11
Gardner Salary/Ben-Ocala	0.00	0.00	1,750.00	0.17
Gardner Moving Exp. - Ocala	0.00	0.00	3,920.00	0.38
Prof. Fees - Henderson - Ocala	0.00	0.00	368.65	0.04
Telephone -Ocala	103.64	0.09	725.35	0.07
Ocala-Markting/Adv	254.40	0.23	6,237.18	0.60
Travel & Exp.-Ocala	4,000.00	3.58	23,000.00	2.21
Collection Fees -DBS-Ocala	4,845.00	4.33	26,415.00	2.54
Kelly David - Fees				

For Management Purposes Only

Ventures Healthcare of Gainesville
Income Statement
For the Twelve Months Ending December 31, 1996

Print Date January 12, 1998				
Melissa Baxter - Fees	694.23	0.62	4,976.33	0.48
Barry Benefield - Fees	2,500.00	2.24	2,500.00	0.24
Belcher Salary/Benefit/BMC	4,943.13	4.42	59,727.00	5.73
Belcher Salary/Benefit/Cost/BM	3,000.00	2.68	3,500.00	0.34
Therapist Fees -BMC	0.00	0.00	3,805.00	0.37
Telephone -BMC	0.00	0.00	307.66	0.03
Other Operat-BMC	0.00	0.00	2,571.54	0.25
Travel -BMC	0.00	0.00	767.67	0.07
Thompson Salary/Benefit/FtWal	5,709.51	5.11	67,571.59	6.49
Lopes Salary/Ben -FtWal	1,784.51	1.60	1,784.51	0.17
Prof.Fees-Apogee -FtWal	0.00	0.00	19,031.25	1.83
Professional fees-Gajo-FtWal	6,000.00	5.37	21,000.00	2.02
Cost Report Prep	659.52	0.59	7,913.37	0.76
Rent-FtWal	0.00	0.00	23,333.85	2.24
R&M-FtWal	0.00	0.00	403.95	0.04
Rent -F&F - FtWal	0.00	0.00	41.11	0.00
Eq.Rent-FtWal	1,196.92	1.07	6,448.55	0.62
Telephone -FtWal	410.42	0.37	3,761.68	0.36
Utilities-FtWal	42.00	0.04	328.00	0.03
Other Operat-FtWal	0.00	0.00	1,715.05	0.16
Travel -FtWal	854.04	0.76	7,943.32	0.76
Meetings/Seminars-FtWal	0.00	0.00	350.00	0.03
Ft. Walton Office Supplies	174.52	0.16	2,015.30	0.19
Collection Fees-DBS-FtWal	5,674.48	5.07	31,313.80	3.01
Crossroads Expenses	0.00	0.00	1,650.00	0.16
Total Cost of Sales	58,003.85	51.87	523,033.11	50.21
Gross Profit	53,824.21	48.13	518,757.54	49.79
Expenses	0.00	0.00	4.43	0.00
Interest -Others	7,595.26	6.79	94,094.70	9.03
Parsons Salary	<2,317.24>	<2.07>	1,568.83	0.15
Parsons Car	3,332.50	2.98	20,726.50	1.99
JD Time	3,986.85	3.57	54,642.82	5.25
JDM Fees	0.00	0.00	4,320.00	0.41
LC Time	0.00	0.00	2,650.96	0.25
P/R Fee Cost	0.00	0.00	171.69	0.02
PC - Miscellaneous Exp.	0.00	0.00	2,603.59	0.25
PC-Prof Fees-Tax/Consult	500.00	0.45	500.00	0.05
PC-consult-Prov. Reimb	0.00	0.00	438.58	0.04
PC-Prof Fees-Legal	2,000.00	1.79	27,500.00	2.64
Bookkeeping all locations	1,173.11	1.05	13,202.47	1.27
PC - Travel Expenses	518.70	0.46	3,827.89	0.37
PC- Meetings/Seminars	0.00	0.00	850.62	0.08
PC Postage,Copy,FedEx	0.00	0.00	14.10	0.00
Interest Expense JDI	0.00	0.00	809.72	0.08
PC Office Supplies	299.81	0.27	1,763.89	0.17
PC Office Other	0.00	0.00	368.60	0.04
PC--Tax & filing fees	100.00	0.09	1,166.10	0.11
PC Utilities	1,201.94	1.07	6,460.91	0.62
PC Telephone	<1,334.98>	<1.19>	22,872.60	2.20
PC-Insurance	133.13	0.12	3,528.13	0.34
Dues & Subscriptions PC	<3,500.00>	<3.13>	0.00	0.00
PC-JDI expenses to allocate	14,752.93	13.19	14,752.93	1.42
Depreciation/Amortization				
Total Expenses	28,442.01	25.43	278,840.06	26.77

For Management Purposes Only

Ventures Healthcare of Gainesville
Income Statement
For the Twelve Months Ending December 31, 1996

Print Date January 12, 1998
Net Income

\$	<u>25,382.20</u>	22.70	\$	<u>239,917.48</u>	23.03
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Ventures Healthcare, Inc.
Income Statement

	Actual 30-Nov-97	Projected 31-Dec-97
Income:		
Inverness	\$ 183,003	199,542
Orlando	211,453	230,493
Ocala	229,894	250,568
Ft. Walton	160,198	164,698
West Memphis	67,704	75,012
Forest City	19,836	27,144
BMC	240,889	262,633
Less: Reserve for Bad Debt	(9,803)	(9,803)
Total Income	<u>1,103,174</u>	<u>1,200,286</u>
Operating Expenses		
Inverness	68,651	73,868
Orlando	94,030	99,883
Ocala	95,049	101,154
Ft. Walton	79,756	80,059
West Memphis	12,035	12,435
Forest City	1,141	1,541
BMC	125,413	137,265
Total Operating Expense before Reclassifications	<u>476,073</u>	<u>506,203</u>
Less: Billing/Collection Fees *	(51,049)	(54,549)
Less: Cost Report Prep. Fees *	(3,250)	(3,250)
Less: Factor & Finance Fees *	(48,474)	(51,094)
Total Operating Expense	<u>373,300</u>	<u>397,310</u>
Net Operating Income	<u>729,874</u>	<u>802,977</u>
Administrative Expense		
Salaries & Benefits	188,334	204,047
Home Office Expense	25,249	27,849
Travel, Meetings, Seminars, etc.	32,849	36,949
Marketing, Dues & Subscriptions, etc.	5,268	5,468
Total Administrative Expenses	<u>251,700</u>	<u>274,313</u>
Net Income before Non-recurring, Owner Fees & Depr.	<u>478,174</u>	<u>528,664</u>
Non-recurring, Owner Fees & Depreciation *		
Billing/Collection & Fees *	51,049	54,000
Cost Report Preparation Fees *	3,250	3,250
Fees to owners - factoring/financing & other *	48,474	51,094
Consulting Fees to PRS *	12,400	12,400
Non-recurring Legal & Consulting *	7,514	7,514
Fees to owners - JD *	21,527	21,527
Bookkeeping Fees (includes cost for tracking factoring) *	32,500	32,500
Key man & owners liability insurance *	13,864	13,864
Legal Fees and Fees JDM & JDI applicable to Merger *	13,283	40,700
Depreciation	2,701	2,701
Total Non-recurring, Owners Fees & Depreciation	<u>206,563</u>	<u>247,683</u>
Adjusted Net Income After Fees & Depreciation	<u>\$ 271,612</u>	<u>280,981</u>

* Items identified would not be expected to be incurred by merged entity and/or cost of these services to CCS would be nominal

VENTURES HEALTHCARE, INC.

Summary of Adjusted Net Income and Administrative Expenses Actual 11 months ended 11/30/97 estimate for 1997 and, Budget for 1998

	<u>Projected Results</u>	
	for YE	for YE
	<u>12/31/97</u>	<u>12/31/98</u>
Administrative Expenses:		
Salaries & Benefits	204,047	315,000
Home Office Expense	27,849	40,000
Travel, Meetings, Seminars, etc.	36,949	40,000
Marketing, Dues & Subscriptions, etc.	<u>5,468</u>	<u>5,000</u>
Adjusted Administrative Expenses	<u>274,313</u>	<u>400,000</u>
 Summary Income Statement:		
Income	1,210,090	1,331,485
Less: Reserve for Bad Debts	(9,803)	(9,715)
Operating Expense (before billing/collection, cost report & factor fee)	<u>(397,310)</u>	<u>(246,501)</u>
Net Operating Income	802,977	1,075,269
Adjusted Administration Expenses (exclude non-recurring & owner fees)	<u>(274,313)</u>	<u>(400,000)</u>
Adjusted Net Income (excluding non-recurring, owner fees, etc.)	<u>528,664</u>	<u>675,269</u>

Exhibit 6.5(3)

EBITDA by location and projected EBITDA

See attached.

VENTURES HEALTHCARE, INC

Summary of Operating Results

Actual year ended '93 to '96 and 11 months ended 11/30/97 and, Projected results for 1997 & 1998

Contract Locations:	Gain/Adj	Gain	Gain	Costs	Investment	Ft. Walton	P. City-Gain	P. City-IP	Orlando	W. Memphis	Forest City	W. Helena	P. City-Adult	Crystal River	Memphis	Combined
7 Actual results for the three months ended 12/31/93:	5.12	0	0	0	N/A	0	0	0	0	0	0	0	0	0	0	29,995
8 ADC - '93	29,995	0	0	0	0	0	0	0	0	0	0	0	0	0	0	86,581
9 Income	86,581	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(56,585)
10 Operating Expense	(56,585)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(16,662)
11 Operating Income	(16,662)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(16,662)
12 Avg. Monthly	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13 Actual results for the twelve months ended 12/31/94:	11.39	10.23	5.08	N/A	0	0	0	0	0	0	0	0	0	0	0	534,946
14 ADC - '94	197,644	228,217	109,035	0	0	0	0	0	0	0	0	0	0	0	0	442,062
15 Income	268,151	128,052	47,659	0	0	0	0	0	0	0	0	0	0	0	0	92,886
16 Operating Expense	(70,507)	102,167	61,226	0	0	0	0	0	0	0	0	0	0	0	0	7,741
17 Operating Income	(6,876)	10,204	10,204	0	0	0	0	0	0	0	0	0	0	0	0	0
18 Avg. Monthly	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19 Actual results for the twelve months ended 12/31/95:	8.44	6.34	N/A	0	0	0	0	0	0	0	0	0	0	0	0	746,524
20 ADC - '95	300,333	232,840	0	0	0	0	0	0	0	0	0	0	0	0	0	340,122
21 Income	183,619	21,440	0	0	0	0	0	0	0	0	0	0	0	0	0	405,797
22 Operating Expense	116,684	161,000	0	0	0	0	0	0	0	0	0	0	0	0	0	33,616
23 Operating Income	9,724	13,417	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24 Avg. Monthly	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25 Actual results for the twelve months ended 12/31/96:	6.99	6.31	4.42	8.39	0	0	0	0	0	0	0	0	0	0	0	1,010,716
26 ADC - '96	125,208	255,733	99,234	303,661	121,003	105,877	0	0	0	0	0	0	0	0	0	453,344
27 Income	98,924	73,212	14,582	197,628	36,799	32,199	0	0	0	0	0	0	0	0	0	557,371
28 Operating Expense	26,284	182,521	84,652	106,033	84,203	73,678	0	0	0	0	0	0	0	0	0	46,448
29 Operating Income	4,381	15,210	14,109	8,356	7,017	6,140	0	0	0	0	0	0	0	0	0	0
30 Avg. Monthly	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
31 Actual results for the six months ended 6/30/97:	5.88	6.24	7.76	0	0	0	0	0	0	0	0	0	0	0	0	585,759
32 ADC - '97	124,044	99,234	137,698	48,000	42,000	104,425	0	0	0	0	0	0	0	0	0	223,690
33 Income	39,889	33,447	21,952	15,693	13,132	40,931	0	0	0	0	0	0	0	0	0	361,899
34 Operating Expense	84,055	65,787	65,706	32,307	28,868	63,494	0	0	0	0	0	0	0	0	0	64,290
35 Operating Income	14,009	10,965	10,951	5,384	4,711	12,699	0	0	0	0	0	0	0	0	0	0
36 Avg. Monthly	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
37 Projected results for the twelve months ended 12/31/97 (based on actual results thru 11/30/97):	6.27	5.52	See (N4)	See (N1)	See (N1)	7.29	6.46	6.24	0.00	N/A	N/A	0.00	0.00	0.00	0.00	1,210,090
38 ADC for Nov. '97	N/A	250,568	199,542	164,698	140,071	230,493	75,012	27,143	0	0	0	0	0	0	0	9,803
39 ADC Projected for Year	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	292,310
40 Income (contract rate X ADC)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9,803
41 Less: Reserve bad debt	0	52,668	48,817	56,069	73,208	64,057	12,435	1,540	0	0	0	0	0	0	0	802,977
42 Oper. Expense (excl. factor & billing fees)	0	197,900	144,248	108,629	66,863	58,506	62,577	25,603	0	0	0	0	0	0	0	73,658
43 Operating Income	0	16,492	12,021	9,052	5,572	4,875	6,258	6,394	0	0	0	0	0	0	0	0
44 Avg. Monthly	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
45 Projected results for the twelve months ended 12/31/98:	7.00	6.00	See (N4)	See (N1)	See (N1)	7.29	6.46	6.24	0.00	N/A	N/A	0.00	0.00	0.00	0.00	1,331,485
46 ADC Projected for Year	N/A	250,568	199,542	164,698	140,071	230,493	75,012	27,143	0	0	0	0	0	0	0	9,803
47 Income (contract rate X ADC)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	246,501
48 Less: Reserve bad debt	0	52,668	48,817	56,069	73,208	64,057	12,435	1,540	0	0	0	0	0	0	0	802,977
49 Oper. Expense (excl. factor & billing fees)	0	197,900	144,248	108,629	66,863	58,506	62,577	25,603	0	0	0	0	0	0	0	73,658
50 Operating Income	0	16,492	12,021	9,052	5,572	4,875	6,258	6,394	0	0	0	0	0	0	0	0
51 Avg. Monthly	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
52 Projected results for the twelve months ended 12/31/99:	7.00	6.00	See (N4)	See (N1)	See (N1)	7.29	6.46	6.24	0.00	N/A	N/A	0.00	0.00	0.00	0.00	1,331,485
53 ADC Projected for Year	N/A	250,568	199,542	164,698	140,071	230,493	75,012	27,143	0	0	0	0	0	0	0	9,803
54 Income (contract rate X ADC)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	246,501
55 Less: Reserve bad debt	0	52,668	48,817	56,069	73,208	64,057	12,435	1,540	0	0	0	0	0	0	0	802,977
56 Oper. Expense (excl. factor & billing fees)	0	197,900	144,248	108,629	66,863	58,506	62,577	25,603	0	0	0	0	0	0	0	73,658
57 Operating Income	0	16,492	12,021	9,052	5,572	4,875	6,258	6,394	0	0	0	0	0	0	0	0
58 Avg. Monthly	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Notes: See footnotes attached to the following page

Exhibit 6.5(3)

EBITDA by location and projected EBITDA

See attached.

Exhibit 6.6

Operations Since November 30, 1997

None.

Exhibit 6.7

Litigation

None.

Exhibit 6.8
Copies of Licenses

None.

Exhibit 6.10(5)
Intellectual Property

None.

Exhibit 6.11(1)

Contracts; Consents required under Contracts

Consents are required under the following contracts:

1. Management Services Agreement between Ventures Healthcare of Gainesville, Inc. and Marion-Citrus Mental Health Centers, Inc. covering Marion-Citrus Mental Health Center in Crystal River, dated October 2, 1997.
2. Management Services Agreement between Ventures Healthcare of Gainesville, Inc. and Marion-Citrus Mental Health Centers, Inc. covering Marion-Citrus Mental Health Center in Ocala, dated May 28, 1996.
3. Management Services Agreement between Ventures Healthcare of Gainesville, Inc. and Marion-Citrus Mental Health Centers, Inc. covering Marion-Citrus Mental Health Center in Inverness, dated July 1, 1996.
4. Management Services Agreement between Ventures Healthcare of Gainesville, Inc. and Lakeside Alternatives, dated November 1, 1996.
5. Consultation Services Agreement between Ventures Healthcare of Gainesville, Inc. and Bridgeway Center, Inc., dated July 1, 1997.
6. Consultation Services Agreement between Ventures Healthcare of Gainesville, Inc. and Behavioral Health Services Inc. of Arkansas covering Behavioral Health Services in West Memphis, Arkansas, dated January 29, 1997.
7. Consultation Services Agreement between Ventures Healthcare of Gainesville, Inc. and Behavioral Health Services of Arkansas covering Behavioral Health Services at Forrest City, Arkansas, dated September 1, 1997.
8. Consultation Services Agreement between Ventures Healthcare of Gainesville, Inc. and Compass Intervention Center LLC, dated November 1, 1997.

Exhibit 6.11(4)

Repair and Maintenance Obligations

None.

Exhibit 6.13(1)

Employees and Related Information

Ventures Healthcare of Gainesville, Inc. hires all of its employees through a leasing agreement with Landrum Staff Leasing Inc., d/b/a AmStaff. The employee leasing is covered by a Client Service Agreement between AmStaff and J.D. Investments, Inc. The Client Service Agreement is terminable with thirty (30) days notice by either party. The employees' salary is paid by J.D. Investments, Inc., which is reimbursed by Ventures Healthcare of Gainesville, Inc. There is no written agreement between J.D. Investments, Inc. and Ventures Healthcare of Gainesville, Inc.

Exhibit 6.13(2)

Employee Litigation

None.

Exhibit 6.14
Employee Benefit Plans

None.

Exhibit 6.15

Summary of Insurance Coverage

Ventures Healthcare of Gainesville, Inc. is covered by the following insurance policies:

1. Professional liability insurance with Frontier Insurance Co. of New York.
Policy Period: 9/1/97 to 9/1/98
Limits of Liability: \$1 million/\$3 million
2. Commercial General Liability Coverage through Frontier Insurance Co. of New York.
Policy Period: 9/1/97 to 9/1/98
Limits of Insurance: \$3 million/\$1 million
Fire Damage Limit: \$50,000 any one fire
Medical Expense Limit: \$5,000 any one person

Exhibit 6.16

Conflicts of Interest

Ventures leases office space, receives secretarial support, telephone services and purchases office supplies from J.D. Investments, Inc., a Florida corporation ("JDI"). JDI is wholly-owned by John W. Darrah. All of these services are provided to Ventures at below market rates. Upon completion of the merger, JDI will charge Ventures market value for all of these services, including, without limitation the provision of office space.

Exhibit 6.19

Pending Tax Audits and Investigations

None.

Exhibit 8.3

Description of Payment Arrangements with CIC

1. Termination Agreement (see attached)
2. \$30,000 Note (see attached)

TERMINATION AGREEMENT

This Termination Agreement (this "Agreement") is made and entered into as of November 30, 1997 by and between Ventures Healthcare of Gainesville, Inc., a Florida corporation ("VHC") and Capital Investment Corp. of Panama City, a Florida corporation ("CIC").

RECITALS

WHEREAS, on or about September 1, 1993, VHC and CIC entered into a certain Factoring Agreement, a copy of which is attached hereto as Exhibit A and made a part hereof (the "Factoring Agreement"), pursuant to the terms of which CIC agreed to purchase and VHC agreed to sell from time to time certain of VHC's outstanding accounts receivable;

WHEREAS, VHC further covenanted and agreed to remain secondarily liable (the "Guaranty") for the collection of the purchased accounts receivable as more particularly described in Section 1(d) of the Factoring Agreement;

WHEREAS, VHC and CIC now desire to terminate the Factoring Agreement and to provide for the orderly settlement of the parties' individual and mutual obligations thereunder, all as more particularly described herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Termination. VHC and CIC hereby acknowledge and agree that the Factoring Agreement is terminated as of the date hereof. Following such termination, neither VHC nor CIC shall have any liability to the other arising out of, resulting from or in any way connected with the Factoring Agreement or the termination thereof except as expressly provided herein. Accordingly, except as expressly provided herein, VHC and CIC do hereby fully and forever release and discharge each other and each other's respective subsidiaries, affiliates, heirs, successors, assigns, officers, employees, directors and agents, if any, of and from any and all claims, demands, actions and claims for relief, of whatsoever kind or nature, whether in law or in equity that VHC or CIC, as the case may be, has, or may claim to have, arising out of, resulting from or in any way connected with (i) the Factoring Agreement, including, without limitation, the Guaranty, (ii) each parties' performance under the Factoring Agreement and (iii) the termination thereof.

2. Payment for Release of Guaranty. In exchange for the release of the Guaranty and in consideration of CIC's agreement to enter into this Agreement and terminate the Factoring Agreement, VHC hereby waives any and all rights to payments under the Factoring Agreement with respect to those accounts receivable originally belonging to VHC that were generated at VHC's facilities in Ocala, Fort Walton, Orlando, Gainesville and Inverness, Florida, and have heretofore been conveyed to CIC, all as more particularly described on Exhibit B attached hereto and made a part hereof (the "Assigned Receivables").

3. Payment for Assigned Receivables. As additional consideration for the transfer and assignment of the Assigned Receivables and in consideration of VHC's agreement to enter into this Agreement and terminate the Factoring Agreement, CIC hereby assumes the payment, discharge and satisfaction of the following liabilities and obligations of VHC: (i) an obligation to John W. Darrah in the amount of \$28,379.44; (ii) an obligation to William A. Parsons, Jr. in the amount of \$18,740.88; and (iii) an obligation to Gary Kantor in the amount of \$5,969.76 (collectively, the "Assumed Liabilities"). CIC covenants and agrees that it shall pay, discharge and satisfy the Assumed Liabilities in the ordinary course of business and as such Assumed Liabilities become due and payable. Notwithstanding CIC's agreement to assume the Assumed Liabilities, CIC shall not, as a result of the execution of this Agreement and the consummation of the transactions contemplated herein, assume, discharge or become liable for any of VHC's other liabilities, obligations, debts, contracts or other commitments of any kind

whatsoever, known or unknown, fixed, accrued, contingent or otherwise existing as of the date hereof or arising out of any transactions entered into, or state of facts existing, prior to, at or subsequent to the date hereof.

4. Certain Indemnification. CIC hereby covenants and agrees to indemnify and hold harmless VHC from all losses, claims of losses, damages and expenses, including, but not limited to, reasonable attorneys' fees, assessed or asserted against VHC by (i) Marion-Citrus Mental Health Center, (ii) Lakeside Alternatives, and (iii) either of the foregoing's subsidiaries, affiliates, heirs, successors and assigns (collectively, the "Claimants") arising out of, resulting from or in any way connected with VHC's contractual obligations to guarantee the Claimants collection and recovery of certain costs incurred by the Claimants in connection with services rendered by VHC prior to November 30, 1997 with respect to facilities of the Claimants located in Ocala, Inverness and Orlando, Florida. The Claimants rights to recover such costs are more particularly described in provisions of certain management contracts by and between the Claimants and VHC, copies of which are attached hereto as Exhibit C and made a part hereof. It is expressly understood and agreed by and between VHC and CIC that (i) the indemnification provided pursuant to the terms of this section is expressly limited to claims by the Claimants arising out of, resulting from or in any connected with services rendered by VHC prior to November 30, 1997, (ii) VHC shall retain sole responsibility for all losses, claims of losses, damages and expenses arising out of, resulting from or in any way connected with claims by the Claimants in connection with services rendered by VHC after November 30, 1997, and (iii) VHC shall use its best efforts to control, limit and minimize the claims or potential claims of Claimants.

5. Amendments and Waivers. No amendment of any provision in this Agreement shall be valid unless the same shall be in writing and signed by the party against whom enforcement of the amendment is sought. No waiver by any party of any default or breach of any covenant hereunder whether intentional or not, shall be deemed to extend to any prior or subsequent default or breach of covenant hereunder or affecting in any way any rights arising by virtue of any prior or subsequent occurrence.

6. Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes any prior or contemporaneous understanding, agreement or representations by or among the parties, written or oral, to the extent that they relate in any way to the subject matter hereof.

In Witness Whereof, the parties hereto have executed this Agreement on the date first written above.

VENTURES HEALTHCARE OF GAINESVILLE, INC

By: 

Its: 

CAPITAL INVESTMENT CORP. OF PANAMA CITY

By: 

Its: 

EXHIBIT A

PURCHASE & SALE AGREEMENT

Name of Seller ("Seller") Ventures Healthcare of Gainesville, Inc.Date September 1, 1993

Seller and Capital Investment Corp. of Panama City, a Florida corporation ("Purchaser"), hereby agree to the terms and conditions set forth in this Purchase & Sale Agreement ("Agreement").

1. Purchase & Sale of Accounts Receivable.

(a) Seller hereby offers to sell, assign, transfer, convey and deliver to Purchaser, as absolute owner, all of the right, title and interest of Seller in and to the following accounts ("Account" or "Accounts") which arise from the sale of Seller's services (herein collectively referred to as the "Service") as indicated by the box checked below, together with all guarantees and security therefor, and all of Seller's right, title and interest in the Service purchased and represented by such Accounts:

☒ All of Seller's Acceptable Accounts not to exceed \$150,000 per month, which Acceptable Accounts Purchaser agrees to purchase on the terms and conditions set forth herein, or

☐ Acceptable Accounts totaling not less than \$_____ per month, in which case Purchaser shall be obligated (subject to the terms and conditions stated below) to purchase Acceptable Accounts totaling not more than \$_____ per month, or

☐ Only those Acceptable Accounts which Seller from time to time may wish to sell but not to exceed \$_____ per month, which Acceptable Accounts Purchaser agrees to purchase on the terms and conditions set forth herein.

(b) Purchaser hereby agrees to purchase all Accounts that it deems acceptable in its sole discretion ("Acceptable Accounts") together with the Related Rights. Seller may, from time to time, submit names of Account Debtors to Purchaser for approval prior to acceptance by Purchaser. Purchaser shall not be obligated to purchase any Account if the Account is deemed unacceptable to Purchaser for any reason, or if an event of default has occurred hereunder. A credit investigation by Purchaser shall not be deemed an acceptance of an Account and Purchaser shall be free to reject any Account submitted by Seller if Purchaser deems the Account unacceptable, even though Purchaser may have previously approved such Account Debtor. The term "Account Debtor" or "Account Debtors" as used herein shall mean the customer or customers of Seller. Except as Purchaser may otherwise agree in writing, the payment terms of all Accounts submitted to Purchaser shall not exceed "net 30 days."

(c) Accounts shall be submitted to Purchaser on a Schedule of Accounts listing each Account separately. The Schedule of Accounts shall be in the form attached hereto as Exhibit "A", and shall be signed by any officer, employee or agent of Seller. There shall be no more than one (1) Schedule of Accounts submitted each month unless Purchaser otherwise agrees in writing. At the time the Schedule of Accounts is presented, Seller shall also deliver to Purchaser the original and one copy of an invoice for each Account, together with evidence of treatment rendered. All invoices shall plainly state on their face that amounts payable thereunder have been sold and assigned to and are payable only to Purchaser at Purchaser's remittance address hereinafter listed below its signature. Payment by Purchaser of the sum specified in the second sentence in paragraph 2 below shall constitute acceptance of an Account by Purchaser.

(d) Any and all Acceptable Accounts shall be purchased with recourse against Seller as to the Insolvency or other financial inability of the Account Debtor to pay. Any Acceptable Accounts not paid within 75 days of invoice date shall be repurchased by Seller, either by means of Seller paying directly to Purchaser the face amount of such Acceptable Account or Purchaser charging such face amount against the Reserve, as Purchaser may elect.

(e) As described above, Purchaser commits to purchase Acceptable Accounts with a gross face value of up to \$150,000 each month for the term of this Agreement ("Commitment") on the terms and conditions set forth herein, for which Seller shall pay to Purchaser a one-time commitment fee of four (4) percent of the Commitment, \$6,000. The commitment fee shall be paid by Seller at the time of execution of this Agreement. However, with Purchaser's prior approval, the commitment fee may be deducted and paid to Purchaser from the purchase price for the first purchase of Acceptable Accounts; provided however, that in no case shall the purchase price for the first purchase of Acceptable Accounts be reduced to less than \$10,000.

(f) As consideration for purchasing the Acceptable Accounts, Seller agrees to pay Purchaser a minimum monthly fee ("Minimum Monthly Fee") of not less than \$1,000 for each calendar month (or fraction thereof, on a prorated basis) during the term of this Agreement and each renewal thereof. In the event the discount (described in paragraph 2 hereof) actually collected by Purchaser for purchasing the Acceptable Accounts from seller is less than the Minimum Monthly Fee, Seller shall pay to Purchaser each such calendar month (or fraction thereof, on a prorated basis), the difference between such discount and the Minimum Monthly Fee, regardless of Purchaser's prior months' compensation.

2. **Purchase Price.** Purchaser shall purchase an Acceptable Account at a purchase price equal to the face amount of the Acceptable Account, less a discount equal to 5% percent of the face amount of the Acceptable Account, which discount shall be Purchaser's compensation for purchasing the Acceptable Accounts. The discount of any Acceptable Account bearing terms in excess of the standard net 30 day terms, shall be increased by one percent (1%) for each 30 days or fraction thereof. At the time of purchase of an Acceptable Account, Purchaser shall remit to Seller the face amount of such Acceptable Account, less Purchaser's discount, as provided for above in this paragraph, and the amount necessary for Purchaser to create the Reserve Account describe din paragraph 4 below.

3. **Transfer.** Upon Purchaser's acceptance of each Acceptable Account, Purchaser shall be the sole owner and holder of such Acceptable Account and the Related Rights. Seller hereby sells, transfers, conveys and assigns to Purchaser all its right, title and interest in and to each Acceptable Accounts together with all Related Rights, effective at the time of acceptance thereof by Purchaser. Seller agrees to execute and deliver to Account Debtors obligated under Acceptable Accounts such written notices of sale of the Acceptable Accounts as Purchaser may request.

4. **Reserve Account.** Purchaser shall create and maintain a reserve account ("Reserve Account") for each Schedule of Accounts in the amount of 20 percent of the face amount of the Acceptable Accounts listed on such Schedule out of any payments or credits otherwise to be made to Purchaser with respect to such Acceptable Accounts. In no event shall the Reserve Account at any time equal less than 20 percent of the Acceptable Accounts remaining unpaid. Purchaser may charge against the Reserve Account any amount for which Seller may be obligated to Purchaser at any time, whether under the terms of this Agreement, or otherwise, including but not limited to any damages suffered by Purchaser as a result of Seller's breach of any provision of paragraph 5 hereof (whether intentional or unintentional), any losses (under any one or more Schedules of Accounts) due to an Account Debtor's insolvency or other financial inability to pay or any Disputes (as defined under paragraph 5(d) hereof), any Adjustments due under paragraph 17 hereof and any attorneys fees and disbursements due under paragraph 16 hereof. Seller recognizes that any balance in the reserve account represents bookkeeping entries and not cash funds. It is further agreed that with respect to the balances in the Reserve Account, Purchaser is authorized to withhold such payments and credits otherwise due to Seller under the terms of this Agreement for reasonably anticipated claims such as, for example, charge backs or credits against Seller for Account Debtor claims. The Reserve Account shall be calculated and maintained no less than monthly and any positive balance in the Reserve Account (for all Schedules of Account, on an aggregate basis) shall be paid to Seller on the first to occur of the 10th or 25th day of the calendar month, provided that there is a positive balance in the Reserve Account for all Schedules of Account (on an aggregate basis) and no Event of default has occurred and is continuing. If an Event of Default has occurred and is continuing, Purchaser shall not pay the positive amount in the Reserve Account until all Accounts listed on each Schedule of Accounts have been collected or Purchase has determined, in its sole discretion, that it will make no further efforts to collect any Schedule of Accounts and all sums due Purchaser hereunder had been paid. Purchaser shall give Seller, within fifteen (15) days of the close of the preceding calendar month, an extract or statement of Seller's account, prepared from Purchaser's records, which will conclusively be deemed correct and accepted by Seller unless Seller gives Purchaser a written statement of exceptions within thirty (30) days after receipt of such extract or statement.

5. **Seller's Representations and Covenants.** Seller represents, warrants and covenants to Purchaser that:

(a) Immediately prior to the execution and delivery of each Schedule of Accounts, Seller will be the sole owner and holder of each of the Accounts described thereon and the Related Rights. Upon Purchaser's acceptance of each Acceptable Account, it shall become the sole owner and holder of such Acceptable Account.

(b) There are no financing statements now on file in any public office governing any property of Seller of any kind, real or personal, in which Seller is named in or has signed as the debtor, except the financing statement or statements filed or to be filed in respect of this Agreement or those statements now on file that have been disclosed in writing by Seller to Purchaser. Seller will not execute any financing statement in favor of any other person or entity, excepting Purchaser, for the term of this Agreement.

(c) The amount of each Acceptable Account is due and owing to Seller and represents an accurate statement of a bona fide sale, delivery and acceptance of performance of service by Seller to or for an Account Debtor. The terms for payment of Acceptable Accounts are thirty days from date of invoice and the payment of such Acceptable Accounts is not contingent upon the fulfillment by Seller of any further performance of any nature whatsoever. Seller shall accept no returns and shall grant no allowances or credits to any Account Debtor without notice to and the prior written approval of Purchaser. Each Account Debtor's business is solvent to the best of Seller's knowledge.

(d) There shall be no set-offs, allowances, discounts, deductions, counterclaims, or disputes with respect to any Acceptable Account, either at the time it is accepted by Purchaser for purchaser or prior to the date it is to be paid. "Dispute," as used in the last preceding sentence, shall mean any claim by an Account Debtor against Seller, of any kind whatsoever, valid or invalid, that is asserted by the Account Debtor as a basis for refusing to pay an Acceptable Account either in whole or in part.

(e) The address set forth below Seller's signature hereon is Seller's mailing address, its chief executive office, principal place of business and the office where all of the books and records concerning the Acceptable Accounts are maintained. Seller shall not change its mailing address, chief executive office, principal place of business or place where such records are maintained with thirty (30) days prior written notice to Purchaser.

(f) The application ("Application") made by Seller in connection with this Agreement, and the statements made therein are true and correct at the time that this Agreement is executed.

(g) In no event shall the funds paid to Seller hereunder be used directly or indirectly for personal, family, household, or agricultural purposes.

(h) No Acceptable Account shall be subject to any lien, encumbrance, security interest or other claim of any kind or nature. Seller will not transfer, pledge or give a security interest in any of its Accounts to anyone other than Purchaser. Seller will not factor or sell any of its Accounts except to Purchaser.

(i) Seller will furnish Purchaser financial statements and information as requested by Purchaser from time to time. Such financial statements and information will be kept in accordance with generally accepted accounting principals consistently applied and shall be true and correct. Seller shall reflect on its books the absolute sale of the Acceptable Accounts to Purchaser.

(j) Seller has paid and will pay all taxes and governmental charges imposed with respect to sales of the Service and furnish to Purchaser upon request satisfactory proof of payment and compliance with all federal, state and local tax requirements.

(k) Seller will promptly notify Purchaser of any attachment or any other legal process levied against Seller of any Account Debtor.

(l) Seller has served or caused to be served any and all preliminary notices required by law to perfect or enforce any mechanic's lien or stop notice or bonded stop notice for the Acceptable Accounts and the information contained in those notices is true and correct to the best of Seller's knowledge.

(m) Waivers and releases for all labor, services, equipment or material of Seller and others will be submitted on Purchaser's form concurrently with each Schedule of Accounts.

(n) There is no fact which Seller has not disclosed to Purchaser in writing which could materially adversely affect the properties, business or financial condition of Seller, or any of the Acceptable Accounts or Collateral, or which it is necessary to disclose in order to keep the foregoing representations and warranties from being misleading.

6. Notice of Purchase. Seller shall execute and deliver to Purchaser and/or file at such times and places as Purchaser may designate UCC-1 Financing Statements to give notice of Purchaser's purchase of the Acceptable Accounts as required by the Uniform Commercial Code.

7. Collateral. In order to secure the payment of all indebtedness and obligations of Seller to Purchaser, whether presently existing or hereafter arising, Seller hereby grants to Purchaser a security interest in and lien upon (a) all of Seller's right, title and interest in and to the Reserve Account and all payments (if any) due or to become due to Seller from the reserve Account, and (b) all of Seller's right, title and interest in and to all of Seller's accounts, contract rights, receivables and claims not purchased hereunder whether now or hereafter arising, all guaranties and security therefor and all of Seller's right title and interest in the goods purchased and represented thereby including all of Seller's rights in and to returned goods and rights of stoppage in transit, replevin and reclamation as unpaid vendor, and all proceeds of the foregoing (collectively, the "Collateral"). Seller agrees to comply with all appropriate laws in order to perfect Purchaser's security interest in and to the Collateral and to execute any financing statement(s) or additional documents as Purchaser may require. Any Event of Default (as hereinafter defined and described) hereunder shall constitute a default with respect to the Collateral and Purchaser shall be entitled to all rights and remedies as available to a secured party under the Uniform Commercial Code.

8. Collection. Purchaser, as the sole and absolute owner of the Acceptable Accounts, shall have the sole and exclusive power and authority to collect each Acceptable Account, through legal action or otherwise, and may, in its sole discretion, settle, compromise, or assign (in whole or in part) any of the Acceptable Accounts, or otherwise exercise any other right now existing or hereafter arising with respect to any of the Acceptable Accounts. It is agreed that certain Account Debtors may require or prefer that all of Seller's Accounts be paid to the same address and/or party; therefore, Purchaser and Seller may agree that Purchaser shall collect all Accounts whether owned by Seller or Purchaser and, subject to Purchaser's rights in the Collateral, Purchaser agrees to remit the amount of the Accounts it receives and does not own to Seller after deducting a handling fee of 1 percent of such amounts received. It is understood and agreed by Seller that this paragraph does not impose any affirmative duty on Purchaser to do any act other than to turn over such amounts. All such Accounts and collections are Collateral and upon the occurrence of an Event of Default hereunder, Purchaser shall have no duty to remit collections of Collateral to Seller and may apply same to the Obligations until said Event of Default is cured, and Purchaser shall have all the rights of a secured party under the Uniform Commercial Code. If Seller receives payment of all or any portion of any of the Acceptable Accounts, Seller shall notify Purchaser immediately and shall hold all checks and other instruments so received in trust for Purchaser and shall deliver to Purchaser such checks and other instruments without delay.

9. Power of Attorney. Seller grants to Purchaser and irrevocable power of attorney authorizing and permitting Purchaser, at its option, with or without notice to Seller to do any or all of the following:

(i) Endorse the name of Seller on any checks or other evidences of payment whatsoever that may come into the possession of Purchaser regarding Accounts of Seller;

(ii) Receive, open and process any mail addressed to Seller and put Purchaser's address on any statements mailed to Accounts Debtors;

(iii) Pay, settle, compromise, prosecute or defend any action, claim, conditional waiver and release, or proceeding relating to Acceptable Accounts;

(iv) Upon the occurrence of an Event of Default, notify in the name of Seller, the U.S. Post Office to change the address for delivery of mail addressed to Seller to such address as Purchaser may designate. Purchaser shall turn over to Seller all such mail not relating to Acceptable Accounts on Collateral;

(v) To do all things necessary and proper in order to carry out this Agreement. The authority granted to Purchaser herein is irrevocable until this Agreement is terminated and all obligations are fully satisfied;

(vi) Verify, sign, acknowledge, record, file for recording, serve as required by law, any claim of mechanic's lien, stop notice or bonded stop notice is the sole and absolute discretion of Purchaser;

(vii) Insert all recording or service information in any Mechanic's Lien or Assignment of Rights Under Stop Notice/Bonded Stop Notice which Seller has signed in connection with this Agreement, recorded or served to enforce payment of the Acceptable Accounts; and

(viii) Execute and file on behalf of Seller any financing statement deemed necessary or appropriate by Purchaser to protect Purchaser's interest in and to the Acceptable Accounts or Collateral, or under any provision of this Agreement.

10. Default and Remedies. An event of default ("Event of Default") shall be deemed to have occurred hereunder and Purchaser shall have no further obligation to purchase Accounts and may immediately exercise its rights and remedies with respect to the Acceptable Accounts and the Collateral under this Agreement, the Uniform Commercial Code, and applicable law, upon the happening of one or more of the following:

(a) Seller shall fail to pay as and when due any amount owed to Purchaser;

(b) There shall be commenced by or against Seller any voluntary or involuntary case under the federal Bankruptcy Code, or any assignment for the benefit of creditors, or appointment of a receiver or custodian for a substantial portion of its assets;

(c) Seller shall become insolvent in that its debts are greater than the fair value of its assets, or Seller is generally not paying its debts as they become due;

(d) Any involuntary lien, garnishment, attachment or the like shall be issued against or shall attach to the Acceptable Accounts or the Collateral and the same is not released within ten (10) days;

(e) Seller shall breach any covenant, agreement, warranty, or representation set forth herein, and the same is not cured to Purchaser's satisfaction within ten (10) days after Purchaser has given Seller oral or written notice thereof; or

(f) Any report, certificate, schedule, financial statement, profit and loss statement or other statement furnished by Seller to Purchaser is not true and correct in any material respect;

(g) A material adverse change shall have occurred in Seller's financial condition, business or operations.

(h) Seller shall have a federal or state tax lien filed against any of its properties, or shall fail to pay any federal or state tax when due, or shall fail to file any federal or state tax form as and when due.

11. **Equitable Relief.** In the event that Seller commits any act or omission which prevents or unreasonably interferes with: (a) Purchaser's exercise of the rights and privileges arising under the power of attorney granted in paragraph 9 of this Agreement; or (b) Purchaser's perfection of or levy upon the security interest granted in the Collateral, including any seizure of any Collateral, such conduct will cause immediate, severe, incalculable and irreparable harm and injury, and shall constitute sufficient grounds to entitle Purchaser to an injunction, writ of possession, or other applicable relief in equity, and to make such application for such relief in any court of competent jurisdiction, without any prior notice to Seller.

12. **Cumulative Rights.** All rights, remedies and powers granted to Purchaser in this Agreement, or in any other instrument or agreement given by Seller to Purchaser, are cumulative and may be exercised singularly or concurrently with such other rights as Purchaser may have. These rights may be exercised from time to time as to all or any part of the Acceptable Accounts purchased hereunder or the Collateral as Purchaser in its discretion may determine. Purchaser may not waive its rights and remedies unless the waiver is in writing and signed by Purchaser. A waiver by Purchaser of a right or remedy under this Agreement on one occasion is not a waiver of the right or remedy on any subsequent occasion.

13. **Notices.** Any notice or communication with respect to this Agreement shall be given in writing, sent by (a) personal delivery, or (b) expedited delivery service with proof of delivery, or (c) United States mail, postage prepaid, registered or certified mail, or (d) prepaid telegram, telex or telecopy, addressed to each party hereto at its address set forth below or to such other address or to the attention of such other person as hereafter shall be designated in writing by the applicable party sent in accordance herewith. Any such notice or communication shall be deemed to have been given either at the time of personal delivery or, in the case of delivery service or mail, as of the date of first attempted delivery at the address and in the manner provided herein, or in the case of telegram, telex or telecopy, upon receipt.

14. **Term.** The term of this Agreement shall be for one (1) month from the September 1, 1993, and from month-to-month thereafter unless terminated in writing by either party on or before sixty (60) days prior to the end of the term.

15. **Complete Agreement.** This Agreement contains the entire agreement between Purchaser and Seller. Any modification hereto shall be signed by both such parties.

16. **Attorney's Fees.** Seller agrees to reimburse Purchaser upon demand for all attorney's fees, court costs and other expenses incurred by Purchaser in enforcing this Agreement and protecting or enforcing its interest in the Acceptable Accounts or the Collateral, in collecting the Acceptable Accounts, or in the representation of Purchaser in connection with any bankruptcy case or insolvency proceeding involving Seller, the Collateral, any Account Debtor, or any Acceptable Account. At the time this Agreement is executed, Seller will reimburse Purchaser for all its attorney's fees and disbursements, Adjustments, and out-of-pocket expenses incurred in connection with the negotiation, preparation and execution of this Agreement.

17. **Reimbursable Expenses ("Adjustments").** Purchaser incurs certain routine expenses in the course of performing its functions with respect to the Acceptable Accounts, a portion of which Purchaser shall be entitled to deduct from the Reserve Account. However, Purchaser shall not be entitled to any deductions for routine expenses not specifically listed in this paragraph. The following is an itemization of the routine deductions to which Purchaser shall be entitled: long-distance telephone charges, postage, credit reports, wire transfers, overnight mail delivery, UCC and tax lien searches and filing fees.

18. **Interest.** If any Obligation is not paid when due, such Obligation shall bear interest at a per annum rate equal to 18 percent until the earlier of (i) payment in full of such Obligation or (ii) entry of a final judgment therefor, at which time the principal amount of any money judgment remaining unsatisfied shall accrue interest at the highest rate allowed by applicable law. Seller and Purchaser intend to contract in strict compliance with applicable usury law from time to time in effect. In furtherance thereof such persons stipulate and agree that none of the terms and provisions contained in this Agreement shall ever be construed to provide for interest in excess of the maximum amount of interest permitted to be charged by applicable law from time to time in effect. Neither Seller nor any present or future guarantors, endorser, or other persons hereafter becoming liable for payment of any Obligation hereunder shall ever be liable for unearned interest thereon or shall ever be required to pay interest thereon in excess of the maximum amount that may be lawfully charged under applicable law from time to time in effect and the provisions of this paragraph shall control over all other.

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19. Severability. Each and every provision, condition, covenant and representation contained in this Agreement is, and shall be construed, to be a separate and independent covenant and agreement. If any term or provision of this Agreement shall to any extent be invalid or unenforceable, the remainder of the Agreement shall not be affected thereby.

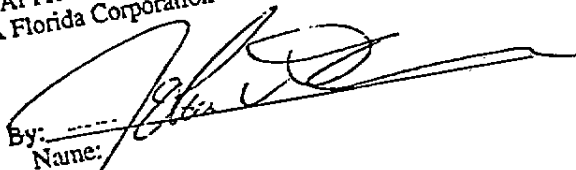
20. GOVERNING LAW: SUBMISSION TO PROCESS. THIS AGREEMENT SHALL BE DEEMED A CONTRACT MADE UNDER THE LAWS OF THE STATE OF FLORIDA AND SHALL BE CONSIDERED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF FLORIDA AND THE LAWS OF THE UNITED STATES OF AMERICA. SELLER HEREBY IRREVOCABLY SUBMITS ITSELF TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS SITTING IN THE STATE OF FLORIDA AND AGREES AND CONSENTS THAT SERVICE OF PROCESS MAY BE MADE UPON IT IN ANY LEGAL PROCEEDING RELATING TO THIS AGREEMENT, THE PURCHASE OF ACCEPTABLE ACCOUNTS OR ANY OTHER RELATIONSHIP BETWEEN PURCHASER AND SELLER BY ANY MEANS ALLOWED UNDER FLORIDA OR FEDERAL LAW. ANY LEGAL PROCEEDING ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT, THE PURCHASE OF ACCEPTABLE ACCOUNTS AND LITIGATED EXCLUSIVELY IN ANY ONE OF THE PURCHASER AND SELLER SHALL BE BROUGHT AND LITIGATED EXCLUSIVELY IN ANY ONE OF THE UNITED STATES DISTRICT COURTS SITTING IN THE STATE OF FLORIDA TO THE EXTENT IT HAS SUBJECT MATTER JURISDICTION, AND OTHERWISE IN ANY COURT OF THE STATE OF FLORIDA HAVING JURISDICTION, THE PARTIES HERETO HEREBY WAIVE AND AGREE NOT TO ASSERT, BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE, THAT ANY SUCH PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM OR THAT THE VENUE THEREOF IS IMPROPER.


21. WAIVER OR JURY TRIAL. PUNITIVE AND CONSEQUENTIAL DAMAGES, ETC. EACH OF SELLER AND PURCHASER HEREBY (A) IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY AT ANY TIME ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY OR ASSOCIATED HERewith; (B) IRREVOCABLY WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY SUCH LITIGATION ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES, OR DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES; (C) CERTIFIES THAT NO PARTY HERETO NOR ANY REPRESENTATIVE OR AGENT OR COUNSEL FOR ANY PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (D) ACKNOWLEDGES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS CONTAINED IN THIS PARAGRAPH.

The undersigned have entered into this Agreement on the date first above written.

CAPITAL INVESTMENT CORP. OF PANAMA CITY
A Florida Corporation

VENTURES HEALTHCARE OF GAINESVILLE, INC.
A Florida Corporation

By: 
Name: _____
Title: _____
Street Address: 227 Harrison Avenue
Panama City, FL 32401

By: 
Name: _____
Title: _____
Street Address: 4400 S.W. 13th Street
Gainesville, FL 32608

GUARANTY

The undersigned jointly and severally hereby personally, absolutely and unconditionally guarantee, the payment and performance of Seller's representations, warranties and covenants under paragraph 4 of this Agreement and agrees to pay to Purchaser upon demand all losses, damages and expenses of Purchaser resulting from and/or incurred in connection with the breach thereof. The undersigned shall be primarily liable for such obligations and Purchaser may invoke the benefits of this guaranty without pursuing any remedies against Seller and without proceedings against any collateral for such obligation. Purchaser shall not be required to join Seller in any action against the undersigned with respect to this guaranty or bring any separate action against Seller.

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SCHEDULE OF ACCOUNTS

DATE: _____ SCHEDULE NUMBER: _____

SELLER: _____

BY: _____
(original signature required)

Total Number of Accounts Sold _____

Total Amount Sold _____

Discount _____

Reserve _____

ACCOUNT DEBTOR

INVOICE NUMBER

INVOICE AMOUNT

INVOICE DATE

This Schedule of Accounts is presented to Capital Investment Corp. of Panama City (CIC) pursuant to a Purchase & Sale Agreement between Seller (named above) and CIC said Purchaser & Sale Agreement being incorporated herein in its entirety.

EXHIBIT B

Ventures Healthcare - CIC**Receivables Assigned to CIC at
Termination of Factoring Agreement**

Following represents amounts due to VHC as of November 30, 1997 based on services provided to each customer thru that date:

<u>Receivable From:</u>	<u>Location</u>	<u>Balance Outstanding</u>
Bridgeway Center, Inc.	Fort Walton Beach, FL	\$ 119,933
Marion-Citrus Mental Health Center	Ocala - Marion County, FL	133,583
Escrow fund balance of \$81,959 also transferred to CIC		<u>81,959</u>
Total due from M-C MHC - Ocala		\$ 215,542
Marion-Citrus Mental Health Center	Inverness - Citrus County, FL	\$ 132,744
Lakeside Alternatives	Orlando, FL	\$ 158,607
Meridian Mental Health Center	Gainesville, FL	<u>Unknown</u>
Total Receivables Assigned		\$ <u>626,826</u>

Note that balance above; net of amounts CIC owed to VHC at 11/30/97, net of VHC obligations that CIC assumed, net of balances written off as bad debt in prior years, is \$289,007.

*Ventures Healthcare, Inc.*Invoice for services provided to
Bridgeway Center, Inc. thru November 30, 1997**Activity for fiscal year end June 30, 1996:**

Fees earned and expenses incurred for fiscal year end June 30, 1996 *	\$ 251,556.75
Less: Payments received during fy '96 **	(186,860.00)
Balance outstanding and due June 30, 1996	<u>\$ 64,696.75</u>

Activity for fiscal year end June 30, 1997:

Less: Payments received during fy '97 for service prior to 6/30/96 **	\$ (64,696.75)
Add: Fees earned and expenses incurred for fiscal year 1997 *	286,903.55
Less: Payments received during fy '97 for service after 6/30/96 (thru 7/16/97) **	(181,791.12)
Add: Payments made by VHC to Bridgeway to assist cash flow (ck # 1588 12/30/96)	14,821.00
Net Activity for fy '97	<u>\$ 55,236.68</u>
Balance outstanding and due from Bridgeway as of 11/30/97 for service from inception of program thru 6/30/97	<u>\$ 119,933.43</u>

* See daily detail attached

**** Receipts from Bridgeway as follows:**

Date	FY '96	Date	FY '97		
<u>Received</u>		<u>Received</u>		<u>For FY '96</u>	<u>For FY '97</u>
Nov-95	\$9,391	01-Aug-96	\$18,824		
Dec-95	\$11,715	13-Sep-96	\$27,156		
Jan-96	\$31,364	30-Sep-97	\$25,254		
Mar-96	\$52,495	22-Oct-96	\$438		
May-96	\$19,078	05-Nov-96	\$19,585		
Jun-96	\$62,817	19-Nov-96	\$125		
	<u>\$186,860</u>	02-Jan-97	\$34,335		
		08-Jan-97	\$18,506		
		05-Feb-97	\$16,540		
		03-Mar-97	\$13,136		
		13-Mar-97	\$2,795		
		31-Mar-97	\$13,024		
		28-May-97	\$11,444		
		10-Jun-97	\$13,677		
		18-Jun-97	\$155		
		24-Jun-97	\$1,765		
		03-Jul-97	\$1,121		
		16-Jul-97	\$11,597		
		06-Aug-97	\$17,010		
			<u>\$246,488</u>	<u>\$64,697</u>	<u>\$181,791</u>

Ventures Healthcare, Inc.

Invoice for services provided to Marion-Citrus MHC Marion County PHP through November 30, 1997

Following is an analysis of fees earned and expenses incurred based on the terms of contract from inception to November 30, 1997:

Fees earned and expenses incurred for fiscal year end June 30, 1995 *	\$ 237,174
Less: Adjustment Indemnity FY'95	(17,596)
Less: Payments received during fy '95 *	(97,931)
Balance outstanding and due June 30, 1995	\$ 121,647
Less: Payments received in fy '96 for 'fy 95 services *	(121,647)
Fees earned and expenses incurred for fiscal year end June 30, 1996 *	247,113
Less: Payments received during FY'96 for services provided in 'fy 96 *	(101,257)
Balance outstanding and due June 30, 1996	\$ 145,856
Less: Payments received in fy '97 for 'fy 96 services **	(145,856)
Fees earned and expenses incurred for fiscal year end June 30, 1997 *	250,119
Less: Payments received during FY'97 for services provided in 'fy 97 **	(65,983)
Balance outstanding and due June 30, 1997	\$ 184,136
Less: Payments received in fy '98 for 'fy 97 services **	(73,433)
Fees earned and expenses incurred for FY '98 thru November 30, 1997 *	104,840
Less: Payments received during FY'98 for services provided in FY'98 **	0
Balance outstanding and due November 30, 1997	\$ 215,542
Less: Balance Held in Escrow at November 30, 1997 (assigned to CIC)	(81,959)
Net Balance due to VHC (net of escrow) at November 30, 1997	\$ 133,583

* See detail attached

** Receipts from Marion Citrus as follows:

15-Jul-97	\$23,639.98		
22-Jul-97	1,455.30		
06-Aug-97	15,527.50		
28-Oct-97	32,810.60		
	<u>0.00</u>	<u>for fy '97</u>	<u>for fy '98</u>
	<u>73,433.38</u>	73,433	0

*Ventures Healthcare, Inc.*Invoice for services provided to Marion-Citrus MHC
Citrus County PHP through November 30, 1997

Following is an analysis of fees earned and expenses incurred based on terms of contract from inception to November 30, 1997 - Inverness:

Fees earned and expenses incurred for fiscal year end June 30, 1997 *	\$ 199,543
Less: Payments received during fy '97 **	(97,296)
Balance outstanding and due June 30, 1997	\$ 102,247
Less: Payments received in FY'98 for service FY'97	(52,198)
Fees earned and expenses incurred for fiscal year end June 30, 1998 *	82,695
Less: Payments received in FY'98 for service FY'98	0
Balance outstanding and due November 30, 1997	<u>\$ 132,744</u>

* See detail attached

** Receipts from Marion-Citrus MHC as follows:

22-Jul-97	\$20,440		
04-Sep-97	19,259		
28-Oct-97	<u>12,499</u>	<u>FY'97</u>	<u>FY'98</u>
	<u>\$52,198</u>	<u>52,198</u>	0

*Ventures Healthcare, Inc.***Invoice for services provided to Lakeside Alternatives
Orlando PHP through November 30, 1997**

Following is an analysis of fees earned and expenses incurred based on
terms of contract from inception to November 30, 1997:

Fees earned and expenses incurred for fiscal year end June	\$ 105,422
Less: Payments received during fy '97	0
Balance outstanding and due June 30, 1997	\$ 105,422
Less: Payments received in FY'98 for FY'97 service	(39,124)
Fees earned and expenses incurred for FY 98	106,031
Less: Payments received in FY'98 for FY'98 service	(13,721)
Balance outstanding and due November 30, 1997	\$ <u>158,607</u>

* See detail attached

** Receipts from Lakeside as follows:
11/18/97 13,721

EXHIBIT C

MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (the "Agreement") effective as of the 15th day of July, 1996 ("Effective Date") and entered into by and between Marion-Citrus Mental Health Centers, Inc. ("MCMHC") and Ventures Healthcare of Gainesville, Inc. ("Ventures").

WITNESSETH:

WHEREAS, Ventures is a Florida corporation that develops, manages, and operates partial psychiatric hospital programs for adult patients;

WHEREAS, MCMHC is a Florida not for profit corporation owning and operating a full service mental health facility located in Ocala, Florida; and

WHEREAS, MCMHC desires to develop, operate and maintain a geriatric partial hospitalization program at its facility ("Program") in Citrus county and MCMHC and Ventures mutually desire to establish a contractual relationship whereby Ventures shall provide, in accordance with the terms and conditions of this Agreement, certain management and administrative services relating to the Program consistent with the purposes and policies of MCMHC and all applicable laws and regulations.

NOW, THEREFORE, in consideration of the promises and agreements contained in this Agreement, and other good and valuable consideration, the receipt and adequacy of which are hereby forever acknowledged and confessed, the parties agree as follows:

AGREEMENT

1. Recitals. Each of the above recitals is true and correct and by reference made a part of and incorporated into this Agreement.

2. Scope of Agreement. This Agreement is limited solely and strictly to MCMHC's engagement of Ventures to provide those specific services set forth in this Agreement. MCMHC, acting through its Board of Directors and officers, shall at all times exercise and retain ultimate authority and control over the assets and operations of the Program, including control over operating and capital expenditure, budgets of the Program and operating policies and procedures relating to the Program, subject to the terms and provisions of this Agreement. Ventures agrees to abide by all program policies and procedures, provided that MCMHC shall not adopt any policies and procedures that materially increase the cost of performing Ventures' obligations hereunder.

3. Ventures' Duties. Please refer to Exhibit "A" of this Agreement for the specific duties set forth.

4. Term of Agreement. Unless terminated earlier pursuant to Section 15 of this Agreement, the term ("Term") of this Agreement shall be for a period of two (2) year commencing as the effective date and ending as of the anniversary of such date.

5. Ventures' Compensation. During the Term of this Agreement in consideration for the Management Services rendered by Ventures pursuant to Section 3 of this Agreement, Ventures shall be compensated in accordance with Schedule 1 to this Agreement. During the Term and any Renewal Term, Ventures' compensation shall be reviewed by the parties every year and, upon mutual agreement of

both parties, adjusted based on considerations including, but not limited to, changes in operational and/or ancillary costs associated with the program, and changes in anticipated revenue notwithstanding MCMHC's reasonable efforts to bill and collect for services rendered to program patients. Compensation due for Management Services will be paid following receipt of payment for patient services by third party payors, limited to the ratio of Ventures' estimated net management fee to MCMHC's estimated annual cost (based on current estimates, receipts will be distributed 50% to MCMHC and 50% to Ventures). In no event will Ventures receive more than management fee earned.

5.1 In the event that any payer that reimburses MCMHC on a cost basis disallows reimbursement of any portion of the Management Fee for any fiscal year (or portion thereof) during which Ventures has or had a program responsibility under this Management Services Agreement, Ventures shall pay MCMHC the disallowed amount of the Management Fee. In the event that "Cost Allowed by Medicare" (defined as total "Cost of Providers Services" per Worksheet D of the Medicare cost report reduced by Ventures Management Fee allowed by Medicare) is less than MCMHC "Expected Cost" (defined as the difference in \$530,000 and the Management Fee charged by Ventures); then Ventures agrees to indemnify MCMHC for 50% of the difference in Cost Allowed by Medicare and Budgeted Cost (See Schedule 2 for example calculation of indemnity). Notwithstanding the foregoing, the amount that Ventures is required to pay MCMHC under the prior sentence shall be reduced by the amount disallowed due to the failure of MCMHC to accept the recommendations of Ventures concerning either the amount of charges for program services or for non-acceptance/discharge of Patients to/from the Program. In addition, the amount Ventures is required to pay shall not exceed the management fee hereunder. If any third party payer notifies MCMHC of its intention to disallow or seek recoupment of any amount claimed or received by MCMHC as reimbursement for administrative and general costs, Ventures shall be promptly notified and entitled to participate in the defense of any such attempt to disallow or recoup such reimbursement.

5.2 In order to assure MCMHC of Ventures' ability to repay any disallowed amounts, Ventures shall deposit a portion of its fee into an interest bearing escrow account to be held/controlled by MCMHC until Final Notice of Program Reimbursement (NPR) is completed by the Medicare intermediary. The escrow fund (including interest) plus any discounts withheld by Medicare shall not exceed 25% of Ventures' Management Fee. See Schedule 3 for an example of the calculation of sharing of receipts and funding of escrow.

6. Billing and Collection. Ventures will provide all billing and collection services for patients of the Program in accordance with its billing practices and procedures.

7. Patient Charges. Fees and charges for MCMHC's services to patients shall be established by MCMHC after considering the recommendations of Ventures, which recommendations shall take into account customary and similar charges of similar health care providers.

8. Standard of Care. In the performance of its services, Ventures shall exercise the same standard and degree of care as is normal, customary and reasonable for providers of these services generally. In this regard, Ventures will not knowingly cause MCMHC to violate any statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction over the premises respecting the Program, or other requirements of the local Board of Fire Underwriters or any agency which may hereafter exercise similar functions.

8.1 Ventures shall have no liability to MCMHC for any decisions made with respect to or any actions taken in connection herewith so long as such decisions or actions were made or taken in good faith and in accordance with the standards of care described in this Section. Ventures shall be liable for and hold MCMHC harmless from any liability for any decision made based on the advice or recommendation of Ventures which decision violates any statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction over the program.

8.2 This Agreement and all rights, duties, and responsibilities of each and every party hereto are subject to applicable federal, state, and local laws, rules, regulations, and guidelines with which parties all agree to comply.

9. Medical Staff Privileges. All physicians who are members of Ventures' medical staff shall become members of MCMHC's medical staff and shall be subject to MCMHC's credentials policy. Such physicians shall be and remain accredited and certified by all appropriate governmental and medical associations and agencies. Ventures shall make available to MCMHC proof of insurance for the Medical Directors of the Program.

10. Independent Contractor Status. It is expressly acknowledged by the parties that Ventures, its employees, and its staff are independent contractors and nothing herein shall be deemed or construed to create an agency, employee-employer, or partnership or joint venture relationship with MCMHC.

11. Use of Premises. Ventures' employees and staff shall be permitted access to common areas, lounges, restrooms, and other common facilities of MCMHC's entire premises. Ventures' employees and staff shall have equal use of MCMHC's parking facilities.

12. Access to Records. To the extent permissible by law, Ventures and MCMHC shall have equal access to all patient records, charts and business records relating to all patients served by Ventures. All patient records, charts and business records shall be kept in strict confidence and shall not be released or otherwise disclosed to any third party without the express written consent of the patient. In the event the Secretary of the Department of Health and Human Services and/or the United States comptroller General, or their duly authorized representatives are entitled to access to any directly pertinent books, documents, papers, and records of Ventures involving this Agreement, Ventures agrees to make the same available for inspection in accordance with the terms and requirements of applicable law.

13. Confidentiality. MCMHC, its agents, officers, employees and affiliates, shall not use or disclose to others during the term of this Agreement or any time following its termination, except as expressly consented to in writing by Ventures or as required by law, any secrets or confidential medical, personal, personnel, technological, or proprietary information, patient information, or trade secrets of Ventures obtained by MCMHC through association with Ventures. At all times, both parties agree to maintain patient confidentiality consistent with applicable state and federal laws. MCMHC further agrees that upon termination of this Agreement, it shall neither take nor retain, without prior written authorization from Ventures, any policies, protocols, or procedures of any kind that were furnished to MCMHC by Ventures. Without limiting other possible remedies to Ventures for the breach of this covenant, MCMHC agrees that an injunction or other equitable relief shall be available to enforce this covenant.

14. Indemnification. MCMHC shall not be responsible or liable for any damages resulting from acts or omissions of any personnel employed by Ventures under any theory of imputed negligence or otherwise, and Ventures shall indemnify MCMHC, its trustees, officers, agents and employees for, defend them against and hold them harmless from any and all claims relating to acts or omissions of personnel employed by Ventures, and from all costs, attorney fees, expenses and liabilities incurred by them in connection with such claims, and in the defense of any action or proceeding brought thereon provided, however, that Ventures shall not be responsible or liable for any acts or omissions of such personnel performed or not performed at the specific direction of MCMHC, and MCMHC shall indemnify Ventures, its directors, officers, agents and employees, defend them against and hold them harmless from any costs, expenses or liabilities arising therefrom to the same extent as stated above. Ventures shall not be liable for any acts or omissions of any personnel employed by MCMHC, and MCMHC shall indemnify Ventures, its directors, officers, agents and employees for, defend them against and hold them harmless from any and all claims relating to acts or omissions of personnel

employed by MCMHC and from all costs, attorney fees, expenses and liabilities incurred by Manager in connection therewith or in the defense of any action or proceeding brought thereon provided, however, that MCMHC shall not be responsible or liable for any acts or omissions of such personnel performed or not performed at the specific direction of Ventures, and Ventures shall indemnify MCMHC, its directors, officers, agents and employees, and defend them against and hold them harmless from any costs, expenses or liabilities arising here from to the same extent as stated above. The indemnification rights under this Agreement shall be in addition to any rights or remedies that may be available to the parties under general legal or equitable principles in the absence of an express agreement, and this Agreement shall not be construed to limit any such rights or remedies.

14.1 At any time during the term, either party, upon thirty (30) day's prior written notice to the other party, shall be provided with that party's Certificates of Insurance evidencing insurance coverage applicable to the Program. Certificates of Insurance will be supplied evidencing insurance for public liability, including professional liability, premises and personal injury, with limits not less than \$1,000,000 occurrence, occurrence or claims made basis. Ventures will supply MCMHC with aggregate limit not less than \$3,000,000. Except that, if the policy carries a location/operations aggregate, then the aggregate limit may be equal to the per occurrence limit, all in companies approved by the certificate holder and providing that not less than sixty (60) days cancellation or non-renewal notice will be given the certificate holder.

15. Termination. This Agreement may be terminated prior to the expiration of the Term or any Renewal Term of this Agreement as set forth in Section 4 as follows:

(a) Material Breach. This Agreement may be terminated upon the occurrence of a material breach of this Agreement. Except in the case of a breach that may result in any harm or injury to the health and safety of patients of the Program in which case this Agreement shall immediately and automatically terminate, in the event of a breach hereunder, the breaching party shall have fifteen (15) days following written notice to cure such default ("Cure Period"). If such default is not cured within the Cure Period, this Agreement shall terminate upon the expiration of the Cure Period.

(b) Change in Law. The parties have entered into this Agreement after good faith, arm's length negotiations. This Agreement is intended to comply with existing state and federal law. However, the parties acknowledge that the existing law and regulations may change and that the courts or state or federal agencies with appropriate jurisdiction may change their interpretation of existing law. Upon the enactment or amendment of any state or federal law or regulation, or upon the issuance of any judicial or interpretive ruling of any existing state or federal law or regulation, that prohibits the continuation of this Agreement, or otherwise dictates a significant change in the compensation arrangement as set forth herein, the parties shall use their best efforts during a thirty (30) day period thereafter to mutually agree to such amendments to the Agreement as to permit its valid, legal and financially viable continuation. If after such thirty (30) day period, the parties are unable to agree to amend the Agreement, this Agreement shall automatically terminate.

(c) Financial Viability of Program. At any time subsequent to three (3) months after the Effective date, either party may terminate this Agreement upon its reasonable and good faith determination that continued operation of the Program is not financially viable. For purposes of this provision, the Program shall be considered not to be financially viable if one or both parties would suffer significant financial hardship should the Agreement remain in effect.

16. Effect of Termination. In the event of a termination of this Agreement, neither party shall have any further obligations under this Agreement from and after the effective date of termination, other than payments or benefits accrued and due and payable to Ventures prior to the

effective date of termination, provided, however, the obligations between MCMHC and Ventures under Item 5, Compensation, Item 12, Access to Records, Item 13, Confidentiality, Item 14, Indemnification, shall continue.

17. Governing Law. This Agreement shall be interpreted, construed, and enforced pursuant to and in accordance with the laws of the State of Florida, and Marion County, Florida shall be the sole and exclusive venue for any litigation, or other proceeding between the parties in connection with, or by reason of this Agreement.

18. Assignment. This Agreement may be assigned by either party, in whole or in part, to any affiliate, successor, subsidiary or other entity, including but not limited to, any entity in which either party becomes a joint venture partner, upon the prior written approval of the other party.

19. Notices. Any notice, demand, or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered, delivered via overnight courier, or mailed by prepaid certified mail, return receipt requested, addressed as follows:

As to MCMHC:

Russell Rasco, Executive Director
Marion-Citrus Mental Health Centers
P.O. Box 1330
Ocala, Florida 34478

As to Ventures:

William A. Parsons, Jr., Ph.D.
President
Ventures Healthcare of Gainesville,
Inc.

or to such other address, and to the attention of such other person or officer as either party may designate by written notice.

20. Amendments and Agreement Execution. This Agreement and any amendments shall be in writing and may be executed in multiple copies. Each multiple copy shall be deemed an original, but all multiple copies together shall constitute one and the same instrument.

21. Entire Agreement. With respect to each party's obligations relating to the Program, this Agreement supersedes all previous contracts and constitutes the entire agreement between the parties. No oral statements or prior written material not specifically incorporated in this Agreement shall be of any force and effect, and no changes in or additions to this Agreement shall be recognized without the specific written consent of MCMHC and Ventures.

22. Construction. Whenever the context of this Agreement requires, the gender of all words shall include the masculine, feminine, and neuter, and the number of all words shall include the singular and the plural. This Agreement shall be construed without regard to any presumption or other rule requiring

construction against the party causing this Agreement to be drafted. The headings contained in this Agreement are for reference purposes only and shall not affect in any manner or way the meaning or interpretation of this Agreement.

23. Litigation Costs. In the event of any litigation, including any appeals, with regard to this Agreement, the prevailing party shall be entitled to receive from the other party and the other party shall pay all reasonable fees, costs and expenses of counsel for the prevailing party.

24. Time of Essence. Time shall be of the essence with respect to this Agreement.

25. Authority/Execution. Each signatory to this Agreement represents and warrants that he possesses all necessary capacity and authority to act for, sign, and bind the respective entity or person on whose behalf he is signing.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement to be executed in multiple originals to be effective as of the day and year first above written:

Marion-Citrus Mental Health Centers, Inc.

By: Russell Rasco
Russell Rasco, Executive Director

Ventures Healthcare of Gainesville, Inc.

By: William A. Parsons, Jr.
William A. Parsons, Jr., Ph.D.

EXHIBIT "A"

Ventures' Duties. Subject to the foregoing, MCMHC hereby delegates to Ventures the authority to supervise the day-to-day operations of the Program and to perform the specific duties set forth herein. Ventures shall provide to MCMHC a competent person, who shall be an employee of Ventures to serve as Administrative Director of the Program. The Administrative Director shall :

(1) Supervise and manage the operations of the Program and its personnel subject to Section 2 hereof and be accountable to the MCMHC Board of Directors.

(2) Communicate with the Officers and the Board of MCMHC appropriately to keep them informed of the affairs of the Program.

(3) Review and analyze existing systems and procedures of the Program and recommend changes where and when appropriate in the following areas:

- (i) Financial policies and procedures;
- (ii) Operating policies and procedures;
- (iii) Personnel policies and procedures;
- (iv) Medical staff structure.

(4) Be responsible for supervising personnel administration, staff recruitment, and manpower development. In this capacity, the Administrative Director shall hire qualified and competent personnel on behalf of MCMHC. All such employees shall be employees of MCMHC, but the Administrative Director shall act as agent for MCMHC with respect to the hiring, supervision, and termination of MCMHC employees.

(5) Be responsible for supervising the development of a long-range plan for the Program.

(6) Supervise the procurement by MCMHC of all services and supplies reasonably necessary to the proper operation of the Program.

(7) With the approval of MCMHC, direct the incurrence of capital expenditures and obligations of the Program.

(8) Supervise the maintenance of proper books, records and accounts with respect to the Program and its operations in such form as may reasonably be required by MCMHC.

(9) Supervise the preparation of and submit to the Board of Directors of MCMHC appropriate financial statements, including an annual balance sheet and income and expense statement which shall be prepared in accordance with generally accepted accounting principles.

(10) Supervise the preparation of and submit to the Board of Directors of MCMHC a proposed annual operating budget for MCMHC.

(11) A. Develop procedures for the billing and collection of the patient co-pay that comply with the parameters laid down by Medicare Part A. Furnish the manpower to carry out these processes.

B. Through, Drs. Billing Service, Ventures will provide the billing service for the physician employed by Marion-Citrus Mental Health Centers.

(12) Be responsible for setting up the Program, determining the required medical management personnel and administrative staff support.

(13) Establish medical management practices, medical oversight procedures and develop staff medical consultation methods.

(14) Supervise the services of the Medical Director for general oversight.

(15) Be responsible for facility planning, acquisition and management.

(16) Recruit psychiatrists to provide sufficient medical/psychiatric support for program. All direct physician services to patients shall be billed separately by the physician to the patient.

(17) Assure that individual treatment plans are appropriately developed.

(18) Constantly review and note approval and/or needed modification of group therapy methods.

(19) Provide security and oversight of the on site pharmacy.

(20) Assure that patients are given medication as prescribed by their physician.

(21) Maintain necessary nursing consultation and oversight.

(22) Provide technical assistance to the clinical staff.

(23) Provide and insure appropriate staff continuing education.

(24) Assure proper Medical plan documentation.

(25) When appropriate arrange for provision of a second opinion on treatment consultations.

(26) Insure program Quality is maintained and work for continuous improvement.

(27) Arrange for the provision of follow up evaluations and consultation services for discharged patients.

(28) Devise post discharge patient satisfaction surveys and appropriate feedback to the program as needed for changes and improvements.

(29) Assist in the preparation of the Cost Report analysis.

(30) Maintain necessary coordination with Medical Review Services like Blue Cross Blue Shield for Medicare and others.

(31) Maintain necessary liaison with fiscal intermediary (BCBS) for Medicare.

(32) Provide coordination between or liaison with the Program and other aging agencies.

(33) Provide training to MCMHC employees regarding admission criteria, covered services, goals and objectives.

(34) Participate in Partial Hospitalization Industry development projects in medical analysis, training, group therapy methods, and family interaction therapy.

(35) Maintain a Networking program with the new partial hospitalization programs throughout the Southeast.

(36) Provide assistance to other health care providers who deal with the medical and social health care of geriatric patients.

(37) Geriatric Mental Health Care Needs - Educate the local Government and community medical and social health care providers and educators through seminars and select expert speakers.

JAN-12-98 MON 10:37

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PAGE 81

Schedule 1

Marion-Citrus MHC
Partial Psychiatric Care Center
Rate Schedule
Inverness

<u>Average Daily Census</u>	<u>Base Fee</u>	<u>Added Service Cost</u>	<u>Total Management Fee</u>
Less than 7	\$14,800	\$1,739	\$16,539
7	14,800	\$2,029	\$16,829
8	14,800	\$2,318	\$17,118
9	14,800	\$2,608	\$17,408
10	14,800	\$2,898	\$17,698
11	14,800	\$3,188	\$17,988
12	14,800	\$3,478	\$18,278
13	14,800	\$3,767	\$18,567
14	14,800	\$4,057	\$18,857
15	14,800	\$4,347	\$19,147
16	14,800	\$4,637	\$19,437
17	14,800	\$4,927	\$19,727
18	14,800	\$5,216	\$20,016
19	14,800	\$5,506	\$20,306

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EXHIBIT "B"
PHYSICIAN RESPONSIBILITIES

Ventures will supervise the provision of medical oversight by the MCMHC medical director of the Partial Hospitalization Program. Specific responsibilities of the physician include:

- Development of the treatment protocols
- Admission certification on patients in the program
- Establishing the discharge criteria and monitoring of the discharges in the program
- Develop the treatment philosophy of the program and ensure that treatments provided in the program adhere to that philosophy
- Assure clinical integrity of treatment program
- Act as Leader for the weekly multi-disciplinary treatment team
- Supervise adherence to admission criteria for all patients
- Advise Ventures Directors or Marion Citrus Mental Health Centers Directors of problems or issues affecting the provision of psychiatric services to patients in the program.
- Participate in Quality Assurance Program

The medical director shall guide and supervise the clinical aspects of the program under the contract with Ventures Healthcare. Separate from the administrative duties, the medical director shall be responsible for billing his or her own patients for direct care services.

Schedule 2

Marion-Citrus MHC/Ventures Health Care**Partial Psychiatric Care Center****Budget for Fiscal Year Ended June 30, 1997****Computation of Indemnity****Inverness**

1 Total Cost Budgeted	424,000
2 Less: Management Fee Charged	(198,468)
3 Net Cost Budgeted	<u>225,532</u>
4	
5 Actual Cost Allowed by Medicare "Cost of Providers Services"	352,000
6 Less: Management Fee Allowed	(198,468)
7 Net Cost Allowed by Medicare	<u>153,532</u>
8	
9 Cost Subject to indemnity	72,000
10 Sharing ratio on indemnity	<u>50.00%</u>
11 VHC will indemnify MCMHC	<u>36,000</u>
12	
13 Management Fee Charged	198,468
14 Management Fee Disallowed (pay to MCMHC)	0
15 Management Fee Allowed	198,468
16 Less: Indemnity for share of cost disallowed (pay to MCMHC)	(36,000)
17 Net Management Fee	<u>162,468</u>
18 Monthly Net Management Fee	<u>13,539</u>
19	
20	
21	
22	

Schedule 3

Marion-Citrus MHC/Ventures Health Care

Partial Psychiatric Care Center

Budget for Fiscal Year Ended June 30, 1997

Allocation of Receipts & Funding Escrow
Inverness

7 Interim Monthly Payments:			
8	Avg.	Days in	
9	Census	Month	
10 Monthly Billing	7	21	82,888
11 Medicare Interim Rate Discount (based on cost to charge Ratio)	\$563		<u>124,808</u> -30.00%
12 Net Initial Medicare			57,881
13 Medicare Discount for Copay & Deductible *			<u>118,538</u> -20.00%
14 Net Interim Payment - Monthly			<u>41,344</u> 50.00%
15			
16 Sum of Annual & Cost Report:			
17 Total of Monthly Billings			992,250
18			
19 Total Cost Allowed on Cost Report (excluding Bad Debt)			424,000
20 Bad Debts (assume 15% of Copay collected)			<u>168,683</u>
21 Total Medicare Should Pay			592,683
22 Total Medicare Previously Paid			<u>498,125</u>
23 Medicare still owes for Lump Sum			96,558
24 Discount By Medicare Pending NPR audit			<u>18,858</u> 10.00%
25 Net Lump Sum Medicare will pay			<u>86,902</u>
26 Total Medicare Pay (Interim & Lump Sum)			583,027
27 Total CoPay collected from Patients (15%)			<u>29,768</u>
28 Total Collected Prior to NPR all sources			<u>812,794</u>
29			
30			
31 Interim Billings-	Monthly	Annual	
32 Portion Allocated to MCMHC	41,344	498,125	
33 Portion allocated to Ventures	20,672	248,063	50%
34	20,672	248,063	50%
35 Calculation of POSSIBLE Escrow:			
36 Management Fee Due	18,828	201,948	
37 Maximum Escrow at 25%	<u>(4,207)</u>	<u>(50,487)</u>	
38 Management Fee "entitled to"	12,622	151,461	75%
39 Management Fee Received	<u>20,672</u>	<u>248,063</u>	123%
40 Contribution to escrow fund **	8,050	96,602	
41 Allocation of Lump Sum -			
42 Portion of Lump Sum Allocated to MCMHC		43,451	50%
43 Portion of Lump Sum Allocated to Ventures		43,451	50%
44			
45 Calculation of POSSIBLE Escrow:			
46 Management Fee Due		201,948	
47 Maximum Escrow at 25%		<u>(50,487)</u>	
48 Management Fee "entitled to"		<u>151,461</u>	75%
49			
50 Management Fee Received Interim		248,063	
51 Less: Escrow on Interim Receipts		<u>(96,602)</u>	
52 Management Fee Received from Patients		14,884	
53 Management Fee Received in Lump Sum		<u>43,451</u>	
54 Total Management Fee Received		208,798	
55 Additional Contribution to Escrow Fund **		<u>(58,335)</u>	
56 Net Management Fee Received By Ventures -Before NPR audit		<u>151,461</u>	75%
57			

58 * To be recovered from Patients or from Bad Debt turned in as additional allowed cost.

59 ** Contributes into escrow fund - to be released upon final NPR audit determination.

60

61

62

63

64

65

MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (the "Agreement") effective as of the 1st day of November 1996 ("Effective Date") and entered into by and between Lakeside Alternatives (Lakeside) and Ventures Healthcare of Gainesville, Inc. ("Ventures").

WITNESSETH:

WHEREAS, Ventures is a Florida corporation that develops, manages, and operates partial psychiatric hospital programs for adult patients;

WHEREAS, Lakeside is a Florida not for profit corporation owning and operating a full service mental health facility located in Orlando, Florida; and

WHEREAS, Lakeside desires to develop, operate and maintain an adult partial hospitalization program ("Program") and Lakeside and Ventures mutually desire to establish a contractual relationship whereby Ventures shall provide, in accordance with the terms and conditions of this Agreement, certain management and administrative services relating to the Program consistent with the purposes and policies of Lakeside and all applicable laws and regulations.

NOW, THEREFORE, in consideration of the promises and agreements contained in this Agreement, and other good and valuable consideration, the receipt and adequacy of which are hereby forever acknowledged and confessed, the parties agree as follows:

AGREEMENT

1. Retention of Authority by Lakeside: Representations and Warranties.

(a) Control Retained by Lakeside. Throughout the Term of this Agreement, Lakeside through its Board of Directors (the "Board"), shall retain all authority and shall exercise control over the business, policies, operation, and assets of the Mental Health Service (the "Service"), in accordance with its Charter and By Laws. Ventures shall perform the services described in this Agreement in accordance with such of the policies and directives of Lakeside as may be from time to time provided to it. Ventures shall not be held responsible for any such policies or directives of which it has not been advised. By entering into this Agreement, Lakeside does not delegate to Ventures any of the powers, duties, and responsibilities vested in the Board by law or by its Charter or By Laws.

(b) Ventures Reliance on Board Policies. The Board shall communicate all policies and directives to Ventures and Ventures shall rely on and assume the validity of communications from, and shall report to, the Board, the Chairman of the Board, or a designee of the Board. All matters requiring professional medical judgments shall remain the responsibility of the Lakeside's Board, Medical Staff and allied health professionals. Ventures shall have no responsibility for such judgments.

The relationship between Ventures and Lakeside created by this Agreement is one of principal and agent. Lakeside and Ventures are not partners, joint venturers, or independent

contractors, and it is agreed that Ventures is acting solely as the agent of Lakeside in performing services to be provided by Ventures hereunder.

2. VENTURES' Duties. Please refer to Exhibit "A" of this Agreement for the specific duties set forth.

3. Term of Agreement. Unless terminated earlier pursuant to Section 16 of this Agreement, the term ("Term") of this Agreement shall be for a period of two (2) years, commencing as of the date operation of the program begins (Effective Date). Thereafter, this Agreement shall automatically renew for additional two (2) year periods ("Renewal Term"), unless written notice of the intent to terminate is sent by either party to the other at least sixty (60) days prior to the applicable anniversary of the Effective Date.

4. VENTURES' Compensation. During the Term of this Agreement in consideration for the Management Services rendered by Ventures pursuant to Section 2 of this Agreement, and as reimbursement for expenses paid by Ventures on behalf of Lakeside, Ventures shall be compensated in accordance with Schedule 1 to this Agreement. During the Term and any Renewal Term, Ventures' compensation shall be reviewed by the parties on the first anniversary after operations have begun and, upon mutual agreement of both parties, adjusted based on considerations including, but not limited to, changes in operational and/or ancillary costs associated with the program, and changes in anticipated revenue. Recognizing the cash flow difficulties for both parties the payment for Management Services and associated expenses will be paid immediately following receipt of payment for patient services by third party payers. This delayed payment will be distributed 57% to Lakeside and 43% to Ventures. Once Ventures' fees have been paid, Lakeside shall retain 100% of the remainder.

4.1. VENTURES' Warranty. Ventures recognizes that Lakeside is relying on Ventures experience and expertise. Lakeside is specifically relying on Ventures for adequate staff training and implementation of reasonable oversight controls to ensure that all patients treated in the program meet clearly defined admission criteria and that the treatment provided is appropriate for each patient. Ventures warrants that in the event that patient claims are disallowed due to inappropriate admission, or charges for inappropriate services, Ventures will make "best efforts" to remedy the disallowance and appeal the denials. If all reasonable efforts prove unsuccessful, Ventures agrees to reduce its' fee by an amount equal to 43% of Lakesides' costs applicable to these denied claims.

5. Patient Charges. Fees and charges for Lakeside's services to patients shall be established by Lakeside after considering the recommendations of Ventures, which recommendations shall take into account customary and similar charges of similar health care providers.

6. Standard of Care. In the performance of its services, Ventures shall exercise the same standard and degree of care as is normal, customary and reasonable for providers of these services generally. In this regard, Ventures will not knowingly cause Lakeside to violate any statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction over the premises of the Program, or other requirements of the local Board of Fire Underwriters or any agency which may hereafter exercise similar functions.

Ventures shall have no liability to Lakeside for any decisions made with respect to or any actions taken in connection herewith so long as such decisions or actions were made or taken in good faith and in accordance with the standards of care described in this Section.

This Agreement and all rights, duties, and responsibilities of each and every party hereto are subject to applicable federal, state, and local laws, rules, regulations, and guidelines with which parties all agree to comply.

7. Medical Staff Privileges. All physicians who are members of Ventures' Medical staff shall become members of Lakeside's medical staff and shall be subject to Lakeside's credentials policy. Such Physicians shall be and remain accredited and certified by all appropriate governmental and medical associations and agencies and carry insurance in the amount of \$1,000,000 per incident and \$3,000,000 per aggregate.

8. Covenant Not to Hire: Lakeside will not permit any of its Affiliates to employ, or offer to employ, any Ventures Personnel until one year following the termination or expiration of the Term of this Agreement (and any extension period) unless (i) such Personnel were employees of Lakeside immediately prior to their becoming Ventures Personnel or (ii) Ventures gives its prior written consent thereto. Likewise, Ventures will not permit any of its affiliates to employ, or offer to employ, any Lakeside personnel until one year following the termination or expiration of the Term of this Agreement unless the Lakeside gives its written consent thereto. The parties recognize and agree that monetary damages are not an adequate remedy for a breach by a party of this covenant not to hire employees of the other party. The parties agree that irreparable damage will result to a party and its business from a breach of this covenant by the other party and that in the event of a breach or a threatened breach of this covenant, in addition to monetary damages, the injured party shall be entitled to an injunction enjoining the other party from violating this covenant.

9. Use of Premises. Ventures' employees and staff shall be permitted access to common areas, lounges, restrooms, and other common facilities of Lakeside's entire premises. Ventures employees and staff shall have equal use of Lakeside's parking facilities.

10. Access to Records. To the extent permissible by law, Ventures and Lakeside shall have equal access to all patient records, charts and business records relating to all patients served by Ventures. All patient records, charts and business records shall be kept in strict confidence and shall not be released or otherwise disclosed to any third party without the express written consent of the patient. In the event the Secretary of the Department of Health and Human Services and/or the United States comptroller General, or their duly authorized representatives are entitled to access to any directly pertinent books, documents, papers, and records of Ventures involving this Agreement, Ventures agrees to make the same available for inspection in accordance with the terms and requirements of applicable law.

11. Confidentiality. Lakeside, its agents, officers, employees and affiliates, shall not use or disclose to others during the term of this Agreement or any time following its termination, except as expressly consented to in writing by Ventures or as required by law, any secrets or confidential medical, personal, personnel, technological, or proprietary information, patent information, or trade secrets of Ventures obtained by Lakeside through association with Ventures. Lakeside further agrees that upon termination of this Agreement, it shall neither take nor retain, without prior written authorization from Ventures, any policies, protocols, or procedures of any kind that were furnished to Lakeside by Ventures. Without limiting other possible remedies to Ventures for the breach of this covenant, Lakeside agrees that an injunction or other equitable relief shall be available to enforce this covenant, and such relief to be without the necessity of posting a bond, cash or otherwise.

12. Indemnification. Ventures and Lakeside agree to indemnify and hold the other harmless from and against any liability, laws, damage, causes of action, costs and expenses, including reasonable attorneys' fees arising out of or in any way connected to any negligent or intentional act or omission or any other wrongful conduct by the other party, its agents, servants or employees in the performance of any obligations under this Agreement.

12.1 Evidence of Insurance. At any time during the term, either party, upon thirty (30) day's prior written notice to the other party, shall be provided with that party's Certificates of Insurance evidencing insurance coverage applicable to the Program. Certificates of Insurance will be supplied evidencing insurance for public liability, including professional liability, premises and personal injury, with limits not less than \$1,000,000 occurrence, occurrence or claims made basis. Ventures will supply Lakeside with aggregate limit not less than \$3,000,000. Except that, if the policy carries a location/operations aggregate, then the aggregate limit may be equal to the per occurrence limit, all in companies approved by the certificate holder and providing that not less than sixty (60) days cancellation or non-renewal notice will be given the certificate holder. Ventures also agrees to name Lakeside as co-insured on its policy and Lakeside agrees to name Ventures as co-insured on its policy.

13. Termination. This Agreement may be terminated prior to the expiration of the Term or any Renewal Term of this Agreement as set forth in Section 4 as follows:

(a) Material Breach. This Agreement may be terminated upon the occurrence of a material breach of this Agreement. Except in the case of a breach that may result in any harm or injury to the health and safety of patients of the Program in which case this Agreement shall immediately and automatically terminate, in the event of a breach hereunder, the breaching party shall have thirty (30) days following written notice to cure such default ("Cure Period"). If such default is not cured within the Cure Period, this Agreement shall terminate upon the expiration of the Cure Period.

(b) Change in Law. The parties have entered into this Agreement after good faith, arm's length negotiations. This Agreement is intended to comply with existing state and federal law. However, the parties acknowledge that the existing law and regulations may change and that the courts or state or federal agencies with appropriate jurisdiction may change their interpretation of existing law. Upon the enactment or amendment of any state or federal law or regulation, or upon the issuance of any judicial or interpretive ruling of any existing state or federal law or regulation, that prohibits the continuation of this Agreement, or otherwise dictates a significant change in the compensation arrangement as set forth herein, the parties shall use their best efforts during a thirty (30) day period thereafter to mutually agree to such amendments to the Agreement as to permit its valid, legal and financially viable continuation. If after such thirty (30) day period, the parties are unable to agree to amend the Agreement, this Agreement shall automatically terminated.

(c) "This agreement will be terminated if Lakeside, or Ventures, ceases to operate the program. Both Ventures and Lakeside intend to continue the operation of the program as long as the program is providing appropriate, effective clinical services, is cost efficient and economically viable. In determining the appropriateness, effectiveness and cost efficiency of the program, Lakeside will utilize the same measures used to evaluate other programs including but not limited to the following: appropriateness of client admissions and length of stays, quality of treatment and treatment records, customer satisfaction and outcome measures, per diem and episode costs and program revenues. The parties shall use their best

efforts during a thirty (30) day period thereafter to mutually agree to such amendments to the Agreement as to permit its valid, legal and financially viable continuation. If after such thirty (30) day period, the parties are unable to agree to amend the Agreement, this Agreement shall automatically terminate.

(d) Ventures and Lakeside are both relying on an assertion from and independent consultant, that Lakeside has a valid Medicare filing number which may be actuated immediately. Because re-application for a new Medicare number may cause significant additional delays in cash flow; either party may terminate this agreement if it is determined that the existing Medicare number is not valid.

14. Effect of Termination. In the event of a termination of this Agreement, neither party shall have any further obligations under this Agreement from and after the effective date of termination, other than payments or benefits accrued and due and payable to Ventures prior to the effective date of termination.

15. Governing Law. This Agreement shall be interpreted, construed, and enforced pursuant to and in accordance with the laws of the State of Florida, and Orange County, Florida shall be the sole and exclusive venue for any litigation, or other proceeding between the parties in connection with, or by reason of, this Agreement.

16. Assignment. This Agreement may be assigned by either party, in whole or in part, to any affiliate, successor, subsidiary or other entity, including but not limited to, any entity in which either, party becomes a joint venture partner, upon the prior written approval of the other party, which approval shall not be unreasonably withheld.

17. Notices. Any notice, demand, or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered, delivered via overnight courier, or mailed by prepaid certified mail, return receipt requested, addressed as follows:

As to Lakeside:

Daune Zimmerman
Lakeside Alternatives, Inc.
807 Morse Blvd.
Winter Park, FL 32789

As to Ventures:

William A. Parsons, Jr., President
Ventures Healthcare of Gainesville, Inc.
227 Harrison Avenue
Panama City, Florida 32405

or to such other address, and to the attention of such other person or officer as either party may designate by written notice.

18. Amendments and Agreement Execution. This Agreement and any amendments shall be in writing and may be executed in multiple copies. Each multiple copy shall be deemed an original, but all multiple copies together shall constitute one and the same instrument.

19. Entire Agreement. With respect to each party's obligations relating to the Program, this Agreement supersedes all previous contracts and constitutes the entire agreement between the parties. No oral statements or prior written material not specifically incorporated in this Agreement shall be of any force and effect, and no changes in or additions to this Agreement shall be recognized without the specific written consent of Lakeside and Ventures.

20. Construction. Whenever the context of this Agreement requires, the gender of all words shall include the masculine, feminine, and neuter, and the number of all words shall include the singular and the plural. This Agreement shall be construed without regard to any presumption or other rule requiring construction against the party causing this Agreement to be drafted. The headings contained in this Agreement are for reference purposes only and shall not affect in any manner or way the meaning or interpretation of this Agreement.

21. Litigation; Costs. In the event of any litigation, including any appeals, with regard to this Agreement, the prevailing party shall be entitled to receive from the other party and the other party shall pay all reasonable fees, costs and expenses of counsel for the prevailing party.

22. Time of Essence. Time shall be of the essence with respect to this Agreement.

23. Authority/Execution. Each signatory to this Agreement represents and warrants that he possesses all necessary capacity and authority to act for, sign, and bind the respective entity or person on whose behalf he is signing.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement to be executed in multiple originals to be effective as of the day and year first above written:

Lakeside Alternatives

By: Julie Wolf

Julie Wolf Board Chair
Print Name & Title

Ventures Healthcare of Gainesville, Inc.

By: William A. Passare, Jr.

William A. Passare, Jr. President
Print Name & Title

11/14/96

EXHIBIT "A"

VENTURES' Duties.

Subject to the foregoing, LAKESIDE hereby delegates to VENTURES the authority to manage the day-to-day operations of the Program and to perform the specific duties set forth herein. VENTURES shall provide to LAKESIDE a competent person, who shall be an employee of VENTURES to serve as Administrative Director of the Program. A job description for the Administrative Director is included as EXHIBIT "B". Through either the efforts of the Ventures Home Office staff (resumes are included as EXHIBIT "D") or the Program Administrator, Ventures shall:

- (1) Communicate with the President or his designee and other appropriate LAKESIDE staff to keep them informed of the affairs of the Program.
- (2) Review and analyze existing systems and procedures of the Program and recommend changes where and when appropriate in the following areas:
 - (i) Financial policies and procedures;
 - (ii) Operating policies and procedures;
 - (iii) Personnel policies and procedures;
 - (iv) Medical staff structure.
- (3) Advise in the hiring of qualified and competent personnel on behalf of LAKESIDE. All such employees shall be employees of LAKESIDE, but the Administrative Director shall act as advisor for LAKESIDE with respect to the hiring, supervision, and termination of LAKESIDE employees.
- (4) Be responsible for supervising the development of a long-range plan for the Program.
- (5) Supervise the procurement by LAKESIDE of all services and supplies reasonably necessary to the proper operation of the Program.
- (6) Assist in the maintenance of proper books, records and accounts with respect to the Program and its operations in such form as may reasonably be required by LAKESIDE.
- (7) Provide program administrator to manage day to day operations of the program.
- (8) Assist in the preparation of a proposed annual operating budget for LAKESIDE. In addition, each month Ventures will provide an analysis of prior months billings and collections, and projected cash receipts for the subsequent month.
- (9) Be responsible for setting up the Program, determining the required medical management personnel and administrative staff support.

- (10) Establish medical management practices, medical oversight procedures and develop staff medical consultation methods, with the appropriate LAKESIDE medical director.
- (11) Through separate contract with a psychiatrist, provide the services of the Medical Director for general oversight.
- (12) Assist in facility planning, acquisition and management.
- (13) Recruit psychiatrists to provide sufficient medical/psychiatric support for program. All direct physician services to patients shall be billed separately by the physician to the patient.
- (14) Assure that individual treatment plans are appropriately developed.
- (15) Constantly review and note approval and/or needed modification of group therapy methods.
- (16) Provide nursing consultation and oversight.
- (17) Provide technical assistance and training to the clinical staff.
- (18) Assist in assuring appropriate staff continuing education.
- (19) Assure proper Medical plan documentation.
- (20) When appropriate arrange for provision of a second opinion on treatment consultations.
- (21) Insure program Quality is maintained and work for continuous improvement, including assistance in preparation for accreditation/certification programs.
- (22) Devise post discharge patient satisfaction surveys and appropriate feedback to the program as needed for changes and improvements.
- (23) Assist in the preparation of the annual and interim Cost Report analysis for approval by LAKESIDE.
- (24) Assist in the accumulation of information necessary to bill for patient services.
- (25) Maintain necessary coordination with Medical Review Services like Blue Cross Blue Shield for Medicare and others.
- (26) Maintain necessary liaison with fiscal intermediary (BCBS) for Medicare.
- (27) Participate in Partial Hospitalization Industry development projects in medical analysis, training, group therapy methods, and family interaction therapy.
- (28) Maintain a networking program with the new partial hospitalization programs throughout the Southeast.

EXHIBIT "B"

VENTURES HEALTHCARE, INC
PROGRAM ADMINISTRATOR
JOB DESCRIPTION

TITLE: Partial Hospitalization Program Administrator

RESPONSIBLE TO: Ventures Healthcare President

QUALIFICATIONS:

Masters level health professional with 2 years' experience in the inpatient or PHP setting; or Bachelors level with 3 years' or more experience. Minimum of one years' experience in PHP setting.

RESPONSIBILITIES:

Responsible for the operational management of the Ventures Healthcare Program. He/She plans, organizes and administers the daily operations of the facility. Serves as planner, supervisor, teacher, evaluator and change agent in the care administered by the Programs for the ages served.

He/She is responsible for coordinating Mental Health Services with those of the program, program development, evaluation, and total quality management, and developing and maintaining Program policies and procedures, designing and developing and modifying, as necessary, overall Program parameters. He/She is responsible for maintaining contact with referral sources and implementing the Program's Marketing Plan. Assures the unit milieu is therapeutic and physically safe and secure at all times.

MAJOR FUNCTIONS

1. Plans, organizes, administers and evaluates the daily operations of the Program.
2. Organizes, directs or delegates the supervision of personnel assigned to the Program.
3. Coordinates other Mental Health Services with those of the Program to ensure quality patient care for the population served.
4. Retains a high caliber staff to ensure quality patient care.
5. Maintains professional standards.
6. Demonstrates good interpersonal skills.

7. Assumes primary responsibility for the maintenance of a safe, secure and orderly hospital environment.
8. Maintains and implements Total Quality Management Program in conjunction with the Mental Health Center guidelines.
9. Provides accurate and comprehensive assessment, treatment and care of all patients served.
10. Maintains positive contact with the Community resources as to the services available through the program
11. performs all other duties as assigned.

PERFORMANCE STANDARDS

1. Plans, organizes and administers the daily operations of the program.
 - Consults on a routine basis with Nurse Manager, Physicians and VHC President
 - Develops and effectively implements goals, philosophy and policies of Program
 - Ensures procedures and activities of the unit are coordinated in accordance with Program philosophy and goals
 - Continuously evaluated the Program to improve its quality; makes appropriate recommendations
 - Establishes effective relationship with medical staff.
 - Maintains contact with referral sources. Assists and develops referral network.
2. Organizes, directs or delegates the supervision of personnel assigned to the Program.
 - Consults with the Director of the Mental Health Center and Nurse Manager. Evaluates and recommends personnel actions on those individuals assigned to the program.
 - Advises on scheduling staff , keeping in mind budgetary restraints and maintaining quality patient care.
 - Ensure that employees are motivated and morale is positive
 - Processes individual performance appraisals in a thorough and timely manner.
 - Provides timely and frequent feedback to employees on problem areas, as well as accomplishments.
 - Effectively leads staff meetings
 - Participates and provides input to the Mental Health Center and Ventures Healthcare Board of Directors.
3. Coordinates other Mental Health Center services with those of the Program to ensure quality patient care for the population served
 - Demonstrates thorough knowledge of the MHC administrative and personnel policies
 - Ensures safe and comfortable environment for patients and staff by coordinating facility services such as dietary, purchasing and housekeeping
 - Maintains accurate records and documentation relative to the functioning of the Program
 - Communicates appropriate information to staff
 - Monitors monthly budget and staff hours and reports to VHC Board.
 - Prepares reports and statistical information as requested

- Takes responsibility to assure that adequate clinical staff is scheduled to provide the necessary services.
4. Retains a high caliber staff to ensure quality patient care
 - Effectively interviews and assesses candidates for available staff positions, working closely with the MHC Director.
 - Participates in employee performance appraisal of each employee with the employee's immediate supervisor
 - Ensures participation of the staff in Program in-services and continuing education programs
 - Ensures that the staff is in compliance with orientation and inservice education requirements
 5. Maintains professional standards
 - Keeps up-to-date on changing legal issues in field
 - Seeks out and attends appropriate seminars and inservice programs
 6. Demonstrates good interpersonal skills
 - Addressed patients, visitors, physicians and co-workers in a pleasant and respectful manner
 - Demonstrates a high level of mental and emotional tolerance and even temperament. Uses tact, sensitivity and sound judgment when relating to patients, families, and co-workers.
 - Responds to others in helpful manner, displaying courtesy and readily assisting co-workers. Ensure staff does the same.
 - Inspires confidence from visitors and staff by performing and communicating in a highly professional manner.
 - Serves as a resource for the community
 - Supports the goals of the Program
 - Makes effective use of time including setting appropriate priorities
 7. Assumes primary responsibility for the maintenance of a safe, secure, and orderly Program environment
 - Demonstrates knowledge and application of Program Fire and Safety Policies
 - Checks and reports hazardous equipment or environmental conditions to the appropriate person.
 - Exhibits good judgment concerning staff and patient safety when dealing with psychiatric emergencies
 - Anticipates and interprets patient's behavior to prevent crisis situations
 8. Maintains and implements Total Quality Management
 - Develops Total Quality indicators
 - Collects data to measure compliance
 - Prepares the quarterly reports to be presented at the TQM Committee meeting
 9. Provides accurate and comprehensive assessment, treatment and care of patients served by the Program
 10. Performs all other duties as assigned

- Complies with the laws of patient confidentiality
- Demonstrates a caring, professional attitude and behavior toward patients and visitors, actively contributing to the well-being and dignity of the patients
- Maintains an overall good work attitude promoting cooperation and professionalism in the interactions with other staff members

Maintains assigned work areas in a clean, safe condition, and reports any potential hazards immediately to the supervisor.

EXHIBIT "C"

PHYSICIAN RESPONSIBILITIES

Ventures to will supervise the provision of medical oversight by the MCMHC medical director of the Partial Hospitalization Program. Specific responsibilities of the physician include:

- Development of the treatment protocols
- Admission certification on patients in the program
- Establishing the discharge criteria and monitoring of the discharges in the program
- Develop the treatment philosophy of the program and ensure that treatments provided in the program adhere to that philosophy
- Assure clinical integrity of treatment program
- Act as Leader for the weekly multi-disciplinary treatment team
- Supervise adherence to admission criteria for all patients
- Advise Ventures Directors or Marion Citrus Mental Health Centers Directors of problems or issues affecting the provision of psychiatric services to patients in the program.
- Participate in Quality Assurance Program

The medical director shall guide and supervise the clinical aspects of the program under the contract with Ventures Healthcare. Separate from the administrative duties, the medical director shall be responsible for billing his or her own patients for direct care services.

SCHEDULE 1**COMPENSATION**

As compensation for services provided by VHC under this agreement, Lakeside Alternative, will pay a management fee to VHC at the following rates:

Average Daily Census Per Day	Rate per Census Per Day
Less than 7	\$143.00
7	\$136.00
8	\$129.00
9	\$122.00
10	\$116.00
11	\$111.00
12	\$107.00
13	\$103.00
14	\$101.00
15	\$99.00
16	\$97.00
17	\$96.00
18	\$95.00
19 and above	\$95.00

MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (the "Agreement") effective as of the 15th day of July, 1996 ("Effective Date") and entered into by and between Marion-Citrus Mental Health Centers, Inc. ("MCMHC") and Ventures Healthcare of Gainesville, Inc. ("Ventures").

WITNESSETH:

WHEREAS, Ventures is a Florida corporation that develops, manages, and operates partial psychiatric hospital programs for adult patients;

WHEREAS, MCMHC is a Florida not for profit corporation owning and operating a full service mental health facility located in Ocala, Florida; and

WHEREAS, MCMHC desires to develop, operate and maintain a geriatric partial hospitalization program at its facility ("Program") in Citrus county and MCMHC and Ventures mutually desire to establish a contractual relationship whereby Ventures shall provide, in accordance with the terms and conditions of this Agreement, certain management and administrative services relating to the Program consistent with the purposes and policies of MCMHC and all applicable laws and regulations.

NOW, THEREFORE, in consideration of the promises and agreements contained in this Agreement, and other good and valuable consideration, the receipt and adequacy of which are hereby forever acknowledged and confessed, the parties agree as follows:

AGREEMENT

1. Recitals. Each of the above recitals is true and correct and by reference made a part of and incorporated into this Agreement.

2. Scope of Agreement. This Agreement is limited solely and strictly to MCMHC's engagement of Ventures to provide those specific services set forth in this Agreement. MCMHC, acting through its Board of Directors and officers, shall at all times exercise and retain ultimate authority and control over the assets and operations of the Program, including control over operating and capital expenditure, budgets of the Program and operating policies and procedures relating to the Program, subject to the terms and provisions of this Agreement. Ventures agrees to abide by all program policies and procedures, provided that MCMHC shall not adopt any policies and procedures that materially increase the cost of performing Ventures' obligations hereunder.

3. Ventures' Duties. Please refer to Exhibit "A" of this Agreement for the specific duties set forth.

4. Term of Agreement. Unless terminated earlier pursuant to Section 15 of this Agreement, the term ("Term") of this Agreement shall be for a period of two (2) year commencing as the effective date and ending as of the anniversary of such date.

5. Ventures' Compensation. During the Term of this Agreement in consideration for the Management Services rendered by Ventures pursuant to Section 3 of this Agreement, Ventures shall be compensated in accordance with Schedule 1 to this Agreement. During the Term and any Renewal Term, Ventures' compensation shall be reviewed by the parties every year and, upon mutual agreement of

both parties, adjusted based on considerations including, but not limited to, changes in operational and/or ancillary costs associated with the program, and changes in anticipated revenue notwithstanding MCMHC's reasonable efforts to bill and collect for services rendered to program patients. Compensation due for Management Services will be paid following receipt of payment for patient services by third party payors, limited to the ratio of Ventures' estimated net management fee to MCMHC's estimated annual cost (based on current estimates, receipts will be distributed 50% to MCMHC and 50% to Ventures). In no event will Ventures receive more than management fee earned.

5.1 In the event that any payer that reimburses MCMHC on a cost basis disallows reimbursement of any portion of the Management Fee for any fiscal year (or portion thereof) during which Ventures has or had a program responsibility under this Management Services Agreement, Ventures shall pay MCMHC the disallowed amount of the Management Fee. In the event that "Cost Allowed by Medicare" (defined as total "Cost of Providers Services" per Worksheet D of the Medicare cost report reduced by Ventures Management Fee allowed by Medicare) is less than MCMHC "Expected Cost" (defined as the difference in \$530,000 and the Management Fee charged by Ventures); then Ventures agrees to indemnify MCMHC for 50% of the difference in Cost Allowed by Medicare and Budgeted Cost (See Schedule 2 for example calculation of indemnity). Notwithstanding the foregoing, the amount that Ventures is required to pay MCMHC under the prior sentence shall be reduced by the amount disallowed due to the failure of MCMHC to accept the recommendations of Ventures concerning either the amount of charges for program services or for non-acceptance/discharge of Patients to/from the Program. In addition, the amount Ventures is required to pay shall not exceed the management fee hereunder. If any third party payer notifies MCMHC of its intention to disallow or seek recoupment of any amount claimed or received by MCMHC as reimbursement for administrative and general costs, Ventures shall be promptly notified and entitled to participate in the defense of any such attempt to disallow or recoup such reimbursement.

5.2 In order to assure MCMHC of Ventures' ability to repay any disallowed amounts, Ventures shall deposit a portion of its fee into an interest bearing escrow account to be held/controlled by MCMHC until Final Notice of Program Reimbursement (NPR) is completed by the Medicare intermediary. The escrow fund (including interest) plus any discounts withheld by Medicare shall not exceed 25% of Ventures' Management Fee. See Schedule 3 for an example of the calculation of sharing of receipts and funding of escrow.

6. Billing and Collection. Ventures will provide all billing and collection services for patients of the Program in accordance with its billing practices and procedures.

7. Patient Charges. Fees and charges for MCMHC's services to patients shall be established by MCMHC after considering the recommendations of Ventures, which recommendations shall take into account customary and similar charges of similar health care providers.

8. Standard of Care. In the performance of its services, Ventures shall exercise the same standard and degree of care as is normal, customary and reasonable for providers of these services generally. In this regard, Ventures will not knowingly cause MCMHC to violate any statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction over the premises respecting the Program, or other requirements of the local Board of Fire Underwriters or any agency which may hereafter exercise similar functions.

8.1 Ventures shall have no liability to MCMHC for any decisions made with respect to or any actions taken in connection herewith so long as such decisions or actions were made or taken in good faith and in accordance with the standards of care described in this Section. Ventures shall be liable for and hold MCMHC harmless from any liability for any decision made based on the advice or recommendation of Ventures which decision violates any statute, ordinance, law, rule, regulation or order of any governmental or regulatory body having jurisdiction over the program.

8.2 This Agreement and all rights, duties, and responsibilities of each and every party hereto are subject to applicable federal, state, and local laws, rules, regulations, and guidelines with which parties all agree to comply.

9. Medical Staff Privileges. All physicians who are members of Ventures' medical staff shall become members of MCMHC's medical staff and shall be subject to MCMHC's credentials policy. Such physicians shall be and remain accredited and certified by all appropriate governmental and medical associations and agencies. Ventures shall make available to MCMHC proof of insurance for the Medical Directors of the Program.

10. Independent Contractor Status. It is expressly acknowledged by the parties that Ventures, its employees, and its staff are independent contractors and nothing herein shall be deemed or construed to create an agency, employee-employer, or partnership or joint venture relationship with MCMHC.

11. Use of Premises. Ventures' employees and staff shall be permitted access to common areas, lounges, restrooms, and other common facilities of MCMHC's entire premises. Ventures' employees and staff shall have equal use of MCMHC's parking facilities.

12. Access to Records. To the extent permissible by law, Ventures and MCMHC shall have equal access to all patient records, charts and business records relating to all patients served by Ventures. All patient records, charts and business records shall be kept in strict confidence and shall not be released or otherwise disclosed to any third party without the express written consent of the patient. In the event the Secretary of the Department of Health and Human Services and/or the United States comptroller General, or their duly authorized representatives are entitled to access to any directly pertinent books, documents, papers, and records of Ventures involving this Agreement, Ventures agrees to make the same available for inspection in accordance with the terms and requirements of applicable law.

13. Confidentiality. MCMHC, its agents, officers, employees and affiliates, shall not use or disclose to others during the term of this Agreement or any time following its termination, except as expressly consented to in writing by Ventures or as required by law, any secrets or confidential medical, personal, personnel, technological, or proprietary information, patient information, or trade secrets of Ventures obtained by MCMHC through association with Ventures. At all times, both parties agree to maintain patient confidentiality consistent with applicable state and federal laws. MCMHC further agrees that upon termination of this Agreement, it shall neither take nor retain, without prior written authorization from Ventures, any policies, protocols, or procedures of any kind that were furnished to MCMHC by Ventures. Without limiting other possible remedies to Ventures for the breach of this covenant, MCMHC agrees that an injunction or other equitable relief shall be available to enforce this covenant.

14. Indemnification. MCMHC shall not be responsible or liable for any damages resulting from acts or omissions of any personnel employed by Ventures under any theory of imputed negligence or otherwise, and Ventures shall indemnify MCMHC, its trustees, officers, agents and employees for, defend them against and hold them harmless from any and all claims relating to acts or omissions of personnel employed by Ventures, and from all costs, attorney fees, expenses and liabilities incurred by them in connection with such claims, and in the defense of any action or proceeding brought thereon provided, however, that Ventures shall not be responsible or liable for any acts or omissions of such personnel performed or not performed at the specific direction of MCMHC, and MCMHC shall indemnify Ventures, its directors, officers, agents and employees, defend them against and hold them harmless from any costs, expenses or liabilities arising therefrom to the same extent as stated above. Ventures shall not be liable for any acts or omissions of any personnel employed by MCMHC, and MCMHC shall indemnify Ventures, its directors, officers, agents and employees for, defend them against and hold them harmless from any and all claims relating to acts or omissions of personnel

employed by MCMHC and from all costs, attorney fees, expenses and liabilities incurred by Manager in connection therewith or in the defense of any action or proceeding brought thereon provided, however, that MCMHC shall not be responsible or liable for any acts or omissions of such personnel performed or not performed at the specific direction of Ventures, and Ventures shall indemnify MCMHC, its directors, officers, agents and employees, and defend them against and hold them harmless from any costs, expenses or liabilities arising here from to the same extent as stated above. The indemnification rights under this Agreement shall be in addition to any rights or remedies that may be available to the parties under general legal or equitable principles in the absence of an express agreement, and this Agreement shall not be construed to limit any such rights or remedies.

14.1 At any time during the term, either party, upon thirty (30) day's prior written notice to the other party, shall be provided with that party's Certificates of Insurance evidencing insurance coverage applicable to the Program. Certificates of Insurance will be supplied evidencing insurance for public liability, including professional liability, premises and personal injury, with limits not less than \$1,000,000 occurrence, occurrence or claims made basis. Ventures will supply MCMHC with aggregate limit not less than \$3,000,000. Except that, if the policy carries a location/operations aggregate, then the aggregate limit may be equal to the per occurrence limit, all in companies approved by the certificate holder and providing that not less than sixty (60) days cancellation or non-renewal notice will be given the certificate holder.

15. Termination. This Agreement may be terminated prior to the expiration of the Term or any Renewal Term of this Agreement as set forth in Section 4 as follows:

(a) Material Breach. This Agreement may be terminated upon the occurrence of a material breach of this Agreement. Except in the case of a breach that may result in any harm or injury to the health and safety of patients of the Program in which case this Agreement shall immediately and automatically terminate, in the event of a breach hereunder, the breaching party shall have fifteen (15) days following written notice to cure such default ("Cure Period"). If such default is not cured within the Cure Period, this Agreement shall terminate upon the expiration of the Cure Period.

(b) Change in Law. The parties have entered into this Agreement after good faith, arm's length negotiations. This Agreement is intended to comply with existing state and federal law. However, the parties acknowledge that the existing law and regulations may change and that the courts or state or federal agencies with appropriate jurisdiction may change their interpretation of existing law. Upon the enactment or amendment of any state or federal law or regulation, or upon the issuance of any judicial or interpretive ruling of any existing state or federal law or regulation, that prohibits the continuation of this Agreement, or otherwise dictates a significant change in the compensation arrangement as set forth herein, the parties shall use their best efforts during a thirty (30) day period thereafter to mutually agree to such amendments to the Agreement as to permit its valid, legal and financially viable continuation. If after such thirty (30) day period, the parties are unable to agree to amend the Agreement, this Agreement shall automatically terminate.

(c) Financial Viability of Program. At any time subsequent to three (3) months after the Effective date, either party may terminate this Agreement upon its reasonable and good faith determination that continued operation of the Program is not financially viable. For purposes of this provision, the Program shall be considered not to be financially viable if one or both parties would suffer significant financial hardship should the Agreement remain in effect.

16. Effect of Termination. In the event of a termination of this Agreement, neither party shall have any further obligations under this Agreement from and after the effective date of termination, other than payments or benefits accrued and due and payable to Ventures prior to the

effective date of termination, provided, however, the obligations between MCMHC and Ventures under Item 5, Compensation, Item 12, Access to Records, Item 13, Confidentiality, Item 14, Indemnification, shall continue.

17. Governing Law. This Agreement shall be interpreted, construed, and enforced pursuant to and in accordance with the laws of the State of Florida, and Marion County, Florida shall be the sole and exclusive venue for any litigation, or other proceeding between the parties in connection with, or by reason of this Agreement.

18. Assignment. This Agreement may be assigned by either party, in whole or in part, to any affiliate, successor, subsidiary or other entity, including but not limited to, any entity in which either party becomes a joint venture partner, upon the prior written approval of the other party.

19. Notices. Any notice, demand, or communication required, permitted, or desired to be given hereunder shall be deemed effectively given when personally delivered, delivered via overnight courier, or mailed by prepaid certified mail, return receipt requested, addressed as follows:

As to MCMHC:

Russell Rasco, Executive Director
Marion-Citrus Mental Health Centers
P.O. Box 1330
Ocala, Florida 34478

As to Ventures:

William A. Parsons, Jr., Ph.D.
President
Ventures Healthcare of Gainesville,
Inc.

or to such other address, and to the attention of such other person or officer as either party may designate by written notice.

20. Amendments and Agreement Execution. This Agreement and any amendments shall be in writing and may be executed in multiple copies. Each multiple copy shall be deemed an original, but all multiple copies together shall constitute one and the same instrument.

21. Entire Agreement. With respect to each party's obligations relating to the Program, this Agreement supersedes all previous contracts and constitutes the entire agreement between the parties. No oral statements or prior written material not specifically incorporated in this Agreement shall be of any force and effect, and no changes in or additions to this Agreement shall be recognized without the specific written consent of MCMHC and Ventures.

22. Construction. Whenever the context of this Agreement requires, the gender of all words shall include the masculine, feminine, and neuter, and the number of all words shall include the singular and the plural. This Agreement shall be construed without regard to any presumption or other rule requiring

construction against the party causing this Agreement to be drafted. The headings contained in this Agreement are for reference purposes only and shall not affect in any manner or way the meaning or interpretation of this Agreement.

23. Litigation: Costs. In the event of any litigation, including any appeals, with regard to this Agreement, the prevailing party shall be entitled to receive from the other party and the other party shall pay all reasonable fees, costs and expenses of counsel for the prevailing party.

24. Time of Essence. Time shall be of the essence with respect to this Agreement.

25. Authority/Execution. Each signatory to this Agreement represents and warrants that he possesses all necessary capacity and authority to act for, sign, and bind the respective entity or person on whose behalf he is signing.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement to be executed in multiple originals to be effective as of the day and year first above written:

Marion-Citrus Mental Health Centers, Inc.

By: Russell Rasco
Russell Rasco, Executive Director

Ventures Healthcare of Gainesville, Inc.

By: William A. Parsons, Jr.
William A. Parsons, Jr., Ph.D.

EXHIBIT "A"

Ventures' Duties. Subject to the foregoing, MCMHC hereby delegates to Ventures the authority to supervise the day-to-day operations of the Program and to perform the specific duties set forth herein. Ventures shall provide to MCMHC a competent person, who shall be an employee of Ventures to serve as Administrative Director of the Program. The Administrative Director shall :

- (1) Supervise and manage the operations of the Program and its personnel subject to Section 2 hereof and be accountable to the MCMHC Board of Directors.
- (2) Communicate with the Officers and the Board of MCMHC appropriately to keep them informed of the affairs of the Program.
- (3) Review and analyze existing systems and procedures of the Program and recommend changes where and when appropriate in the following areas:
 - (i) Financial policies and procedures;
 - (ii) Operating policies and procedures;
 - (iii) Personnel policies and procedures;
 - (iv) Medical staff structure.
- (4) Be responsible for supervising personnel administration, staff recruitment, and manpower development. In this capacity, the Administrative Director shall hire qualified and competent personnel on behalf of MCMHC. All such employees shall be employees of MCMHC, but the Administrative Director shall act as agent for MCMHC with respect to the hiring, supervision, and termination of MCMHC employees.
- (5) Be responsible for supervising the development of a long-range plan for the Program.
- (6) Supervise the procurement by MCMHC of all services and supplies reasonably necessary to the proper operation of the Program.
- (7) With the approval of MCMHC, direct the incurrence of capital expenditures and obligations of the Program.
- (8) Supervise the maintenance of proper books, records and accounts with respect to the Program and its operations in such form as may reasonably be required by MCMHC.
- (9) Supervise the preparation of and submit to the Board of Directors of MCMHC appropriate financial statements, including an annual balance sheet and income and expense statement which shall be prepared in accordance with generally accepted accounting principles.
- (10) Supervise the preparation of and submit to the Board of Directors of MCMHC a proposed annual operating budget for MCMHC.

(11) A. Develop procedures for the billing and collection of the patient copay that comply with the parameters laid down by Medicare Part A. Furnish the manpower to carry out these processes.

B. Through, Drs. Billing Service, Ventures will provide the billing service for the physician employed by Marion-Citrus Mental Health Centers.

(12) Be responsible for setting up the Program, determining the required medical management personnel and administrative staff support.

(13) Establish medical management practices, medical oversight procedures and develop staff medical consultation methods.

(14) Supervise the services of the Medical Director for general oversight.

(15) Be responsible for facility planning, acquisition and management.

(16) Recruit psychiatrists to provide sufficient medical/psychiatric support for program. All direct physician services to patients shall be billed separately by the physician to the patient.

(17) Assure that individual treatment plans are appropriately developed.

(18) Constantly review and note approval and/or needed modification of group therapy methods.

(19) Provide security and oversight of the on site pharmacy.

(20) Assure that patients are given medication as prescribed by their physician.

(21) Maintain necessary nursing consultation and oversight.

(22) Provide technical assistance to the clinical staff.

(23) Provide and insure appropriate staff continuing education.

(24) Assure proper Medical plan documentation.

(25) When appropriate arrange for provision of a second opinion on treatment consultations.

(26) Insure program Quality is maintained and work for continuous improvement.

(27) Arrange for the provision of follow up evaluations and consultation services for discharged patients.

(28) Devise post discharge patient satisfaction surveys and appropriate feedback to the program as needed for changes and improvements.

(29) Assist in the preparation of the Cost Report analysis.

- (30) Maintain necessary coordination with Medical Review Services like Blue Cross Blue Shield for Medicare and others.
- (31) Maintain necessary liaison with fiscal intermediary (BCBS) for Medicare.
- (32) Provide coordination between or liaison with the Program and other aging agencies.
- (33) Provide training to MCMHC employees regarding admission criteria, covered services, goals and objectives.
- (34) Participate in Partial Hospitalization Industry development projects in medical analysis, training, group therapy methods, and family interaction therapy.
- (35) Maintain a Networking program with the new partial hospitalization programs throughout the Southeast.
- (36) Provide assistance to other health care providers who deal with the medical and social health care of geriatric patients.
- (37) Geriatric Mental Health Care Needs - Educate the local Government and community medical and social health care providers and educators through seminars and select expert speakers.

Schedule 1

Marion-Citrus MHC
Partial Psychiatric Care Center
Rate Schedule
Inverness

Average Daily Census	Base Fee	Added Service Cost	Total Management Fee
Less than 7	\$14,800	\$1,739	\$16,539
7	14,800	\$2,029	\$16,829
8	14,800	\$2,318	\$17,118
9	14,800	\$2,608	\$17,408
10	14,800	\$2,898	\$17,698
11	14,800	\$3,188	\$17,988
12	14,800	\$3,478	\$18,278
13	14,800	\$3,767	\$18,567
14	14,800	\$4,057	\$18,857
15	14,800	\$4,347	\$19,147
16	14,800	\$4,637	\$19,437
17	14,800	\$4,927	\$19,727
18	14,800	\$5,216	\$20,016
19	14,800	\$5,506	\$20,306

EXHIBIT "B"
PHYSICIAN RESPONSIBILITIES

Ventures will supervise the provision of medical oversight by the MCMHC medical director of the Partial Hospitalization Program. Specific responsibilities of the physician include:

Development of the treatment protocols

Admission certification on patients in the program

Establishing the discharge criteria and monitoring of the discharges in the program

Develop the treatment philosophy of the program and ensure that treatments provided in the program adhere to that philosophy

Assure clinical integrity of treatment program

Act as Leader for the weekly multi-disciplinary treatment team

Supervise adherence to admission criteria for all patients

Advise Ventures Directors or Marion Citrus Mental Health Centers Directors of problems or issues affecting the provision of psychiatric services to patients in the program.

Participate in Quality Assurance Program

The medical director shall guide and supervise the clinical aspects of the program under the contract with Ventures Healthcare. Separate from the administrative duties, the medical director shall be responsible for billing his or her own patients for direct care services.

Schedule 2

Marion-Citrus MHC/Ventures Health Care
Partial Psychiatric Care Center
Budget for Fiscal Year Ended June 30, 1997
Computation of Indemnity
Inverness

1 Total Cost Budgeted	424,000
2 Less: Management Fee Charged	(198,468)
3 Net Cost Budgeted	<u>225,532</u>
4	
5 Actual Cost Allowed by Medicare "Cost of Providers Services"	352,000
6 Less: Management Fee Allowed	(198,468)
7 Net Cost Allowed by Medicare	<u>153,532</u>
8	
9 Cost Subject to indemnity	72,000
10 Sharing ratio on indemnity	<u>50.00%</u>
11 VHC will indemnify MCMHC	<u>36,000</u>
12	
13 Management Fee Charged	198,468
14 Management Fee Disallowed (pay to MCMHC)	0
15 Management Fee Allowed	198,468
16 Less: Indemnity for share of cost disallowed (pay to MCMHC)	(36,000)
17 Net Management Fee	162,468
18 Monthly Net Management Fee	<u>13,539</u>
19	
20	
21	
22	

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PAGE 03

Schedule 3

Marion-Citrus MHC/Ventures Health Care

Partial Psychiatric Care Center

Budget for Fiscal Year Ended June 30, 1997

Allocation of Receipts & Funding Escrow
Inverness

7 Interim Monthly Payments:			
8	Avg.	Days in	
9	Census	Month	
10	Monthly Billing	7	21
11	Medicare Interim Rate Discount (based on cost to charge Ratio)	\$563	82,888
12	Net Initial Medicare		<u>(24,808)</u> -30.00%
13	Medicare Discount for Copay & Deductible *		57,881
14	Net Interim Payment - Monthly		<u>(18,538)</u> -20.00%
15			<u>41,344</u> 50.00%
16	Sum of Annual & Cost Report:		
17	Total of Monthly Billings		992,250
18			
19	Total Cost Allowed on Cost Report (excluding Bad Debt)		424,000
20	Bad Debts (assume 15% of Copay collected)		<u>168,683</u>
21	Total Medicare Should Pay		592,683
22	Total Medicare Previously Paid		<u>498,125</u>
23	Medicare still owes for Lump Sum		96,558
24	Discount By Medicare Pending NPR audit		<u>(9,858)</u> 10.00%
25	Net Lump Sum Medicare will pay		<u>86,902</u>
26	Total Medicare Pay (Interim & Lump Sum)		583,027
27	Total CoPay collected from Patients (15%)		<u>28,788</u>
28	Total Collected Prior to NPR all sources		<u>612,794</u>
29			
30		Monthly	Annual
31	Interim Billings-	41,344	498,125
32	Portion Allocated to MCMHC	20,672	248,063
33	Portion allocated to Ventures	20,672	248,063
34	Calculation of POSSIBLE Escrow:		
35	Management Fee Due	18,829	201,848
36	Maximum Escrow at 25%	<u>(4,207)</u>	<u>(50,487)</u>
37	Management Fee "entitled to"	12,622	151,481
38	Management Fee Received	<u>20,672</u>	<u>248,063</u>
39	Contribution to escrow fund **	8,050	96,602
40			
41	Allocation of Lump Sum -		
42	Portion of Lump Sum Allocated to MCMHC		43,451
43	Portion of Lump Sum Allocated to Ventures		<u>43,451</u>
44			
45	Calculation of POSSIBLE Escrow:		
46	Management Fee Due		201,848
47	Maximum Escrow at 25%		<u>(50,487)</u>
48	Management Fee "entitled to"		<u>151,481</u> 75%
49			
50	Management Fee Received Interim		248,063
51	Less: Escrow on Interim Receipts		<u>(96,802)</u>
52	Management Fee Received from Patients		14,884
53	Management Fee Received in Lump Sum		<u>43,451</u>
54	Total Management Fee Received		209,798
55	Additional Contribution to Escrow Fund **		<u>(58,335)</u>
56	Net Management Fee Received By Ventures -Before NPR audit		<u>151,481</u> 75%
57			
58	* To be recovered from Patients or from Bad Debt turned in as additional allowed cost.		
59	** Contribute into escrow fund - to be released upon final NPR audit determination.		
60			
61			
62			
63			
64			
65			

PROMISSORY NOTE

U.S. \$30,000.00

December 3, 1997
Pensacola, Florida

FOR VALUE RECEIVED, Ventures Healthcare, Inc., a Florida corporation ("Borrower") promises to pay to the order of Capital Investment Corp. of Panama City, a Florida corporation ("Lender"), the principal sum of Thirty Thousand Dollars (\$30,000.00), plus interest.

1. Interest. Interest will be charged on the unpaid principal until the full amount of principal has been repaid. Borrower shall pay Lender simple interest compounded semi-annually at a rate equal to twelve percent (12.00%) ("Effective Rate").

Borrower shall pay interest at the rate equal to the sum of six percent (6%) plus the Effective Rate ("Default Rate") on principal and interest not paid when due and on any judgment on this Note.

2. Payments.

(a) Time of Payments. All unpaid principal and accrued but unpaid interest and penalties on this Note shall be due and payable in full on February 5, 1998 (the "Maturity Date").

(b) Late Payments. Borrower shall pay Lender an amount equal to 5% of any payment not paid when due thereof. Notwithstanding the foregoing, under no circumstances shall the total amount of interest and penalties payable to Lender hereunder exceed the maximum amount payable by law.

3. Prepayment. Borrower may prepay all or any part of this Note at any time without penalty. Any and all prepayments shall be applied first to any interest and penalties accrued but unpaid and second to reduce the then outstanding principal balance.

4. Events of Default. The following shall be events of default ("Events of Default"):

(a) Borrower fails to pay the entire outstanding balance of principal and accrued but unpaid interest and penalties on the Maturity Date.

(b) Borrower fails to perform any of the terms, covenants or conditions contained in this Note, or any other document executed by Borrower in connection with the indebtedness evidenced by this Note.

(c) Any action in bankruptcy, receivership or reorganization is filed by or against Borrower and is not dismissed within sixty (60) days of the filing date, or any assignment for the benefit of creditors is made and entered into by Borrower; or Borrower seeks relief under any state or federal law relating to bankruptcy or insolvency.

5. Remedies. If an Event of Default occurs, then, at the option of Lender, (i) the entire principal balance and all accrued but unpaid interest shall become immediately due and payable, and (ii) all past due amounts shall bear interest at a rate equal to the lesser of

(a) the Default Rate, or (b) the maximum interest rate permitted by law. In addition, Lender may exercise any rights or remedies provided for under this Note, at law or in equity.

Borrower shall not rely on any course of conduct or dealing between Lender and Borrower as a waiver or amendment of any provision of this Note or any right or remedy of Lender, including but not limited to, the following:

(a) Lender's acceptance of one or more late or partial payments shall not indicate that Lender will accept late or partial payments in the future.

(b) Lender's exercise of any right or remedy that Lender may have shall not be a waiver of Lender's other rights and remedies.

(c) Lender's failure to exercise any right or remedy shall not indicate that Lender will not do so in the future.

(d) Lender's exercise of any one or more rights or remedies shall not preclude Lender from exercising other rights or remedies.

Lender's rights and remedies under this Note, at law or in equity, are cumulative to, but independent of, each other. Lender may take any action, or fail to take any action, that Lender considers reasonably necessary to prevent the impairment of Lender's security for this Note.

6. Representations and Warranties. Borrower represents and warrants that the loan evidenced by this Note is for business purposes and not primarily for personal, family, household or agricultural purposes.

7. Applicable Law. Borrower acknowledges and agrees that this Note is made in the State of Florida. Accordingly, this Note shall be interpreted and enforced under Florida law.

8. Timeliness. Borrower acknowledges that Borrower must perform its obligations under this Note promptly: time is of the essence.

9. Notices. All notices and communications, other than payments, shall be delivered personally, by nationally recognized overnight courier or by certified first-class U.S. mail, postage prepaid (unless applicable law requires another method of delivery or service), to the Borrower or Lender, as the case may be, at the following addresses or to such other addresses as either party may designate in writing:

Lender: Capital Investment Corp. of Panama City
227 Harrison Avenue
Panama City, Florida 32401

Borrower: Ventures Healthcare, Inc.
6151 Saufley Pines Road
Pensacola, Florida 32526

All notices shall be in writing and shall be deemed to be given upon actual receipt if delivered personally, the next business day after delivery to a nationally recognized courier or two business days after mailing, whichever is applicable.

10. Waivers. Except as otherwise provided herein, Borrower waives demand for payment, presentment for payment, notice of dishonor, protest, notice of protest, and all other notices or demands associated with this Note.

VENTURES HEALTECARE, INC.

By: 

William A. Parsons, Jr.
President