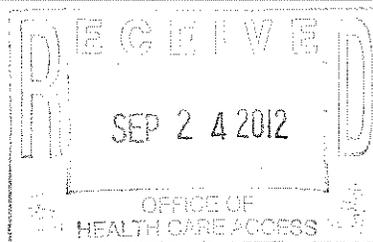


September 20, 2012

Ms. Kimberly Martone
Director of Operations
State of Connecticut
Office of Health Care Access
410 Capitol Avenue, MS#13HCA
Hartford, CT 06134



Re: Transfer of Ownership of Certain of the Assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital – Docket #TBD

Dear Ms. Martone:

I am pleased to enclose the original and four copies of Middlesex Hospital's Certificate of Need for the Transfer of Ownership of Certain of the Assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital. As requested, also enclosed on a CD is a scanned copy of the complete application and documents in MS format.

We are also enclosing our check in the amount of \$500 in payment of the filing fee.

Given the tax increases scheduled to go into effect on January 1, 2013, the sellers are anxious to close before year end. Anything you might do to assist us in obtaining a decision on the application prior thereto will be most appreciated.

Thank you very much for your consideration of the enclosed application.

Please call me if you have any questions or concerns.

Very truly yours,

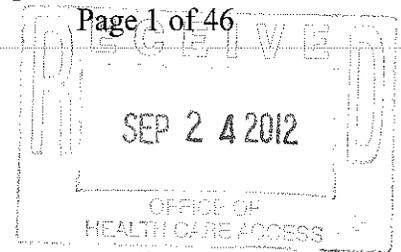


Harry Evert
Senior Vice President, Strategic Planning and Operations

28 Crescent Street
Middletown, Connecticut 06457-3650

tel 860 344-6000
fax 860 346-5485

Application Checklist



Instructions:

1. Please check each box below, as appropriate; and
2. The completed checklist *must* be submitted as the first page of the CON application.

- Attached is the CON application filing fee in the form of a certified, cashier or business check made out to the "Treasurer State of Connecticut" in the amount of \$500.

For OHCA Use Only:

Docket No.: 12-31785-CON Check No.: 233 766
OHCA Verified by: SO Date: 9/24/12

- Attached is evidence demonstrating that public notice has been published in a suitable newspaper that relates to the location of the proposal, 3 days in a row, at least 20 days prior to the submission of the CON application to OHCA. (OHCA requests that the Applicant fax a courtesy copy to OHCA (860) 428-7053, at the time of the publication)
- Attached is a paginated hard copy of the CON application including a completed affidavit, signed and notarized by the appropriate individuals.
- Attached are completed Financial Attachments I and II.
- Submission includes one (1) original and four (4) hard copies with each set placed in 3-ring binders.

Note: A CON application may be filed with OHCA electronically through email, if the total number of pages submitted is 50 pages or less. In this case, the CON Application must be emailed to ohca@ct.gov.

Important: For CON applications (less than 50 pages) filed electronically through email, the signed affidavit and the check in the amount of \$500 must be delivered to OHCA in hardcopy.

- The following have been submitted on a CD
1. A scanned copy of each submission in its entirety, including all attachments in Adobe (.pdf) format.
 2. An electronic copy of the documents in MS Word and MS Excel as appropriate.

**Middlesex Hospital
Certificate of Need Application for
Transfer of Ownership of Certain of the Assets of Advanced Colon Care, Inc.
d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital**

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AFFIDAVIT

Applicant: Middlesex Hospital

Project Title: Transfer of Ownership of Certain of the Assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital

I, Susan Martin, Chief Financial Officer
(Individual's Name) (Position Title – CEO or CFO)

of Middlesex Hospital being duly sworn, depose and state that
(Hospital or Facility Name)

Middlesex Hospital's information submitted in this Certificate of
(Hospital or Facility Name)

Need Application is accurate and correct to the best of my knowledge.

Susan Martin
Signature

9-20-2012
Date

Subscribed and sworn to before me on September 20, 2012

Abby Ann Cole
Notary Public/Commissioner of Superior Court

My commission expires: _____

ABBY ANN COLE
NOTARY PUBLIC
MY COMMISSION EXPIRES JAN. 31, 2015

COPY OF FILING CHECK

THE ATTACHED CHECK IS IN PAYMENT OF TERMS LISTED BELOW

MIDDLESEX HOSPITAL		GROSS AMOUNT	DISCOUNT	NET AMOUNT
09/10/12	09/10/12	500.00	0.00	500.00
CON FOR RAM AND SCS				
THIS VOUCHER IS FOR YOUR RECORDS.		500.00	0.00	500.00

MIDDLESEX HOSPITAL 28 Crescent Street
 Middletown, CT 06457

DATE 09/11/12 CHECK NUMBER 233766
 42-22
 311

DOLLARS	CENTS
\$*****500	00

PAY TO THE ORDER OF **TREASURER STATE OF CT**
 55 Elm Street, Hartford CT 06106

FIVE HUNDRED AND 00/100----- DOLLARS

WACHOVIA BANK, N.A.
 Wilmington, DE 19808

Susan M. Martin

⑈0000233766⑈ ⑆03140022502079960001546⑈

11828 See Reverse Side For Copy Opening Instructions

MIDDLESEX HOSPITAL 28 Crescent Street
 Middletown, CT 06457-3650

ADDRESS SERVICE REQUESTED

Treasurer State of Ct
 55 Elm Street
 Hartford CT 06106

Proof of Public Notice

~~02/12~~ Statute Reference: Section 19a-638 of the Connecticut General Statutes Applicant: Mid...

PUBLIC NOTICE Statute Reference: Section 19a-638 of the Connecticut General Statutes
Applicant: Middlesex...

Source: New Haven Register

Category: Events & Notices » Legal & Public Notices
<http://nhregister.kaango.com/ads/view?adid=20993611>

Ad Details:

Ad ID: 20993611
Created: Aug 15, 2012
Expires: Aug 17, 2012

PUBLIC NOTICE Statute Reference: Section 19a-638 of the Connecticut General Statutes Applicant: Middlesex Hospital, 28 Crescent Street, Middletown, CT 06457 Project Title: Transfer of Ownership of Certain of the Assets of Radiologic Associates of Middletown, P.C. and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital Project Summary: Middlesex Hospital is applying for a Certificate of Need pursuant section 19a-638 of the Connecticut General Statutes requesting a transfer of ownership of certain of the assets of Radiologic Associates of Middletown, P.C. (Guilford Radiology) and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC (Shoreline Colonoscopy Center) at the following two locations: d Guilford Radiology, 1591 Post Road, Suite 106, Guilford, CT 06437 d Shoreline Colonoscopy Center, 929 Boston Post Road, Suite 1, Old Saybrook, CT 06475 Estimated Total Capital Expenditure: \$ 3,250,000

/15/12

Public Notices

PUBLIC NOTICE

Statute Reference: Section 19a-638 of the Connecticut General Statutes

Applicant: Middlesex Hospital, 28 Crescent Street, Middletown, CT 06457

Project Title: Transfer of Ownership of Certain of the Assets of Radiologic Associates of Middletown, P.C. and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital

Project Summary: Middlesex Hospital is applying for a Certificate of Need pursuant section 19a-638 of the Connecticut General Statutes requesting a transfer of ownership of certain of the assets of Radiologic Associates of Middletown, P.C. (Gullford Radiology) and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC (Shoreline Colonoscopy Center) at the following two locations:

- Gullford Radiology, 1591 Post Road, Suite 106, Guilford, CT 06437
- Shoreline Colonoscopy Center, 929 Boston Post Road, Suite 1, Old Saybrook, CT 06475

Estimated Total Capital Expenditure:

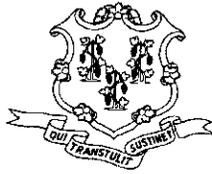
\$ 3,250,000

Appeared in: **Hartford Courant** on 08/15/2012 and 08/17/2012

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State of Connecticut Office of Health Care Access Certificate of Need Application

Instructions: Please complete all sections of the Certificate of Need ("CON") application. If any section or question is not relevant to your project, a response of "Not Applicable" may be deemed an acceptable answer. If there is more than one applicant, identify the name and all contact information for each applicant. OHCA will assign a Docket Number to the CON application once the application is received by OHCA.

Docket Number:	TBD
Applicant:	Middlesex Hospital
Contact Person:	Harry Evert
Contact Person's Title:	Senior Vice President, Strategic Planning and Operations
Contact Person's Address:	Middlesex Hospital, 28 Crescent Street, Middletown, CT 06457
Contact Person's Phone Number:	860 358 6150
Contact Person's Fax Number:	860 346 5485
Contact Person's Email Address:	harry.evert@midhosp.org
Project Town:	Middletown
Project Name:	Transfer of Ownership of Certain of the Assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital
Statute Reference:	Section 19a-638, C.G.S.
Estimated Total Capital Expenditure:	\$1,875,000

1. Project Description and Need: Change of Ownership or Control

- a. Please provide a narrative detailing the proposal.

Middlesex Hospital is a 275-bed, not-for-profit acute care hospital serving the Greater Middlesex County and Shoreline area of Connecticut through a network of community-based outpatient, primary care and emergency care facilities located throughout its service area. Middlesex Hospital (“Middlesex”) as the Applicant proposes a transfer of ownership of certain of the assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex and submits this CON in support of this transfer of ownership request.

The assets to be acquired from Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC (“Shoreline”) are located at 929 Boston Post Road, Suite 1, Old Saybrook, Connecticut. The Shoreline facility currently operates as an independent freestanding single-specialty colonoscopy center providing gastroenterology and colorectal procedure services to residents of the Shoreline area and is accredited through the American Association for Accreditation of Ambulatory Surgery Facilities, Inc. (“AAAASF”). Shoreline is currently owned by Maurizio Nichele, M.D. (51%) and Jay Zimmerman, M.D. (49%). The transfer of ownership proposed would give Middlesex Hospital sole ownership of the assets of the Shoreline facility after which it will operate as a Middlesex Hospital Outpatient Department. Dr. Nichele and Dr. Zimmerman will continue to provide professional services to their patients at the center through their physician practices.

The scope of services provided to the local community in the future at the facility will not change as a result of the asset purchase described above. The acquisition of these assets will allow Middlesex to integrate the valuable community-based clinical services into the Middlesex Health System’s network of service sites to continue meeting the needs of area communities into the future.

- b. Explain how each Applicant determined need for the proposal and discuss the benefits of this proposal for each Applicant (discuss each Applicant separately in separate paragraphs).

Middlesex Hospital determined the need existed for this proposal after Shoreline approached Middlesex regarding a transfer of ownership of the facility. The physicians felt that they and their patients would benefit by converting their site into Hospital facilities.

The benefits of the proposal to transfer ownership of these select assets to Middlesex are that it will better enable the physicians to focus on the professional services they provide to their patients while at the same time

allowing these patients to continue to receive these services locally in their community.

The facility is located within the Middlesex service area. Middlesex believes it is in the best interests of the patients in the community for Middlesex to ensure continued access at the current location. Integrating the outpatient services into the existing Middlesex Health System's network of community-based resources will ensure not only the continuation of service access, it will help to ensure effective and efficient care coordination for these patients' care within the Middlesex Health System.

- c. Provide a history and timeline of the proposal (e.g., When did discussions begin between the Applicants? What have the Applicants accomplished so far?).

Shoreline independently approached the Applicant, Middlesex Hospital, during 2011 about transferring the ownership of the facility's assets. After considering the long-term benefits of the proposed transaction for Middlesex's service area communities, Middlesex and the physician-owned enterprise mutually agreed to enter into formal discussions about the transfers of assets.

Middlesex commissioned an independent third party valuation firm to determine the fair market value of the businesses' assets. A Memorandum of Understanding was drawn up and signed by the respective parties. (These are included in the Attachments to this Application.) The Purchase and Sale agreement is being developed, and any closing thereunder will be contingent upon approval of this proposal. In addition, a transition team has been formed to ensure that a seamless transition of service will occur at the facility.

- d. List any changes to the clinical services offered by the Applicants that result from this proposal, and provide an explanation.

There are no changes planned to the clinical services currently being offered at the service location as part of this proposal. This proposal is driven by the desire to maintain access to the existing community-based services for the patients residing in the Shoreline area communities.

- e. Describe the existing population served by the facility changing ownership or control, and how the proposal will impact these populations. Include demographic information as appropriate.

Shoreline is located in a town within Middlesex's current service area. The existing population will not be impacted by this change of ownership. The Applicant's primary and secondary service area includes the following towns within the Greater Middlesex County and Shoreline area of Connecticut. The

2010 and projected 2015 populations for these towns are listed in the table below.

Middlesex Service Area Towns	2010 Population	2015 Projected Population	Projected Growth per year	Projected Growth Total
Chester	3,817	3,749	-0.4%	-1.8%
Clinton	13,577	14,211	0.9%	4.7%
Colchester	15,383	15,783	0.5%	2.6%
Cromwell	13,968	13,886	-0.1%	-0.6%
Deep River	4,789	4,742	-0.2%	-1.0%
Durham	6,889	6,858	-0.1%	-0.4%
East Haddam	8,859	8,846	0.0%	-0.1%
East Hampton	14,761	15,620	1.1%	5.8%
Essex	6,744	6,690	-0.2%	-0.8%
Haddam	7,953	7,987	0.1%	0.4%
Killingworth	6,765	6,892	0.4%	1.9%
Madison	18,620	18,736	0.1%	0.6%
Marlborough	6,217	6,619	1.3%	6.5%
Middlefield	4,482	4,513	0.1%	0.7%
Middletown	46,251	48,583	1.0%	5.0%
Old Saybrook	10,562	10,431	-0.2%	-1.2%
Portland	9,687	10,073	0.8%	4.0%
Westbrook	6,814	6,813	0.0%	0.0%
TOTAL	206,138	211,032	0.5%	2.4%
Secondary Service Areas				
Guilford	21,968	21,715	-0.2%	-1.2%
Lyme	1,977	1,998	0.2%	1.1%
Old Lyme	7,267	7,045	-0.6%	-3.1%
Rocky Hill	19,502	20,256	0.8%	3.9%
*Source for 2010 Population and 2015 Population Projections: Connecticut Economic Resource Center, Inc. (www.cerc.com)				

- f. Describe the transition plan and how the Applicants will ensure continuity of services. Provide a copy of a transition plan, if available.

The Applicant, Middlesex Hospital, and the current Middlesex-affiliated physician owners of the assets have agreed to work collaboratively to ensure a seamless transition of the clinical service operations from both the patients' and each of the community's perspectives. As noted in the response to Question 1.c., a multi-disciplinary transition team has recently been organized for each facility to begin to develop transition plans. The team includes the key physician leader involved at the facility and Middlesex

Hospital staff from each of (but not limited to) the following functional areas: IT, Nursing, Finance, Operations, Pharmacy, Surgery, Billing, Materials Management, Facilities and Quality/Regulatory.

g. For each Applicant (and any new entities to be created as a result of the proposal), provide the following prior to and after this proposal:

i. Legal chart of corporate or entity structure including all affiliates.

Middlesex Hospital's corporate structure will not change as a result of this proposal. Middlesex Hospital is a wholly owned subsidiary of Middlesex Health System. The assets proposed to be acquired will become part of Middlesex Hospital, so no new corporate entities will result from this proposal. Consequently, Attachment A: Middlesex Health System, Inc. Organizational Chart, on page 18, constitutes the legal chart of corporate or entity structure for the Applicant both before and after the proposed asset acquisitions.

ii. List of owners and the % ownership and shares of each.

Middlesex Hospital, the Applicant, is a wholly owned subsidiary of Middlesex Health System, Inc. and this status will not change with this proposal.

h. Provide copies of all signed written agreements or memorandum of understanding, including all exhibits/attachments, between the Applicants related to the proposal. Note: If a final version is not available, provide a draft with an estimated date by which the final agreement will be available.

Middlesex Hospital has executed a Memorandum of Understanding with Shoreline. Please see Attachment B: Memorandum of Understanding, page 20, for a complete copy.

2. Quality Measures

a. Submit a list of all key professional, administrative, clinical, and direct service personnel related to the proposal. Attach a copy of their Curriculum Vitae.

The key personnel for this proposal from Middlesex Hospital and Shoreline are listed below. Please see Attachment C: Curriculum Vitae, page 28, for curriculum vitae of these key personnel.

Key Personnel	Facility
Vincent Capece	Middlesex Hospital
Harry Evert	Middlesex Hospital
Arthur V. McDowell, M.D	Middlesex Hospital

Jacquelyn G. Calamari	Middlesex Hospital
Maurizio Nichele, M.D	Shoreline
Jay Zimmerman, M.D.	Shoreline

- b. Explain how the proposal contributes to the quality of health care delivery in the region.

Shoreline has been providing quality clinical services with convenient access for patients within Middlesex's service area communities for years. Integrating Shoreline's outpatient services into the existing Middlesex Hospital will ensure the continuation of access to these services as well as provide opportunities for enhanced care coordination within the Middlesex Health System.

3. Organizational and Financial Information

- a. Identify the Applicant's ownership type(s) (e.g. Corporation, PC, LLC, etc.).

Middlesex Hospital is a Corporation.

- b. Does the Applicant have non-profit status?

Yes (Provide documentation) No

Middlesex Hospital is a tax-exempt, non-profit organization. Please see Attachment D: Proof of Non-Profit Status, page 28, for documentation.

- c. Provide a copy of the State of Connecticut, Department of Public Health license(s) currently held by the Applicant and indicate any additional licensure categories being sought in relation to the proposal.

Please see Attachment E: Copy of Operating License for Middlesex Hospital, page 46, for a copy.

- d. Financial Statements

- i. If the Applicant is a Connecticut hospital: Pursuant to Section 19a-644, C.G.S., each hospital licensed by the Department of Public Health is required to file with OHCA copies of the hospital's audited financial statements. If the hospital has filed its most recently completed fiscal year audited financial statements, the hospital may reference that filing for this proposal.

Refer to Middlesex Hospital's Annual Filing Submission for FY11 which was filed with OHCA on February 29, 2012.

- ii. If the Applicant is not a Connecticut hospital (other health care facilities):

Audited financial statements for the most recently completed fiscal year. If audited financial statements do not exist, in lieu of audited financial statements, provide other financial documentation (e.g. unaudited balance sheet, statement of operations, tax return, or other set of books.)

Not applicable.

- e. Submit a final version of all capital expenditures/costs as follows:

Table 2: Proposed Capital Expenditures/Costs

Medical Equipment Purchase	\$ -
Imaging Equipment Purchase	\$ -
Non-Medical Equipment Purchase	\$ -
Land/Building Purchase *	\$ -
Construction/Renovation **	\$ -
Other Non-Construction (Specify) ****	\$ 1,875,000
Total Capital Expenditure (TCE)	\$ 1,875,000
Medical Equipment Lease (Fair Market Value) ***	\$ -
Imaging Equipment Lease (Fair Market Value) ***	\$ -
Non-Medical Equipment Lease (Fair Market Value) ***	\$ -
Fair Market Value of Space ***	\$ -
Total Capital Cost (TCC)	\$ 1,875,000
Total Project Cost (TCE + TCC)	\$ 1,875,000
Capitalized Financing Costs (Informational Purpose Only)	\$ -
Total Capital Expenditure with Cap. Fin. Costs	\$ 1,875,000

* If the proposal involves a land/building purchase, attach a real estate property appraisal including the amount; the useful life of the building; and a schedule of depreciation.

** If the proposal involves construction/renovations, attach a description of the proposed building work, including the gross square feet; existing and proposed floor plans; commencement date for the construction/ renovation; completion date of the construction/renovation; and commencement of operations date.

*** If the proposal involves a capital or operating equipment lease and/or purchase, attach a vendor quote or invoice; schedule of depreciation; useful life of the equipment; and anticipated residual value at the end of the lease or loan term.

**** This represents the purchase price for the Center. The purchase price was not allocated between elements of the purchase price.

- f. List all funding or financing sources for the proposal and the dollar amount of each. Provide applicable details such as interest rate; term; monthly payment; pledges and funds received to date; letter of interest or approval from a lending institution.

Middlesex Hospital intends to use equity to fund the acquisition.

- g. Demonstrate how this proposal will affect the financial strength of the state's health care system.

This proposal will help to ensure the continued provision of quality community-based outpatient services for residents of the Connecticut Shoreline area communities, which are currently served by Middlesex Hospital and its affiliated physicians. This proposal, as structured by the parties involved, is financially feasible and therefore, in the long-term best interests of the state's health care system.

4. Patient Population Mix: Current and Projected

- a. Provide the current and projected patient population mix (based on the number of patients, not based on revenue) with the CON proposal for the proposed program.

Below is Middlesex Hospital's overall projected payer mix of patients for the current year (FY12). The projections for FY13, FY14 and FY15 represent the payer mix with the asset purchase included.

Table 3: Patient Population Mix

	Current** FY12	Year 1 FY13	Year 2 FY14	Year 3 FY15
Medicare*	46.40%	46.23%	46.23%	46.23%
Medicaid*	13.88%	13.79%	13.79%	13.79%
CHAMPUS & TriCare	0.36%	0.36%	0.36%	0.36%
Total Government	60.64%	60.38%	60.38%	60.38%
Commercial Insurers*	36.41%	36.69%	36.69%	36.69%
Uninsured	1.70%	1.69%	1.69%	1.69%
Workers Compensation	1.25%	1.24%	1.24%	1.24%
Total Non-Government	39.36%	39.62%	39.62%	39.62%
Total Payer Mix	100.00%	100.00%	100.00%	100.00%

* Includes managed care activity.

** New programs may leave the "current" column blank.

*** Fill in years. Ensure the period covered by this table corresponds to the period covered in the projections provided.

- b. Provide the basis for/assumptions used to project the patient population mix.

Data on the current patient population mix for the facility proposed to be acquired were obtained by the Applicant during the due diligence process.

5. Financial Attachments I & II

- a. Provide a summary of revenue, expense, and volume statistics, without the CON project, incremental to the CON project, and with the CON project. **Complete Financial Attachment I.** (Note that the actual results for the fiscal year reported in the first column must agree with the Applicant's audited financial statements.) The projections must include the first three full fiscal years of the project.

Financial Attachment I for Middlesex Hospital is included on page 17.

- b. Provide the assumptions utilized in developing **Financial Attachment I** (e.g., full-time equivalents, volume statistics, other expenses, revenue and expense % increases, project commencement of operation date, etc.).

The most recent year's actual data on volumes of clinical services for each facility by payer type were projected to FY13, FY14 and FY15. The associated revenues were projected based upon the Applicant's existing payment rates pursuant to each payer's contract with Middlesex Hospital. Expenses were projected based upon the volumes of services forecasted and the Applicant's experience providing these same outpatient services in its other facilities. For purposes of these financial projections it has been assumed that this proposal will be approved by the end of calendar year 2012; so that the first projection year (FY13) includes nine (9) months of the full-year projected annual impact.

- c. Identify the entity that will be billing for the proposed service(s).

Middlesex Hospital.

- d. As a result of the proposal, will there be any change to existing reimbursement contracts between the Applicants and payers (e.g. Medicare, Medicaid, commercial)? Explain.

No. The Applicant, Middlesex Hospital, will not realize any change to existing reimbursement contracts with payers.

- e. Provide the minimum number of units required to show an incremental gain from operations for each fiscal year.

The table below summarizes the minimum number of units required to show an incremental gain from operations for each fiscal year based upon the projections reflected in Financial Attachment I.

Minimum number of units required to show an incremental gain from operations for each fiscal year	FY13 Projected Incremental		FY14 Projected Incremental	
	Projected with the Proposal	Required to show incremental gain	Projected with the Proposal	Required to show incremental gain
Endoscopy Cases	733	257	977	262
Total	733	257	977	262

- f. Explain any projected incremental losses from operations contained in the financial projections that result from the implementation and operation of the CON proposal.

Not Applicable. There are no incremental losses from operations contained in the financial projections that result from the implementation and operation of the CoN proposal.

- g. Describe how this proposal is cost effective.

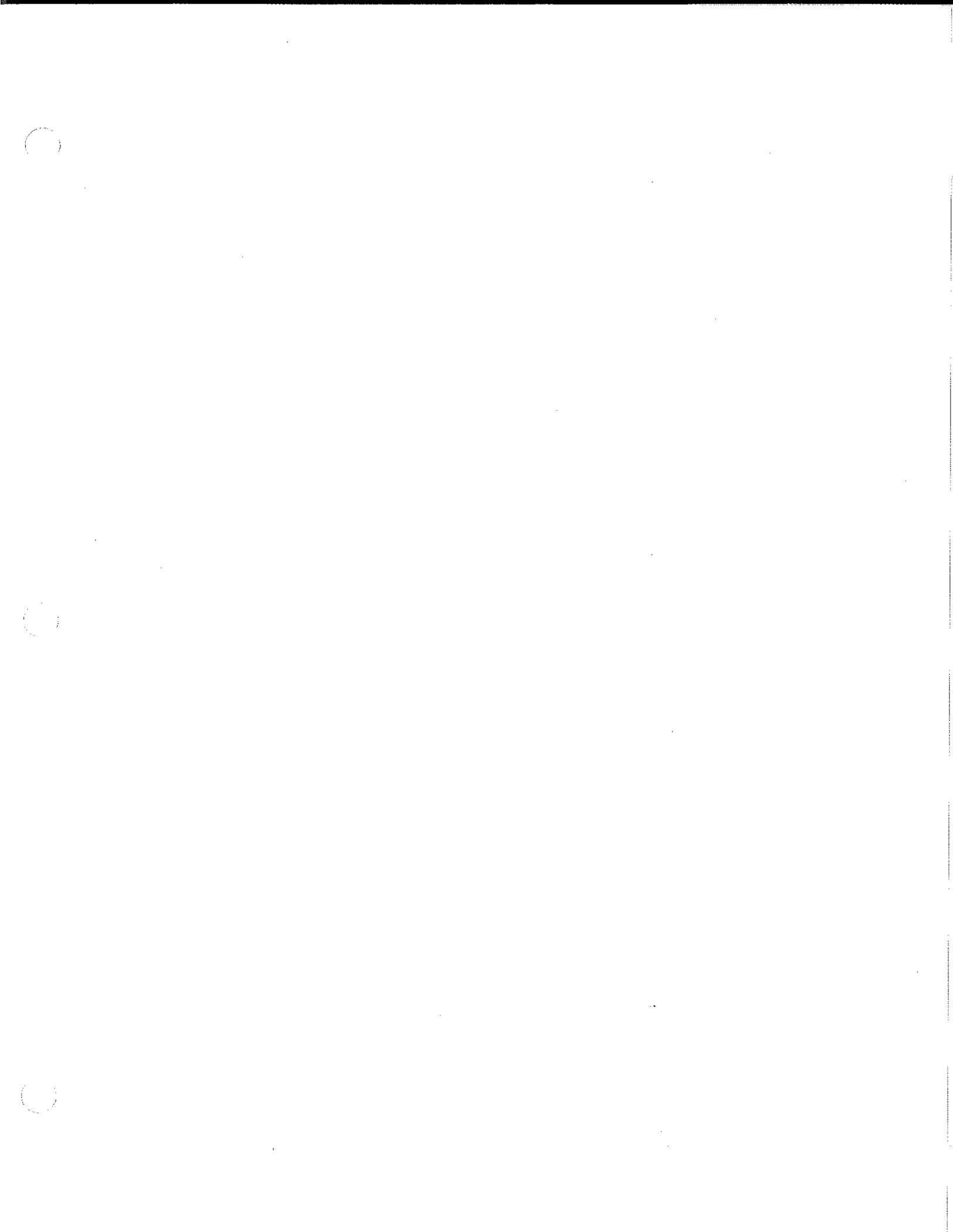
The financial projections included herein prove that the proposal is financially feasible and cost-effective.

Financial Attachment I – Middlesex Hospital
Middlesex Hospital

12. C (f). Please provide one year of actual results and three years of projections of Total Facility revenue, expense and volume statistics without, incremental to and with the CON proposal in the following reporting format:

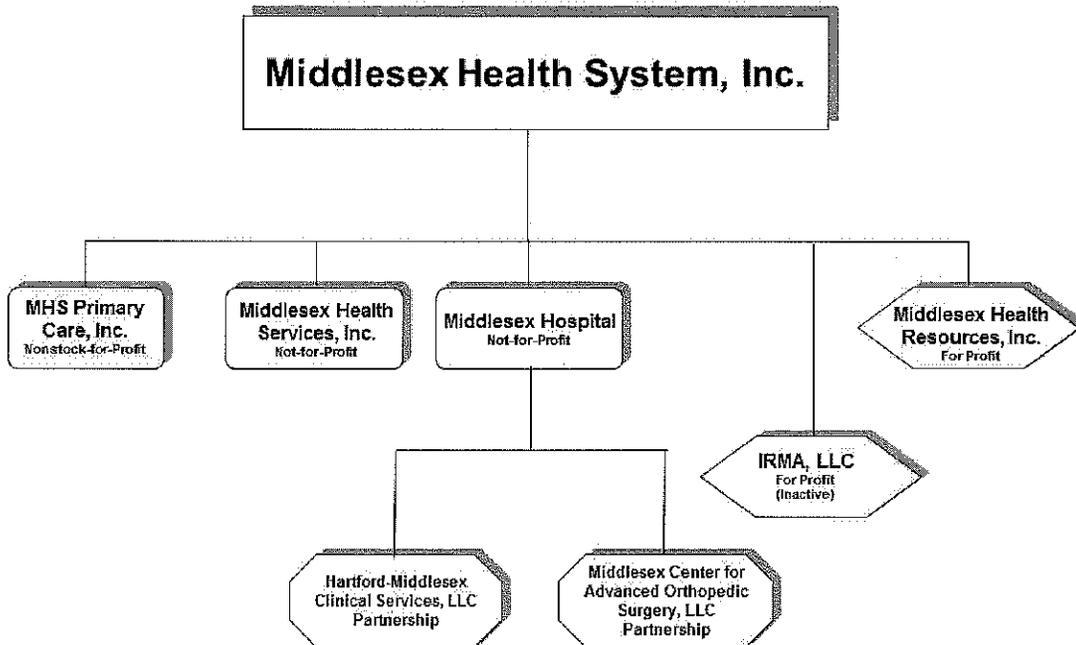
Total Facility: Description	FY 11 Actual Results		FY 12 Projected		FY 12 Projected		FY 13 Projected		FY 13 Projected		FY 14 Projected		FY 14 Projected	
	W/out	CON	Incremental	With	CON	Incremental	With	CON	Incremental	With	CON	Incremental	With	CON
NET PATIENT REVENUE														
Non-Government	\$187,081,758	\$192,989,299	\$116,601,012	\$120,282,960	\$122,087,204	\$195,884,138	\$196,159	\$197,844,297	\$200,009,585	\$202,649,266	\$124,658,440	\$190,189	\$124,848,629	\$34,671,466
Medicare	\$32,430,440	\$33,454,506	\$0	\$0	\$0	\$33,956,324	\$0	\$33,956,324	\$0	\$0	\$0	\$0	\$0	\$34,671,466
Medicaid and Other Medical Assistance	\$336,113,210	\$346,726,765	\$0	\$346,726,765	\$351,927,666	\$2,101,389	\$354,029,055	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Government	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Patient Revenue	\$325,544,408	\$373,170,570	\$116,601,012	\$373,170,570	\$373,170,570	\$2,101,389	\$373,170,570	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Operating Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Revenue from Operations	\$325,544,408	\$373,170,570	\$116,601,012	\$373,170,570	\$373,170,570	\$2,101,389	\$373,170,570	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING EXPENSES														
Salaries and Fringe Benefits	\$198,095,489	\$197,587,603	\$29,240,342	\$32,510,797	\$33,323,587	\$203,515,231	\$73,766	\$203,588,997	\$209,696,666	\$209,696,666	\$34,218,156	\$80,000	\$34,298,156	\$0
Professional / Contracted Services	\$33,144,537	\$34,297,207	\$13,570,742	\$11,270,701	\$11,439,762	\$35,455,855	\$0	\$35,455,855	\$36,575,418	\$36,575,418	\$11,611,358	\$0	\$11,611,358	\$0
Supplies and Drugs	\$13,570,742	\$11,270,701	\$29,485,401	\$32,057,554	\$35,019,281	\$11,439,762	\$0	\$11,439,762	\$11,611,358	\$11,611,358	\$24,219,775	\$126,756	\$34,346,531	\$0
Bad Debts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Operating Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$228,544,408	\$228,544,408	\$21,736,910	\$21,695,542	\$24,000,000	\$24,000,000	\$342,857	\$24,342,857	\$26,000,000	\$26,000,000	\$3,169,245	\$82,393	\$3,169,245	\$0
Depreciation/Amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Lease Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expense	\$228,544,408	\$228,544,408	\$21,736,910	\$21,695,542	\$24,000,000	\$24,000,000	\$342,857	\$24,342,857	\$26,000,000	\$26,000,000	\$3,169,245	\$82,393	\$3,169,245	\$0
Gain/(Loss) from Operations	\$96,000,000	\$144,626,162	\$94,864,102	\$151,475,028	\$149,170,570	\$149,170,570	\$130,827,713	\$148,827,713	\$147,170,570	\$147,170,570	\$170,925,325	\$187,777,177	\$144,925,325	\$170,925,325
Plus: Non-Operating Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Revenue Over/(Under) Expense	\$96,000,000	\$144,626,162	\$94,864,102	\$151,475,028	\$149,170,570	\$149,170,570	\$130,827,713	\$148,827,713	\$147,170,570	\$147,170,570	\$170,925,325	\$187,777,177	\$144,925,325	\$170,925,325
FTEs	0	0	0	0	0	0	0	0	0	0	0	0	0	0
*Volume Statistics: Endoscopy Cases	257	257	257	257	257	257	257	257	257	257	257	257	257	257

*Volume Statistics:
Endoscopy Cases



Attachment A: Middlesex Health System, Inc. Organizational Chart

Middlesex Health System, Inc.
Table of Organization
2012





Attachment B: Memorandum of Understanding

MEMORANDUM OF UNDERSTANDING

DATE: July 2, 2012

PARTIES: Maurizio Nichele, M.D.
Jay Zimmerman, M.D.

Middlesex Hospital
Shoreline Colonoscopy Suites, LLC

1. PARTIES; SUBJECT MATTERS.

Shoreline Colonoscopy Suites, LLC ("Seller"), a Connecticut limited liability company, currently owns and operates a licensed outpatient surgical facility located at 929 Boston Post Road, Old Saybrook, Connecticut (the "Center"). The Center is wholly owned by Dr. Maurizio Nichele and Dr. Jay Zimmerman, (the "Physicians"). Middlesex Hospital, a not-for-profit community hospital located at 28 Crescent Street in Middletown, Connecticut (the "Hospital" or the "Buyer"), proposes to purchase substantially all of the assets of the Seller (the "Assets"). Further, Middlesex Hospital proposes to enter into a co-management agreement with the Physicians to co-manage the Center following the consummation of the acquisition of the Assets.

The parties desire to enter into discussions as to the purchase of the Seller's Assets by the Buyer (or its designee) and the related undertakings as set forth herein (the "Transaction"). The parties desire to set forth herein their agreement as to certain fundamental matters pertaining to the Transaction, the related due diligence process and the treatment of any Confidential Information (as defined below).

2. EXCLUSIVITY

Until the earlier of (i) one hundred twenty (120) days after the date hereof, and (ii) the date upon which the Transaction Documents (as defined below) executed by and among the parties are terminated pursuant to their respective terms and conditions (the "Exclusivity Period"):

- (a) neither Seller nor the Physicians will directly or indirectly, through any representative or otherwise, solicit or entertain offers from, negotiate with or in any manner encourage, discuss, accept, or consider any proposal of any other person relating to a transaction similar in nature to the Transaction or the acquisition of the Assets of the Seller, its ownership interests or business, in whole or in part, whether directly or indirectly, through purchase, merger, consolidation, or otherwise; and
- (b) the Seller will immediately notify the Hospital regarding any contact between the Seller, the Physicians, their respective affiliates or representatives and any other person regarding any such offer or proposal or any related inquiry.

A breach of this Section 2 may, at the sole discretion of the Hospital and without any limitation as to other rights and remedies available to the Hospital, result in the immediate termination of this Memorandum of Understanding.

3. CONFIDENTIALITY.

- (a) Except as limited by the provisions of subsection 3(c) below, from the date hereof the parties each agree not to disclose this Agreement, the subject matter of this Agreement or any potential transactions or dealings contemplated hereby to any third parties except for their professional legal and financial advisors, officers, directors and senior management, equity sponsors and executive employees. Each party shall be responsible to ensure that any individuals receiving information related to this Agreement shall themselves abide by the terms of this Section 3.
- (b) The parties further recognize and agree that proprietary information and trade secrets relating to the operations of the parties (such proprietary information and trade secrets hereinafter referred to as the "Confidential Information"), may be exchanged among the parties in the conduct of their discussions. A party that discloses Confidential Information shall be referred to as a "Disclosing Party", and a party that receives Confidential Information shall be referred to as a "Receiving Party". All such Confidential Information at all times from and after the date hereof shall be maintained as confidential by the Receiving Party and treated with no less care than Receiving Party treats its own confidential and proprietary information. All Confidential Information shall be returned to the applicable Disclosing Party upon such Disclosing Party's request and shall not be used for any purpose other than in support of efforts to consummate the Transaction. Should this Memorandum of Understanding terminate or expire with no further dealings as to the subject matter hereof, then each Receiving Party shall return or, at the request of the Disclosing Party, destroy any Confidential Information provided by the Disclosing Party consistent with the terms hereof.
- (c) Notwithstanding any provisions of this Section 3 to the contrary, no obligation of confidentiality shall exist as to (i) information or materials that are in the public domain at the time of the disclosure or thereafter become part of the public domain through no act or omission of the Receiving Party; or (ii) information that was lawfully disclosed to the recipient after the date hereof by a third party.
- (d) In the event that a Receiving Party should be requested or required by a government agency or instrumentality to disclose any Confidential Information of a Disclosing Party, it is agreed that the Receiving Party will promptly provide the Disclosing Party with the content of the proposed disclosure, the reasons that such disclosure is required by law, and the time and place that the disclosure will be made. The Disclosing party may seek any appropriate protective orders and/or take such other

actions as the Disclosing Party may deem necessary to prevent or limit such disclosure..

- (e) The parties expressly understand and agree that: (a) the restrictions contained in this Section 3 represent a reasonable and necessary protection of the legitimate interests of the parties and that failure to observe and comply with them will cause irreparable harm to the parties; (b) it is and will continue to be difficult to determine the nature, scope and extent of such harm; and (c) a remedy at law for such failure by a party will be inadequate. Accordingly, in addition to any other rights and remedies that each party may have at law or in equity in the event of any breach of the above paragraphs (including the right to monetary damages), each Disclosing Party shall be entitled, and each is expressly authorized by each other party (including the Receiving Party), to demand and obtain specific performance, including without limitation temporary and permanent injunctive relief, and all other appropriate equitable relief against the Receiving Party in order to enforce the restrictions contained in this Section 3 or to prevent any breach or threatened breach of such restrictions.

4. ACQUISITION OF SELLER'S ASSETS BY BUYER

- (a) The parties intend that on or before the end of the Exclusivity Period, the Buyer will acquire the Assets from the Seller. The aggregate purchase price for the Assets and the noncompetition agreements (as set forth in Section 5 below) shall be \$1,875,000. The Buyer has determined the aggregate purchase price using a valuation obtained from an independent third party appraisal firm (Healthcare Appraisers), and will allocate as much of the purchase price to the noncompetition agreements as is recommended by Healthcare Appraisers. This valuation has not taken into consideration the volume or value of any health care service referrals between any of the parties.
- (b) Payment of the purchase price for the Assets will be made in full by the Buyers at the closing of the Transaction, except for the indemnification holdback amount as set forth in Section 5 hereof.
- (c) The Definitive Documentation for the Transaction shall include such documents as necessary to legally effect the acquisition of the Assets by the Buyers in the Seller (collectively, the "Transaction Documents"), including:
- (i) asset purchase agreement;
 - (ii) space and support staff allocation agreement between the Buyer and the Physician's practice (the "Practice"), as further described in Section 6 below; and

- (iii) co-management agreement to outline the terms by which the Physicians and the Buyer will co-manage the Center following the consummation of the Transaction. It is anticipated the Physicians will participate in the operational and clinical management of the Center.
- (d) Consummation of the Transaction shall be subject to completion by Buyer and Seller, to their respective sole satisfaction, of standard due diligence investigations, including but not by way of limitation, a review of financial and regulatory matters, litigation and liability matters, permits, compliance with law matters, and general accounting and financial matters.

5. ASSET PURCHASE AGREEMENT

The Asset Purchase Agreement shall contain, among other provisions, (i) representations and warranties that are customary to transactions of this nature; (ii) a joint-and-several indemnity by the Seller and the Physicians in favor of the Hospital for breaches of representations and warranties, breaches of covenants and obligations, certain liabilities of the Seller and other matters as may be necessary or as are customary to transactions of this nature; (iii) a cap on the amount of the indemnity equal to the purchase price; and (iv) a holdback amount to provide initial satisfaction of any indemnification claims in an amount of \$185,000 (with interest on such amount accruing at the applicable federal rate) and that shall last for eighteen (18) months. The Seller and the Physicians shall be subject to a mutually acceptable standard eight (8) year noncompetition agreement.

6. REAL ESTATE AND SUPPORT STAFF.

The Buyer will enter into an agreement with the Practice whereby the rentable space currently leased by the Practice but utilized for the operation of the Center shall be subleased to the Buyer (the "Sublease"). The Sublease shall outline the terms of a lease between the Physicians and the Hospital for the use of the space currently occupied by the Center. The Sublease shall have an initial eight (8) year term with two (2) five (5) year renewal options. In addition, the Sublease shall require that the Buyer provide no less than one hundred twenty (120) days prior written notice before the Sublease may be terminated at the end of any given term. Rent shall be equal fair market value for the space. The Sublease shall allow Hospital to (i) sublease space with approval of Physicians and Practice's landlord, neither of which shall be unreasonably withheld, and (ii) allow Hospital to assign its Sublease to affiliates of the Hospital without consent.

In addition, any and all staffing, equipment and support costs for the benefit of the Center will be paid for by the Buyer. The staffing, equipment and support costs of the Practice's professional medical practice will be segregated from those of the Center and independently borne by the Physicians. Without limitation as to the foregoing, each of the Practice and the Buyer shall be independently responsible for their own nursing or other clinical staffs.

7. LIMITATIONS OF THIS MEMORANDUM; CONTINGENCIES

- (a) The parties shall (i) negotiate the Transaction Documents in good faith with the intention of submitting a certificate of need determination request within sixty (60) days of the date hereof, if necessary, and (ii) endeavor to consummate the Transaction on or by the end of the Exclusivity Period.
- (b) Without limitation as to any other provision this Memorandum of Understanding, the parties acknowledge that the closing of the Transaction shall be subject to the following specific contingencies:
 - (i) satisfactory completion of the due diligence process referred to in Section 4(d), above;
 - (ii) the receipt of any governmental or other approvals deemed reasonably necessary by the parties and/or are required to effectuate the Transaction, including, without limitation, issuance of an appropriate approval from State of Connecticut Department of Health or a determination by counsel that no certificate of need is required for consummation of the Transaction;
 - (iii) the absence of any material adverse change in the financial condition, business, assets or prospects of the Buyer or the Seller;
 - (iv) completion of Transaction Documents;
 - (v) each of the Physicians obtaining active privileges at the Hospital; and
 - (vi) approval of the Transaction and the Transaction Documents by the Buyer's Finance Committee and Board of Directors.

8. ACCESS.

During the period from the date hereof until the date upon which this Memorandum of Understanding is terminated, the Seller and the Physicians will afford the Hospital full and free access to the Seller, its personnel, properties, contracts, books and records, and all other documents and data with prior notice and during reasonable business hours; provided, however, that the Hospital shall conduct its investigation of the Seller so as not to unduly interfere with or disturb the normal operations of the Seller or otherwise prevent the Seller from operating its business in the ordinary course and in compliance with all applicable laws.

9. EXPENSES AND LEGAL FEES.

Each party hereto agrees that it shall pay its own expenses and those of its respective agents, advisors, attorneys and accountants with respect to carrying out of the due

diligence, negotiation of this Memorandum of Understanding, the Transaction Documents and the closing of the Transaction.

10. COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall comprise one and the same instrument. Delivery of a copy of this Agreement or such other document bearing an original signature by facsimile transmission, by electronic mail in .pdf form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

11. TERMINATION OF MEMORANDUM OF UNDERSTANDING.

This Memorandum of Understanding will expire upon the earliest to occur of: (a) the end of the Exclusivity Period; or (b) mutual agreement of the parties to such expiration; or (c) the closing of the Transaction.

12. GOVERNING LAW.

This letter will be governed by and construed under the laws of the State of Connecticut without regard to conflicts of laws principles that would require the application of any other law.

13. NON-BINDING OBLIGATIONS.

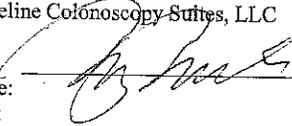
Sections 2, 3, 8, 9, 10, 11, 12 and 13 above are binding provisions (the "Binding Provisions"). Except for the Binding Provisions, this Memorandum of Understanding does not constitute or create, and shall not be deemed to constitute or create, any legally binding or enforceable obligation on the part of any party hereto. No such obligation shall be created except upon the closing of the Transaction that shall be upon such terms and conditions as shall be agreed upon by the parties and then only in accordance with the terms and conditions of the Transaction Documents. Moreover, except as expressly provided in the Binding Provisions (or as expressly provided in any binding written agreement that the parties may enter into in the future), no past or future action, course of conduct, or failure to act relating to the transactions contemplated hereunder, or relating to the negotiation of the terms of the Transaction Documents, will give rise to or serve as a basis for any obligation or other liability on the part of any party.

[Signature Page Follows]

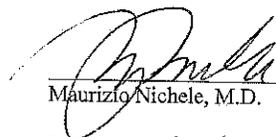
If the foregoing accurately expresses our understanding, please so indicate by signing and dating this Agreement and the enclosed copy and returning the enclosed copy to the undersigned.

SELLER and PHYSICIANS

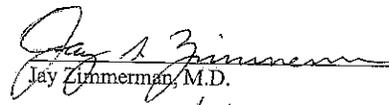
Shoreline Colonoscopy Suites, LLC

By: 
Name: _____
Title: _____

Date: 07/06/12


Maurizio Nichele, M.D.

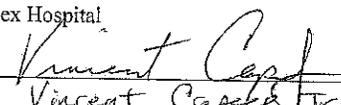
Date: 07/06/12


Jay Zimmerman, M.D.

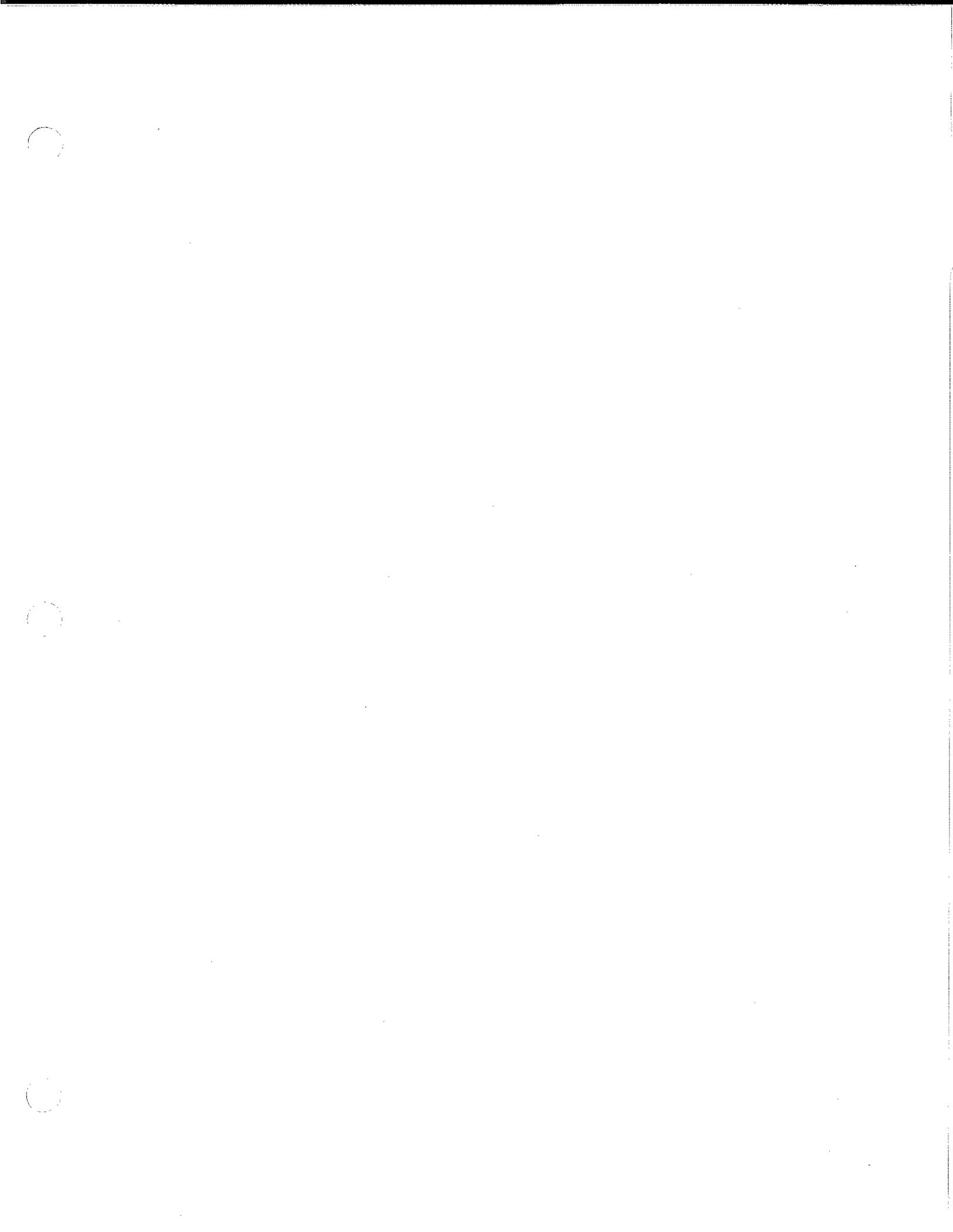
Date: 7/6/12

BUYER

Middlesex Hospital

By: 
Name: Vincent Capella, Jr.
Title: CEO

Date: 7/2/12



Attachment C: Curriculum Vitae

VINCENT G. CAPECE, JR., CPA
154 Smith Pond Road
Watertown, Connecticut 06795

Cell: 860-918-4914

E-mail: vin.capece@midhosp.org

EMPLOYMENT HISTORY

MIDDLESEX HEALTH SYSTEM, INC., Middletown, Connecticut
President/Chief Executive Officer September 2010 - Present

Middlesex Health System serves as the holding company for a 275-bed hospital with an extensive outpatient facility network including two 24-hour satellite emergency departments.

- Developed and implemented strategic initiatives to improve operations (both quality & cost) and position System brand;
- Led efforts which have positioned Middlesex Hospital as a nationally recognized, high-performing organization, i.e., Thomson Reuters 100 Top Hospitals®, HealthGrades® Top Hospitals, *Hospitals and Health Networks* Most Wired Hospitals;
- Achieved consistently strong financial performance.

Senior Vice President & Chief Financial Officer 2008 – August 2010
Senior Vice President, Finance & Operations 2007
Vice President, Finance & Treasurer 1998 - 2006

- Reported directly to President & CEO of Middlesex Health System, Inc.
- Responsible for all financial and operating activities for the Health System, which includes: a 275-bed acute care hospital with annual revenues of over \$300 million, a physician group practice with ten office sites, an assisted living facility, a physician-hospital contracting entity and a real estate holding company.
- Involved in all aspects of business and strategic planning for the Hospital and Health System, which has required significant interaction with the medical staff.
- Responsible for developing Board of Director meeting agendas with significant involvement in all committees of the Board of Directors.

BRIDGEPORT HOSPITAL, Bridgeport, Connecticut
Director of Accounting 1990 - 1998

- Prepared for and participated in monthly Finance Committee meetings of the Board of Directors;
- Internal and external financial reporting for a 425-bed teaching hospital and affiliated entities, including a physician group practice and physician hospital organization (PHO);
- Financial analysis and negotiations associated with all managed care contracts;

- Coordinate and managed all financing arrangements including CHEFA bond financing;
- Provided financial data and testimony at all CoN and finance related regulatory hearings;
- Significant daily interaction with senior management and operating department heads on financial related issues.

ARTHUR ANDERSEN LLP, Hartford, Connecticut
Audit Manager

1985 - 1990

- Planned, supervised and coordinated audit and financial consulting engagements;
- Maintained an in-depth understanding of accounting and business issues within a number of industries (including health care);
- Practice development of audit and financial consulting services;
- Maintained existing client relationships -- training and evaluation staff.

EDUCATION

UNIVERSITY OF CONNECTICUT, Storrs, Connecticut

Masters in Business Administration

2006

BS in Accounting, Magna cum laude

1985

PROFESSIONAL & CIVIC ORGANIZATIONS

Community Foundation of Middlesex County – Board Member; Executive Committee Member;
Chair, Finance & Investment Committee
Middlesex County Chamber of Commerce - Board Member; Executive Committee Member
VHA New England – Board Member
Healthcare Financial Management Association - Advanced Member
American College of Healthcare Executives
Connecticut Society of Certified Public Accountants
Middlesex United Way – Former Board Member
Junior Achievement of Southern Connecticut – Former Board Member

HARRY EVERT
84 Old Ponsett Road
Haddam, CT 06438
(203) 345-2614

BUSINESS EXPERIENCE:

MIDDLESEX HEALTH SYSTEM

Middlesex Hospital
Middletown, Connecticut (1980-present)
Radiology Administrator (1980-1984)
Vice President, Operations & Administration (1984-2011)
Senior Vice President
Strategic Planning & Operations (2012-present)

Corporate Responsibilities and Major Accomplishments:

- Responsibility for all ancillary departments of the Hospital, including Radiology, Laboratory, Radiation Oncology, Physical Medicine, Cancer Center, and Neurology.
- Successfully managed all support services, including Engineering, Environmental Services, Food and Nutrition, and Security.
- Responsible for the Family Medicine Residency Program. Supervised the expansion of the program from 6 Residents per year to 8; and from 2 to 3 model offices.
- Responsible for the CoN approval, and installation of major capital equipment, including CT/PET, Linac, 64 slice CT, CT/Simulator, and fixed MRI.
- Responsible for the planning, CoN approval, and direction of all major capital construction projects including:
 - Maternity Center, Critical Care Unit and Outpatient Center- \$32 M
 - Laboratory and Renovations to Outpatient Surgery- \$18M
 - Assisted Living complex - \$8M
 - Cancer Center facility- \$10M
 - Freestanding Emergency and Outpatient Facility in Marlborough- \$8M
 - Construction of a new Hospital Emergency Department- \$30M
 - Relocation of Shoreline Freestanding Emergency and Ancillary Facility- \$25M
- Created a Hospital-based, primary care medical group (MHS-PC) by acquiring and expanding existing practices and starting new practices. Successfully changed the governance structure of MHS-PC to create a Board of Directors, which included MHS-PC physicians, management and Hospital trustees.
- Worked with medical staff leaders and created successful Hospitalist program. Expanded service so that majority of non-surgical admissions are now cared for by Hospitalist service.
- Administrative liaison to multiple medical staff departments, including Radiology, Pathology, OB/GYN, Medicine, Family Medicine, and Pediatrics.
- Developed Physician Manpower plan with the medical staff leadership. Successfully recruited Primary Care, OB/GYN, GI, and Neurology physicians.
- Developed recruitment support alternatives for physician groups interested in recruiting new associates. The services varied from recruitment fee support to new physician income guarantees.
- Responsible for acquisition of Middlesex VNA and directed its transition into the Hospital.

- Responsible for acquisition of Middlesex Young Parents Assistance Program and directed its integration into the Hospital. This is now the Family Advocacy Program.
- Responsible for establishing affiliation between the MH Cancer Center and the Dana Farber Cancer Institute.
- Chaired the Capital Budget Committee and the Facilities Planning Committee.
- Administratively responsible for the successful implementation of the Radiology, Laboratory and Pharmacy information systems, as well as the Radiology PACs system.
- With senior management, review and approve annual operating and capital budgets, and all new employee request

NEW MILFORD HOSPITAL
New Milford, Connecticut
Radiology Administrator

(1976-1980)

DANBURY HOSPITAL
Danbury, Connecticut
Assistant Radiology Administrator

(1974-1976)

EDUCATION:

QUINNIPIAC COLLEGE, Hamden, Connecticut
Graduated - June 1982
Masters Degree, Health Services Administration

UNIVERSITY OF WISCONSIN, Madison, Wisconsin
Graduated - June 1970
Bachelors Degree, History

AFFILIATIONS:

Civic:

Co-chairman, United Way Campaign, Key Firms North Division
Past Vice President, Pomperaug Valley Jaycees
Board of Directors, Past President, Haddam Lions Club
Governing Member, past Board of Directors, Northern Middlesex YMCA
Previous Board of Deacons, Higganum Congregational Church
CIAC Certified Baseball Umpire

Professional:

Fellow, American College of Healthcare Executives
Member, Connecticut Hospital Association (CHA)
VHA Member Advisory Steering Committee

CURRICULUM VITAE

Arthur V. McDowell, M.D., F.A.C.C., F.A.C.P

Date of Birth:

April 14, 1952

Place of Birth:

Albany, New York

Academic Degree:

College of Holy Cross, B.A., 1974

Albany Medical College of Union University, M.D., 1978

Medical Internship:

Hartford Hospital, July 1978 – June 1979

Medical Residency:

Hartford Hospital, July 1979 – 1981

Fellowship:

Clinical Fellow in Cardiology, July 1981 – June 1983

Harvard Medical School

Beth Israel Hospital, Boston, Massachusetts

Honors/Awards:

Alpha Omega Alpha – 1978

Alumni Association Medical – 1978

Maxwell O. Phelps Award for Excellence in Internal Medicine

Hartford Hospital – 1981

Middlesex Hospital, Professional Staff Award – 1985

St. Francis Xavier Award – 1991

Board Certification:

American Board of Internal Medicine Diplomate – 1981

American Board of Internal Medicine Diplomate, Cardiovascular Disease – 1983

American Board of Internal Medicine, Critical Care – 1991, Recertified 2000-2011

American College of Cardiology, ECG Exam Certification – 1996

National Board of Echocardiology Diplomate – Adult Transthoracic Echocardiography –
1998, Recertified 2006

Arthur V. McDowell, III, M.D., F.A.C.C., F.A.C.P

Page 2

Private Practice:

Cardiology, Middletown, Connecticut, July 1983 – 2008

Appointments:

State of Connecticut Medical Advisory Board to the Commissioner of Motor Vehicles,
July 1988 - present

Governor's Advisory Board, American College of Cardiology, 1990 – present

Advisory Committee to Commissioner of Cost Commission on Health, State of Connecticut

Board of Directors, Middlesex Hospital, March 1997 – 2007; Chair, Quality

Committee – 1998 – 2000, Chair, Board of Directors – November 2000 - 2007

Corporator, Liberty Bank, Middletown, Connecticut, 1997 – present

Advisory Committee to Commissioner, State Department of Health Care Access, 1999 - 2009

Staff Appointments:

Middlesex Hospital, Middletown, Connecticut, Vice President, Clinical Affairs, 2008 – present

Middlesex Hospital, Middletown, Connecticut, Assistant Attending, Department of Medicine
Cardiology, 1983 – 1988

Middlesex Hospital, Middletown, Connecticut, Senior Attending, Department of Medicine
Cardiology, 1988 – present

Middlesex Hospital, President, Medical Staff – 1991 - 1992 and 1993.-1994

Hartford Hospital, Hartford, Connecticut, Courtesy Staff, 1984 – 2004

UConn Medical Center, Farmington, Connecticut, Assistant Clinical Professor of Medicine
March 1, 1996 – present

Middlesex Hospital Chief, Cardiology, 1995 to 2008

Middlesex Hospital, Director, Echo Lab, 1995 - 2008

AAFP, Active Teacher in Family Medicine, 2003

Societies:

Fellow, American College of Cardiology

Fellow, American College of Physicians

Fellow, American College of Echocardiography

Middlesex County Medical Society

Connecticut Medical Society

American Medical Association

American Heart Association, Council on Clinical Cardiology

Fellow, American College of Chest Physicians

American Heart Association, President, Middletown area branch, 1986 – 1989

AHA Board of Directors, 1986 to present

Society of Critical Care Medicine

Arthur V. McDowell, III, M.D., F.A.C.C., F.A.C.P

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Papers:

Evaluation of a New Bipyridine Inotropic Agent – Milrinone – in Patients with Severe Congestive Heart Failure

D.S. Baim, A.V. McDowell, J. Cherniles, E.S. Monrad,
J.A. Parker, J. Edelson, E. Braunwald and W. Grossman
New England Journal of Medicine 309: 748 – 56, 9/29/83

Nutrition Knowledge and Attitudes of Cardiac Patient

S. Plous, PhD; Robert B. Chesne, M.D.; Arthur V. McDowell, III, M.D.
Journal of The American Dietetic Association, Vol. 95, No. 4, 4/95

Abstracts:

Does Milrinone Improve Diastolic Ventricular Function in Congestive Heart Failure

E.S. Monrad, R.G. McKay, D.S. Baim, A.V. McDowell, G. Heller, W. Grossman
Circulation 68, Supplement III, Abstract 405

Chronic Oral Milrinone Therapy in Patients with Refractory Congestive Heart Failure

A.V. McDowell, D.S. Baim, E.S. Monrad, J. Cherniles, E. Braunwald, W. Grossman
Circulation 68, Supplement II, Abstract 1495

Book Chapters:

Milrinone Therapy in Patients With Severe Congestive Heart Failure: Initial Hemodynamic and Clinical Observations

D.S. Baim, E.S. Monrad, A.V. McDowell, H. Smith, A. Lanove, E. Braunwald, W. Grossman

M-Mode Echocardiography: Recording Techniques and Normal Findings

P.C. Come, M.F. Riley, A.V. McDowell

In Diagnostic Cardiology – P.C. Cane, Editor, J.B. Lipincott – 1985

91 High Street
Deep River, CT 06417
Home: (860)526-9629
Email: jackie.calamari@midhosp.org

JACQUELYN G. CALAMARI, MS, MSN, NEA-BC, CEN

EDUCATION

- MASTER OF SCIENCE IN NURSING, 2009**
Saint Joseph College, Hartford, CT
- MASTER OF SCIENCE IN MANAGEMENT, 2000**
Rensselaer at Hartford, Hartford, CT
- BACHELOR OF SCIENCE IN NURSING, 1992**
Saint Joseph College, Hartford, CT
- DIPLOMA IN NURSING, 1977**
Saint Francis School of Nursing, Hartford, CT

EXPERIENCE

1978 – Present

MIDDLESEX HOSPITAL, Middletown, CT

Vice President, Patient Care Services/Chief Nursing Officer (August 2011 – Present)

Middlesex Health System is a non-profit healthcare organization serving a population of 250,000 residents. Its service area encompasses the largest geography of any hospital in CT, covering Middletown, Connecticut south to the Shoreline and East of the Connecticut River. The system includes a 275 bed acute care hospital, Homecare and Hospice Agency, a network of primary care offices, three full service Emergency sites, a diagnostic outpatient center, Ambulatory Surgical Center, and Cancer Center. Middlesex Health System is a three time Magnet designated hospital, four time winner of the Thompson-Reuters Top 100 Hospitals Award and attained Center of Excellence Certifications in Stroke, CHF, Disease Management, and Bariatric Surgery.

Reporting to the President and CEO, responsible for all Nursing, Emergency, Behavioral Health, Surgical Services, Home Health & Hospice, Case Management, and Pharmacy. Key member of the senior management team responsible for all strategic planning, governance, quality and safety, workforce development and engagement. Responsible for 1,071 FTEs. Manage an operating budget of \$650M in revenues and \$105M in expenses.

Director, Emergency and Inpatient Services (2008 – Present)

Administrative responsibility for three Emergency Departments and Inpatient Services including: 5 Medical/Surgical Units, Psychiatric Unit and Pregnancy and Birth Center. Total of 400 FTEs; 33 million dollar operating budgets. Collaboration with Nursing Administrative Team in development of Nursing Department strategic plan and goals.

Selected Accomplishments:

- Successfully managed the implementation of a new program for service excellence that resulted in improved patient satisfaction since 2008 from a mean score of 85.6 to most recent score of 88.1
- Developed a forum for mentoring inpatient nurse managers and medical directors to improve collaboration and communication on new initiatives including multidisciplinary rounding.

Director, Emergency Department (1996 – 2008)

Administrative responsibility for three Emergency Departments; 90,000 visits per year; 116 FTEs. Annual budget of approximately \$10 million.

Selected Accomplishments:

- Collaborated in the successful design and build of a new Emergency Department moving from 8500 sf facility to a 25,000 sf facility
- Improved patient satisfaction since 2002 from a mean score of 79.4 to most recent score of 88.

Nurse Manager, Emergency Department (1994 – 1996)

Managed daily operations of the Emergency Department with 30,000 visits per year.

Staff Nurse, Emergency Department (1982 – 1994)

Provided nursing care for all patients requiring emergency treatment.

Staff Nurse/Charge Nurse, Surgical Unit (1978 – 1982)

Provided nursing care for all patients requiring surgery.

1977 – 1978

HARTFORD HOSPITAL, Hartford, CT

Staff Nurse, Cardiothoracic Unit

Hartford Hospital is a 819-bed acute care, medical surgical facility. Provided nursing care for all patients requiring cardiac surgery.

CERTIFICATIONS

- Certified Emergency Nursing/Emergency Nurses Association (CEN/ENA), September 1978 – Present.
- Certified Nurse Executive, Advanced (NEA-CC/ANCC) August 2011

PROFESSIONAL MEMBERSHIPS

- American Nurses Association (ANA)

- Board Member, Organization of Nurse Executives (ONE-CT) 2010–Present.
- Connecticut Hospital Association (CHA) – Nurse Executives Group
- Connecticut Nurses Association
- Member, Sigma Theta Tau International
- Member, Emergency Nurses Association (ENA)
- VHA CNO Network – Northeast Region

PRESENTATIONS

- *Patient and Family Centered Care*, Boden Symposium (2012)
- *Medication Errors in the Context of an Acute Care Environment- Study at Middlesex Hospital*. Presented at the Connecticut Research Alliance, October 2009
- *The Professional Tier Advancement Program- A Presentation at the Seventh Annual Magnet Conference*, Houston Texas (2003)

PUBLICATIONS

- Medication Errors in the Context of an Acute Care Environment- Study at Middlesex Hospital.
 - Presented at St. Joseph College, Research Day, 2010
 - Presented at the Connecticut Research Alliance, October 2009

AWARDS

- Nightingale Award, 2009
- Sigma Theta Tau Leadership Award, 2008
- Awarded highest honor in Nursing Leadership from CT Emergency Nurses Association, 2002

Maurizio D. Nichele, M.D.
929 Boston Post Road
Old Saybrook, CT 06475
Phone (860) 395 - 0554
Fax (860) 395 - 0448
Home Phone (860) 434 5299

PERSONAL Date of Birth: May 12, 1964
 Marital Status: Married

EDUCATION MD, New York Medical College, June 1991
 BA Johns Hopkins University, June 1986

EMPLOYMENT November 1999 -Present, Admitting Privileges New Britain General Hospital
 November 1997- Present, Colon and Rectal Surgery Practice, Old Saybrook, CT
 July 1996- June 1997, Fellowship in Colon and Rectal Surgery
 University of Medicine and Dentistry of New Jersey, Plainfield, NJ
 July 1995- June 1996, Chief Resident General Surgery
 Waterbury Hospital, Waterbury, CT
 July 1991 - June 1995, Residency General Surgery Waterbury Hospital, Waterbury, CT

LANGUAGES English
 Italian

HONORS AND AWARDS

1993- First Place Overall
American College of Surgeons Meeting, Connecticut Chapter

1993 - Fourth Place Trauma
American College of Surgeons Meeting, Connecticut Chapter

CERTIFICATION

State of Connecticut - 034772
National Boards Part I, II, and III
American College of Surgeons
American College of Colon and Rectal Surgeons

PROFESSIONAL SOCIETIES

American Medical Association
American College of Surgeons
American Board of Colon and Rectal Surgeons
Society of American Gastro-intestinal and Endoscopic Surgeons
State Medical Society of Connecticut

3-9-2012

Curriculum Vitae

Jay S. Zimmerman MD
341 Summer Hill Rd
Madison CT 06443 203-779-5333

EMPLOYMENT

Partner in Shoreline Digestive Health Center (private practice – gastroenterology)
Old Saybrook Connecticut. Including admitting privileges to Middlesex Hospital
October 2007 – present

Associate physician with Gastroenterology Center of Connecticut
Middletown Connecticut. Including admitting privileges to Middlesex Hospital
February 2007 – October 2007

Associate physician in private Gastroenterology practice
Greenwich Connecticut. Including admitting privileges to Greenwich Hospital
August 2003 – November 2006

EDUCATION

New York Presbyterian Hospital – Cornell Campus, New York, NY
Gastroenterology Fellowship *July 2000 – June 2003*
Training in general gastroenterology/hepatology as well as diagnostic and therapeutic biliary endoscopy and endoscopic ultrasound.

Yale New Haven Hospital, New Haven, CT
Chief Resident *June 1999 – June 2000*

Yale New Haven Hospital, New Haven, CT
Internal Medicine Resident *June 1996 – June 1999*

Cornell University Medical College, New York, NY
Doctor of Medicine *May 1996*

Emory University, Atlanta, GA
Bachelor of Arts Economics and Biology *May 1992*

RESEARCH / WORK EXPERIENCE

- October 2003 Board Certification in Gastroenterology and Hepatology
Passed American Board of Gastroenterology and Hepatology exam
- May 2002 Poster Presentation, Digestive Disease Week, San Francisco, California
Will present poster presentation at national conference
- March 2001 NYSGE Award and Stipend
Received award and stipend for case review presentation
- June 2001 Publication in Gastrointestinal Endoscopy
Maltz C, Zimmerman JS, Purov DB. *Gallstone impaction in the colon as a result of a biliary-colonic fistula.* GI Endo, 2001 Jun; 53(7):776
- 2001 Research project with Dr. Mark Pochapin, Department of Gastroenterology,
New York Presbyterian Hospital-Cornell University Medical College
Case Series and review of the literature: A retrospective analysis of ischemic hepatopathy and the subsequent rise in serum bilirubin levels
- 2001 Research project with Dr. Mark Pochapin and Dr. Mark Russo, Department of
Gastroenterology, New York Presbyterian Hospital-Cornell University Medical College

Gastrointestinal Organisms residing on the surface of canned beverages and the potential risk to immunocompromised individuals

- 2001 Research Project with Dr. Christine Frissora, New York Presbyterian Hospital-Cornell University Medical College
Case report: Solitary rectal ulcer in a professional football player, treated with oral 5-ASA compounds
- 1999 Board Certification in Internal Medicine
Passed American Board of Internal Medicine exam
- 1996 - 1997 Patent for Novel Medical Device
Applied for and received patent for unique squeeze to inject/squeeze to fill syringe
- 1995 Teaching Assistant, Department of Gross Anatomy, Cornell University Medical College
Received a Papanicolaou Fellowship
- Summer 1993 Research Assistant, National Heart Lung and Blood Institute, Bethesda, Maryland
NIH Summer Research Fellowship Program (Sponsor Dr. Lois Green)
Interaction of the HSP-70 (heat shock protein) with various proteins throughout the cell
- Summer 1992 Emergency Room Volunteer, North Shore University Hospital / Cornell University Medical College
Assisted in and observed a multitude of emergency room procedures and overall patient care
- 1990 - 1991 Tutor and Teaching Assistant, Department of Biology, Emory University

HONORS / AWARDS

- Inducted into the Weill Medical College of Cornell University chapter of **Alpha Omega Alpha** while a Clinical Fellow, in May 2002.
- NYSGE (New York State Gastrointestinal Endoscopy) **Presentation Award** and stipend in 2001. A citywide competition based on case presentations.
- Granted an **Acknowledgement Award** by the nursing staff at Waterbury Hospital in CT, during my one-month medicine rotation in 1998.
- Received the **Kushlan Award** in 1997. The award is given to the one intern deemed by the attending and nursing staff to have contributed the most to patient care.
- Inducted into the Emory University chapter of **Phi Beta Kappa** in 1991.
- Recipient of the **Gardner B. Allen Scholarship Award** for outstanding academic achievement in 1990, 1991 and 1992.
- Member of the **Dean's List** for all 8 semesters at Emory University.

EXTRACURRICULAR ACTIVITIES

Cornell University Medical College

- Vice President of the medical school class (1992-1993)
- Member Medical Student Executive Council
- Senior Advisor to First Year Student counseling Group
- AIDS awareness teaching to High School students
- Volunteer at several Homeless Shelters in the city of Manhattan

Emory University

- Member of the Student Government Association Budget Committee (1989-1991)
- Involved in Fund Raising for Egleston's Childrens Hospital (1988-1992)
- Intramural sports - wrestling, basketball and soccer
- Active member of the Hillel organization

PERSONAL

- Enjoy spending time with my wife Hailey, and children Sammy and Rachel, and English bulldog Sophie
- Volunteered in the Israeli Army in the Summer of 1989
- Hobbies include watching and quoting movies, traveling, mountain bike riding, golf, playing the guitar, and eating sushi

Attachment D: Proof of Non-Profit Status

Internal Revenue Service

Department of the Treasury

District
Director

10 MetroTech Center
625 Fulton St., Brooklyn, NY 11201

NOV 02 1995

Date:

Middlesex Hospital
28 Crescent Street
Middletown, CT
06457-3854

Person to Contact:
Patricia Holub
Contact Telephone Number:
(718) 488-2338
EIN: 08-0646718

Dear Sir or Madam:

Reference is made to your request for verification of the tax exempt status of Middlesex Hospital:

A determination or ruling letter issued to an organization granting exemption under the Internal Revenue Code remains in effect until the tax exempt status has been terminated, revoked or modified.

Our records indicate that exemption was granted as shown below.

Sincerely yours,

Patricia Holub

Patricia Holub
Manager, Customer
Service Unit

Name of Organization: Middlesex Hospital

Date of Exemption Letter: December 1939

Exemption granted pursuant to section 501(c)(3) of the Internal Revenue Code.

Foundation Classification (if applicable): Not a private foundation as you are an organization described in sections 509(a)(1) and 170(b)(1)(A)(iii) of the Internal Revenue Code.



Attachment E: Copy of Operating License for Middlesex Hospital

STATE OF CONNECTICUT

Department of Public Health

LICENSE

License No. 0069

General Hospital

In accordance with the provisions of the General Statutes of Connecticut Section 19a-493:

Middlesex Hospital of Middletown, CT d/b/a Middlesex Hospital is hereby licensed to maintain and operate a General Hospital.

Middlesex Hospital is located at 28 Crescent Street, Middletown, CT 06457.

The maximum number of beds shall not exceed at any time:

22 Bassinets
275 General Hospital Beds

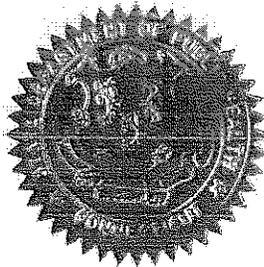
This license expires **December 31, 2012** and may be revoked for cause at any time.

Dated at Hartford, Connecticut, January 1, 2011.

Satellites:

Middlesex Hospital Shoreline Medical Center, 260 Westbrook Road, Rt. 153, Essex, CT
Middlesex Hospital Marlborough Medical Center, 12 Jones Hollow Road, Marlborough, CT
Middlesex Hospital Outpatient Center, 534 Saybrook Road, Middletown, CT
Middlesex Hospital Center for Behavioral Health Family Advocacy Program, 51 Broad Street, Middletown, CT
Middlesex Hospital Center for Behavioral Health Adult Outpatient Services, 103 South Main Street, Middletown, CT
Middlesex Hospital Center for Behavioral Health Psychiatric Day Treatment, 33 Pleasant Street, Middletown, CT
Middlesex Hospital Cancer Center, 536 Saybrook Road, Middletown, CT
Middlesex Hospital Surgical Center, 530 Saybrook Road, Middletown, CT
*Middlesex Hospital Center for Behavioral Health Outpatient, 154 Main Street, Old Saybrook, CT

License Changed to Reflect:
Change of Satellite Address effective 4/8/11



Jewel Mullen, MD

Jewel Mullen, MD, MPH, MPA
Commissioner



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

October 24, 2012

FACSIMILE TRANSMISSION ONLY

Harry Evert
Senior Vice President, Strategic Planning and Operations
Middlesex Hospital
28 Crescent Street
Middletown, CT 06457

RE: Certificate of Need Application; Docket Number: 12-31786-CON
Middlesex Hospital
Proposal to Transfer Ownership of Certain of the Assets of Advanced Colon Care, Inc. d/b/a
Shoreline Colonoscopy Suites, LLC, to Middlesex Hospital
Certificate of Need Completeness Letter

Dear Mr. Evert:

On September 24, 2012, the Office of Health Care Access ("OHCA") received your initial Certificate of Need ("CON") application filing on behalf of Middlesex Hospital ("Hospital"), proposing to transfer ownership of certain of the assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC, ("Shoreline") to the Hospital at a proposed capital expenditure of \$1,875,000.

OHCA has reviewed the CON application and requests the following additional information pursuant to Connecticut General Statutes §19a-639a(c):

Project Description and Need

1. With respect to your response to Question 1.h. on page 11 of the CON application, please provide a draft version of the proposed asset purchase agreement with an estimate date by which the final agreement will be available.
2. Please provide evidence of Shoreline's establishment as a limited liability company.

Patient Population Mix

3. With respect to your response to Question 4.a. on page 14 of the CON application, please provide the actual patient population mix for each of the three most recently completed fiscal years for the Shoreline facility operation.

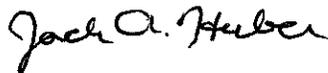
Financial Information

4. The Hospital presents the proposal's revenue, expense and volume projections for fiscal years ("FYs") 2013 and 2014 in Financial Attachment 1 on page 17 of the CON application. Please address the following with respect to this attachment:
 - a. Provide a revised Financial Attachment 1 which expands the schedule to include Hospital activity without the project, incremental to the project and with the project for FY 2015. Inclusion of the FY 2015 activity will allow for the review of the first three full fiscal years of the project as requested;
 - b. Provide the annual volume statistics (i.e. the number of endoscopy cases performed) as requested in the schedule.
 - c. Provide the annual full-time equivalent ("FTE") statistics as requested in the schedule.
 - d. Please explain the lack of an increase in operating expenses for Supplies and Drugs and Bad Debts with CON approval.
5. Please provide an audited financial statement for Shoreline's most recently completed fiscal year.
6. Please provide the number of endoscopy cases performed by Shoreline in FYs 2010, 2011 and 2012.

In responding to the questions contained in this letter, please repeat each question before providing your response. **Paginate and date** your response (e.g., each page in its entirety). Information filed after the initial CON application submission (e.g., completeness response letter, prefile testimony, late file submissions and the like) must be numbered sequentially from the Hospital's document preceding it. Please reference "Docket Number: 12-31786-CON." Submit one (1) original and four (4) hard copies of your response. In addition, please submit a scanned copy of your response including all attachments on CD in an Adobe format (.pdf) and in an MS Word format.

If you have any questions concerning this letter, please feel free to contact me at (860) 418-7069.

Sincerely,



Jack A. Huber
Health Care Analyst

 *** TX REPORT ***

TRANSMISSION OK

TX/RX NO 3093
 RECIPIENT ADDRESS 98603465485
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STATE OF CONNECTICUT
 DEPARTMENT OF HEALTH SERVICES
 OFFICE OF HEALTH CARE ACCESS

FAX SHEET

TO: HARRY EVERT

FAX: (860) 346-5485

AGENCY: MIDDLESEX HOSPITAL

FROM: JACK HUBER

DATE: 10/24/2012 Time: ~ 8:15 am

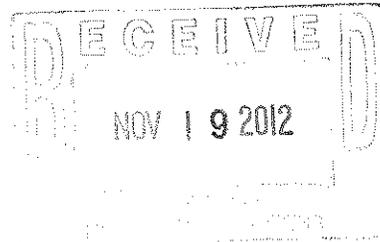
NUMBER OF PAGES: 3
(including transmittal sheet)

Comments: Transmitted:
 Completeness Letter Pertaining to the
 Proposal to Transfer Ownership of Certain Assets of Advanced Colon
 Care d/b/a Shoreline Colonoscopy Suites to Middlesex Hospital
 Docket Number: 12-31786-CON

PLEASE PHONE Jack A. Huber at (860) 418-7069
 IF THERE ARE ANY TRANSMISSION PROBLEMS



ADMINISTRATION



November 16, 2012

Ms. Kimberly Martone
Director of Operations
State of Connecticut
Office of Health Care Access
410 Capitol Avenue, MS#13HCA
Hartford, CT 06134

*Re: Docket Number: 12-31786-CON, Transfer of Ownership of Certain of the Assets of
Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital*

Dear Ms. Martone:

In response to the letter from OHCA dated October 24, 2012, I am pleased to provide Middlesex Hospital's responses to the completeness questions issued by OHCA in the above Certificate of Need application. The original and four copies of the responses to the completeness questions are enclosed for Docket Number: 12-31786-CON, Transfer of Ownership of Certain of the Assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital. As requested, also enclosed on a CD is a scanned PDF copy of the application response questions and documents in MS format.

Thank you very much for your consideration of the Certificate of Need application.

Please call me if you have any questions or concerns.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Harry Ewert'.

Harry Ewert
Senior Vice President, Strategic Planning and Operations

28 Crescent Street
Middletown, Connecticut 06457-3650

tel 860 344-6000
fax 860 346-5485

Project Description and Need

1. With respect to your response to Question 1b. on page 11 of the CON application, please provide a draft version of the proposed asset purchase agreement with an estimate date by which the final agreement will be available.
Please see Attachment 1 on Page 50 for the Purchase and Sales agreement
2. Please provide evidence of Shoreline’s establishment as a limited liability company.

Please see Attachment 2 on Page 95 for evidence of Shoreline’s limited liability company.

Patient Population Mix

3. With respect to your response to Question 4.a. on page 14 of the CON application, please provide the actual patient population mix for each of the three most recently completed fiscal years for the Shoreline facility operation.

The actual patient population mixes for Shoreline during FY 2009, FY 2010 and FY 2011 are listed below.

<i>Shoreline Colonoscopy:</i>							
	Actual FY2009	Actual FY2010	Actual FY2011	Current** FY12	Year 1 FY13	Year 2 FY14	Year 3 FY15
Medicare*	22.10%	17.80%	21.30%	21.30%	21.30%	21.30%	21.30%
Medicaid*							
CHAMPUS & TriCare							
Total Government	22.10%	17.80%	21.30%	21.30%	21.30%	21.30%	21.30%
Commercial Insurers*	77.90%	82.20%	78.70%	78.70%	78.70%	78.70%	78.70%
Uninsured							
Workers Compensation							
Total Non-Government	77.90%	82.20%	78.70%	78.70%	78.70%	78.70%	78.70%
Total Payer Mix	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Financial Information

4. The Hospital presents the proposal’s revenue, expense and volume projections for fiscal years (“FYs”) 2013 and 2014 in Financial Attachment I on page 17 of the CON application. Please address the following with respect to this attachment:
 - a. Provide a revised Financial Attachment I which expands the schedule to include Hospital activity without the project, incremental to the project and with the project for FY 2015. Inclusion of the FY 2015 activity will allow for the review of the first three full fiscal years of the project as requested;
 - b. Provide the annual volume statistics (i.e. the number of endoscopy cases performed) as requested in the schedule.
 - c. Provide the annual full-time equivalent (“FTE”) statistics as requested in the schedule.

Please see Attachment 3 on Page 98 for the revised Financial Attachment I that includes FY 2015 information relative to 4.a. – 4.c. above.

- d. Please explain the lack of an increase in operating expenses for Supplies and Drugs and Bad Debts with CON approval.

The projections in Financial Attachment I on page 17 combined supplies and lease expense. Bad Debt was included as a reduction to Net Revenue in the projected incremental. Please see Attachment 3 on Page 98 for the revised Financial Attachment I that breaks out Supplies and Bad Debts.

5. Please provide an audited financial statement for Shoreline's most recently completed fiscal year.

Shoreline does not have audited financial statements; however the financial statements obtained during the third-party valuation are submitted. The income statements in the valuation were derived from Shoreline's 2011 Income Tax Return Form 1120 and Shoreline's internal financial statements. Please see Attachment 4 on Page 100 for those statements.

6. Please provide the number of endoscopy cases performed by Shoreline in FYs 2010, 2011 and 2012.

The number of endoscopy cases performed by Shoreline for FYs 2010, 2011 and 2012 are in the chart below.

	Shoreline FY 2010	Shoreline FY 2011	Shoreline FY 2012**
Endoscopy Cases	976	1045	1126

**** Shoreline's Fiscal Year runs January 1 – December 31; FY 2012 number is annualized from Jan 1 – September 30 2012 data.**

Attachment 1: Asset Purchase Agreement

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

Middlesex Health System, Inc.

By: _____
Name: Susan Martin
Title: Vice President, Finance

Advanced Colon Care, Inc.
(d/b/a Shoreline Colonoscopy Suites)

By: _____
Name: Maurizio Nichele, M.D.
Title: Member

By: _____
Name: Jay Zimmerman, M.D.
Title: Member

Maurizio Nichele, M.D.

Jay Zimmerman, M.D.

ASSET PURCHASE AGREEMENT

by and among

MIDDLESEX HEALTH SYSTEM, INC.,

MAURIZIO NICHELE, M.D.,

JAY ZIMMERMAN, M.D.

and

**ADVANCED COLON CARE, INC.
D/B/A SHORELINE COLONOSCOPY SUITES**

dated as of

[November] __, 2012

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "**Agreement**"), dated as of [November __], 2012, is entered into by and among Advanced Colon Care, Inc., a Connecticut corporation d/b/a Shoreline Colonoscopy Suites ("**Seller**"), Maurizio Nichele, M.D., a resident of Connecticut and an owner of Seller ("**Dr. Nichele**"), Jay Zimmerman, M.D., a resident of Connecticut and an owner of Seller ("**Dr. Zimmerman**"), and Middlesex Health System, Inc., a Connecticut nonstock corporation ("**Buyer**").

RECITALS

WHEREAS, Seller is an ambulatory surgical center that conducts procedures and studies of the colon, rectum, anus, esophagus, stomach and small intestines (the "**Business**");

WHEREAS, Dr. Nichele and Dr. Zimmerman are the sole owners of the Seller;

WHEREAS, Seller wishes to sell and assign to Buyer, and Buyer wishes to purchase and assume from Seller, substantially all the assets and certain specified liabilities of the Business, subject to the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

The following terms have the meanings specified or referred to in this **Article I**:

"**Action**" means any claim, action, cause of action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, regulatory or otherwise, whether at law or in equity.

"**Affiliate**" of a Person means any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to direct

or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Business Day" means any day except Saturday, Sunday or any other day on which commercial banks located in Hartford, Connecticut, are authorized or required by Law to be closed for business.

"CERCLA" means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.

"Code" means the Internal Revenue Code of 1986, as amended.

"Contracts" means all contracts, leases, deeds, mortgages, licenses, instruments, notes, commitments, undertakings, indentures, joint ventures and all other agreements, commitments and legally binding arrangements, whether written or oral.

"Disclosure Schedules" means the Disclosure Schedules delivered by Seller and Buyer concurrently with the execution and delivery of this Agreement.

"Dollars or \$" means the lawful currency of the United States.

"Encumbrance" means any charge, claim, community property interest, pledge, condition, equitable interest, lien (statutory or other), option, security interest, mortgage, easement, encroachment, right of way, right of first refusal, or restriction of any kind, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership.

"Environmental Claim" means any Action, Governmental Order, lien, fine, penalty, or, as to each, any settlement or judgment arising therefrom, by or from any Person alleging liability of whatever kind or nature (including liability or responsibility for the costs of enforcement proceedings, investigations, cleanup, governmental response, removal or remediation, natural resources damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising out of, based on or resulting from: (a) the presence, Release of, or exposure to, any Hazardous Materials; or (b) any actual or alleged non-compliance with any Environmental Law or term or condition of any Environmental Permit.

"Environmental Law" means any applicable Law, and any Governmental Order or binding agreement with any Governmental Authority: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety, or the environment (including ambient air, soil, surface water or groundwater, or subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or

remediation of any Hazardous Materials. The term "Environmental Law" includes, without limitation, the following (including their implementing regulations and any state analogs): the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §§ 9601 et seq.; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq.; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq.; and the Occupational Safety and Health Act of 1970, as amended, 29 U.S.C. §§ 651 et seq.

"Environmental Notice" means any written directive, notice of violation or infraction, or notice respecting any Environmental Claim relating to actual or alleged non-compliance with any Environmental Law or any term or condition of any Environmental Permit.

"Environmental Permit" means any Permit, letter, clearance, consent, waiver, closure, exemption, decision or other action required under or issued, granted, given, authorized by or made pursuant to Environmental Law.

"GAAP" means United States generally accepted accounting principles in effect from time to time.

"Governmental Authority" means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of Law), or any arbitrator, court or tribunal of competent jurisdiction.

"Governmental Order" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"Hazardous Materials" means: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral or gas, in each case, whether naturally occurring or manmade, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Laws; and (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form, lead or lead-containing materials, urea formaldehyde foam insulation and polychlorinated biphenyls.

"Holdback Amount" means the sum of \$185,000 to be held back by Buyer from the Purchase Price at Closing and distributed in accordance with the terms and conditions set forth herein.

"Intellectual Property" means all of the following and similar intangible property and related proprietary rights, interests and protections, however arising, pursuant to the Laws of any jurisdiction throughout the world: (a) trademarks, service marks, trade names, brand names, logos, trade dress and other proprietary indicia of goods and services, whether registered, unregistered or arising by Law, and all registrations and applications for registration of such trademarks, including intent-to-use applications, and all issuances, extensions and renewals of such registrations and applications; (b) internet domain names, whether or not trademarks, registered in any generic top level domain by any authorized private registrar or Governmental Authority; (c) original works of authorship in any medium of expression, whether or not published, all copyrights (whether registered, unregistered or arising by Law), all registrations and applications for registration of such copyrights, and all issuances, extensions and renewals of such registrations and applications; (d) confidential information, formulas, designs, devices, technology, know-how, research and development, inventions, methods, processes, compositions and other trade secrets, whether or not patentable; and (e) patented and patentable designs and inventions, all design, plant and utility patents, letters patent, utility models, pending patent applications and provisional applications and all issuances, divisions, continuations, continuations-in-part, reissues, extensions, reexaminations and renewals of such patents and applications.

"Intellectual Property Assets" means all Intellectual Property that is owned by Seller and used in or necessary for the conduct of the Business as currently conducted.

"Intellectual Property Licenses" means all licenses, sublicenses and other agreements by or through which other Persons, including Seller's Affiliates, grant Seller exclusive or non-exclusive rights or interests in or to any Intellectual Property that is used in or necessary for the conduct of the Business as currently conducted.

"Intellectual Property Registrations" means all Intellectual Property Assets that are subject to any issuance, registration, application or other filing by, to or with any Governmental Authority or authorized private registrar in any jurisdiction, including registered trademarks, domain names and copyrights, issued and reissued patents and pending applications for any of the foregoing.

"Knowledge of Seller or Seller's Knowledge" or any other similar knowledge qualification, means the actual or constructive knowledge of any director or officer of Seller.

"Law" means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, decree, other requirement or rule of law of any Governmental Authority.

"Liabilities" means liabilities, obligations or commitments of any nature whatsoever, asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured or otherwise.

"Losses" means losses, damages, liabilities, deficiencies, Actions, judgments, diminution-in-value, interest, awards, penalties, fines, costs or expenses of whatever kind, including reasonable attorneys' fees and the cost of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers; *provided, however*, that "Losses" shall not include punitive damages, except in the case of fraud or to the extent actually awarded to a Governmental Authority or other third party.

"Material Adverse Effect" means any event, occurrence, fact, condition or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the business, results of operations, prospects, condition (financial or otherwise) or assets of the Business, (b) the value of the Purchased Assets, or (c) the ability of Seller to consummate the transactions contemplated hereby on a timely basis; *provided, however*, that "Material Adverse Effect" shall not include any event, occurrence, fact, condition, or change, directly or indirectly, arising out of or attributable to: (i) any changes, conditions or effects in the United States economy or securities or financial markets in general; (ii) changes, conditions or effects that generally affect the industries in which the Business operates; (iii) any change, effect or circumstance resulting from an action required or permitted by this Agreement, except pursuant to Section 4.03 or Section 6.09; or (iv) conditions caused by acts of terrorism or war (whether or not declared); *provided further, however*, that any event, occurrence, fact, condition, or change referred to in clauses (i), (ii) or (iv) immediately above shall be taken into account in determining whether a Material Adverse Effect has occurred or could reasonably be expected to occur to the extent that such event, occurrence, fact, condition, or change has a disproportionate effect on the Business compared to other participants in the industries in which the Business operates.

"Permits" means all permits, licenses, franchises, approvals, authorizations, registrations, certificates, variances and similar rights obtained, or required to be obtained, from Governmental Authorities.

"Person" means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association or other entity.

"Post-Closing Tax Period" means any taxable period beginning after the Closing Date and, with respect to any taxable period beginning before and ending after the Closing Date, the portion of such taxable period beginning after the Closing Date.

"Pre-Closing Tax Period" means any taxable period ending on or before the Closing Date and, with respect to any taxable period beginning before and ending after the Closing Date, the portion of such taxable period ending on and including the Closing Date.

"Release" means any actual or threatened release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment (including, without limitation, ambient air (indoor or outdoor), surface water, groundwater, land surface or subsurface strata or within any building, structure, facility or fixture).

"Representative" means, with respect to any Person, any and all directors, officers, employees, consultants, financial advisors, counsel, accountants and other agents of such Person.

"Taxes" means all federal, state, local, foreign and other income, gross receipts, sales, use, production, ad valorem, transfer, documentary, franchise, registration, profits, license, lease, service, service use, withholding, payroll, employment, unemployment, estimated, excise, severance, environmental, stamp, occupation, premium, property (real or personal), real property gains, windfall profits, customs, duties or other taxes, fees, assessments or charges of any kind whatsoever, together with any interest, additions or penalties with respect thereto and any interest in respect of such additions or penalties.

"Tax Return" means any return, declaration, report, claim for refund, information return or statement or other document relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Transaction Documents" means this Agreement, the Bill of Sale, the Assignment and Assumption Agreement, Intellectual Property Assignments, the Sublease, the Noncompetition Agreements and the other agreements, instruments and documents required to be delivered at the Closing.

"WARN Act" means the federal Worker Adjustment and Retraining Notification Act of 1988, and similar state, local and foreign laws related to plant closings, relocations, mass layoffs and employment losses.

ARTICLE II
PURCHASE AND SALE

Section 2.01 Purchase and Sale of Assets. Subject to the terms and conditions set forth herein, at the Closing, Seller shall sell, assign, transfer, convey and deliver to Buyer, and Buyer shall purchase from Seller, free and clear of any Encumbrances other than Permitted Encumbrances, all of Seller's right, title and interest in, to and under all of the assets, properties and rights of every kind and nature, whether real, personal or mixed, tangible or intangible (including goodwill), wherever located and whether now existing or hereafter acquired (other than the Excluded Assets), which relate to, or are used or held for use in connection with, the Business (collectively, the "Purchased Assets"), including, without limitation, the following:

- (a) all inventory and miscellaneous supplies and materials, set forth on **Section 2.01(a)** of the Disclosure Schedules ("Inventory");
- (b) all Contracts, including Intellectual Property Licenses, set forth on **Section 2.01(b)** of the Disclosure Schedules (the "Assigned Contracts");
- (c) all Intellectual Property Assets;
- (d) all furniture, fixtures, equipment (including without limitation medical equipment), office equipment, computers, telephones and other tangible personal property (the "Tangible Personal Property");
- (e) all Permits, including Environmental Permits, which are held by Seller and required for the conduct of the Business as currently conducted or for the ownership and use of the Purchased Assets, including, without limitation, those listed on **Section 4.15(b)** and **Section 4.16(b)** of the Disclosure Schedules;
- (f) all rights to any Actions of any nature available to or being pursued by Seller to the extent related to the Business, the Purchased Assets or the Assumed Liabilities, whether arising by way of counterclaim or otherwise; provided, however, that Actions available to or being pursued by Seller in connection with the Actions described in **Section 2.04(d)** hereof shall not be part of the Purchased Assets;
- (g) all prepaid expenses, credits, advance payments, claims, security, refunds, rights of recovery, rights of set-off, rights of recoupment, deposits, charges, sums and fees (including any such item relating to the payment of Taxes);
- (h) all of Seller's rights under warranties, indemnities and all similar rights against third parties to the extent related to any Purchased Assets;
- (i) all insurance benefits, including rights and proceeds, arising from or relating to the Business, the Purchased Assets or the Assumed Liabilities; and
- (j) originals, or where not available, copies, of all books and records, including, but not limited to, books of account, ledgers and general, financial and accounting records, equipment maintenance files, patient lists, pricing information,

supplier lists, quality control records and procedures, patient complaints and inquiry files, records and data (including all correspondence with any Governmental Authority), internal financial statements, material and files relating to the Intellectual Property Assets and the Intellectual Property Licenses ("**Books and Records**").

Section 2.02 Excluded Assets. Notwithstanding the foregoing, the Purchased Assets shall not include the following assets (collectively, the "**Excluded Assets**");

- (a) Contracts, including Intellectual Property Licenses, that are not Assigned Contracts (the "**Excluded Contracts**");
- (b) the corporate seals, organizational documents, minute books, stock books, Tax Returns, books of account or other records having to do with the corporate organization of Seller;
- (c) all Benefit Plans and assets attributable thereto;
- (d) the assets, properties and rights specifically set forth on **Section 2.02(d)** of the Disclosure Schedules; and
- (e) the rights that accrue or will accrue to Seller under the Transaction Documents.

Section 2.03 Assumed Liabilities. Subject to the terms and conditions set forth herein, Buyer shall assume and agree to pay, perform and discharge only the following Liabilities of Seller (collectively, the "**Assumed Liabilities**"), and no other Liabilities:

- (a) all Liabilities in respect of the Assigned Contracts but only to the extent that such Liabilities thereunder are required to be performed after the Closing Date, were incurred in the ordinary course of business and do not relate to any failure to perform, improper performance, warranty or other breach, default or violation by Seller on or prior to the Closing; and
- (b) all Liabilities set forth on **Section 2.03(b)** of the Disclosure Schedules.

Section 2.04 Excluded Liabilities. Notwithstanding the provisions of **Section 2.03** or any other provision in this Agreement to the contrary, Buyer shall not assume and shall not be responsible to pay, perform or discharge any Liabilities of Seller or any of its Affiliates of any kind or nature whatsoever other than the Assumed Liabilities (the "**Excluded Liabilities**"). Seller shall, and, to the extent applicable, shall cause each of its Affiliates to, pay and satisfy in due course all Excluded Liabilities that they are obligated to pay and satisfy. Without limiting the generality of the foregoing, the Excluded Liabilities shall include, but not be limited to, the following:

- (a) any Liabilities of Seller arising or incurred in connection with the negotiation, preparation, investigation and performance of this Agreement, the other Transaction Documents and the transactions contemplated hereby and thereby, including,

without limitation, fees and expenses of counsel, accountants, consultants, advisers and others;

(b) any Liability for (i) Taxes of Seller (or any member or Affiliate of Seller); (ii) Taxes relating to the Business, the Purchased Assets or the Assumed Liabilities for any Pre-Closing Tax Period; (iii) Taxes that arise out of the consummation of the transactions contemplated hereby; or (iv) other Taxes of Seller (or any member or Affiliate of Seller) of any kind or description (including any Liability for Taxes of Seller (or any member or Affiliate of Seller) that becomes a Liability of Buyer under any common law doctrine of de facto merger or transferee or successor liability or otherwise by operation of contract or Law);

(c) any Liabilities relating to or arising out of the Excluded Assets;

(d) any Liabilities in respect of any pending or threatened Action arising out of, relating to or otherwise in respect of the operation of the Business or the Purchased Assets to the extent such Action relates to such operation on or prior to the Closing Date;

(e) any malpractice Liability or similar claim for injury to a Person that arises out of or is based upon any action of Seller (or any member or Affiliate of Seller);

(f) any Liabilities of Seller arising under or in connection with any Benefit Plan providing benefits to any present or former employee of Seller;

(g) any Liabilities of Seller for any present or former employees, officers, directors, retirees, independent contractors or consultants of Seller, including, without limitation, any Liabilities associated with any claims for wages or other benefits, bonuses, accrued vacation, workers' compensation, severance, retention, termination or other payments except as otherwise set forth herein;

(h) any Environmental Claims, or Liabilities under Environmental Laws, to the extent arising out of or relating to facts, circumstances or conditions existing on or prior to the Closing or otherwise to the extent arising out of any actions or omissions of Seller;

(i) any trade accounts payable of Seller;

(j) any Liabilities to indemnify, reimburse or advance amounts to any present or former member, manager, employee or agent of Seller (including with respect to any breach of fiduciary obligations by same), except for indemnification of same pursuant to Section 8.03 as Seller Indemnitees;

(k) any Liabilities under the Excluded Contracts or any other Contracts, including Intellectual Property Licenses, (i) which are not validly and effectively assigned to Buyer pursuant to this Agreement; (ii) which do not conform to the representations and warranties with respect thereto contained in this Agreement; or (iii) to the extent such Liabilities arise out of or relate to a breach by Seller of such Contracts prior to Closing;

(l) any Liabilities associated with debt, loans or credit facilities of Seller and/or the Business owing to financial institutions; and

(m) any Liabilities arising out of, in respect of or in connection with the failure by Seller or any of its Affiliates to comply with any Law or Governmental Order.

Section 2.05 Purchase Price. The aggregate purchase price for the Purchased Assets and the Noncompetition Agreements (as defined below) shall be \$1,875,000 (the "**Purchase Price**"), plus the assumption of the Assumed Liabilities. The Purchase Price shall be paid as follows:

(a) The Purchase Price less the Holdback Amount shall be paid by wire transfer of immediately available funds on the Closing Date to an account designated in writing by Seller to Buyer no later than two (2) Business Days prior to the Closing Date; and

(b) The Holdback Amount shall be held by Buyer for a period of eighteen (18) months immediately following the Closing Date (the "**Initial Holdback Period**"), or longer as set forth below, and shall be released and distributed as follows:

(i) if the Initial Holdback Period has ended and no claims have been made by any Buyer Indemnitee against Seller Parties pursuant to **Article VIII ("Buyer Claims")**, then the Holdback Amount shall be released from Buyer counsel to Seller within ten (10) days of the end of the Initial Holdback Period;

(ii) if Buyer Claims have been made prior to the end of Initial Holdback Period, the Initial Holdback Period shall be extended until such Buyer Claims are fully and finally resolved (the "**Extended Holdback Period**");

(iii) if, during the Initial Holdback Period or the Extended Holdback Period, a Buyer Claim is resolved in favor of any Buyer Indemnitee, then Buyer shall release that portion of the Holdback Amount to such Buyer Indemnitee that is needed to satisfy the Buyer Claim; and

(iv) at such time as all Buyer Claims made during the Initial Holdback Period are fully and finally resolved, whether such resolutions are completed during the Initial Holdback Period or the Extended Holdback Period, and all appropriate payments to Buyer from the Holdback Amount are made in compliance with Section 2.05(b)(iii) above, Buyer shall pay to Seller any funds remaining in the Holdback Amount within ten (10) days of the final resolution of the last outstanding Buyer Claim.

(c) For all periods that all or a portion of the Holdback Amount is being held by Buyer, all or such portion of the Holdback Amount shall accrue simple interest at the applicable federal rate as shall be in place on the Closing Date. Such interest shall be paid at the same time and in the applicable proportional amount to that portion of the Holdback Amount as may be paid to any party at any time.

Section 2.06 Allocation of Purchase Price. Seller and Buyer agree that the Purchase Price and the Assumed Liabilities (plus other relevant items) shall be allocated among the Purchased Assets and the Noncompetition Agreements for all purposes (including Tax and financial accounting) as shown on the allocation schedule (the "**Allocation Schedule**"). A draft of the Allocation Schedule shall be prepared by Buyer and delivered to Seller within ten (10) days following the Closing Date. If Seller notifies Buyer in writing that Seller objects to one or more items reflected in the Allocation Schedule, Seller and Buyer shall negotiate in good faith to resolve such dispute. Seller shall file all Tax Returns (including amended returns and claims for refund) and information reports in a manner consistent with the Allocation Schedule. Notwithstanding anything set forth in this **Section 2.06** to the contrary, Seller and Buyer may agree on the Allocation Schedule prior to or on the Closing Date.

Section 2.07 Third Party Consents. To the extent that Seller's rights under any Contract or Permit constituting a Purchased Asset, or any other Purchased Asset, may not be assigned to Buyer without the consent of another Person that has not been obtained, this Agreement shall not constitute an agreement to assign the same if an attempted assignment would constitute a breach thereof or be unlawful, and Seller, at its expense, shall use its reasonable best efforts to obtain any such required consent(s) as promptly as possible. If any such consent shall not be obtained or if any attempted assignment would be ineffective or would impair Buyer's rights under the Purchased Asset in question so that Buyer would not in effect acquire the benefit of all such rights, Seller, to the maximum extent permitted by law and the Purchased Asset, shall act after the Closing as Buyer's agent in order to obtain for it the benefits thereunder and shall cooperate, to the maximum extent permitted by Law and the Purchased Asset, with Buyer in any other reasonable arrangement designed to provide such benefits to Buyer. Notwithstanding any provision in this **Section 2.08** to the contrary, Buyer shall not be deemed to have waived its rights under **Section 7.01(d)** hereof unless and until Buyer either provides written waivers thereof or elects to proceed to consummate the transactions contemplated by this Agreement at Closing.

ARTICLE III CLOSING

Section 3.01 Closing. Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement (the "**Closing**") shall take place at the offices of Murtha Cullina LLP, 185 Asylum Street, Hartford, Connecticut, at 10:00 a.m., on the second Business Day after all of the conditions to Closing set forth in **Article VII** are either satisfied or waived (other than conditions that, by their nature, are to be satisfied on the Closing Date), or at such other time, date or place as Seller and Buyer may mutually agree upon in writing, including use of electronic

means. The date on which the Closing is to occur is herein referred to as the "**Closing Date**".

Section 3.02 Closing Deliverables.

(a) At the Closing, Seller shall deliver to Buyer the following:

(i) a bill of sale (the "**Bill of Sale**") and duly executed by Seller, transferring the tangible personal property included in the Purchased Assets to Buyer;

(ii) an assignment and assumption agreement (the "**Assignment and Assumption Agreement**") and duly executed by Seller, effecting the assignment to and assumption by Buyer of the Purchased Assets and the Assumed Liabilities;

(iii) assignments (the "**Intellectual Property Assignments**") duly executed by Seller, transferring all of Seller's right, title and interest in and to the Intellectual Property Assets and the Intellectual Property Licenses to Buyer;

(iv) a sublease for the Leased Real Property duly executed by Seller (the "**Sublease**") and consented to by Seller's landlord;

(v) a noncompetition agreement in the form attached hereto as **Exhibit B**, executed by each of the Seller, Dr. Nichele and Dr. Zimmerman (collectively, the "**Noncompetition Agreements**");

(vi) a co-management agreement as set forth in **Exhibit C**, attached hereto (the "**Co-Management Agreement**"), duly executed by Drs. Nichele and Zimmerman;

(vii) the Seller Closing Certificate;

(viii) the FIRPTA Certificate;

(ix) the certificates of the Secretary or Assistant Secretary of Seller required by **Section 7.01(j)**; and

(x) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to Buyer, as may be required to give effect to this Agreement.

(b) At the Closing, Buyer shall deliver to Seller the following:

(i) the Purchase Price less the Holdback Amount;

(ii) the Assignment and Assumption Agreement duly executed by Buyer;

(iii) the Sublease duly executed by Buyer;

(iv) the Noncompetition Agreements duly executed by Buyer;

(v) the Co-Management Agreement duly executed by Buyer;

- (vi) the Buyer Closing Certificate; and
- (vii) the certificates of the Secretary or Assistant Secretary of Buyer required by Section 7.02(f).

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the correspondingly numbered Section of the Disclosure Schedules, Seller represents and warrants to Buyer that the statements contained in this Article IV are true and correct as of the date hereof.

Section 4.01 Organization and Qualification of Seller. Seller is a corporation duly organized and validly existing under the Laws of the State of Connecticut, does business under the name "Shoreline Colonoscopy Suites" pursuant to a properly filed Trade Name Certificate Form, has full company power and authority to own, operate or lease the properties and assets now owned, operated or leased by it and to carry on the Business as currently conducted. Section 4.01 of the Disclosure Schedules sets forth each jurisdiction in which Seller is licensed or qualified to do business, and Seller is duly licensed or qualified to do business and is in good standing in each jurisdiction in which the ownership of the Purchased Assets or the operation of the Business as currently conducted makes such licensing or qualification necessary.

Section 4.02 Authority of Seller. Seller has full corporate power and authority to enter into this Agreement and the other Transaction Documents to which Seller is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Seller of this Agreement and any other Transaction Document to which Seller is a party, the performance by Seller of its obligations hereunder and thereunder and the consummation by Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Seller. This Agreement has been duly executed and delivered by Seller, and (assuming due authorization, execution and delivery by Buyer) this Agreement constitutes a legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms. When each other Transaction Document to which Seller is or will be a party has been duly executed and delivered by Seller (assuming due authorization, execution and delivery by each other party thereto), such Transaction Document will constitute a legal and binding obligation of Seller enforceable against it in accordance with its terms.

Section 4.03 No Conflicts; Consents. The execution, delivery and performance by Seller of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and

will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the certificate of incorporation, shareholders' agreement or other organizational documents of Seller; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to Seller, the Business or the Purchased Assets; (c) except as set forth in **Section 4.03** of the Disclosure Schedules, require the consent, notice or other action by any Person under a Contract or Permit to which Seller is a party or by which Seller or the Business is bound or to which any of the Purchased Assets are subject (including any Assigned Contract), or conflict with, result in a violation or breach of, constitute a default or an event that, with or without notice or lapse of time or both, would constitute a default under, result in the acceleration of or create in any party the right to accelerate, terminate, modify or cancel any Contract or Permit to which Seller is a party or by which Seller or the Business is bound or to which any of the Purchased Assets are subject (including any Assigned Contract); or (d) result in the creation or imposition of any Encumbrance other than Permitted Encumbrances on the Purchased Assets. Except as set forth in **Section 4.03** of the Disclosure Schedules, no consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Seller in connection with the execution and delivery of this Agreement or any of the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

Section 4.04 Financial Statements. Complete copies of the compiled financial statements consisting of the balance sheet of the Business as at December 31 in each of the years 2011, 2010 and 2009 and the related statements of income and retained earnings, members' equity and cash flow for the years then ended (the "**Annual Financial Statements**"), and financial statements consisting of the balance sheet of the Business as at August 31, 2012 and the related statements of income and retained earnings, members' equity and cash flow for the twelve month period then ended (the "**Interim Financial Statements**") and together with the Annual Financial Statements, the "**Financial Statements**") have been delivered to Buyer. The Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the period involved, subject, in the case of the Interim Financial Statements, to normal and recurring year-end adjustments (the effect of which will not be materially adverse) and the absence of notes (that, if presented, would not differ materially from those presented in the Annual Financial Statements). The Financial Statements are based on the books and records of the Business, and fairly present the financial condition of the Business as of the respective dates they were prepared and the results of the operations of the Business for the periods indicated. The balance sheet of the Business as of August 31, 2012 is referred to herein as the "**Balance Sheet**" and the date thereof as the "**Balance Sheet Date**". Seller maintains a standard system of accounting for the Business established and administered in accordance with GAAP.

Section 4.05 Undisclosed Liabilities. Seller has no Liabilities with respect to the Business, except (a) those that are adequately reflected or reserved against in the Balance Sheet as of the Balance Sheet Date, and (b) those that have been incurred in the ordinary course of business consistent with past practice since the Balance Sheet Date and that are not, individually or in the aggregate, material in amount.

Section 4.06 Absence of Certain Changes, Events and Conditions. Since the Balance Sheet Date, (i) there has not occurred any material damage to, or destruction or loss of, any asset or property included in the Purchased Assets and in the Balance Sheet, whether or not covered by insurance, (ii) Seller has not settled, compromised, waived, released or assigned any material right under any Contract, (iii) to Seller's Knowledge, there has not occurred any event or circumstance that has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (iv) there has not occurred any sale, transfer or other disposition of, or the creation of any Encumbrance (other than Permitted Encumbrances) upon, any part of the Purchased Assets, tangible or intangible, (v) Seller has operated the Business in the ordinary course consistent with past practice, (vi) Seller has not altered any billing, accounting, collection or payment policies or practices related to the Business, (vii) Seller has not paid to any Person damages, fines, penalties or other amounts in respect of actual or alleged violations of any Law or contract, and (viii) Seller has not committed to doing any of the foregoing.

Section 4.07 Material Contracts.

(a) **Section 4.07(a)** of the Disclosure Schedules lists each of the following Contracts (x) by which any of the Purchased Assets are bound or affected or (y) to which Seller is a party or by which it is bound in connection with the Business or the Purchased Assets (such Contracts, together with all Contracts relating to Intellectual Property set forth in **Section 4.11(c)** of the Disclosure Schedules, being "**Material Contracts**");

(i) all Contracts (including groups of related Contracts) involving aggregate consideration in excess of \$10,000 or that, in each case, cannot be cancelled without penalty or without more than ninety (90) days' notice;

(ii) all Contracts that provide for the indemnification of any Person or the assumption of any Tax, environmental or other Liability of any Person;

(iii) all Contracts that relate to the acquisition or disposition of any business, a material amount of stock or assets of any other Person or any real property (whether by merger, sale of stock, sale of assets or otherwise);

(iv) all employment agreements and Contracts with independent contractors or consultants (or similar arrangements) and that are not cancellable without material penalty or without more than ninety (90) days' notice;

- (v) except for Contracts relating to trade receivables, all Contracts relating to indebtedness (including, without limitation, guarantees);
- (vi) any nondisclosure, confidentiality or standstill Contracts with any Person;
- (vii) all Contracts regarding any special pricing arrangement;
- (viii) all Contracts with any Governmental Authority;
- (ix) all Contracts that limit or purport to limit the ability of Seller to compete in any line of business or with any Person or in any geographic area or during any period of time;
- (x) all joint venture, partnership or similar Contracts;
- (xi) all Contracts for the sale of any of the Purchased Assets or for the grant to any Person of any option, right of first refusal or preferential or similar right to purchase any of the Purchased Assets;
- (xii) all provider Contracts; and
- (xiii) all other Contracts that are material to the Purchased Assets and not previously disclosed pursuant to this Section 4.07.

(b) Each Material Contract is valid and binding on Seller in accordance with its terms and is in full force and effect. Neither Seller nor, to Seller's Knowledge, any other party thereto is in breach of or default under (or is alleged to be in breach of or default under) in any material respect, or has provided or received any notice of any intention to terminate, any Material Contract. To Seller's Knowledge, no event or circumstance has occurred that, with notice or lapse of time or both, would constitute an event of default under any Material Contract or result in a termination thereof or would cause or permit the acceleration or other changes of any right or obligation or the loss of any benefit thereunder. Complete and correct copies of each Material Contract (including all modifications, amendments and supplements thereto and waivers thereunder) have been made available to Buyer. There are no material disputes pending or to Seller's Knowledge, threatened under any Material Contract included in the Purchased Assets.

Section 4.08 Title to Purchased Assets. Seller has good and valid title to, or a valid leasehold interest in, all of the Purchased Assets. All such Purchased Assets (including leasehold interests) are free and clear of Encumbrances except for the following (collectively referred to as "Permitted Encumbrances"):

- (a) those items set forth in Section 4.08 of the Disclosure Schedules;
- (b) liens for Taxes not yet due and payable or being contested in good faith by appropriate procedures and for which there are adequate accruals or reserves on the Balance Sheet;

(c) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business consistent with past practice or amounts that are not delinquent and that are not, individually or in the aggregate, material to the Business or the Purchased Assets;

(d) liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business consistent with past practice that are not, individually or in the aggregate, material to the Business or the Purchased Assets.

Section 4.09 Condition and Sufficiency of Assets. The Purchased Assets are sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted prior to the Closing and constitute all of the rights, property and assets necessary to conduct the Business as currently conducted. None of the Excluded Assets are material to the Business.

Section 4.10 Real Property

(a) The Seller does not own any real property.

(b) **Section 4.10(b)** of the Disclosure Schedules sets forth each parcel of real property leased by Seller and used in or necessary for the conduct of the Business as currently conducted (together with all rights, title and interest of Seller in and to leasehold improvements relating thereto, including, but not limited to, security deposits, reserves or prepaid rents paid in connection therewith, collectively, the "**Leased Real Property**"), and a true and complete list of all leases, subleases, licenses, concessions and other agreements (whether written or oral), including all amendments, extensions renewals, guaranties and other agreements with respect thereto, pursuant to which Seller holds any Leased Real Property (collectively, the "**Leases**"). Seller has delivered to Buyer a true and complete copy of each Lease. With respect to each Lease:

(i) such Lease is valid, binding, enforceable and in full force and effect, and Seller enjoys peaceful and undisturbed possession of the Leased Real Property;

(ii) Seller is not in breach or default under such Lease, and to Seller's Knowledge, no event has occurred or circumstance exists that, with the delivery of notice, passage of time or both, would constitute such a breach or default, and Seller has paid all rent due and payable under such Lease;

(iii) Seller has not received nor given any notice of any default or event that with notice or lapse of time, or both, would constitute a default by Seller under any of the Leases and, to the Knowledge of Seller, no other party is in default thereof, and no party to any Lease has exercised any termination rights with respect thereto;

(iv) Seller has not subleased, assigned or otherwise granted to any Person the right to use or occupy such Leased Real Property or any portion thereof; and

(v) Seller has not pledged, mortgaged or otherwise granted an Encumbrance on its leasehold interest in any Leased Real Property.

(c) The Leased Real Property is sufficient for the continued conduct of the Business after the Closing in substantially the same manner as conducted prior to the Closing and constitutes all of the real property necessary to conduct the Business as currently conducted.

Section 4.11 Intellectual Property.

(a) **Section 4.11(a)** of the Disclosure Schedules lists all (i) Intellectual Property Registrations and (ii) Intellectual Property Assets that are not registered but that are material to the operation of the Business. All required filings and fees related to the Intellectual Property Registrations have been timely filed with and paid to the relevant Governmental Authorities and authorized registrars, and all Intellectual Property Registrations are otherwise in good standing. Seller has provided Buyer with true and complete copies of file histories, documents, certificates, office actions, correspondence and other materials related to all Intellectual Property Registrations.

(b) Seller owns, exclusively or jointly with other Persons, all right, title and interest in and to the Intellectual Property Assets, free and clear of Encumbrances. Seller is in full compliance with all legal requirements applicable to the Intellectual Property Assets and Seller's ownership and use thereof.

(c) **Section 4.11(c)** of the Disclosure Schedules lists all Intellectual Property Licenses. Seller has provided Buyer with true and complete copies of all such Intellectual Property Licenses. All such Intellectual Property Licenses are valid, binding and enforceable between Seller and the other parties thereto, and Seller and such other parties are in full compliance with the terms and conditions of such Intellectual Property Licenses.

(d) The Intellectual Property Assets and Intellectual Property Licenses as currently or formerly owned, licensed or used by Seller or proposed to be used by Buyer, and the conduct of the Business as currently and formerly conducted by Seller and proposed to be conducted by Buyer have not and do not infringe, violate or misappropriate the Intellectual Property of any Person. Seller has not received any communication, and no Action has been instituted, settled or, to Seller's Knowledge, threatened that alleges any such infringement, violation or misappropriation, and none of the Intellectual Property are subject to any outstanding Governmental Order.

Section 4.12 Inventory. All Inventory, whether or not reflected in the Balance Sheet, consists of a quality and quantity usable and salable in the ordinary course of business consistent with past practice, except for obsolete, damaged or defective items

that have been written off or written down to fair market value or for which adequate reserves have been established. All Inventory is owned by Seller free and clear of all Encumbrances, and no Inventory is held on a consignment basis.

Section 4.13 Insurance. Section 4.13 of the Disclosure Schedules sets forth a list of all insurance policies held and maintained by Seller covering the Purchased Assets in effect on the date hereof, including the types and amounts of coverage and the expiration dates thereof. All premiums due to the date hereof have been paid in full. True and complete copies of the Insurance Policies have been made available to Buyer.

Section 4.14 Legal Proceedings. Except as set forth in Section 4.14 of the Disclosure Schedules, there are no Actions pending or, to Seller's Knowledge, threatened against or by Seller (a) relating to or affecting the Business, the Purchased Assets or the Assumed Liabilities; or (b) that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. To Seller's Knowledge, no event has occurred or circumstances exist that may give rise to, or serve as a basis for, any such Action.

Section 4.15 Compliance With Laws; Permits.

(a) Seller has materially complied, and is in material compliance, with all Laws applicable to the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets.

(b) Seller has timely filed all reports, data and other information required to be filed with Governmental Authorities.

(c) To the Knowledge of Seller, neither Seller nor any of its employees have committed a material violation of federal or state laws regulating health care fraud, including but not limited to the federal Anti-Kickback Law, 42 U.S.C. § 1320a-7b, the Stark I and II Laws, 42 U.S.C. § 1395nn, as amended, and the False Claims Act, 31 U.S.C. § 3729, et. seq. Seller is in material compliance with the administrative simplification provisions required under the Health Insurance Portability and Accountability Act of 1996, including the electronic data interchange regulations and the health care privacy regulations, as of the effective dates for such requirements.

(d) All Permits required for Seller to conduct the Business as currently conducted or for the ownership and use of the Purchased Assets have been obtained by Seller and are valid and in full force and effect. Section 4.15(b) of the Disclosure Schedules lists all current Permits issued to Seller that are related to the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets, including the names of the Permits and their respective dates of issuance and expiration. No event has occurred that, with or without notice or lapse of time or both, would

reasonably be expected to result in the revocation, suspension, lapse or limitation of any Permit set forth in **Section 4.15(b)** of the Disclosure Schedules.

Section 4.16 Environmental Matters.

(a) The operations of Seller with respect to the Business and the Purchased Assets are currently and have been in compliance in all material respects with all Environmental Laws. Seller has not received from any Person, with respect to the Business or the Purchased Assets, any: (i) Environmental Notice or Environmental Claim; or (ii) written request for information pursuant to Environmental Law, which, in each case, either remains pending or unresolved, or is the source of ongoing obligations or requirements as of the Closing Date.

(b) Seller has obtained and is in material compliance with all Environmental Permits (each of which is disclosed in **Section 4.16(b)** of the Disclosure Schedules) necessary for the conduct of the Business as currently conducted or the ownership, lease, operation or use of the Purchased Assets and all such Environmental Permits are in full force and effect and shall be maintained in full force and effect by Seller through the Closing Date in accordance with Environmental Law, and Seller is not aware of any condition, event or circumstance that might prevent or impede, after the Closing Date, the conduct of the Business as currently conducted or the ownership, lease, operation or use of the Purchased Assets. With respect to any such Environmental Permits, Seller has undertaken, or will undertake prior to the Closing Date, all measures necessary to facilitate transferability of the same, and Seller is not aware of any condition, event or circumstance that might prevent or impede the transferability of the same, and has not received any Environmental Notice or written communication regarding any material adverse change in the status or terms and conditions of the same.

(c) None of the Business or the Purchased Assets or any real property currently or formerly owned, leased or operated by Seller in connection with the Business is listed on, or has been proposed for listing on, the National Priorities List (or CERCLIS) under CERCLA, or any similar state list.

(d) Seller has not, and to Seller's Knowledge no other individual or entity has, caused a Release of Hazardous Materials in contravention of Environmental Law with respect to the Business or the Purchased Assets, and Seller has not received an Environmental Notice that any of the Business or the Purchased Assets has been contaminated with any Hazardous Material that could reasonably be expected to result in an Environmental Claim against, or a violation of Environmental Law or term of any Environmental Permit by, Seller.

(e) The Seller has not owned or operated any aboveground or underground storage tanks and does not use any off-site Hazardous Materials treatment, storage or disposal facilities or locations.

(f) Seller has not retained or assumed, by contract or operation of Law, any liabilities or obligations of third parties under Environmental Law.

(g) Seller has provided or otherwise made available to Buyer, and listed in Section 4.16(g) of the Disclosure Schedules, any and all environmental reports, studies, audits, records, sampling data, site assessments, risk assessments, economic models and other similar documents with respect to the Business or the Purchased Assets that are in the possession or control of Seller related to compliance with Environmental Laws, Environmental Claims or an Environmental Notice or the Release of Hazardous Materials.

Section 4.17 Employee Benefit Matters.

(a) Section 4.17(a) of the Disclosure Schedules sets forth all employee benefit plans, policies, arrangements and agreements (including without limitation any savings, retirement, fringe benefit, bonus, incentive compensation, deferred compensation, excess or supplemental executive compensation, vacation, sickness, disability, severance or separation policy or arrangement) and all employment or consulting contracts or agreements (including any "employee benefit plan", as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), whether or not subject to ERISA, whether written or oral ("Benefit Plans") in which any Business employee participates or to which any Business employee is a party, as the case may be.

(b) Seller and all Persons that are or have been under common control with Seller (as determined under Section 414(b), (c), (m) or (o) of the Code), have never maintained, contributed to or incurred any obligation or liability with respect to any "multiemployer plan", as defined in Section 3(37) or 4001(a)(3) of ERISA or Section 414(f) of the Code (either as an employer or a joint employer) and there is no basis for any such liability as the result of or after the consummation of the transactions contemplated by this Agreement.

(c) None of the Benefit Plans provide for the payment of separation, severance, termination or similar-type benefits to any Person or the acceleration of any rights to benefits under any Benefit Plan or obligates Seller or any of its Affiliates to pay separation, severance, termination or similar-type benefits solely as a result of any transaction contemplated by this Agreement or any agreement related thereto or as a result of a "change in control" (within the meaning of such term under Section 280G of the Code).

(d) Each Benefit Plan has been established and administered in all material respects in accordance with its terms and in compliance with the applicable provisions of ERISA, the Code and all other applicable Laws.

(e) With respect to each Benefit Plan, all reports, returns, notices and other documentation that are required to have been filed with or furnished to the IRS, the United States Department of Labor ("DOL"), the Pension Benefit Guaranty Corporation,

the Securities and Exchange Commission or any other governmental authority, or to the participants or beneficiaries of such Employee Benefit Plan have been filed or furnished on a timely basis.

(f) With respect to any Benefit Plan, other than routine claims for benefits, no liens, lawsuits or complaints to or by any person or governmental authority have been filed or made against such Employee Benefit Plan or Seller or, to Seller's Knowledge, against any other person or party and, to Seller's Knowledge, no such liens, lawsuits or complaints are contemplated or threatened.

(g) No individual who has performed services for Seller has been improperly excluded from participation in any Benefit Plan.

(h) There are no audits or proceedings pending with the IRS or DOL with respect to any Benefit Plan.

Section 4.18 Employment Matters. Section 4.18 of the Disclosure Schedules contains a true and complete listing of the names of all employees of the Business as of the date hereof, together with the following information with respect to each such employee: (i) job title, (ii) date of hire, (iii) next review date, (iv) base compensation rate, and (v) additional compensation (or the terms thereof, if determined pursuant to a scale or formula), if any. Since the Balance Sheet Date, except in the ordinary course of business and consistent with past practice, Seller has not: (x) increased the compensation payable or to become payable to or for the benefit of any of the Business employees; and (y) increased, augmented or improved benefits granted to or for the benefit of any of the Business employees under any bonus, stock option, profit sharing, pension, retirement, deferred compensation, insurance or other direct or indirect benefit plan or arrangement.

Section 4.19 Taxes. Except as set forth in Section 4.19 of the Disclosure Schedules:

(a) All Tax Returns required to be filed by Seller for any Pre-Closing Tax Period have been, or will be, timely filed. Such Tax Returns are, or will be, true, complete and correct in all respects. All Taxes due and owing by Seller (whether or not shown on any Tax Return) have been, or will be, timely paid.

(b) Seller has withheld and paid each Tax required to have been withheld and paid in connection with amounts paid or owing to any Employee, independent contractor, creditor, customer, shareholder or other party, and complied with all information reporting and backup withholding provisions of applicable Law.

(c) No extensions or waivers of statutes of limitations have been given or requested with respect to any Taxes of Seller.

(d) All deficiencies asserted, or assessments made, against Seller as a result of any examinations by any taxing authority have been fully paid.

(e) Seller is not a party to any Action by any taxing authority. There are no pending or threatened Actions by any taxing authority.

(f) There are no Encumbrances for Taxes upon any of the Purchased Assets nor, to Seller's Knowledge, is any taxing authority in the process of imposing any Encumbrances for Taxes on any of the Purchased Assets (other than for current Taxes not yet due and payable).

(g) Seller is not a "foreign person" as that term is used in Treasury Regulations Section 1.1445-2.

(h) Seller is not, and has not been, a party to, or a promoter of, a "reportable transaction" within the meaning of Section 6707A(c)(1) of the Code and Treasury Regulations Section 1.6011-4(b).

Section 4.20 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Seller.

Section 4.21 Medicare-Medicaid, Other Participation and Standing. Seller is qualified for participation in the Medicaid Program in the State of Connecticut (the "Medicaid Program"), the Medicare Program and has current and valid provider contracts and is in material compliance with the conditions of participation for each. With respect to the Medicaid Program, all billing practices to all third party payors, including the Medicaid Program and other government and private insurance payors, have been in material compliance with applicable Laws, regulations and the policies of such third party payors. Seller has not billed or received any payment or reimbursement in excess of amounts allowed by Law or contract, except as corrected in the normal course of business. Seller has not been excluded from participation in the Medicare Program, the Medicaid Program or any other program, nor to Seller's Knowledge is any such exclusion threatened. Seller has not received written notice from any third party payor program of any pending or threatened investigations or surveys.

Section 4.22 Procedure Volume. Section 4.22 of the Disclosure Schedules sets forth the number of procedures performed at the Business for each of the fiscal years and periods set forth in the Financial Statements. Section 4.22 of the Disclosure Schedules also sets forth the method by which the number of procedures was determined.

Section 4.23 Full Disclosure. No representation or warranty by Seller in this Agreement and no statement contained in the Disclosure Schedules to this Agreement or any certificate or other document furnished or to be furnished to Buyer pursuant to this Agreement contains any untrue statement of a material fact, or omits to state a material

fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that the statements contained in this **Article V** are true and correct as of the date hereof.

Section 5.01 Organization of Buyer. Buyer is a nonstock corporation duly organized and validly existing under the Laws of the State of Connecticut.

Section 5.02 Authority of Buyer. Buyer has full corporate power and authority to enter into this Agreement and the other Transaction Documents to which Buyer is a party, to carry out its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. The execution and delivery by Buyer of this Agreement and any other Transaction Document to which Buyer is a party, the performance by Buyer of its obligations hereunder and thereunder and the consummation by Buyer of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action on the part of Buyer. This Agreement has been duly executed and delivered by Buyer, and (assuming due authorization, execution and delivery by Seller) this Agreement constitutes a legal, valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms. When each other Transaction Document to which Buyer is or will be a party has been duly executed and delivered by Buyer (assuming due authorization, execution and delivery by each other party thereto), such Transaction Document will constitute a legal and binding obligation of Buyer enforceable against it in accordance with its terms.

Section 5.03 No Conflicts; Consents. The execution, delivery and performance by Buyer of this Agreement and the other Transaction Documents to which it is a party, and the consummation of the transactions contemplated hereby and thereby, do not and will not: (a) conflict with or result in a violation or breach of, or default under, any provision of the articles of organization, operating agreement or other organizational documents of Buyer; (b) conflict with or result in a violation or breach of any provision of any Law or Governmental Order applicable to Buyer; or (c) require the consent, notice or other action by any Person under any Contract to which Buyer is a party. No consent, approval, Permit, Governmental Order, declaration or filing with, or notice to, any Governmental Authority is required by or with respect to Buyer in connection with the execution and delivery of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby.

Section 5.04 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or any other Transaction Document based upon arrangements made by or on behalf of Buyer.

Section 5.05 Sufficiency of Funds. Buyer has sufficient cash on hand or other sources of immediately available funds to enable it to make payment of the Purchase Price and consummate the transactions contemplated by this Agreement.

Section 5.06 Legal Proceedings. there are no Actions pending or, to Buyer's Knowledge, threatened against or by Buyer or any Affiliate of Buyer that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. No event has occurred or circumstances exist that may give rise or serve as a basis for any such Action.

ARTICLE VI COVENANTS

Section 6.01 Conduct of Business Prior to the Closing. From the date hereof until the Closing, except as otherwise provided in this Agreement or consented to in writing by Buyer (which consent shall not be unreasonably withheld, conditioned or delayed), Seller shall (x) conduct the Business in the ordinary course of business consistent with past practice; and (y) use commercially reasonable efforts to maintain and preserve intact its current Business organization and operations, and to preserve the rights, goodwill and relationships of its employees, patients, lenders, suppliers, regulators and others having relationships with the Business. Without limiting the foregoing, from the date hereof until the Closing Date, Seller shall:

- (a) preserve and maintain all Permits required for the conduct of the Business as currently conducted or the ownership and use of the Purchased Assets;
- (b) pay the debts, Taxes and other obligations of the Business when due;
- (c) maintain the properties and assets included in the Purchased Assets in the same condition as they were on the date of this Agreement, subject to reasonable wear and tear;
- (d) continue in full force and effect without modification all Insurance Policies, except as required by applicable Law;
- (e) defend and protect the properties and assets included in the Purchased Assets from infringement or usurpation;
- (f) perform all of its obligations under all Assigned Contracts;
- (g) maintain the Books and Records in accordance with past practice;

(h) comply in all material respects with all Laws applicable to the conduct of the Business or the ownership and use of the Purchased Assets; and

(i) not take or permit any action that would cause any of the changes, events or conditions described in **Section 4.05** **Section 4.06** to occur.

Section 6.02 Notice of Certain Events.

(a) From the date hereof until the Closing, Seller shall promptly notify Buyer in writing of:

(i) any fact, circumstance, event or action the existence, occurrence or taking of which (A) has had, or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (B) has resulted in, or could reasonably be expected to result in, any representation or warranty made by Seller hereunder not being true and correct or (C) has resulted in, or could reasonably be expected to result in, the failure of any of the conditions set forth in **Section 7.01** to be satisfied;

(ii) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(iii) any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement; and

(iv) any Actions commenced or, to Seller's Knowledge, threatened against, relating to or involving or otherwise affecting the Business, the Purchased Assets or the Assumed Liabilities that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to **Section 4.14** or that relates to the consummation of the transactions contemplated by this Agreement.

(b) Buyer's receipt of information pursuant to this **Section 6.02** shall not operate as a waiver or otherwise affect any representation, warranty or agreement given or made by Seller in this Agreement (including **Section 8.02** and **Section 9.01(b)**).

Section 6.03 Access to Information. From the date hereof until the Closing, Seller shall (a) afford Buyer and its Representatives full and free access to and the right to inspect all of the Real Property, properties, assets, premises, Books and Records, Contracts and other documents and data related to the Business during normal business hour and upon reasonable prior notice; (b) furnish Buyer and its Representatives with such financial, operating and other data and information related to the Business as Buyer or any of its Representatives may reasonably request; and (c) instruct the Representatives of Seller to cooperate with Buyer in its investigation of the Business. Any investigation pursuant to this **Section 6.03** shall be conducted in such manner as not to interfere unreasonably with the conduct of the Business or any other businesses of Seller. No investigation by Buyer or other information received by Buyer shall operate as a waiver

or otherwise affect any representation, warranty or agreement given or made by Seller in this Agreement.

Section 6.04 Employees and Employee Benefits.

(a) Commencing on the Closing Date, and only to the extent agreed upon by Buyer and Seller on or prior to the Closing Date, Seller shall terminate those employees of the Business who are actively at work on the Closing Date and are agreed upon by Buyer and Seller, and, Buyer shall offer employment, on an "at will" basis, to all of such employees. Seller shall bear any and all obligations and liability under the WARN Act resulting from any employment losses.

(b) Seller shall be solely responsible, and Buyer shall have no obligations whatsoever for, any compensation or other amounts payable to any current or former employee, officer, director, independent contractor or consultant of the Business, including, without limitation, hourly pay, commission, bonus, salary, accrued vacation, fringe, pension or profit sharing benefits or severance pay for any period relating to the service with Seller at any time on or prior to the Closing Date and Seller shall pay all such amounts to all entitled persons on or prior to the Closing Date.

(c) Seller shall remain solely responsible for the satisfaction of all claims for medical, dental, life insurance, health accident or disability benefits brought by or in respect of current or former employees, officers, directors, independent contractors or consultants of the Business or the spouses, dependents or beneficiaries thereof, which claims relate to events occurring on or prior to the Closing Date. Seller also shall remain solely responsible for all worker's compensation claims of any current or former employees, officers, managers, independent contractors or consultants of the Business that relate to events occurring on or prior to the Closing Date. Seller shall pay, or cause to be paid, all such amounts to the appropriate persons as and when due.

Section 6.05 Confidentiality. From and after the Closing, Seller shall, and shall cause its Affiliates to, hold, and shall use its reasonable best efforts to cause its or their respective Representatives to hold, in confidence any and all information, whether written or oral, concerning the Business, except to the extent that Seller can show that such information (a) is generally available to and known by the public through no fault of Seller, any of its Affiliates or their respective Representatives; or (b) is lawfully acquired by Seller, any of its Affiliates or their respective Representatives from and after the Closing from sources that are not prohibited from disclosing such information by a legal, contractual or fiduciary obligation. If Seller or any of its Affiliates or their respective Representatives are compelled to disclose any information by judicial or administrative process or by other requirements of Law, Seller shall promptly notify Buyer in writing and shall disclose only that portion of such information that Seller is advised by its counsel in writing is legally required to be disclosed, *provided that* Seller shall use

reasonable best efforts to obtain an appropriate protective order or other reasonable assurance that confidential treatment will be accorded such information.

Section 6.06 Tax Clearance Certificates. If requested by Buyer, Seller shall notify all of the taxing authorities in the jurisdictions that impose Taxes on Seller or where Seller has a duty to file Tax Returns of the transactions contemplated by this Agreement in the form and manner required by such taxing authorities, if the failure to make such notifications or receive any available tax clearance certificate (a "**Tax Clearance Certificate**") could subject the Buyer to any Taxes of Seller. If any taxing authority asserts that Seller is liable for any Tax, Seller shall promptly pay any and all such amounts and shall provide evidence to the Buyer that such liabilities have been paid in full or otherwise satisfied.

Section 6.07 Maintenance of Insurance Policies. For a period of five (5) years immediately following the Closing, with no lapse in coverage, Seller shall maintain all insurance policies existing immediately prior to the Closing to the extent that such policies cover any government or other third party payor claims, including without limitation claims related to Medicare or Medicaid filings, reimbursements, billings and any violation of applicable laws, regulations and rules related thereto.

Section 6.08 Further Assurances. Following the Closing, each of the parties hereto shall, and shall cause their respective Affiliates to, execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the other Transaction Documents, including without limitation, taking such actions as are necessary to obtain a Certificate of Need (the "CON") to be issued to the Buyer with respect to the Business, along with any other approvals deemed necessary by the parties to effectuate the Transaction.

Section 6.09 Right of First Refusal.

(a) At any time following the Closing if Buyer shall receive a bona fide offer for the Business (and any capital Purchased Assets that remain therein) that Buyer intends to pursue (the "**Offer**") from a third party (the "**Outside Party**"), Buyer shall have the terms and conditions of the Offer reduced to writing, which writing shall specify (i) the assets and business to be sold by Buyer (the "**Offered Assets**"), (ii) the name and address of the Outside Party, (iii) the purchase price, and (iv) the other material terms and conditions of the Offer, including a description of any non-cash consideration in sufficient detail to permit the valuation thereof, and Buyer shall give written notice of the Offer (the "**Sellers' Option Notice**") to Seller, Dr. Nichele and Dr. Zimmerman (collectively, "**Seller Parties**"), together with a copy of the Offer.

(b) Upon the giving of the Sellers' Option Notice, the Seller Parties shall have the right, but not the obligation (the "Sellers' Right"), to purchase, on the terms and subject to the conditions specified in the Offer, all (but not less than all) of the Offered Assets covered by the Sellers' Option Notice. Within thirty (30) days after the date of the Sellers' Option Notice, the Seller Parties shall notify Buyer (the "Sellers' Exercise Notice") whether they intend to exercise the Sellers' Right. The Sellers' Exercise Notice shall state, in writing, (i) the intention to purchase the Offered Assets, and (ii) the name(s) of the Seller Parties that shall purchase the Offered Assets and how the Offered Assets will be divided among the Seller Parties, if at all. Failure to deliver the Sellers' Exercise Notice within such period shall constitute a waiver of the Sellers' Right. The Seller Parties may not assign the Sellers' Right.

(c) Buyer shall have the obligation to sell to Seller the Offered Assets, on the terms and subject to the conditions specified in the Offer, in the event that the Sellers' Right is exercised.

(d) The closing for any purchase of the Offered Assets by Seller pursuant to this Section 6.09 shall be held at 10:00 a.m. (local time) at the offices of Buyer on the sixtieth (60th) day after the date of the Sellers' Option Notice or at such other time and place as the parties shall agree. At the closing, the Seller shall pay for the Offered Assets in accordance with the terms of the Offer.

(e) In the event that the Sellers' Right is not exercised, Buyer may sell the Offered Assets to the Outside Party on terms not more favorable to such Outside Party than those contained in the Offer within one hundred twenty (120) days after the giving of the Sellers' Option Notice. In the event that such terms are more favorable or if such sale to the Outside Party is not consummated within such time period, the Offered Assets shall again be subject to the restrictions contained in this Agreement.

(f) Notwithstanding anything to the contrary set forth herein, this Section 6.09 shall no longer apply or be available to any Seller Party at such time as such Seller Party does not meet the applicable requirement set forth below:

(i) the Seller is an active business and has continued to make all appropriate annual and other filings with the Secretary of the State of Connecticut as required of Seller;

(ii) Dr. Nichele is an active practicing physician in the State of Connecticut, retains all appropriate and necessary federal and state licensures and permits for practicing medicine, and no less than one-third of Dr. Nichele's practice consists of performing procedures and providing services that are performed and provided by the Business; or

(iii) Dr. Zimmerman is an active practicing physician in the State of Connecticut, retains all appropriate and necessary federal and state licensures and permits for practicing medicine, and no less than one-third of Dr. Zimmerman's practice consists

of performing procedures and providing services that are performed and provided by the Business.

ARTICLE VII
CONDITIONS TO CLOSING

Section 7.01 Conditions to Obligations of Buyer. The obligations of Buyer to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Buyer's waiver, at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of Seller contained in this Agreement, the other Transaction Documents and any certificate or other writing delivered pursuant hereto shall be true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the Closing Date.

(b) Seller shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the other Transaction Documents to be performed or complied with by it prior to or on the Closing Date.

(c) No Action shall have been commenced against Buyer or Seller that is related to the transactions contemplated by this Agreement and which would prevent the Closing. No injunction or restraining order shall have been issued by any Governmental Authority, and be in effect, which restrains or prohibits any transaction contemplated hereby.

(d) All approvals, consents and waivers that are listed on Section 4.03 of the Disclosure Schedules shall have been received, and executed counterparts thereof shall have been delivered to Buyer at or prior to the Closing.

(e) From the date of this Agreement, there shall not have occurred any Material Adverse Effect, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect.

(f) Seller shall have delivered to Buyer duly executed counterparts to the Transaction Documents (other than this Agreement) and such other documents and deliveries set forth in Section 3.02(a).

(g) Buyer shall have received all Permits that are necessary for it to conduct the Business as conducted by Seller as of the Closing Date, included the issuance of the CON by the Connecticut Department of Health.

(h) All Encumbrances relating to the Purchased Assets shall have been released in full, other than Permitted Encumbrances, and Seller shall have delivered to Buyer written evidence, in form satisfactory to Buyer in its sole discretion, of the release of such Encumbrances.

(i) Buyer shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Seller, that each of the conditions set forth in **Section 7.01(a)** and **Section 7.01(b)** have been satisfied (the "Seller Closing Certificate").

(j) Buyer shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Seller certifying (i) that attached thereto are true and complete copies of all resolutions adopted by the board of directors of Seller authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, (ii) that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby, and (iii) to the incumbency of the names and signatures of the officers of Seller authorized to sign this Agreement, the Transaction Documents and the other documents to be delivered hereunder and thereunder.

(k) Buyer shall have received a certificate pursuant to Treasury Regulations Section 1.1445-2(b) (the "FIRPTA Certificate") that Seller is not a foreign person within the meaning of Section 1445 of the Code duly executed by Seller.

(l) Seller shall have delivered to Buyer such other documents or instruments as Buyer reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

Section 7.02 Conditions to Obligations of Seller. The obligations of Seller to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Seller's waiver, at or prior to the Closing, of each of the following conditions:

(a) The representations and warranties of Buyer contained in this Agreement, the other Transaction Documents and any certificate or other writing delivered pursuant hereto shall be true and correct in all respects (in the case of any representation or warranty qualified by materiality or Material Adverse Effect) or in all material respects (in the case of any representation or warranty not qualified by materiality or Material Adverse Effect) on and as of the Closing Date.

(b) Buyer shall have duly performed and complied in all material respects with all agreements, covenants and conditions required by this Agreement and each of the other Transaction Documents to be performed or complied with by it prior to or on the Closing Date.

(c) No injunction or restraining order shall have been issued by any Governmental Authority, and be in effect, which restrains or prohibits any material transaction contemplated hereby.

(d) Buyer shall have delivered to Seller duly executed counterparts to the Transaction Documents (other than this Agreement) and such other documents and deliveries set forth in **Section 3.02(b)**.

(e) Seller shall have received a certificate, dated the Closing Date and signed by a duly authorized officer of Buyer, that each of the conditions set forth in **Section 7.02(a)** and **Section 7.02(b)** have been satisfied (the "**Buyer Closing Certificate**").

(f) Seller shall have received a certificate of the Secretary or an Assistant Secretary (or equivalent officer) of Buyer certifying (i) that attached thereto are true and complete copies of all resolutions adopted by the board of directors of Buyer authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby, (ii) that all such resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby, and (iii) to the incumbency of the names and signatures of the officers of Buyer authorized to sign this Agreement, the Transaction Documents and the other documents to be delivered hereunder and thereunder.

(g) Buyer shall have delivered to Seller such other documents or instruments as Seller reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

ARTICLE VIII INDEMNIFICATION

Section 8.01 Survival. All representations and warranties contained herein shall survive for a period of twenty-four (24) months following the Closing, except for the representations and warranties contained in Sections 4.16, 4.17, 4.19 and 4.21, which shall survive to their applicable statute of limitations, and the representations and warranties contained in Sections 4.01, 4.02, 4.20, 5.01, 5.02 and 5.04, which shall survive indefinitely. All covenants and agreements contained herein shall survive the Closing indefinitely.

Section 8.02 Indemnification By Seller Parties. Subject to the other terms and conditions of this **Article VIII**, the Seller Parties shall jointly and severally indemnify and defend each of Buyer and its Affiliates and their respective Representatives (collectively, the "**Buyer Indemnitees**") against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses

incurred or sustained by, or imposed upon, the Buyer Indemnitees based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of Seller contained in this Agreement, the other Transaction Documents or in any certificate or instrument delivered by or on behalf of Seller pursuant to this Agreement, as of the Closing Date;

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Seller pursuant to this Agreement, the other Transaction Documents or any certificate or instrument delivered by or on behalf of Seller pursuant to this Agreement;

(c) any Excluded Asset or any Excluded Liability;

(d) any third party claim based upon, resulting from or arising out of the business, operations, properties, assets or obligations of Seller or any of its Affiliates (other than the Purchased Assets or Assumed Liabilities) conducted, existing or arising on or prior to the Closing Date;

(e) any third party claim based upon, resulting from or arising out of Seller Parties' Medicare and Medicaid filings, reimbursements, billings and any violation by Seller Parties of applicable laws, regulations and rules related thereto, for services provided and procedures performed on or prior to the Closing Date.

Section 8.03 Indemnification By Buyer. Subject to the other terms and conditions of this **Article VIII**, Buyer shall indemnify and defend each of the Seller Parties and their Affiliates and their respective Representatives (collectively, the "**Seller Indemnitees**") against, and shall hold each of them harmless from and against, and shall pay and reimburse each of them for, any and all Losses incurred or sustained by, or imposed upon, the Seller Indemnitees based upon, arising out of, with respect to or by reason of:

(a) any inaccuracy in or breach of any of the representations or warranties of Buyer contained in this Agreement or in any certificate or instrument delivered by or on behalf of Buyer pursuant to this Agreement, as of the Closing Date;

(b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by Buyer pursuant to this Agreement; or

(c) any Assumed Liability.

Section 8.04 Certain Limitations. The indemnification provided for in **Section 8.02** and **Section 8.03** shall be subject to the following limitations:

(a) No claim for indemnification under **Section 8.02** and **Section 8.03** may be made after the Initial Holdback Period, provided that (i) any existing claim for

indemnification made prior to such date may continue beyond such date, and (ii) any Buyer Indemnitee may make a claim for indemnification under **Section 8.02(e)** at any time during the ten (10) year period immediately following the Closing Date.

(b) The maximum liability of Seller Parties to Buyer Indemnitees for Losses pursuant to indemnification under **Section 8.02** shall be equal to the Purchase Price.

(c) The maximum liability of Buyer to Seller Indemnitees for Losses pursuant to indemnification under **Section 8.03** shall be equal to the Purchase Price.

Section 8.05 Indemnification Procedures. Whenever any claim shall arise for indemnification hereunder, the party entitled to indemnification (the "**Indemnified Party**") shall promptly provide written notice of such claim to the other party (the "**Indemnifying Party**"). In connection with any claim giving rise to indemnity hereunder resulting from or arising out of any Action by a person or entity who is not a party to this Agreement, the Indemnifying Party, at its sole cost and expense and upon written notice to the Indemnified Party, may assume the defense of any such Action with counsel reasonably satisfactory to the Indemnified Party. The Indemnified Party shall be entitled to participate in the defense of any such Action, with its counsel and at its own cost and expense. If the Indemnifying Party does not assume the defense of any such Action, the Indemnified Party may, but shall not be obligated to, defend against such Action in such manner as it may deem appropriate, including, but not limited to, settling such Action, after giving notice of it to the Indemnifying Party, on such terms as the Indemnified Party may deem appropriate and no action taken by the Indemnified Party in accordance with such defense and settlement shall relieve the Indemnifying Party of its indemnification obligations herein provided with respect to any damages resulting therefrom. The Indemnifying Party shall not settle any Action without the Indemnified Party's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed).

Section 8.06 Tax Treatment of Indemnification Payments. All indemnification payments made under this Agreement shall be treated by the parties as an adjustment to the Purchase Price for Tax purposes, unless otherwise required by Law.

Section 8.07 Effect of Investigation. The representations, warranties and covenants of the Indemnifying Party, and the Indemnified Party's right to indemnification with respect thereto, shall not be affected or deemed waived by reason of any investigation made by or on behalf of the Indemnified Party (including by any of its Representatives) or by reason of the fact that the Indemnified Party or any of its Representatives knew or should have known that any such representation or warranty is, was or might be inaccurate or by reason of the Indemnified Party's waiver of any condition set forth in **Section 7.01** or **Section 7.02**, as the case may be.

Section 8.08 Cumulative Remedies. The rights and remedies provided in this Article VIII are cumulative and are in addition to and not in substitution for any other rights and remedies available at law or in equity or otherwise.

**ARTICLE IX
TERMINATION**

Section 9.01 Termination. This Agreement may be terminated at any time prior to the Closing:

- (a) by the mutual written consent of Seller and Buyer;
- (b) by Buyer by written notice to Seller if:

- (i) Buyer is not then in material breach of any provision of this Agreement and there has been a material breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Seller pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Article VII and such breach, inaccuracy or failure has not been cured by Seller within twenty (20) days of Seller's receipt of written notice of such breach from Buyer; or

- (ii) any of the conditions set forth in Section 7.01 or Section 7.02 shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by July 1, 2013, unless such failure shall be due to the failure of Buyer to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing;

- (c) by Seller by written notice to Buyer if:

- (i) Seller is not then in material breach of any provision of this Agreement and there has been a material breach, inaccuracy in or failure to perform any representation, warranty, covenant or agreement made by Buyer pursuant to this Agreement that would give rise to the failure of any of the conditions specified in Article VII and such breach, inaccuracy or failure has not been cured by Buyer within twenty (20) days of Buyer's receipt of written notice of such breach from Seller; or

- (ii) any of the conditions set forth in Section 7.01 or Section 7.02 shall not have been, or if it becomes apparent that any of such conditions will not be, fulfilled by July 1, 2013, unless such failure shall be due to the failure of Seller to perform or comply with any of the covenants, agreements or conditions hereof to be performed or complied with by it prior to the Closing; or

- (d) by Buyer or Seller in the event that (i) there shall be any Law that makes consummation of the transactions contemplated by this Agreement illegal or otherwise prohibited or (ii) any Governmental Authority shall have issued a Governmental Order restraining or enjoining the transactions contemplated by this Agreement, and such Governmental Order shall have become final and non-appealable.

Section 9.02 Effect of Termination. In the event of the termination of this Agreement in accordance with this Article, this Agreement shall forthwith become void and there shall be no liability on the part of any party hereto except:

- (a) as otherwise set forth in this Agreement; and
- (b) that nothing herein shall relieve any party hereto from liability for any willful breach of any provision hereof.

**ARTICLE X
MISCELLANEOUS**

Section 10.01 Expenses. Except as otherwise expressly provided herein, all costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred.

Section 10.02 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 10.02):

If to Seller Parties	Advanced Colon Care, Inc. 929 Boston Post Road Old Saybrook, CT 06475 Facsimile: Attention:
with a copy to:	Jeffers Cowherd P.C. 55 Walls Drive Fairfield, CT 06824 Facsimile: (203) 259-1070 Attention: Stephen Cowherd
If to Buyer:	Middlesex Health System, Inc. 28 Crescent Street

Middletown, CT 06457
Attention: Harry Evert
Senior Vice President

with a copy to:

Murtha Cullina LLP
177 Broad Street
Stamford, CT 06901
Facsimile: (203) 653-5444
Attention: Paul Knag

Section 10.03 Interpretation. For purposes of this Agreement, (a) the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; and (c) the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Articles, Sections, Disclosure Schedules and Exhibits mean the Articles and Sections of, and Disclosure Schedules and Exhibits attached to, this Agreement; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. The Disclosure Schedules and Exhibits referred to herein shall be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

Section 10.04 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

Section 10.05 Severability. If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

Section 10.06 Entire Agreement. This Agreement and the other Transaction Documents constitute the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein and therein, and supersede all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and those in the other Transaction Documents, the Exhibits and

Disclosure Schedules (other than an exception expressly set forth as such in the Disclosure Schedules), the statements in the body of this Agreement will control.

Section 10.07 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither party may assign its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 10.08 No Third-party Beneficiaries. Except as provided in Article VIII, this Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 10.09 Amendment and Modification; Waiver. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 10.10 Governing Law; Submission to Jurisdiction. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Connecticut without giving effect to any choice or conflict of law provision or rule (whether of the State of Connecticut or any other jurisdiction) that would cause the application of laws of any jurisdiction other than those of the State of Connecticut. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in the federal courts of the United States or the courts of the State of Connecticut in each case located in the County of Middlesex, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding. Service of process, summons, notice or other document by mail to such party's address set forth herein shall be effective service of process for any suit, action or other proceeding brought in any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any suit,

action or any proceeding in such courts and irrevocably waive and agree not to plead or claim in any such court that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

Section 10.11 Specific Performance. The parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 10.12 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall comprise one and the same instrument. Delivery of a copy of this Agreement or such other document bearing an original signature by facsimile transmission, by electronic mail in "portable document format" (".pdf") form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, will have the same effect as physical delivery of the paper document bearing the original signature.

[SIGNATURE PAGE FOLLOWS]

Attachment 2: Evidence of Shoreline's establishment as an LLC



Business Inquiry

Business Inquiry Details

Business Name: ADVANCED COLON CARE, INC.
Business Address: 929 BOSTON POST RD, SUITE 1, OLD SAYBROOK, CT, 06475
Citizenship/State Inc: Domestic/CT
Business Type: Stock
Date Inc/Registered: Nov 19, 1999

Business Id: 0535568
Mailing Address: 929 BOSTON POST ROAD, SUITE
Last Report Year: 2012
Business Status: Active

Principals

Name/Title:
JAY S. ZIMMERMAN VICE PRESIDENT
MAURIZIO NICHELE DIRECTOR
ELLEN NICHELE SECRETARY

Business Address:

929 BOSTON POST RD, SUITE #1, OLD SAYBROOK, CT, 06475
929 BOSTON POST RD STE #1, OLD SAYBROOK, CT, 06475
929 BOSTON POST RD, SUITE #1, OLD SAYBROOK, CT, 06475

Residence Address:

341 SUMMER HILL ROAD, MADISON, CT, 06443
1 WOODRIDGE HILLS RD, OLD LYME, CT, 06371
1 WOODRIDGE HILLS ROAD, OLD LYME, CT, 06371

Business Summary

Agent Name: MAURIZIO NICHELE
Agent Business Address: 929 BOSTON POST RD STE #1, OLD SAYBROOK, CT, 06475
Agent Residence Address: 1 WOODRIDGE HILLS ROAD, OLD LYME, CT, 06371

Stock

Attachment 3: Revised Financial Attachment I

Attachment 4: Financial Statements for Shoreline



Middlesex Hospital 003

Determination of the Fair Market Value of the Acquired Assets of Advanced Colon Care, Inc.

As of August 31, 2011

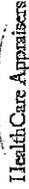
Exhibit B.1 - Historical Income Statements

Years ending December 31,	2008	2009	2010	YTD 8/31/11	Annualized 2011	Common Sized Statements (Shown as % of Net Revenue)	2008	2009	2010	2011A	Historical Average	Industry Average
Interest (Income)	(249)	0	0	0	0		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest Expense	0	0	0	0	0		0.0%	0.0%	0.0%	0.0%	0.0%	0.4%
Earnings Before Tax (EBT)	16,410	32,426	5,320	278,198	417,869		3.0%	5.8%	1.0%	70.4%	3.3%	42.0%
Income Taxes	6,248	5,979	823	0	0		1.1%	1.1%	0.2%	0.0%	0.8%	0.0%
Net Income	10,162	26,447	4,497	278,198	417,869		1.9%	4.8%	0.9%	70.4%	2.5%	42.0%
Revised EBITDA Calculation												
Net Income (from above)	10,162	26,447	4,497	278,198	417,869							
Plus: Owner Compensation	230,173	206,781	273,126	4,233	6,389							
Plus: Automobile Expense	1,078	0	0	0	0							
Plus: Travel	3,211	0	0	0	0							
Plus: Income Taxes	6,248	5,979	823	0	0							
Plus: Depreciation	0	21,240	18,090	0	0							
EBITDA	250,872	260,447	296,536	282,451	424,257							

Footnotes:

- 1) Financial statements as presented in Center's Corporate Income Tax Return Form 1120. For 2011, we have relied on Center's internal financial statements.
- 2) Owner compensation recorded on the ASC financials represents distributions and is removed for purposes of this analysis.
- 3) Employment expense has not been allocated from PC in Center's YTD financial statements.
- 4) From 2009 MGMA ASC Financial Performance Survey: 2009 Report: Greater than 50% Gastroenterology Cases.

YTD EBITDA will be lower. Staff payroll expenses have not been allocated.



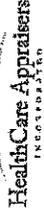
Middlesex Hospital 003

Determination of the Fair Market Value of the Acquired Assets of Advanced Colon Care, Inc.

As of August 31, 2011

Exhibit B.1 - Historical Income Statements

Years ending December 31,	2008	2009	2010	YTD 8/31/11	Annualized 2011	2008	2009	2010	2011A	Historical Average	Industry Average (%)
Summary Income Statement (1)											
Procedure Volume	1,255	1,246	1,220	890	1,337						100.0%
Net Revenue / Procedure	\$435.10	\$446.83	\$431.51	\$443.91	\$443.91						100.0%
Net Revenue	\$546,051	\$556,756	\$526,438	\$395,080	\$593,433	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Owner Compensation (2)	230,173	206,781	273,126	4,253	6,389	42.2%	37.1%	51.9%	1.1%	43.7%	43.7%
Non-Physician Salaries, Benefits & Payroll Taxes (3)	71,636	104,552	44,162	0	0	13.1%	18.8%	8.4%	0.0%	13.4%	27.3%
Supplies	31,853	54,154	31,747	33,833	50,819	5.8%	9.7%	6.0%	8.6%	7.2%	8.3%
Billing Fees	19,763	29,934	24,960	18,719	28,116	3.6%	5.4%	4.7%	4.7%	4.6%	4.6%
Leased Equipment, Repairs & Maintenance	37,406	49,534	23,140	16,811	25,251	6.9%	8.9%	4.4%	4.3%	6.7%	1.9%
Management Fee	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rent	69,982	39,764	76,190	31,035	46,616	12.8%	7.1%	14.5%	7.9%	11.5%	5.0%
All Other Operating Costs	69,077	18,371	29,708	12,232	18,374	12.7%	3.3%	5.6%	3.1%	7.2%	9.9%
Total Operating Costs	529,890	503,090	503,028	116,883	175,565	97.0%	90.4%	95.6%	29.6%	94.3%	52.5%
Operating Margin	16,161	53,666	23,410	278,198	417,869	3.0%	9.6%	4.4%	70.4%	5.7%	47.6%
Other (Income) / Expense	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.8%	0.0%
EBITDA	16,161	53,666	23,410	278,198	417,869	3.0%	9.6%	4.4%	70.4%	5.7%	47.6%
Depreciation	0	21,240	18,090	0	0	0.0%	3.8%	3.4%	0.0%	2.4%	5.2%
Amortization	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	16,161	32,426	5,320	278,198	417,869	3.0%	5.8%	1.0%	70.4%	3.3%	42.4%



Middlesex Hospital 003

Determination of the Fair Market Value of the Acquired Assets of Advanced Colon Care, Inc.

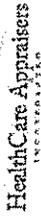
As of August 31, 2011

Exhibit B.2 - Historical Balance Sheets

As of	Common Size Statements (shown as % of Total Assets)					Historical Average			
	12/31/08	12/31/09	12/31/10	8/31/11	12/31/08				
Loans from Shareholders (2)	56,030	86,811	122,484	(83,360)	52.3%	51.2%	58.2%	-29.5%	33.0%
Long-Term Debt	0	0	0	0	0.0%	0.0%	0.0%	0.0%	0.0%
Total Long Term Liabilities	56,030	86,811	122,484	(83,360)	52.3%	51.2%	58.2%	-29.5%	33.0%
Total Liabilities	56,030	86,811	122,484	(83,360)	52.3%	51.2%	58.2%	-29.5%	33.0%
Common Equity	1,000	1,000	1,000	1,000	0.9%	0.6%	0.5%	0.4%	0.6%
Retained Earnings - Prior	38,845	50,197	81,636	86,884	36.2%	29.6%	38.8%	30.8%	33.9%
Reconciliation to Books	1,190	4,992	751	(472)	1.1%	2.9%	0.4%	-0.2%	1.1%
Net Income	10,162	26,447	4,497	278,198	9.5%	15.6%	2.1%	98.6%	31.4%
Book Equity	51,197	82,636	87,884	365,610	47.7%	48.8%	41.8%	129.5%	67.0%
Total Liabilities and Equity	107,227	169,447	210,368	292,250	100.0%	100.0%	100.0%	100.0%	100.0%

Footnotes:

- 1) Balance sheets as presented in Center's Corporate Income Tax Return Form 1120.
- 2) Related Party Debts (officers and PC) - not included in the transaction.



Middlesex Hospital 003

Determination of the Fair Market Value of the Acquired Assets of Advanced Colon Care, Inc.

As of August 31, 2011

Exhibit B.2 - Historical Balance Sheets

As of	Common Size Statements (shown as % of Total Assets)					Historical Average
	12/31/08	12/31/09	12/31/10	8/31/11	12/31/10	
Assets (1)						
Cash	\$107,227	\$135,007	\$140,368	\$207,997	100.0%	73.7%
Patient Receivables	0	0	0	0	0.0%	0.0%
Inventory	0	0	0	0	0.0%	0.0%
Prepaid Expenses	0	0	0	4,253	0.0%	1.5%
Other Current Assets	0	0	0	0	0.0%	0.0%
Total Current Assets	107,227	135,007	140,368	212,250	100.0%	75.2%
Furniture & Fixtures	0	0	0	0	0.0%	0.0%
Leasehold Improvements	0	0	0	0	0.0%	0.0%
Medical Equipment	0	0	0	0	0.0%	0.0%
Other Equipment	0	0	0	0	0.0%	0.0%
Gross Fixed Assets	0	0	0	0	0.0%	0.0%
Accumulated Depreciation	0	0	0	0	0.0%	0.0%
Net Fixed Assets	0	0	0	0	0.0%	0.0%
Other Assets (2)	0	34,440	70,000	70,000	0.0%	24.8%
Total Assets	107,227	169,447	210,368	282,250	100.0%	100.0%
Liabilities and Equity						
Accounts Payable	0	0	0	0	0.0%	0.0%
Accrued Expenses	0	0	0	0	0.0%	0.0%
Line of Credit	0	0	0	0	0.0%	0.0%
Long-Term Debt, Current Portion	0	0	0	0	0.0%	0.0%
Total Current Liabilities	0	0	0	0	0.0%	0.0%



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

December 5, 2012

FACSIMILE TRANSMISSION ONLY

Harry Evert
Senior Vice President, Strategic Planning and Operations
Middlesex Hospital
28 Crescent Street
Middletown, CT 06457

RE: Certificate of Need Application; Docket Number: 12-31786-CON
Middlesex Hospital's Proposal to Transfer Ownership of Certain of
the Assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy
Suites, LLC, to Middlesex Hospital
Notification Deeming the CON Application Complete

Dear Mr. Evert:

Pursuant to Section 19a-639a(d) of the Connecticut General Statutes, the Office of Health Care Access ("OHCA") has determined that the above-referenced application has been deemed complete as of December 5, 2012.

If you have any questions regarding this matter, please feel free to contact me at (860) 418-7069.

Sincerely,

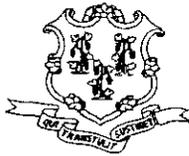
A handwritten signature in cursive script that reads "Jack A. Huber".

Jack A. Huber
OHCA Health Care Analyst

*** TX REPORT ***

TRANSMISSION OK

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STATE OF CONNECTICUT
DEPARTMENT OF HEALTH SERVICES
OFFICE OF HEALTH CARE ACCESS

FAX SHEET

TO: HARRY EVERT

FAX: (860) 346-5485

AGENCY: MIDDLESEX HOSPITAL

FROM: JACK HUBER

DATE: 12/5/2012 Time: ~ 10:15 am

NUMBER OF PAGES: 2
(including transmittal sheet)



Comments: Transmitted:
Notification Deeming the CON Application Complete
Proposal to Transfer Ownership of Certain Assets of Advanced Colon
Care, Inc. to Middlesex Hospital
Docket Number: 12-31786-CON

**PLEASE PHONE Jack A. Huber at (860) 418-7069
IF THERE ARE ANY TRANSMISSION PROBLEMS.**



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

December 21, 2012

FACSIMILE TRANSMISSION ONLY

Harry Evert
Senior Vice President, Strategic Planning and Operations
Middlesex Hospital
28 Crescent Street
Middletown, CT 06457

RE: Certificate of Need Application; Docket Number: 12-31786-CON
Middlesex Hospital & Advanced Colon Care, Inc.
Proposal to Transfer Ownership of Certain of the Assets of Advanced Colon Care, Inc. d/b/a
Shoreline Colonoscopy Suites, LLC, to Middlesex Hospital
Request for Additional Information

Dear Mr. Evert:

On November 19, 2012, the Office of Health Care Access ("OHCA") received your responses to OHCA's completeness letter dated October 24, 2012, concerning the Certificate of Need ("CON") application to transfer ownership of certain of the assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC, ("Shoreline") to Middlesex Hospital.

Based on OHCA's review of the Hospital's completeness letter responses, OHCA has determined that Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC ("Shoreline or Shoreline Center") must be made an applicant to the CON application identified under Docket Number: 12-31786. Consequently, OHCA requests the following additional information pursuant to Connecticut General Statutes §19a-639a(c) prior to OHCA rendering a decision in this matter.

Project Description and Need

1. Provide the Shoreline Center's contact information as was provided by Middlesex Hospital on page 7 of the CON application.
2. Provide a completed affidavit for Shoreline.
3. Explain how Shoreline determined need for the proposal and discuss the benefits of this proposal for each applicant, Shoreline and Middlesex Hospital.

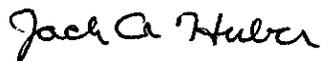
Financial Information and Other Criteria

4. Provide a summary of actual revenue, expense, and volume statistics for the Shoreline Center operation from fiscal year 2007 through 2011 in the same format as Financial Attachment I.
5. Provide a summary of revenue, expense, and volume statistics, without the CON project, incremental to the CON project, and with the CON project for Shoreline. **Complete Financial Attachment I in the same manner as the fiscal years presented by Middlesex Hospital on page 99 of the CON application.**
6. Provide the assumptions utilized in developing **Shoreline's Financial Attachment I** (e.g., full-time equivalents, volume statistics, other expenses, revenue and expense % increases, project commencement of operation date, etc.).
7. How will the proposal result in improving the quality of health care delivery and accessibility for those patients receiving care at the Shoreline Center?
8. Provide projections of any and all cost savings attributable to the proposal.

In responding to the questions contained in this letter, please repeat each question before providing your response. **Paginate and date** your response (e.g., each page in its entirety). Information filed after the initial CON application submission (e.g., completeness response letter, prefile testimony, late file submissions and the like) must be numbered sequentially from the Hospital's document preceding it. Please reference "Docket Number: 12-31786-CON." Submit one (1) original and four (4) hard copies of your response. In addition, please submit a scanned copy of your response including all attachments on CD in an Adobe format (.pdf) and in an MS Word format.

If you have any questions concerning this letter, please feel free to contact me at (860) 418-7069.

Sincerely,



Jack A. Huber
OHCA Health Care Analyst

AFFIDAVIT

Applicant: _____

Project Title: _____

I, _____, _____
(Individual's Name) (Position Title – CEO or CFO)

of _____ being duly sworn, depose and state that
(Hospital or Facility Name)

_____ 's information submitted in this Certificate of
(Hospital or Facility Name)

Need Application is accurate and correct to the best of my knowledge.

Signature

Date

Subscribed and sworn to before me on _____

Notary Public/Commissioner of Superior Court

My commission expires: _____

13. B i. Please provide one year of actual results and three years of projections of **Total Facility** revenue, expense and volume statistics without, incremental to and with the CON proposal in the following reporting format:

<u>Total Facility:</u> <u>Description</u>	FY Actual Results	FY Projected		FY Projected		FY Projected		
		W/out CON	Incremental	W/out CON	Incremental	W/out CON	Incremental	
NET PATIENT REVENUE								
Non-Government								
Medicare								
Medicaid and Other Medical Assistance								
Other Government								
Total Net Patient Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Operating Revenue								
Revenue from Operations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OPERATING EXPENSES								
Salaries and Fringe Benefits								
Professional / Contracted Services								
Supplies and Drugs								
Bad Debts								
Other Operating Expense								
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation/Amortization								
Interest Expense								
Lease Expense								
Total Operating Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Income (Loss) from Operations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Non-Operating Income								
Income before provision for income taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Provision for income taxes								
Net income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Retained earnings, beginning of year								
Retained earnings, end of year	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
FTEs								

*Volume Statistics:
Provide projected inpatient and/or outpatient statistics for any new services and provide actual and projected inpatient and/or outpatient statistics for any existing services which will change due to the proposal.

****FY 2013 Projections only include 9 months of FY 13. Middlesex's FY runs October 1 - September 30.****
Middlesex Hospital

12. C (f). Please provide one year of actual results and three years of projections of Total Facility revenue, expense and volume statistics without, incremental to, and with the CON proposal in the following reporting format:

Total Facility: Description	FY 11 Actual Results		FY 12 Projected		FY 12 Projected		FY 13 Projected		FY 13 Projected		FY 14 Projected		FY 14 Projected		FY 15 Projected		FY 15 Projected		
	W/out CON	With CON	W/out CON	With CON	Incremental	With CON	Incremental	With CON	Incremental	With CON	Incremental	With CON	Incremental	With CON	Incremental	With CON	Incremental	With CON	
NET PATIENT REVENUE																			
Non-Government	\$187,081,766	\$192,989,289	\$195,884,138	\$197,869,514	\$1,985,376	\$197,869,514	\$2,673,639	\$202,697,479	\$200,023,831	\$2,673,639	\$202,697,479	\$204,642,116	\$2,700,376	\$207,342,492	\$204,642,116	\$2,700,376	\$207,342,492	\$192,081	\$127,737,812
Medicare	\$116,601,012	\$120,282,960	\$122,087,204	\$122,228,434	\$141,230	\$122,228,434	\$190,169	\$124,857,508	\$124,667,319	\$190,169	\$124,857,508	\$127,545,721	\$192,081	\$127,737,812	\$127,545,721	\$192,081	\$127,737,812	\$0	\$35,474,511
Medicaid and Other Medical Assistance	\$32,430,440	\$33,454,506	\$33,454,506	\$33,454,506	\$0	\$33,454,506	\$0	\$33,454,506	\$34,673,936	\$0	\$34,673,936	\$35,474,511	\$0	\$35,474,511	\$35,474,511	\$0	\$35,474,511	\$0	\$0
Other Government	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Net Patient Revenue	\$336,113,210	\$346,726,765	\$351,927,666	\$354,054,272	\$2,126,606	\$354,054,272	\$2,863,828	\$362,228,914	\$359,365,066	\$2,863,828	\$362,228,914	\$367,662,348	\$2,892,467	\$370,554,815	\$367,662,348	\$2,892,467	\$370,554,815	\$0	\$0
Other Operating Revenue	\$8,543,630	\$11,468,410	\$9,928,462	\$9,928,462	\$0	\$9,928,462	\$0	\$9,928,462	\$9,578,316	\$0	\$9,578,316	\$9,835,656	\$0	\$9,835,656	\$9,835,656	\$0	\$9,835,656	\$0	\$0
Revenue from Operations	\$344,656,840	\$358,195,175	\$360,856,129	\$363,982,734	\$2,126,606	\$363,982,734	\$2,863,828	\$370,807,230	\$367,943,402	\$2,863,828	\$370,807,230	\$377,498,013	\$2,892,467	\$379,390,480	\$377,498,013	\$2,892,467	\$379,390,480	\$0	\$0
OPERATING EXPENSES																			
Salaries and Fringe Benefits	\$196,056,489	\$197,587,603	\$203,515,231	\$203,588,987	\$73,766	\$203,588,987	\$100,813	\$209,797,479	\$209,686,666	\$100,813	\$209,797,479	\$216,091,404	\$103,333	\$216,194,737	\$216,091,404	\$103,333	\$216,194,737	\$0	\$0
Professional / Contracted Services	\$29,240,342	\$32,510,797	\$33,323,567	\$33,383,587	\$60,000	\$33,383,587	\$80,000	\$34,296,156	\$34,218,156	\$80,000	\$34,296,156	\$35,155,610	\$90,000	\$35,235,610	\$35,155,610	\$90,000	\$35,235,610	\$0	\$0
Supplies and Drugs	\$33,144,537	\$34,297,207	\$35,458,855	\$35,491,062	\$35,237	\$35,491,062	\$47,453	\$36,622,871	\$36,575,418	\$47,453	\$36,622,871	\$37,355,328	\$47,927	\$37,403,255	\$37,355,328	\$47,927	\$37,403,255	\$0	\$0
Bad Debts	\$13,670,742	\$11,270,701	\$11,438,762	\$11,464,978	\$25,217	\$11,464,978	\$33,958	\$11,670,911	\$11,638,953	\$33,958	\$11,670,911	\$11,845,875	\$34,298	\$11,880,273	\$11,845,875	\$34,298	\$11,880,273	\$0	\$0
Other Operating Expense	\$29,485,401	\$32,057,554	\$33,019,281	\$33,223,083	\$203,802	\$33,223,083	\$128,758	\$34,346,531	\$34,219,775	\$128,758	\$34,346,531	\$35,376,927	\$131,980	\$35,508,917	\$35,376,927	\$131,980	\$35,508,917	\$0	\$0
Subtotal	\$303,536,511	\$307,723,862	\$316,753,695	\$317,151,716	\$398,021	\$317,151,716	\$398,990	\$326,735,949	\$326,346,969	\$398,990	\$326,735,949	\$335,825,244	\$367,857	\$336,222,793	\$335,825,244	\$367,857	\$336,222,793	\$0	\$0
Depreciation/Amortization	\$21,736,910	\$21,695,542	\$24,000,000	\$24,342,857	\$342,857	\$24,342,857	\$0	\$24,342,857	\$26,000,000	\$342,857	\$24,342,857	\$26,500,000	\$367,857	\$26,867,857	\$26,500,000	\$367,857	\$26,867,857	\$0	\$0
Interest Expense	\$3,242,228	\$3,106,798	\$3,137,666	\$3,137,666	\$0	\$3,137,666	\$0	\$3,137,666	\$3,169,245	\$0	\$3,169,245	\$3,200,937	\$0	\$3,200,937	\$3,200,937	\$0	\$3,200,937	\$0	\$0
Lease Expense	\$0	\$0	\$22,193	\$22,193	\$22,193	\$22,193	\$0	\$22,193	\$34,940	\$22,193	\$34,940	\$36,303	\$0	\$36,303	\$36,303	\$0	\$36,303	\$0	\$0
Total Operating Expense	\$328,515,649	\$332,526,202	\$343,891,561	\$344,654,633	\$763,072	\$344,654,633	\$1,363,534	\$348,326,102	\$355,516,213	\$1,363,534	\$348,326,102	\$355,526,181	\$1,394	\$356,920,758	\$355,526,181	\$1,394	\$356,920,758	\$0	\$0
Gain/(Loss) from Operations	\$17,141,191	\$25,668,973	\$16,864,568	\$18,328,102	\$1,363,534	\$18,328,102	\$2,072,051	\$14,489,240	\$12,427,189	\$2,072,051	\$14,489,240	\$10,971,882	\$2,080,758	\$13,062,591	\$10,971,882	\$2,080,758	\$13,062,591	\$0	\$0
Plus: Non-Operating Revenue	\$5,495,123	\$3,814,931	\$3,929,379	\$3,929,379	\$0	\$3,929,379	\$0	\$3,929,379	\$4,047,260	\$0	\$4,047,260	\$4,168,678	\$0	\$4,168,678	\$4,168,678	\$0	\$4,168,678	\$0	\$0
Revenue Over/(Under) Expense	\$22,636,314	\$29,483,904	\$20,893,947	\$22,257,481	\$1,363,534	\$22,257,481	\$2,072,051	\$18,546,500	\$16,474,449	\$2,072,051	\$18,546,500	\$15,140,510	\$2,080,758	\$17,231,269	\$15,140,510	\$2,080,758	\$17,231,269	\$0	\$0
FTEs	2,057.00	2,060.00	2,141.00	2,142.02	1.02	2,142.02	1.36	2,142.36	2,141.00	1.36	2,142.36	2,141.00	1.36	2,142.36	2,141.00	1.36	2,142.36	\$0	\$0

*Volume Statistics:
Endoscopy Cases - outpatient 1,851 1,926 1,886 733 2,629 977 1,915 2,892 1,994 977 2,911 262

BREAK-EVEN UNITS 2,057 2,060 2,141 2,142 1.02 2,142 1.36 2,142 2,141 1.36 2,142 2,141 1.36 2,142 2,141 1.36 2,142 2,142 262

*** TX REPORT ***

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STATE OF CONNECTICUT
DEPARTMENT OF HEALTH SERVICES
OFFICE OF HEALTH CARE ACCESS

FAX SHEET

TO: HARRY EVERT

FAX: (860) 346-5485

AGENCY: MIDDLESEX HOSPITAL

FROM: JACK HUBER

DATE: 12/5/2012 Time: ~ 3:25 am

NUMBER OF PAGES: 5
(including transmittal sheet)

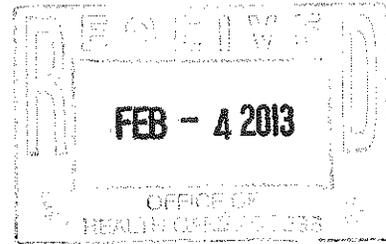


Comments: Transmitted:
Letter Requesting Additional Information
Proposal to Transfer Ownership of Certain Assets of Advanced Colon
Care, Inc. to Middlesex Hospital
Docket Number: 12-31786-CON

ADMINISTRATION

February 1, 2013

Ms. Kimberly Martone
Director of Operations
State of Connecticut
Office of Health Care Access
410 Capitol Avenue, MS#13HCA
Hartford, CT 06134



Re: Docket Number: 12-31786-CON, Transfer of Ownership of Certain of the Assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital

Dear Ms. Martone:

In response to the letter from OHCA dated December 21, 2012, in which OHCA determined that Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC must be made an applicant to the CON application identified under Docket Number: 12-31786; I am pleased to provide Middlesex Hospital and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites' responses to the questions issued by OHCA.

The original and four copies of the responses to the completeness questions are enclosed for Docket Number: 12-31786-CON, Transfer of Ownership of Certain of the Assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital. As requested, also enclosed on a CD is a scanned copy of the application response questions and documents in MS format.

Thank you very much for your consideration of the Certificate of Need application.

Please call me if you have any questions or concerns.

Very truly yours,



Harry Evert
Senior Vice President, Strategic Planning and Operations

28 Crescent Street
Middletown, Connecticut 06457-3650

tel 860 344-6000
fax 860 346-5485

Project Description and Need

1. Provide the Shoreline Center's contact information as was provided by Middlesex Hospital on page 7 of the CON application.

Please see below:

Docket Number:	12-31786-CON
Applicant:	Advanced Colon Care d/b/a Shoreline Colonoscopy, LLC.
Contact Person:	Maurizio D. Nichele, M.D.
Contact Person's Title:	Owner
Contact Person's Address:	929 Boston Post Road, Suite 1, Old Saybrook, Connecticut
Contact Person's Phone Number:	(860) 395-0554
Contact Person's Fax Number:	n/a
Contact Person's Email Address:	ritzn@aol.com
Project Town:	Old Saybrook
Project Name:	Transfer of Ownership of Certain of the Assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital
Statute Reference:	Section 19a-638, C.G.S.
Estimated Total Capital Expenditure:	Not Applicable. No expenditure by Shoreline Colonoscopy for this proposal.

2. Provide a completed affidavit for Shoreline.
Please see Attachment A-1 for a completed affidavit for Shoreline.
3. Explain how Shoreline determined need for the proposal and discuss the benefits of this proposal for each applicant, Shoreline and Middlesex Hospital.

Shoreline Benefits:

The benefits of the proposal to Shoreline include the creation of a more sustainable business model that enables Shoreline physicians to focus on the delivery professional services while allowing for the long term sustainability of the services in the community.

Middlesex Benefits:

The benefits to Middlesex as a result of the proposal are related to the increased efficiencies, greater connectivity, long term sustainability and the greater coordination of care for patients needing endoscopy services.

The Shoreline facility is located within the Middlesex service area. Middlesex believes it is in the best interests of the patients in the community for Middlesex to ensure continued access at the current location. Integrating the outpatient services into the existing Middlesex Health System's network of community-based resources will ensure not only the continuation of service access, it will help to ensure effective and efficient care coordination for these patients' care within the Middlesex Health System. Therefore, the benefactors of this care coordination are Middlesex, referring physicians and the patients who utilize Shoreline for care.

Financial Attachment I on page 99 of the CON application demonstrates that the proposal is affordable, financially feasible and financially beneficial to Middlesex.

Financial Information and Other Criteria

4. Provide a summary of actual revenue, expense, and volume statistics for the Shoreline Center operation from fiscal year 2007 through 2011 in the same format as Attachment I. **Please see Attachment B-1 for a summary of actual revenue, expense, and volume statistics from fiscal year 2007 through 2011.**
5. Provide a summary of revenue, expense and volume statistics, without the CON project, incremental to the CON project, and with the CON project for Shoreline. Complete Financial Attachment I in the same manner as the fiscal years presented by Middlesex Hospital on page 99 of the CON application. **Please see Attachment C-1.**
6. Provide the assumptions utilized in developing **Shoreline's Financial Attachment I** (e.g., full-time equivalents, volume statistics, other expenses, revenue and expense % increases, project commencement of operation date, etc.).
Assumptions to projected financials
 - **Volume and Net revenue FLAT**
 - **Salaries, Owners Draw and benefits 1% increase**
 - **Professional/Contracted Services 2% increase**
 - **Medical Supplies/Drugs 5% increase**
 - **Other expenses 2% increase**
 - **Rents/Leases 2% increase**
 - **Financial analyses are based on a January 1 – December 31 calendar year.**
 - **FY 2012 financial data is projected but the test volume is annualized from Jan 1 – Sept. 30 data.**
7. How will the proposal result in improving the quality of health care delivery and accessibility for those patients receiving care at Shoreline Center?

All of the above assumptions are based on industry factors.

As stated previously, the proposal will enable the physicians to focus on the professional services they provide to their patients while at the same time allowing these patients to continue to receive these services locally in their community. As such, Middlesex and Shoreline believe it is in the best interests of the patients in the community for Middlesex to ensure continued access at the current location.

Integrating the outpatient services into the existing Middlesex Health System's network of community-based resources will ensure not only the continuation of service access; it will help to ensure high quality (JCAHO regulatory requirements), effective and efficient care coordination for these patients' care within the Middlesex Health System.

As part of this acquisition, patients of the Shoreline Colonoscopy location will be benefited in that Middlesex Hospital will meet the needs of uninsured or under-insured by providing financial assistance, when needed.

8. Provide projections of any and all cost savings attributable to the proposal.

Although Middlesex expects to achieve minor cost-savings from equipment purchases; the proposal was put forward by Middlesex and Shoreline for the long-term sustainability of these services in the community.

Attachment A-1: Signed Affidavit for Shoreline

AFFIDAVIT

Applicant: Middlesex Hospital

Project Title: Transfer of Ownership of Certain of the Assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital

I, Maurizio Nichele, MD, Owner
(Individual's Name) (Position Title – CEO or CFO)

of ADVANCED COLON CARE, INC. D/B/A SHORELINE COLONOSCOPY SUITES

being duly sworn, depose and state that

ADVANCED COLON CARE, INC. D/B/A SHORELINE COLONOSCOPY SUITES'

information submitted in this Certificate of Need Application is accurate and correct to the best of my knowledge.



Signature

02/01/13
Date

Subscribed and sworn to before me on February 1, 2013



Notary Public ~~Commissioner of Superior Court~~

ABBY ANN COLE
NOTARY PUBLIC
MY COMMISSION EXPIRES JAN. 31, 2015

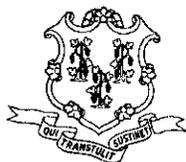
My commission expires: _____

**Attachment B-1: Question 4 response:
Summary of Revenue, Expenses and Volume from 2007 - 2011**

Shoreline Colonoscopy Suites, LLC

Response to Question 4					
Total Facility:	FY 07	FY 08	FY 09	FY 10	FY 11
Description	Actual Results				
NET PATIENT REVENUE					
Non-Government	\$327,062	\$446,552	\$456,277	\$448,199	\$528,212
Medicare	\$74,821	\$102,157	\$104,382	\$85,463	\$92,918
Medicaid and Other Medical Assistance	\$639	\$873	\$892	\$446	\$0
Other Government					
Total Net Patient Patient Revenue	\$402,523	\$549,582	\$561,551	\$534,108	\$621,130
Other Operating Revenue	\$0	\$249	\$0	\$0	\$0
Revenue from Operations	\$402,523	\$549,831	\$561,551	\$534,108	\$621,130
OPERATING EXPENSES					
Salaries and Fringe Benefits	\$142,798	\$289,009	\$311,333	\$275,491	\$391,170
Professional / Contracted Services	\$28,625	\$42,353	\$30,264	\$70,509	\$70,371
Supplies and Drugs	\$8,175	\$31,853	\$54,154	\$31,747	\$41,579
Bad Debts	\$1,886	\$3,531	\$4,795	\$7,742	\$7,268
Other Operating Expense	\$110,422	\$93,675	\$38,309	\$61,644	\$17,380
Subtotal	\$291,906	\$460,421	\$438,855	\$447,133	\$527,768
Depreciation/Amortization	\$0	\$0	\$0	\$0	\$0
Interest Expense	\$0	\$0	\$0	\$0	\$0
Lease Expense	\$70,772	\$78,058	\$91,257	\$81,727	\$74,074
Total Operating Expense	\$362,678	\$538,479	\$530,112	\$528,860	\$601,842
Gain/(Loss) from Operations	\$39,845	\$11,352	\$31,439	\$5,248	\$19,288
Plus: Non-Operating Revenue	\$0	\$0	\$0	\$0	\$0
Revenue Over/(Under) Expense	\$39,845	\$11,352	\$31,439	\$5,248	\$19,288
FTEs	2.50	3.00	3.00	3.00	3.00
*Volume Statistics:					
Endoscopy Cases	567	1,014	990	976	1,045

**Attachment C – 1 - Response to Question 5: Financial Attachment I – Shoreline
Colonoscopy Suites**



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

May 8, 2013

IN THE MATTER OF:

An Application for a Certificate of Need filed
Pursuant to Section 19a-638, C.G.S. by:

Middlesex Hospital & Advanced Colon Care,
Inc. d/b/a Shoreline Colonoscopy Suites, LLC

Notice of Final Decision
Office of Health Care Access
Docket Number: 12-31786-CON

Transfer of Ownership of Certain Assets of
Advanced Colon Care, Inc. d/b/a Shoreline
Colonoscopy Suites, LLC, to Middlesex Hospital

To:

Harry Evert
Sr. Vice President
Strategic Planning and Operations
Middlesex Hospital
28 Crescent Street
Middletown, CT 06457-3650

Maurizio D. Nichele, M.D.
President
Advanced Colon Care, Inc. d/b/a
Shoreline Colonoscopy Suites, LLC
929 Boston Post Road, Suite 1
Old Saybrook, CT 06475-2143

Dear Mr. Evert and Dr. Nichele:

This letter will serve as notice of the Final Decision of the Office of Health Care Access in the above matter, as provided by Section 19a-638, C.G.S. On May 8, 2013, the Final Decision was rendered as the finding and order of the Office of Health Care Access. A copy of the Final Decision is attached hereto for your information.



Kimberly R. Martone
Director of Operations

Enclosure
KRM:jah

An Equal Opportunity Provider
(If you require aid/accommodation to participate fully and fairly, contact us either by phone, fax or email)
410 Capitol Ave., MS#13HCA, P.O.Box 340308, Hartford, CT 06134-0308
Telephone: (860) 418-7001 Fax: (860) 418-7053 Email: OHCA@ct.gov



**Department of Public Health
Office of Health Care Access
Certificate of Need Application**

Final Decision

Applicants: Middlesex Hospital
28 Crescent Street, Middletown, CT

Advanced Colon Care, Inc. d/b/a
Shoreline Colonoscopy Suites, LLC
929 Boston Post Road, Old Saybrook, CT

Docket Number: 12-31786-CON

Project Title: Transfer of Ownership of the Assets of
Advanced Colon Care, Inc., d/b/a
Shoreline Colonoscopy Suites, LLC,
to Middlesex Hospital

Project Description: Middlesex Hospital and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC ("Shoreline") (Middlesex Hospital and Shoreline are hereinafter collectively referred to as the "Applicants") are seeking Certificate of Need authorization for the transfer of ownership of the assets of Shoreline to Middlesex Hospital. The total capital expenditure associated with the proposed asset purchase is \$1,875,000.

Procedural History: The Applicants published notice of their intent to file the Certificate of Need application in the *New Haven Register* and the *Hartford Courant* on August 15, 16 and 17, 2012. On September 24, 2012, the Office of Health Care Access received the Certificate of Need application from the Applicants for the above-referenced project. On December 5, 2012, the Office of Health Care Access deemed the Certificate of Need application complete.

The Office of Health Care Access received no responses from the public concerning the Applicants' proposal and no hearing requests were received from the public pursuant to Connecticut General Statutes ("Conn. Gen. Stat.") § 19a-639a. Deputy Commissioner Lisa A. Davis read the entire record in this matter.

FINDINGS OF FACT

1. Middlesex Hospital, a wholly owned subsidiary of Middlesex Health System, Inc., is a not-for-profit, acute care hospital located at 28 Crescent Street in Middletown, Connecticut. Exhibit A, pp. 11, 19, 43 & 46.
2. Shoreline currently operates a licensed outpatient surgical center ("Shoreline Center") located at 929 Boston Post Road, Suite 1, in Old Saybrook, Connecticut. Exhibit A, p. 8.
3. Middlesex Hospital and Shoreline are health care facilities or institutions as defined by Conn. Gen. Stat. §19a-630.
4. The Shoreline Center is a freestanding, one operating room endoscopy center providing gastroenterology and colorectal services to residents of the shoreline area. Exhibit A, p. 8; Shoreline's Report in response to OHCA's Outpatient Surgery Questionnaire for Calendar Year 2010, information received by OHCA on July 20, 2011.
5. Shoreline is currently owned by Maurizio Nichele, M.D., who possesses a 51% ownership share, and Jay Zimmerman, M.D., who possesses a 49% ownership share. Both Shoreline physicians are affiliated with Middlesex Hospital. Exhibit A, pp. 8 & 10.
6. The Applicants are seeking Certificate of Need authorization for the transfer of ownership of the assets of Shoreline to Middlesex Hospital. Exhibit A, p. 8.
7. The proposed transfer of ownership would give Middlesex Hospital sole ownership of the assets of Shoreline after which the Shoreline Center will operate as an outpatient department of Middlesex Hospital. Exhibit A, p. 8.
8. The scope of services currently provided at the Shoreline Center will not change as a result of the proposed asset purchase. Exhibit A, p. 8.
9. Middlesex Hospital plans to enter into a co-management agreement with Dr. Nichele and Dr. Zimmerman to co-manage the Shoreline Center as well as have the doctors continue to provide professional services to the patients at the Shoreline Center. Exhibit A, pp. 8, 11 & 21.
10. Middlesex Hospital serves Middlesex County and the shoreline area of Connecticut through a network of community-based outpatient, primary care and emergency care facilities located throughout its service area. Exhibit A, p. 8.

11. The Shoreline Center is located within Middlesex Hospital's primary service area. Exhibit A, p. 9.
12. The Applicants assert that the proposed transfer of ownership will better enable the Shoreline physicians to focus on the professional services they provide to the Shoreline Center's patients, while at the same time allowing the Shoreline Center's patients to continue to receive endoscopy services locally under the auspices of Middlesex Hospital. Exhibit A, pp. 8 & 9.
13. The Applicants claim that the acquisition of Shoreline's assets will allow Middlesex Hospital to accomplish the following:
 - a. To integrate the Shoreline Center's community-based clinical services into Middlesex Health System's existing network of outpatient service sites to continue meeting the needs of area communities in the future;
 - b. To ensure effective and efficient care coordination for these patients receiving care within the Middlesex Health System; and
 - c. To provide long term sustainability of the outpatient services provided at the Shoreline Center.
Exhibit A, pp. 8 & 9; Exhibit E, p. 105.
14. The number of endoscopy procedures performed at the Shoreline Center for fiscal years ("FYs") 2007 through 2012 are as follows:

Table 1: Actual Shoreline Center Volume

Fiscal Year*	Number of Endoscopy Procedures
FY 2007	567
FY 2008	1,014
FY 2009	990
FY 2010	976
FY 2011	1,045
FY 2012	1,126**

Note: *The Shoreline Center's fiscal year operates on a calendar year basis.

**The annualized number of procedures for FY 2012 is based upon nine months of actual data, from January 1 to September 30, 2012.

Exhibit C, p. 49; Exhibit E, 111.

15. Middlesex Hospital projects the following number of endoscopy procedures annually without the proposal, incremental to the proposal and with the proposal.

Table 2: Projected Volume Without, Incremental to and With the Proposal

Fiscal Year	Without the Proposal	Incremental with the Proposal	With the Proposal
FY 2013	1,896	733	2,629
FY 2014	1,915	977	2,892
FY 2015	1,934	977	2,911

Exhibit A, pp. 15 and 99.

16. The Shoreline Center is accredited through the American Association for Accreditation of Ambulatory Surgery Facilities, Inc. Exhibit A, p. 8.
17. The capital expenditure for the proposal is \$1,875,000, representing the asset purchase price for the Shoreline Center. Exhibit A, p. 13.
18. Middlesex Hospital intends to use equity to fund the asset purchase. Exhibit A, p. 13.
19. Shoreline reported the following gains from operations for FYs 2007 through 2011:

Table 3: Actual Gains in Operations from Fiscal Years 2007 through 2011

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues from Operations	\$402,523	\$549,582	\$561,551	\$534,108	\$621,130
Total Operation Expense	\$362,678	\$538,479	\$530,112	\$528,860	\$601,842
Incremental Gain from Operations	\$39,845	\$11,352	\$31,439	\$5,248	\$19,288

Exhibit E, p. 111.

20. Middlesex Hospital projects the following incremental gains from operations with the proposed project:

Table 4: Projected Incremental Revenues and Expenditures with the Project

Net Patient Revenue	FY 2013*	FY 2014	FY 2015
Non-Government	\$1,985,376	\$2,673,639	\$2,700,376
Medicare	\$141,230	\$190,189	\$192,091
Medicaid & Other Medical Assistance	\$0	\$0	\$0
Other Government	\$0	\$0	\$0
Revenues from Operations	\$2,126,606	\$2,863,828	\$2,892,467
Total Operation Expense	\$763,072	\$791,777	\$801,709
Incremental Gain from Operations**	\$1,363,534	\$2,072,051	\$2,090,758

Note:*FY 2013 reflects commencement of the Center's service at the beginning of the Hospital's second quarter (i.e. 9-months of operation in year 1) and FYs 2014 and 2015 each reflects a full year or 12-month projected impact.

**Increasing revenue for the Shoreline Center in each of the future fiscal years, FYs 2013 through 2015, is attributable to increasing utilization volume when the operation becomes a Hospital outpatient center. Exhibit C, p. 99.

21. The actual payer mix for the Shoreline Center consists exclusively of Medicare and commercial insurers as is illustrated in the following table.

Table 5: Actual Payer Mix for the Shoreline Center

	Actual FY 2009	Actual FY 2010	Actual FY 2011	Actual FY 2012
Medicare*	22.1%	17.8%	21.3%	21.3%
Medicaid*	-	-	-	-
CHAMPUS & TriCare	-	-	-	-
Total Government	22.1%	17.8%	21.3%	21.3%
Commercial Insurers*	77.9%	82.2%	78.7%	78.7%
Uninsured	-	-	-	-
Workers Compensation	-	-	-	-
Total Non-Government	77.9%	82.2%	78.7%	78.7%
Total Payer Mix	100.0%	100.0%	100.0%	100.0%

Note: * Includes managed care activity.
 Exhibit C, p. 48.

22. Middlesex Hospital's overall projected payer mix with the inclusion of the Shoreline operations is as follows:

**Table 6: Projected Payer Mix for Middlesex Hospital with the
 Inclusion of the Shoreline Center Asset Purchase**

	Projected FY 2013	Projected FY 2014	Projected FY 2015
Medicare*	46.23%	46.23%	46.23%
Medicaid*	13.79%	13.78%	13.78%
CHAMPUS & TriCare	0.36%	0.36%	0.36%
Total Government	60.38%	60.38%	60.38%
Commercial Insurers*	36.68%	36.68%	36.68%
Uninsured	1.69%	1.69%	1.69%
Workers Compensation	1.24%	1.24%	1.24%
Total Non-Government	39.62%	39.62%	39.62%
Total Payer Mix	100.0%	100.0%	100.0%

Note: * Includes managed care activity.
 Exhibit A, p. 14.

23. Based upon the projected incremental gains reported by Middlesex Hospital, the Shoreline Center will continue its history of not serving the Medicaid population if this proposal were to be approved. Exhibit C, p. 99.
24. OHCA is currently in the process of establishing its policies and standards as regulations. Therefore, OHCA has not made any findings as to this proposal's relationship to any policies and standards not yet adopted as regulations by OHCA. (Conn. Gen. Stat. § 19a-639(a)(1)).
25. OHCA recently published a statewide facilities and services plan. Since the plan was not in circulation more than ninety days at the time the CON application was

deemed complete, OHCA has not made any findings as to this proposal's relationship to the plan. (Conn. Gen. Stat. § 19a-639(a)(2)).

26. The Applicants have not established that there is a clear public need for this proposal. (Conn. Gen. Stat. § 19a-639(a)(3)).
27. The Applicants have satisfactorily demonstrated that this proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4)).
28. The Applicants have failed to satisfactorily demonstrate that their proposal would improve the accessibility, quality and cost effectiveness of health care delivery in the region. (Conn. Gen. Stat. § 19a-639(a)(5)).
29. The Applicants have shown that there would not be a change to the provision of health care services to the relevant populations and payer mix. (Conn. Gen. Stat. § 19a-639(a)(6)).
30. The Applicants have satisfactorily identified the population to be served by their proposal, but have failed to satisfactorily demonstrate that this population currently has a need as proposed. (Conn. Gen. Stat. § 19a-639(a)(7)).
31. The historical utilization in the service area does not support this proposal. (Conn. Gen. Stat. § 19a-639(a)(8)).
32. The Applicants have failed to satisfactorily demonstrate that their proposal would not result in an unnecessary duplication of existing services in the area. (Conn. Gen. Stat. § 19a-639(a)(9)).

DISCUSSION

Certificate of Need applications are decided on a case by case basis and do not lend themselves to general applicability due to the uniqueness of the facts in each case. In rendering its decision, the Office of Health Care Access considers the factors set forth in Conn. Gen. Stat. § 19a-639(a). The Applicants bear the burden of proof in this matter by a preponderance of the evidence. *Goldstar Medical Services, Inc., et al. v. Department of Social Services*, 288 Conn. 790 (2008).

The Applicants are seeking Certificate of Need authorization for the transfer of ownership of the assets of Shoreline to Middlesex Hospital with the continued operation of the endoscopy center as an outpatient department of Middlesex Hospital at its current Old Saybrook location. *FF 1, 2, 6, 7*. The scope of services currently provided at the Shoreline Center's single operating room will not change as a result of the proposed transfer of ownership. *FF 4, 8*. Shoreline is currently owned by Maurizio Nichele, M.D., who possesses a 51% ownership share, and Jay Zimmerman, M.D., who possesses a 49% ownership share. *FF 5*. Middlesex Hospital plans to enter into a co-management agreement with Drs. Nichele and Zimmerman to co-manage the Shoreline Center. Additionally, Drs. Nichele and Zimmerman will continue to provide professional services to the patients receiving endoscopy services at the Shoreline Center. *FF 9*.

The Applicants assert that the proposed transfer of ownership will better enable the Shoreline physicians to focus on the professional services they provide to the Shoreline Center's patients, while at the same time allowing the Shoreline Center's patients to continue to receive endoscopy services locally under the auspices of Middlesex Hospital. *FF 12*. The Applicants emphasize that their proposal will allow the Shoreline physicians to concentrate their efforts on serving the Shoreline Center's patient population; ensure effective and efficient care coordination for the patients receiving care within the Middlesex Health System; and provide sustainability of the outpatient services provided at the Shoreline Center. *FF 13*. However, since the Shoreline physicians would be co-managing the Shoreline Center with Middlesex Hospital, the Applicants have failed to demonstrate that there exists a need for a change in management or that this proposal would satisfy any such need. Moreover, while the endoscopy services to be offered at the Shoreline Center will maintain access for those patients enrolled in the Medicare program, as well as for those patients who are commercially insured, the proposal will not allow for inclusion of Medicaid and Other Medical Assistance patients. *FF 20-23*. Consequently, OHCA finds that the Applicants have failed to satisfactorily demonstrate that their proposal would improve the accessibility of health care delivery in the region.

Based upon the foregoing, OHCA concludes that, although the proposal may be beneficial to the Applicants, they have not demonstrated a clear public need for the proposed transfer of ownership of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC, to Middlesex Hospital. *FF 26*.

Order

Based upon the foregoing Findings and Discussion, the Certificate of Need application of Middlesex Hospital and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC, for the transfer of the assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC, to Middlesex Hospital, is hereby **DENIED**.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

Respectfully submitted,

Date

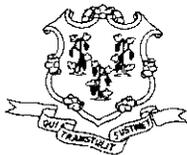
5/8/2013


Lisa A. Davis, MBA, BSN, RN
Deputy Commissioner

*** TX REPORT ***

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STATE OF CONNECTICUT
DEPARTMENT OF HEALTH SERVICES
OFFICE OF HEALTH CARE ACCESS

FAX SHEET

TO: ✓ HARRY EVERT MAURIZIO D. NICHELE, M.D.

FAX: (860) 346-5485 N/A C/O (860) 346-5485

AGENCY: MIDDLESEX HOSPITAL SHORELINE COLONOSCOPY

FROM: JACK HUBER

DATE: 5/9/2013 Time: 3:25 pm

NUMBER OF PAGES: 10
(including transmittal sheet)

Comments: Transmitted:
Final Decision Regarding the Transfer the Ownership of the Assets of
Advanced Colon Care, Inc., d/b/a Shoreline Colonoscopy Suites, LLC, to
Middlesex Hospital.
Docket Number: 12-31786-CON

**PLEASE PHONE Jack A. Huber at (860) 418-7069
IF THERE ARE ANY TRANSMISSION PROBLEMS.**

*** TX REPORT ***

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STATE OF CONNECTICUT
DEPARTMENT OF HEALTH SERVICES
OFFICE OF HEALTH CARE ACCESS

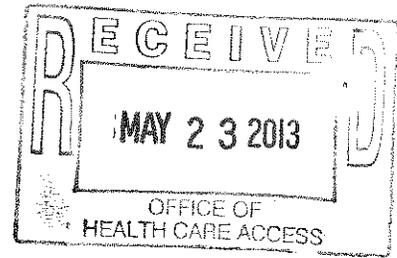
FAX SHEET

TO: HARRY EVERT ✓ MAURIZIO D. NICHELE, M.D.
FAX: (860) 346-5485 N/A C/O (860) 346-5485
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Docket Number: 12-31786-CON

**PLEASE PHONE Jack A. Huber at (860) 418-7069
IF THERE ARE ANY TRANSMISSION PROBLEMS.**

STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
OFFICE OF HEALTH CARE ACCESS



.....)
MIDDLESEX HOSPITAL & ADVANCED)
COLON CARE, INC. D/B/A SHORELINE)
COLONOSCOPY SUITES, LLC – TRANSFER)
OF OWNERSHIP OF CERTAIN ASSETS OF)
ADVANCED COLON CARE, INC. D/B/A/)
SHORELINE COLONOSCOPY SUITES, LLC)
TO MIDDLESEX HOSPITAL)
.....)

DOCKET NO. 12-31786-CON

May 23, 2013

REQUEST FOR RECONSIDERATION

Applicants Middlesex Hospital (the “Hospital”) and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC (together, “Applicants”) submit this Request for Reconsideration of the Final Decision rendered by Deputy Commissioner Lisa Davis and dated May 8, 2013 in the above-mentioned matter (the “Final Decision”) pursuant to Conn. Gen. Stat. § 4-181a.

I. Introduction & Summary of Argument

Applicants request that the Office of Health Care Access division of the Department of Public Health (“OHCA”) reverse its Final Decision and grant Applicants’ CON application. Pursuant to Conn. Gen. Stat. § 4-181a(a),

a party in a contested case may, within fifteen days after personal delivery or mailing of the final decision, file with the agency a petition for reconsideration of the decision on the ground that (A) An error of fact or law should be corrected; (B) new evidence has been discovered which materially affects the merits of the case and which for good reason was not presented in the agency proceeding; or (C) other good cause for reconsideration has been shown.

Applicants file this Request for Reconsideration because new evidence now exists which materially affects the merits of the case and which for good reason was not presented in the agency proceeding, because there are errors of fact that should be corrected and for other good cause as set forth below.

In particular, as the Hospital had advised OHCA, there has always been an intent to enter into what the parties are calling a Co-Management Agreement. The terms of this Agreement were not finalized until March 13. (A copy of the Co-Management Agreement is attached hereto as Exhibit 1.)¹ Under this Agreement, the Shoreline physicians are specifically required both to accept Medicaid and to provide a reasonable amount of free care. (See Co-Management Agreement Sections 2.2(e) and 2.2(i).) As a result, these physicians have now applied for Medicaid provider status.

In the Final Decision, OHCA stated that “[b]ased upon the incremental gains reported by Middlesex Hospital, the Shoreline Center will continue its history of not serving the Medicaid population if this proposal were to be approved.” (Final Decision, Finding of Fact (“FF”) 23.) Based on this, OHCA determined that the Applicants “failed to satisfactorily demonstrate that their proposal would improve accessibility of health care delivery in the region.” (Final Decision, p. 7.) Given the agreement obtained from the Shoreline physicians to accept Medicaid patients and provide free care, these projections are no longer valid, and the finding is not correct. Applicants are submitting revised Patient Population Mix and financial projections. (A copy of this revised data is attached hereto as Exhibit 2.)

¹ The Co-Management Agreement was on that date submitted to a health care appraisal company to ensure that the amount being paid is consistent with fair market value.

In addition, OHCA determined that “since the Shoreline physicians would be co-managing the Shoreline Center with Middlesex Hospital, the Applicants have failed to demonstrate that there exists a need for a change in management or that this proposal would satisfy any such need.” (Final Decision, p. 7.) Again, OHCA did not request or receive a copy of the Co-Management Agreement, and this conclusion is not accurate. Overall responsibility for the Center shifts to the Hospital. By making the Shoreline Center part of the Hospital, there will be numerous improvements, including incorporating Hospital IT, applying the Hospital’s Quality Department and Extensive Quality Assurance and Performance Improvement plan to the Center’s operations improving care coordination for Center patients, and bringing about various physical upgrades designed to comply with Hospital, Joint Commission and other applicable standards. Under the Co-Management Agreement, the Shoreline physicians will appropriately retain various responsibilities with respect to management of clinical issues at the Center, while their non-clinical administrative duties pass to the Hospital to allow them more time for patient care. Furthermore, as mentioned above, this Agreement requires these physicians to serve Medicaid patients and the uninsured.

II. Acceptance of Medicaid and Increased Access

As is mentioned above, the Shoreline physicians will be accepting Medicaid for services rendered at the Shoreline Center. When the Shoreline Center’s Patient Population Mix data and the Hospital’s revised Financial Attachment I were submitted on November 16, 2012 in response to OHCA’s completeness questions (see Item 3 as well as Attachment 3 of the Hospital’s response), the Co-Management Agreement had not yet been finalized. Thus, this information was developed using the Shoreline Center’s historical data. As a result, neither the payer mix nor the projections reflected the Shoreline physicians becoming enrolled in Medicaid. Now that

the Co-Management Agreement has been finalized, the Hospital has updated both the Shoreline Center's Patient Population Mix data and the Hospital's Financial Attachment I to reflect the provision of services to Medicaid patients at the Shoreline Center. As is mentioned above, this revised information is attached hereto as Exhibit 2.

The Hospital is the facility that provides colonoscopies for Medicaid and uninsured persons in the service area. As a non-profit institution, it accepts all patients without regard to ability to pay, including Medicaid patients and the uninsured, and it provides charity care for those uninsured individuals who meet its guidelines. A copy of the Hospital's Uncompensated Care Policy is attached hereto as Exhibit 3. This policy will apply to patients of the Shoreline Center in the same manner in which it currently applies to patients of the Hospital. Thus, this proposal will allow both Medicaid patients and the uninsured to be treated at the Shoreline Center, increasing local access to a much-needed service for this population.

It is important to note that there are presently twelve (12) Middlesex Hospital Primary Care physicians in the shoreline area (in Old Saybrook, Westbrook, Essex and Madison) who together perform over 3,100 Medicaid visits per year. These physicians cannot currently refer their Medicaid patients to the Shoreline Center because it does not accept payment from Medicaid. Thus, these patients must travel to the Hospital or another hospital to receive a colonoscopy. If the proposal is approved, these twelve (12) physicians will now have a local center to which they can refer all of their patients. It is anticipated that having a local Medicaid colonoscopy provider will increase patient compliance with the physicians' recommendations and thus greatly contribute to preventative care for the Medicare and uninsured population in the service area. Dr. Timothy Tobin, a physician with Middlesex Hospital Primary Care, wrote a letter regarding the foregoing. This letter is attached hereto as Exhibit 4.

Middlesex Hospital also services the shoreline area with its Freestanding Emergency Department and outpatient services unit, which is being relocated from Essex to Westbrook. By incorporating the Shoreline Center into the Hospital, the Hospital will be able to add important preventative care services, such as colonoscopy and polyp removal related to cancer screening, for patients in the service area. These services will add to the Hospital's continuum of care and be available to all patients without regard to payer source or ability to pay in keeping with its charitable mission.

III. Co-Management Agreement

In their Application and as cited by OHCA in the Final Decision, Applicants indicate that their proposal "will better enable the Shoreline physicians to focus on the professional services they provide to the Shoreline Center's patients, while at the same time allowing the Shoreline Center's patients to continue to receive endoscopy services locally..." (FF 12; see also Final Decision, p. 7; Ex. A, pp. 8-9.) However, OHCA determined that as the Shoreline physicians would be co-managing the Shoreline Center, Applicants did not demonstrate a need for a change in management or that the proposal would satisfy the need for such a change. (Final Decision, p. 7.) OHCA's finding suggests that because the Shoreline physicians will be providing management services, they will not be able to focus on the professional services they provide any more than they currently focus on such services.

The above-described conclusion ignores many key elements of the Co-Management Agreement to be entered between the parties if the proposal is approved. In essence, the Shoreline physicians maintain input on clinical issues, but the Hospital will take over many functions of management. For example, pursuant to this Agreement, the Hospital will be making the following available: physical capacity (including operating and procedure rooms) within the

Center as well as equipment, furniture and furnishings for the Center; staffing (including all nurses, technicians, secretaries, clerical and other non-physician personnel required for the proper and efficient operation of the Center; management information systems (including periodic software updates); utilities and building services (including HVAC services and janitorial and maintenance services); and medical and related supplies. (See Co-Management Agreement Section 3.) These are items that the present physician owners of the Shoreline Center must handle, in addition to ensuring the provision of cost-effective, high-quality care.

The Co-Management Agreement will allow and require the current physician owners to facilitate the development and operation of the Shoreline Center as a high-quality, efficient, cost-effective hospital-based facility and center of excellence without having to spend time on administrative matters involving the Center and its staff that do not require a clinical background. Instead, the Chief Medical Director (one of the existing Shoreline physicians) will be responsible for providing clinical direction and quality oversight and will take the lead in directing performance improvement, quality and safety initiatives at the Shoreline Center. (See Co-Management Agreement Exhibit 4.2.) The current Shoreline physicians, together, will also assist in the development of clinical protocols and operating policies and procedures for the Center. (See Co-Management Agreement Sections 4.4 and 4.5.) This proposed relationship of combining the administrative resources of hospitals with the clinical expertise of physicians is a proven way of enhancing patient care and improving clinical operations of health care facilities. Also, since the current Shoreline physicians will be freed of the purely administrative tasks that they currently perform, they will have more time to treat patients and expand services to Medicaid beneficiaries and other medically underserved populations as described above. In sum, the proposed Co-management Agreement will improve both quality and access by integrating the

Hospital's management experience with the work that the Shoreline physicians do best – providing safe and effective patient-centered care to those in need of gastroenterology services in the community.

It is also important to note that by becoming a hospital-based facility, the Shoreline Center will be required to comply with all of the standards (i.e. Joint Commission and regulatory standards) with which the Hospital is required to comply. For example, the Co-Management Agreement requires the Shoreline physicians to assist the Hospital with obtaining and maintaining appropriate regulatory approvals and accreditation, and to participate in and make recommendations concerning policies regarding pathways and quality standards, among many other quality-related initiatives. (See Co-Management Agreement Section 4.) The Hospital believes that these factors will only increase the quality of care provided at the Shoreline Center.

Most importantly, as is discussed in detail above, the Co-Management Agreement requires the Shoreline physicians to accept Medicaid and provide free care.

IV. Improvements to the Center

As a result of this acquisition, there will be a series of improvements which will benefit patients and better prepare Middlesex Hospital for health care reform. As demonstrated above, preventative services and continuity of care will be enhanced for all patients in the Shoreline service area, including vulnerable Medicaid beneficiaries.

In addition, by becoming part of the Hospital, the Center will be fully equipped with all elements of the Hospital's award-winning information technology system. This will mean an electronic medical record for the Center's patients and improved access to results. It will also allow for better integration of services between the Center and the Hospital in key areas such as pre-procedure testing and post-procedure follow-up.

Also, there has been a review of the Center's clinical and nonclinical equipment with a view toward meeting Joint Commission standards for hospital outpatient departments, and numerous upgrades are planned. This includes new endoscopes and colonoscopes, a redesign of the "clean/dirty" area to improve infection control, and new services standards for the generator.

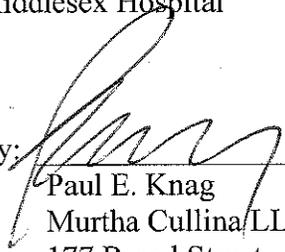
Thus, the Center will be in a better position to offer safe, high quality and more coordinated care to patients as a result of this transaction.

V. Conclusion

As is evidenced herein, this proposal will fill a clear public need and improve access and quality of care for patients of the service area by allowing Medicaid and uninsured patients to receive necessary gastroenterology services in their local community. It will also facilitate the coordination of care and the ability to provide preventative services to patients through a state-of-the-art medical record system and upgraded equipment. For all these reasons, Applicants respectfully request that OHCA take into account the information set forth in this Request for Reconsideration, including its Exhibits, reverse its Final Decision and grant the CON approval to this important project.

Respectfully Submitted,

Middlesex Hospital

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EXHIBIT 1

MIDDLESEX HOSPITAL

ENDOSCOPY CENTER CO-MANAGEMENT AGREEMENT

This Ambulatory Surgery Center Co-Management Agreement (the "Agreement") is made and entered into as of _____, _____ by and among Middlesex Hospital, a non-stock corporation organized under the laws of the State of Connecticut ("Hospital"), Shoreline Ambulatory Management, LLC, a limited liability company organized under the laws of the State of Connecticut ("Physician Group"), and the physicians who, directly or through their duly authorized agents, are the signatories to this Agreement (the "Physician Managers"). The term "Manager" as utilized in this Agreement shall refer to Physician Group and the Physician Managers.

RECITALS

- A. Hospital is an acute care hospital located in Middletown, Connecticut .
- B. Hospital has committed to developing, promoting, and operating an endoscopy center as a hospital-based facility (the "Center") that will improve access to and the quality, efficiency, and cost effectiveness of endoscopy services for patients in the communities served by Hospital.
- C. Manager has significant expertise and experience in the delivery of high-quality, efficient, cost-effective endoscopy services, and in the management and coordination of endoscopy services.
- D. Hospital has determined that retaining Manager to facilitate the development and operation of the Center and to co-manage the Center as a hospital-based facility pursuant to the terms of this Agreement would likely improve access to, and the coordination and quality of care for, Hospital outpatient endoscopy patients, improve outpatient endoscopy efficiency at Hospital, and reduce costs.
- F. Hospital wishes to engage Manager to facilitate the development and operation of the Center as a high quality, efficient, cost-effective hospital-based facility and center of excellence, and Manager wishes to be so engaged on the terms and conditions contained in this Agreement.

IN CONSIDERATION of the foregoing, and the mutual covenants and agreements contained herein, Hospital and Manager hereby agree as follows:

AGREEMENT

Section 1. Scope of Center Services.

Hospital shall offer outpatient endoscopy services to patients at the Center. The endoscopy services offered at the Center may be modified from time to time as determined by Hospital in consultation with Manager.

Section 2. Engagement of Manager.

2.1. Appointment for Administrative and Performance Improvement Services. Hospital hereby appoints and retains: (a) Physician Group, together with certain Physician Managers as described herein, to provide the administrative services enumerated in Section 4 and the Medical Director Services set forth in Exhibit 4.2 hereof during the term of this Agreement (the "Administrative Services"); and (b) the Physician Managers, working together with Physician Group, to provide the performance improvement services described in Section 5 and Exhibit 7.2 hereof (the "Performance Improvement Services"). Manager hereby accepts this engagement in accordance with the terms and conditions contained in this Agreement.

2.2. Minimum Criteria for Service as Physician Managers. Physician Managers shall include only those individuals who, either directly or through a duly authorized agent, are signatories to this Agreement and:

- (a) are licensed and in good standing to practice medicine in the State of Connecticut;
- (b) are board certified or board eligible in their endoscopy specialty;
- (c) are members in good standing of the medical staff of Hospital, with unrestricted privileges to provide endoscopy services at Hospital in their area of specialty;
- (d) abide by the Hospital's and its medical staff's bylaws, rules, regulations and procedures;
- (e) are participating providers with all health insurers and third party payment plans (including Medicare and Medicaid) with which the Hospital contracts, unless such payors are unwilling to contract on commercially reasonable terms;
- (f) maintain unrestricted federal Drug Enforcement Administration ("DEA") registration numbers and applicable state narcotics registrations;
- (g) are willing to, and do, commit the time and effort necessary to carry out their responsibilities hereunder;
- (h) execute, and remain in compliance with, the terms of a non-competition agreement which is substantially in the form attached hereto as Exhibit 11.16(b); and
- (i) will provide reasonable amounts of charity care to patients of the Center.

In addition, all Physician Managers must satisfy Hospital's credentialing standards for the Hospital as they may be modified from time to time, including performing that number of outpatient endoscopy procedures each year as Hospital reasonably deems necessary to enable Hospital and Manager to reasonably assess individual Physician Managers' clinical quality on an ongoing basis, and each Physician Manager shall, on an ongoing basis, satisfy quality standards

established by Hospital for the Center, both as they may be modified from time to time, throughout the term of this Agreement

It is the expectation of the parties that the Physician Managers shall be and remain thoroughly familiar with the administrative and clinical operations of the Center and utilize Center facilities to the extent necessary to achieve a broad-based understanding of Center operations.

2.3. Manager Representatives. The Physician Managers who are designated by Physician Group, including the Chief Medical Director and the Assistant Medical Director (as said terms are defined in Section 4.2) (the "Manager Representatives") shall serve as the Manager's representatives on the Operation and Performance Monitoring Committee described in Section 6, below.

2.4. Independent Contractors. Hospital and Manager are and shall at all times be acting hereunder as independent contractors in relation to one another. Nothing contained herein shall be construed as creating a partnership, joint venture, or employment relationship between Hospital and Manager, or any relationship other than that of independent parties contracting with each other solely for the purpose of carrying out the provisions of this Agreement.

Section 3. Hospital's Responsibilities.

3.1. Commitment of Facilities and Resources. Hospital shall make available physical capacity (including operating and procedure rooms) within the Center, staffing (including "Personnel" as defined in Section 3.4), management information systems (including, where appropriate, periodic software upgrades), utilities and building services (including water, gas, heat, air conditioning, power, telephone, janitorial and maintenance services, oxygen, suction and medical air), and medical and related supplies, in each case as necessary and appropriate to support the operation of the Center and assist Manager in providing the Administrative and Performance Improvement Services. Hospital shall seek Physician Group's input and Physician Group, in consultation with Manager Representatives as reasonably appropriate, shall make recommendations on the needs of the Center in each of these areas. Hospital shall give reasonable consideration to the recommendations of Physician Group, it being understood that Hospital's provision of facilities and resources hereunder is subject to the budget process set forth in Section 4.15 of this Agreement.

3.2. Licensure/Certification. Hospital shall maintain all licenses, certifications, accreditations, and other approvals that it determines, in its sole discretion, to be necessary for operation of the Center as a hospital-based service.

3.3. Equipment, Furniture and Furnishings. Hospital shall provide such equipment, furniture and furnishings for the Center as it has determined, based on reasonable recommendations of Physician Group, to be necessary and appropriate for the operation of the Center. Physician Group, in consultation with Physician Managers as reasonably appropriate, shall make recommendations to Hospital regarding the acquisition and maintenance of equipment, furniture and furnishings for the Center. The Physician Group shall not have or acquire any title or interest in any of such equipment, furniture or furnishings, which shall at all times be and remain the sole property of Hospital, subject to the terms and conditions of any

agreements or leases between Hospital and third parties with respect thereto. Hospital's provision of such equipment, furniture and furnishings is subject to the budget process set forth in Section 4.15 of this Agreement.

3.4. Hospital Personnel. Hospital shall provide the services of all nurses, technicians, secretaries, clerical and other non-physician personnel required for the proper and efficient operation of the Center and to assist Physician Managers' provision of the Administrative Services and Performance Improvement Services ("Personnel"). Such Personnel shall be employed and directed by Hospital, subject to Physician Group's responsibility under Section 4.9 of this Agreement to assist in the supervision of the Personnel in connection with the provision of Center services. All salaries, wages, taxes, insurance, workers' compensation insurance, retirement and other fringe benefits, and expenses of any kind incident to the employment of Personnel, and all final decisions regarding the hiring, disciplining, suspension and termination of all Personnel, shall be and remain the responsibility and obligation of Hospital. Hospital shall hold Manager harmless from any compensation or employee benefit claims from Personnel. Hospital's provision of such Personnel is subject to the budget process set forth in Section 4.15 of this Agreement. Notwithstanding the foregoing, Hospital shall consult with Physician Group, upon Physician Group's request, regarding any concern that Physician Group may have with the performance of any Personnel.

3.5. Hospital Billings. Physician Group will, at Hospital's request, assist Hospital in negotiating payment methods and rates for Center services with third party payors and governmental agencies. Otherwise, Hospital will be solely responsible for billing to and collecting from patients or responsible third-parties for any billable hospital, clinic and/or supply or technical component charges for the services provided in the Center ("Facility Services"). Manager agrees not to bill or collect for any such Facility Services. Manager shall reasonably assist Hospital in preparing all reasonably necessary paperwork to allow Hospital to timely and accurately bill and collect for the Facility Services. Hospital agrees not to bill or collect for the professional component of services provided in the Center. Physicians who render professional endoscopy services in the Center will be solely responsible for billing to and collecting from patients or responsible third-parties for any such billable professional component charges. The foregoing notwithstanding, in instances in which a third party payor requires submission of a single global bill for Facility Services and professional component services, Hospital shall submit such bill and shall remit to the physicians that portion of the collections for such services which represents the physicians' professional services component.

3.6. Provider-Based Status. The parties intend that this Agreement be construed so that the Center at all times qualifies for Medicare provider-based status under 42 C.F.R. §413.65, as it may be amended from time to time, and that the Center operate as part of the Hospital Department of Surgery under the Hospital license. In the event of any inconsistency between any term of this Agreement and the applicable standards for Medicare provider-based status, the applicable provider-based status standards shall prevail and supersede. Those standards are hereby incorporated in this Agreement by reference.

Section 4. Manager's Responsibilities.

4.1. Assistance with Center Development. Physician Group and such Medical Directors (as defined below) as it may designate from time to time, shall assist Hospital in developing the Center including, without limitation, by doing the following:

- (a) attending regular meetings for the Center;
- (b) advising on space planning issues for the Center, to the extent these services are required;
- (c) consulting on the selection of appropriate equipment and other supplies for the Center;
- (d) making recommendations to Hospital regarding staffing needs for the Center and assisting in the development of appropriate job descriptions for all Center Personnel;
- (e) assisting Hospital with obtaining and maintaining appropriate regulatory approvals and accreditation, including JCAHO, for the Center;
- (f) participating in, and making recommendations concerning, and adhering to Hospital policies regarding pathways and quality standards in connection with the specialty's services at the Center; and
- (g) contributing to communications and customer and public service efforts to create awareness of the establishment of the Center and the Center's capabilities.

4.2. Provision of Medical Director. Physician Group shall provide the services of one Physician Manager who shall serve as Chief Medical Director of the Center, and one who shall serve as Assistant Medical Director, both of whom must meet the qualifications set forth in this Section 4.2 (the Chief Medical Director and Assistant Medical Directors shall be referred to herein collectively as "Medical Directors"). Notwithstanding the foregoing, if one of the Medical Directors ceases to be a member of the Physician Group, the other Medical Director can assume his responsibilities hereunder without the Physician Group being in breach or default of this Agreement. Medical Directors shall be recommended and selected on the basis of their qualifications to provide Administrative Services and not on the basis of actual or anticipated referrals or the generation or prospect of generation of other business to Hospital or the Center. The Medical Directors will be responsible for performing the duties specified in Exhibit 4.2 attached hereto and made a part hereof (the "Medical Director Services"), and are expected to play lead roles in strategic planning and medical direction for Center programs, program

development, committee work, teaching, staff development/training, public relations, and such other services as may be required by this Agreement or Hospital's Medical Staff Bylaws, Rules and Regulations, or policies and procedures. Any person serving as a Medical Director for the Center shall: (a) be a Physician Manager throughout the term of such service, and (b) be subject to approval by Hospital. The Assistant Medical Director will report to the Chief Medical Director who, in turn, will report to the Vice President Clinical Affairs. Physician Group shall consult with Hospital, upon Hospital's request, regarding any concern that Hospital may have with a Medical Director's performance hereunder. If, after a reasonable period, such concern is not corrected to the reasonable satisfaction of Hospital, Hospital may remove the Medical Director. Hospital may, or may request Physician Group, as appropriate, to remove or reassign a Medical Director if Hospital reasonably believes such person jeopardizes patient care or safety in the Center or disrupts the orderly and efficient operation of the Center. Physician Group shall not unreasonably deny any such request that is reasonable under the circumstances.

4.3. Clinical Environment. Physician Group, in consultation with the Medical Directors as it reasonably deems appropriate and with the assistance of any necessary Hospital Personnel, shall provide ongoing assessment, monitoring, oversight and advice to Hospital with respect to (a) the clinical environment of the Center as more fully set forth elsewhere in this Section 4, and (b) physical plant improvements and other aspects of the delivery of Center services. Hospital has final decision making authority with regard to matters addressed in this Section.

4.4. Development of Clinical Protocols and Forms. Physician Group, in consultation with such of the Medical Directors as it reasonably deems appropriate and with the assistance of any necessary Hospital Personnel, shall develop, implement, and evaluate clinical protocols for the Center (including, if Hospital so requests, protocols in response to the pay-for-performance programs of third party payors, and including amendments to all clinical protocols), and standard formats for charts and other forms to be utilized in connection with the operation of the Center. All such protocols and forms shall be consistent with practice guidelines established or endorsed by appropriate specialty boards and with generally accepted best practices, consistent with policies utilized at the Hospital, and shall be subject to Hospital approval. In developing such protocols and forms, Physician Group, the Medical Directors, and Hospital's nursing, case management, utilization review and quality assurance personnel, shall cooperate and collaborate with each other. Physician Group and/or applicable Medical Directors shall provide periodic training to Personnel regarding Center protocols and forms approved by Hospital.

4.5. Development of Operating Policies and Procedures. Physician Group, in consultation with such of the Medical Directors as it reasonably deems appropriate and with the assistance of any necessary Hospital Personnel, shall develop, implement, and evaluate policies and procedures related to the operation of the Center, and shall, in conjunction with Hospital, including nursing staff, develop, implement, and evaluate operating manuals for the Center's operating and procedure rooms. All such policies, procedures and manuals shall be consistent with practice guidelines established or endorsed by appropriate specialty boards and with generally accepted best practices, consistent with policies utilized at the Hospital and shall be subject to Hospital approval. Physician Group and/or applicable Medical Directors shall provide periodic training to Personnel regarding Center policies, procedures and manuals approved by Hospital.

4.6. Development of Protocols Relating to Equipment, Inventory and Procurement. Physician Group, in consultation with such of the Medical Directors as it reasonably deems appropriate and with the assistance of any necessary Hospital Personnel, and with input from nursing staff, shall develop, implement, and evaluate policies and procedures related to the management of Center needs regarding equipment, inventory levels, and procurement procedures for medical supplies, including the purchasing and supply chain process, medical supplies, medical devices, and drugs. All such policies and procedures shall be developed in consultation with Hospital and subject to Hospital approval. Physician Group and/or the applicable Medical Directors shall provide periodic training to Personnel regarding Center policies and procedures approved by Hospital.

4.7. Medical Staff Activities. Physician Group and such of the Medical Directors as Physician Group may reasonably assign shall: (a) participate in Medical Staff activities intended to enhance the quality of care provided by the Center, including, but not limited to, assessing, monitoring, overseeing and providing advice to Hospital regarding: nursing; quality improvement; utilization review; risk management; medical records and charting; the endoscopy environment; anesthesia quality/performance initiatives and coordination of anesthesia services; formulation and/or modification of policies and procedures; medication administration, storage, and record keeping practices; and patient safety/reduction of adverse events (including medication errors); (b) serve on such committees as may reasonably be requested by Hospital or the Medical Staff from time to time; (c) participate in and cooperate with on-going monitoring activities, such as audits, as reasonably requested by Hospital or the Medical Staff from time to time; and (d) present reports to Hospital administration, the Medical Staff Executive Committee, and Hospital's Quality Improvement Committee periodically and/or upon request in connection with the foregoing activities.

4.8. Physician Coordination. Physician Group and such of the Medical Directors as Physician Group may reasonably assign shall assist Hospital, the Operation and Performance Monitoring Committee and the Medical Staff in the coordination of physician resources so as to promote efficiency in all aspects of operation of the Center. Upon the reasonable request of Hospital, Physician Group will (i) obtain inter-disciplinary physician input regarding operation of the Center and suggestions for improvement, and (ii) facilitate the resolution of conflicts among physicians providing services to or in connection with the Center. The Physician Group, through the Medical Directors, shall report to the Operation and Performance Monitoring Committee regarding its activities. Physician Group shall assist Hospital in scheduling physician participation in the Center, and shall coordinate such scheduling with the Center's operating and procedure room schedules as described in Section 4.10, below.

4.9. Supervision of Personnel. Subject to the terms of Section 3.4, Physician Group and such of the Medical Directors as Physician Group may reasonably assign shall assist in the provision of on-site operational supervision and direction of Personnel in connection with the provision of Center services so as to assure safe, efficient, quality service, and shall report thereon to the Operation and Performance Monitoring Committee, to the operations director for the Center, and to the Hospital Director of Human Resources, as appropriate. Physician Group and/or the appropriate Medical Directors shall also provide training and evaluation of clinical Personnel engaged in Center activities. In accordance with the terms of Section 3.4, Hospital has

final decision-making authority with regard to the supervision and direction of Personnel following input from Physician Group and the Medical Directors.

4.10. Patient Scheduling. Physician Group and such of the Medical Directors as Physician Group may reasonably assign shall work with Personnel to schedule all Center services in a manner designed to accommodate the needs of patients, the reasonable administrative needs of Hospital and the schedules of individual physicians. This shall include scheduling of allotted operating room time and endoscopy procedures. Physician Group shall work with Hospital to establish and coordinate schedules for operating and procedure room block time at the Center in a manner designed to promote efficient operation of the Center.

4.11. Case Management. Physician Group and such of the Medical Directors as Physician Group may reasonably assign shall work with Hospital to facilitate such case management activities as are necessary for the proper operation of the Center, including without limitation discharge planning, appointment scheduling, and arranging for appropriate follow-up services and supplies. In consultation with Hospital, Physician Group shall establish and oversee a patient call-back process for Center patients that meets The Joint Commission standards.

4.12. Center Productivity. Physician Group and such of the Medical Directors as Physician Group may reasonably assign shall work with Hospital to increase productivity in the Center by: evaluating and recommending the restructuring of delivery of care processes within the Center; evaluating job descriptions and recommending the realignment of responsibilities within the Center; and establishing and monitoring productivity standards within the Center.

4.13. Pre-Procedure Patient Communication. Physician Group shall work with Hospital to provide oversight with respect to communications with Center patients prior to the performance of procedures so that non-clinical patient questions are answered, patients are directed to the appropriate clinical personnel for responses to clinical questions, patient concerns are addressed and allayed, the extent of patient satisfaction with all aspects of care to date is determined, and deficiencies are remedied.

4.14. Budgets; Strategic Plans. Physician Group, in collaboration with the Manager Representatives (as defined in Section 2.3) and with the assistance of any necessary Hospital Personnel, shall submit proposals relating to each of the following for presentation to the Operation and Performance Monitoring Committee and Hospital on an annual basis:

- (a) Business Plans/Budgets. Business plans and budgets for the Center, which business plans and budgets shall reflect in reasonable detail anticipated expenses, uses of funds, capital equipment, and development of special projects. All business plans and budgets are subject to final review and approval by Hospital as part of its annual budget process. Physician Group shall assist Hospital in managing the Center to meet the approved budget for the Center, including assisting in the management of expenses in relationship to fluctuations in Center revenues.
- (b) Strategic Planning. Short- and long-term strategic planning objectives for the Center aimed at ensuring that the Center becomes and remains a center of

excellence for outpatient endoscopy services. The parties will also cooperate in exploring and developing new outpatient surgery programs and services. All strategic plans shall be subject to final review and approval by Hospital.

4.15. Reports. In consultation with Hospital, Physician Group shall assist Hospital in the development and generation of such reports as may be necessary to ensure the proper operation and management of the Center, including without limitation, periodic reports on Center performance as measured against the standards and benchmarks described in Section 5, below. Without limiting the generality of the foregoing, Physician Group shall work with Personnel to submit monthly reports, including, but not limited to, the following: (a) comparison of budgeted expenses to actual expenses; (b) comparison of Center performance to prior periods; (c) comparison of Center performance to industry standards; and (d) such other reports as Hospital may reasonably request. Physician Group shall be responsible for preparing and producing in a timely manner all reports and records related to the Administrative Services as may be required by regulatory bodies, accrediting organizations, government payment programs or payors, subject to final approval of such reports and records by Hospital.

4.16. Regulatory Compliance, Accreditation, and Third Party Payor Audits. In consultation with the Medical Directors, the Operation and Performance Monitoring Committee, and appropriate Hospital administrators, Physician Group shall assist Hospital in developing a comprehensive compliance program for the Center and maintaining appropriate regulatory compliance and accreditation for the Center, including, without limitation, ensuring satisfactory site surveys and assessments by governmental authorities and accrediting bodies, such as The Joint Commission, and responding to inquiries regarding same. In addition, at Hospital's request, Physician Group shall assist Hospital in preparing for and responding to third party payor audits concerning the medical necessity and/or quality of professional services in the Center, including by completing and timely delivering appropriate required documentation.

4.17. Confidentiality of Medical Records. Manager, including Physician Group, acknowledges that in carrying out its obligations under this Agreement, Manager and its subcontractors, employees, affiliates, agents, and/or representatives may have reason to access medical records and patient information maintained by Hospital ("Patient Information"). The parties shall comply with all applicable ordinances, statutes, regulations, directives, orders and other lawful enactments and pronouncements of any federal, state, municipal, local, and other lawful authority governing the maintenance of medical records and confidentiality of patient information, including the applicable provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the Health Information Technology for Economic and Clinical Health Act, as incorporated in the American Recovery and Reinvestment Act of 2009 (the "HITECH Act"), and the requirements of all regulations promulgated pursuant to HIPAA and the HITECH Act. Manager further agrees to abide by the terms of the HIPAA Business Associate Addendum attached hereto as Exhibit 4.16 and made a part hereof.

4.18. Physician Services. Physician Group shall devote such efforts as are necessary to (a) provide the Administrative Services, including the Medical Director Services required hereunder; and (b) enable the Center to involve a full complement of appropriately qualified and experienced physicians and surgeons to provide professional services to patients in the Center. Physician Group acknowledges that a "full complement" of physicians and surgeons, for

purposes of clause (b) of the foregoing sentence, means the minimum number of physicians and surgeons that Physician Group reasonably shall determine to be necessary to enable the Center to operate as a center of excellence providing the highest quality outpatient endoscopy services.

4.19. Timekeeping and Records. Physician Group shall, and shall cause each Physician Manager providing Administrative Services (including service as a Medical Director) to complete and submit to Physician Group timely, accurate and complete records detailing the Administrative Services and/or Medical Director Services provided by such Physician Manager during the immediately preceding calendar month. Such records shall describe the specific Administrative Services and/or Medical Director Services performed, specify the date(s) on which those services were performed, record the number of hours spent for each date, and include such supporting documentation as may, from time to time, be required to comply with any applicable requirements of governmental agencies or payors. Physician Group shall provide Hospital with a monthly report summarizing the time and effort of such Staff and Physician Managers during the prior month, in a form reasonably acceptable to Hospital. Hospital shall have the right to inspect any of the records described above upon reasonable advance notice.

Section 5. Performance Improvement Initiatives.

In addition to and in furtherance of the Administrative Services set forth in Section 4, Physician Group, in consultation with the Physician Managers and Hospital, shall identify areas in which to seek, and the Physician Managers shall then endeavor to implement, focused operational and quality improvements with respect to ambulatory surgery services at Hospital in the Center. As set forth in Section 2.1, these services are referred to herein as the Performance Improvement Services. In furtherance of this objective, Physician Group shall work with the Physician Managers and Hospital to establish performance standards and benchmarks against which to measure the Physician Managers' progress in the delivery of the Performance Improvement Services. The standards and benchmarks shall initially be as set forth in Exhibit 7.2 and shall be subject to modification as set forth in Section 7.2, below. Physician Managers shall be entitled to compensation for the Performance Improvement Services, as set forth in Section 7.2 and in Exhibit 7.2.

Section 6. Operation and Performance Monitoring Committee.

Hospital shall establish an Operations and Performance Monitoring Committee to monitor the operation of the Center and Manager's performance under this Agreement. The Committee shall be composed of (a) five (5) representatives designated by Hospital, including the Vice President Clinical Affairs, Vice-President/Chief Nursing Officer and at least one staff nurse, and (b) the Manager Representatives. The Operations and Performance Monitoring Committee shall be co-chaired by the Hospital Vice President Clinical Affairs and the Vice-President/Chief Nursing Officer. The Committee shall meet at least every other month and shall receive regular reports from Physician Group regarding the provision of the Administrative Services and Performance Improvement Services. The Operations and Performance Monitoring Committee shall, by mutual agreement or through one Hospital representative and one Manager Representative, report periodically to Hospital, which shall have final decision-making authority with respect to operation of the Center. Hospital, however, agrees not to unreasonably withhold, delay or deny approval of reasonable recommendations made by a Manager Representative with respect to the

operation of the Center. The Committee shall also serve as the first point of contact to resolve any disputes arising under this Agreement, as further specified in Section 11.19 hereof.

Section 7. Compensation

7.1. Compensation for Administrative Services. The initial annual fee for the provision of the Administrative Services described in Section 4 of this Agreement, including the Medical Director Services, shall be _____ (the "Administrative Services Fee"), paid by Hospital to Manager in equal monthly installments. The fees payable pursuant to this Section 7.1 shall be payable on the first day of each month and pro-rated for any partial month during the term, based on the number days of such month during which such Administrative Services were being provided hereunder. The nature and scope of the Administrative Services will be subject to review, in good faith, and revision by mutual agreement of Hospital and Physician Group (which agreement will not be unreasonably withheld or delayed by either of said parties) every two years during the term of this Agreement to assure that the Administrative Services are at all times appropriate in relation to the nature and scope of the Center and its services. If Hospital and Physician Group make any changes to the nature or scope of the Administrative Services, this Agreement shall be amended accordingly.

7.2. Compensation for Performance Improvement Services. In addition to the Administrative Services Fee, the Hospital shall pay Manager Group a fee for meeting the standards and benchmarks on which the Performance Improvement Services are based (the "Performance Improvement Fee") in the amount set forth on Exhibit 7.2. The Performance Improvement Fee shall be determined for the period ending twelve (12) months after the Effective Date of this Agreement and annually thereafter (each a "Performance Year"); provided, however, that should this Agreement terminate as a result of Physician Group exercising its termination rights pursuant to Sections 10.2, 10.3(a) or (b), or either party exercising its termination rights pursuant to Section 10.4, the Performance Improvement Fee shall be determined for any shorter period commencing on the first day of the then current Performance Year and ending on the effective date of termination. Hospital shall pay Physician Group any Performance Improvement Fee earned within thirty (30) days of the end of a Performance Year or the applicable termination date. The Performance Improvement Services and any standards and benchmarks on which they are based shall be subject to review, in good faith, and revision by the mutual agreement of Hospital and Physician Group (which agreement will not be unreasonably withheld or delayed by either of said parties) every two years during the term of this Agreement to ensure they remain appropriate. If Hospital and Physician Group make any changes to the Performance Improvement Services and/or the accompanying standards and benchmarks, this Agreement shall be amended accordingly.

7.3. Valuation.

- (a) Prior to the Effective Date, Hospital shall obtain an independent valuation documenting that the initial Administrative Services Fee and Performance Improvement Fee payable under this Agreement are consistent with fair market value for the services rendered and the performance improvement to be achieved as of the time this Agreement is executed.

- (b) In the event that the nature and scope of the Administrative Services and/or Performance Improvement Services are revised during the term of this Agreement pursuant to Sections 7.1 and/or 7.2 hereof, the Administrative Services Fee and/or the Performance Improvement Fee, as applicable, will be subject to review, in good faith, and to corresponding revision by agreement between Hospital and Physician Group (which agreement will not be unreasonably withheld or denied by a party), and this Agreement will be amended accordingly. In such event, Hospital shall obtain an independent valuation documenting that the revised Administrative Services Fee and/or Performance Improvement Fee is within a fair market value range in relation to the services rendered, in exchange for those payments. The parties will amend this Agreement to conform to the results of any such re-appraisal and re-evaluation process.

Section 8. Insurance.

8.1. Comprehensive General Liability Insurance: Hospital. Hospital shall have and maintain during the term hereof comprehensive general liability insurance or self-insurance covering activities of Hospital at the Center. At all times during the term hereof and any extensions and renewals hereof, the comprehensive general liability or self-insurance shall be in the amount of not less than One Million Dollars (\$1,000,000) for injury to, or death of, one person in any one accident or occurrence, and Three Million Dollars (\$3,000,000) in the aggregate. Such comprehensive general liability insurance shall include coverage for professional negligence and other acts and omissions by nurses and other clinical and technical personnel, whether employees or independent contractors, who are engaged in the performance of Hospital's responsibilities pursuant to Section 3 of this Agreement.

If such insurance is a "claims made" form of coverage, Hospital shall procure extended reporting coverage (i.e., "tail coverage") expiring not less than three (3) years following the expiration or earlier termination of this Agreement.

At all times during the term hereof and any extensions or renewals hereof, Hospital shall, at the Manager Representatives' request, provide Manager with a certificate or certificates of insurance or self-insurance evidencing that the above-described comprehensive general liability insurance or self-insurance is in full force and effect. Hospital shall give Manager at least thirty (30) calendar days written notice prior to changing or reducing such insurance coverage, or prior to changing insurance carriers.

8.2. Comprehensive General Liability Insurance: Manager. Manager (i.e., each Physician Manager and Physician Group) shall procure and maintain during the term (or have procured or maintained on his/her behalf) (i) comprehensive general liability insurance and professional liability insurance covering the activities of Manager hereunder, and (ii) general liability insurance for errors or omissions relating to the provision of services by Manager. At all times during the term hereof and any extensions and renewals hereof, the comprehensive general and professional liability insurance provided by Manager shall be in the amount of not less than One Million Dollars (\$1,000,000) for injury to, or death of, one person in any one accident or occurrence, and Three Million Dollars (\$3,000,000) in the aggregate, and the general liability insurance for errors and omissions in providing Administrative Services shall be in the amount of

not less than One Million Dollars (\$1,000,000). Such comprehensive general and professional liability insurance and liability for errors and omissions insurance shall each include coverage for acts and omissions by employees and contractors of Manager (including each Physician Manager individually) and Physician Group engaged in the performance of this Agreement. In addition, Physician Group shall obtain or cause to be obtained directors and officers liability coverage in connection with the services of Physician Group and the Manager Representatives hereunder at commercially reasonable limits from a recognized insurance carrier. All of the insurance coverages described in this paragraph shall be an "occurrence" form of coverage which shall provide coverage for acts and/or omissions throughout the term and following the expiration or termination of this Agreement.

At all times during the term and any extensions or renewals hereof, Manager shall, at Hospital's request, provide Hospital with a certificate or certificates of insurance evidencing that the above described insurance is in full force and effect. Manager shall give Hospital at least thirty (30) calendar days written notice prior to changing or reducing such insurance coverage, or changing insurance carriers.

Section 9. Representations and Warranties; Compliance with Applicable Laws

9.1. Compliance with Law. In the performance of their respective responsibilities and obligations hereunder, Hospital and Manager shall comply with the requirements of all federal, state and local laws, regulations and ordinances applicable to their respective organizations and activities. Not by way of limitation of the foregoing, it is the parties' intent and good faith belief that:

- (a) this Agreement complies with all applicable terms of the Medicare/Medicaid Anti-kickback Statute (42 U.S.C. Section 1320a-7b) and the Stark Law (42 U.S.C. Section 1395nn), including applicable regulations thereunder.
- (b) this Agreement does not in any way violate proscriptions against private inurement and private benefit set forth in the Internal Revenue Code and corresponding regulations.
- (c) this Agreement does not provide for or authorize the limitation or reduction of items or services to any Hospital patients; rather, it is the parties' intent to improve the quality and efficiency of ambulatory surgery services at Hospital, and Manager shall establish quality assurance measures to ensure that the performance improvement services to be provided hereunder do not have the unintended consequence of limiting or reducing items or services to any Hospital patients or adversely affecting quality care.

9.2. Representations and Warranties of Manager. Manager represents and warrants to Hospital that as of the Effective Date and at all times during the term hereof:

- (a) in providing services hereunder, Manager shall comply with all applicable laws and regulations;

- (b) each Physician Manager is, and shall remain, duly licensed to provide medical services in the State of Connecticut, a member in good standing of the active medical staff of Hospital with unrestricted clinical privileges in an endoscopy specialty service which is provided in or through the Center; and willing to devote such time as is necessary to enable the Manager to carry out his/her responsibilities as set forth herein; and Physician Group is and shall remain a limited liability company organized and in good standing in the State of Connecticut which has properly authorized the execution of this Agreement;
- (c) (i) no physician having a direct or indirect (including through a family member) ownership interest in the Manager, whether through investment securities, bonds, debt instruments or otherwise (each a "Physician Owner"), receives profit distributions or other transfers of value based on such Physician Owner's referral of services to Manager, the Center or Hospital, (ii) any compensation paid to physicians hereunder is not related directly or indirectly to the volume or value of referrals or other business generated by such physicians to or for the Center or the Hospital, and (iii) any such compensation is consistent with fair market value in arms' length transactions;
- (d) neither any Physician Manager, Physician Group nor any of their staff (i) have been convicted for any act or acts constituting a felony or misdemeanor involving moral turpitude under the laws of the United States, any state thereof or any foreign jurisdiction; (ii) have been excluded or debarred from participating in any federal health care program; or (iii) to their knowledge, are currently under investigation or involved in any legal proceeding which may lead to such a conviction or exclusion;
- (e) Physician Group and each Physician Manager shall comply with the non-competition provisions set forth in Section 11.16 hereof, and have executed, or will execute, a non-competition agreement in the form attached hereto as Exhibit 11.16(b).

Manager shall notify Hospital immediately in writing in the event it fails to satisfy the terms and conditions of any of the foregoing representations and warranties or if it has or believes it may have a financial conflict of interest with any vendor it may engage for services relating to its obligations hereunder.

9.3. Compliance. To the extent applicable, Manager shall comply with Hospital's Bylaws, Rules and Regulations and with Hospital's Compliance Program as in effect from time to time (the latter, the "Compliance Program"), and Hospital shall provide a copy of such Compliance Program to Manager. Without limiting this commitment, Manager agrees that (a) Manager shall cooperate with Hospital's corporate compliance audits, reviews and investigations that relate to Manager and/or any of the Administrative Services, including the Medical Director Services, and (b) Manager shall comply with and not do or cause to be done any act or omission that in any way conflicts with or violates the standards of conduct that are part of Hospital's Compliance Program. Upon invitation, representatives of Manager shall report to, and attend meetings of, Hospital's Board of Directors (the "Board") and committees of the Board and

Medical Staff responsible for activities related to the Compliance Program. Each party shall implement its own internal compliance activities and report to the other party the results of any compliance reviews or audits that may affect the Center or the other party's obligations hereunder. Manager shall permit Hospital to have reasonable access to all claim records, data information, and information systems reasonably required by Hospital or its authorized representative to enable Hospital to confirm Manager's compliance with the terms of this Agreement and the Compliance Program. This right of access and review shall survive the termination or expiration of this Agreement and shall remain in effect for a minimum of seven (7) years following termination or expiration of this Agreement.

Section 10. Term and Termination

10.1 Term. The term of this Agreement shall commence on _____, provided that the Center has obtained all applicable regulatory approvals and is ready to begin providing services by that date, or such date thereafter that the Center is ready to begin operations (the "Effective Date"), and shall end five (5) years following said date, unless sooner terminated in accordance with this Section 10. Thereafter, the Agreement shall automatically renew for two (2) additional five (5) year periods unless either Hospital or Physician Group provides the other with written notice of termination at least one hundred twenty (120) days prior to the expiration of the initial term or then applicable renewal term, unless the Agreement is otherwise terminated as provided herein.

10.2 Termination for Material Breach. Either Hospital or Physician Group may terminate this Agreement in the event of a breach or default by the other in any material duty, obligation or covenant contained in this Agreement, if such material breach or default is not cured within sixty (60) days after the provision of written notice of such breach or default by the non-breaching party to the breaching party. Hospital may terminate a Physician Manager for breach or default by such Physician Manager of a duty hereunder if such breach or default is not cured within sixty (60) days after the provision of written notice of such breach or default by Hospital.

10.3 Immediate Termination.

(a) Either Hospital or Physician Group may terminate this Agreement immediately on written notice to the other in the event that the other party materially jeopardizes any license, certificate or accreditation of the Center, or the tax-exempt status of Hospital or bonds issued by Hospital.

(b) Hospital may terminate this Agreement with respect to Physician Group, and Physician Group may terminate this Agreement, in the event that Physician Group or Hospital, as applicable: (i) applies for or consents to the appointment of a receiver, trustee, liquidator, or similar official for all or a substantial part of its assets; (ii) admits in writing its inability to pay its debts as they come due; (iii) makes a general assignment for the benefit of creditors; or (iv) files a petition seeking an order for relief, a reorganization, or an arrangement with creditors or to take advantage of any insolvency law.

(c) Hospital may also terminate this Agreement immediately on written notice following the dissolution of Physician Group's business entity that materially affects Physician Group's performance of its obligations under this Agreement.

(d) Any written notice provided pursuant to subsections (a) and (c) of this Section 10.3 shall state in detail the exact basis for termination and any party opposing termination under such subsections may immediately commence arbitration for injunctive relief to preserve the status quo pending arbitration and/or may immediately seek judicial injunctive relief to preserve the status quo pending arbitration against the terminating party, notwithstanding any time periods or procedural preconditions in Section 11.19 to the contrary, but only to the extent permitted by Section 52-422 of the Connecticut General Statutes. This Section shall not be construed as indicating whether any such injunctive relief would be appropriate on the merits.

10.4 Termination Based on Opinion of Counsel. If at any time either Hospital or Physician Group or the Manager Representatives reasonably believe(s) in good faith based upon the advice of reputable health care counsel that this Agreement or the performance by that party of any of its obligations under this Agreement (i) violates any material law or regulation, State or federal, (ii) presents a substantial risk of the loss or restriction of that party's license, tax exemption, or right to participate in Medicare, Medicaid, or any other governmental program or private insurance program, (iii) presents a substantial risk of causing debt issued by that party that was tax-exempt when originally issued to become subject to federal or state income tax, or (iv) presents a substantial risk that the Hospital will not meet provider based requirements under Medicare and Medicaid, then that party may, upon written notice, require the other party to enter into good faith negotiations to renegotiate the terms of this Agreement in a manner that attempts to retain as much as possible of the economic arrangements originally contemplated by the parties without violating any applicable legal, tax, or reimbursement requirements. If the parties are unable to reach an agreement concerning the modification of this Agreement within sixty (60) days after the date of the notice seeking renegotiation (or sooner if required by law), then either party may immediately terminate this Agreement by written notice to the other party. Any such termination decision shall be subject to the dispute resolution provisions of Section 11.19, except that any party opposing termination, or claiming breach of this Section by the other party, may immediately commence arbitration and/or may immediately seek judicial injunctive relief, notwithstanding any time periods or procedural preconditions in Section 11.19 to the contrary. The rights of the parties under this Section are in addition to any other termination rights the parties may have under this Agreement.

10.5 Effect of Termination. In the event of termination of the Agreement:

- (a) The Administrative Services Fee shall be paid up to the date of termination, prorated as provided in Section 7.1.
- (b) The Performance Improvement Fee shall be paid up to the date of termination, as provided in Section 7.2.
- (c) Manager shall prepare and deliver to Hospital all books and records relating to the Center, to the extent the same have not been previously provided, within ten (10) days following the effective date of termination. The parties shall reasonably

cooperate with one another, and provide each other access to such books, records and information as either party may reasonably request for purposes of defending against any subpoena, government or payor investigation, audit, lawsuit or proceeding instituted by any third party and relating to any alleged or actual acts or omissions of either party during the term of this Agreement, or for any other legitimate purpose.

- (d) Hospital shall have the absolute, unrestricted power and right to enter the Center, and to assume, or in its discretion contract with others to assume complete and total management, administration and control of the Center.
- (e) Manager and Hospital will reasonably cooperate with each other to effectuate an orderly transfer from Manager to Hospital of the Administrative Services, including Medical Director Services, provided hereunder in connection with the Center.
- (f) Section 11.16(a) shall remain in full force and effect for a period of two (2) years after the effective date of termination, unless Physician Group terminates the Agreement because of a material breach by Hospital, or Hospital elects not to renew the Agreement pursuant to Section 10.1 or to terminate the Agreement without cause; provided, however, that if Physician Group terminates the Agreement because of a material breach and Hospital disputes the claim of breach and invokes dispute resolution pursuant to Section 11.19, Section 11.16(a) shall remain in force at least until dispute resolution is concluded.

Section 11. Miscellaneous Provisions

11.1. No Third Party Beneficiaries. It is intended and agreed that this Agreement shall not be construed as creating, or be deemed to create, any right or remedy in any third party, unless otherwise explicitly stated herein.

11.2. Confidentiality. The parties shall maintain strict confidentiality as to the terms of this Agreement and any and all confidential or proprietary data and information, in any form (regardless of whether disclosed on paper, tape, diskette, electronic mail, or any other media or verbally disclosed) relating to Hospital, the Center, or Manager ("Confidential Information") disclosed by one party (the "Discloser") to the other (the "Recipient"). Each party agrees not to use the Confidential Information for any purpose other than for purposes contemplated by this Agreement. Each party agrees not to disclose such Confidential Information to anyone, without the other party's prior written consent, except on a need-to-know basis to any legal counsel, financial advisors, or other such consultants as may be engaged by the party, who agree to hold such Confidential Information in confidence or are otherwise legally required to do so (collectively, the "Representatives"). Confidential Information does not include (a) any information that was known by the Recipient prior to its disclosure to the Recipient hereunder, (b) any information that is or becomes part of the public domain through no fault of the Recipient and not in violation of this Agreement, or (c) any information that is received by the Recipient as a matter of right from a third party who is under no confidentiality obligation to the Discloser and did not receive the information from any person who is under a confidentiality

obligation to the Discloser with respect to such information, and (d) any information required to be disclosed in response to a valid order by a court or other governmental body, or otherwise required to be disclosed by law.

11.3. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any and all prior agreements and understandings or representations, whether written or oral, by the parties with respect to that subject matter, unless otherwise stated herein. This Agreement specifically cross-references the master list of contracts as maintained by Middlesex Hospital, updated centrally and available for review by the Department of Health and Human Services upon request.

11.4. Waiver. The failure of a party to insist upon strict adherence to or performance of any provision of this Agreement on any occasion shall not be considered a waiver nor shall it deprive that party of the right thereafter to enforce performance of or adherence to that provision or any other provision of this Agreement. Any waiver of any terms and conditions hereof must be in writing, and signed by the parties hereto.

11.5. Successors and Assigns. The terms, covenants, conditions, provisions and agreements contained herein shall be binding upon and inure to the benefit of the parties hereto and to their permitted successors and assigns.

11.6. Applicable Law. This Agreement shall be governed by the laws of the State of Connecticut without regard to the conflicts of law provisions thereof.

11.7. Severability. The invalidity or unenforceability of any term or provision hereof shall in no way affect the validity or enforceability of any other term or provision, unless the effect of such invalidity or unenforceability is to defeat the parties' mutual intent as expressed in this Agreement or to materially alter the obligations or benefits of a party hereunder.

11.8. Captions and Headings. The captions and headings throughout this Agreement are for convenience and reference only, and shall in no way be held or deemed to define, limit, describe, explain, modify, amplify or add to the interpretation, construction or meaning of any provision or to the scope or intent of this Agreement or in any other way affect this Agreement.

11.9. Disclosure of Records. Notwithstanding any other provisions of this Agreement to the contrary, disclosures of records and information by and between Hospital and Manager shall be made in full compliance with all state and federal laws and regulations.

11.10. Notices. Any notice given pursuant to this Agreement shall be in writing and shall either be personally delivered or sent by certified mail, return receipt requested, postage prepaid, or by means of another regularly scheduled delivery service customarily utilized for business correspondence that provides equivalent proof of delivery and receipt, fees prepaid, addressed, if to Hospital, to the President of Hospital, and if to Manager, to Physician Group, attention Maurizio Nichele, M.D, at the respective addresses set forth beneath the parties' respective names and signatures below, or to such other address as a party shall designate by notice to the other, given in accordance with this Section. Notice shall be deemed to have been given (i) when received if personally delivered, or (ii) on the delivery date indicated on the return receipt.

11.11. Remedies. The various rights and remedies provided for herein shall be cumulative and in addition to any other rights and remedies the parties may be entitled to pursue under the law. The exercise of one or more of such rights or remedies will not impair the rights of either party to exercise any other right or remedy at law or in equity.

11.12. Assignment. Except as contemplated by the express terms of this Agreement, no party shall assign any right or delegate any duties arising out of this Agreement without the prior written consent of the other party. A transaction which results in a change of the holders of a majority of the membership interests in Hospital, shall not be deemed an assignment for purposes of this section but a change in a majority of the voting power in Physician Group (in a single transaction), or which otherwise changes the ownership or control of either party during the term of this Agreement, as applicable, shall be deemed an assignment for purposes of this section.

11.13. Amendments. The provisions of this Agreement shall not be modified or amended except by a written document executed by Hospital and Physician Group, and any such written amendment(s) shall be appended to this Agreement.

11.14. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original but which, together, shall constitute but one and the same instrument.

11.15. Nonsolicitation. At all times during the term hereof and following the termination of this Agreement, no party shall, directly or indirectly, interfere with, disrupt or attempt to disrupt the relationship, contractual or otherwise, between the other party and any of its suppliers, employees, independent contractors, consultants or agents. Each party further agrees not to hire, engage or contract with, either as an independent contractor, employee or in any other capacity, any personnel of the other party, during the first twelve (12) months following the effective expiration or termination date hereof, without such party's prior written consent; provided that Hospital may offer to employ or engage Clinicians to assure continuity of care to the patients of the Hospital.

11.16. Noncompetition. In consideration of Hospital's engaging Manager to provide the Administrative Services and the Performance Improvement Services, and paying Manager the Administrative Services Fee and the Performance Improvement Fee, Manager agrees as follows:

- (a) Manager's Covenant Not to Compete. During the term of this Agreement, and for two (2) years after termination for any reason other than due to the Hospital's breach hereof or Hospital's termination of the Agreement without cause or Hospital's election not to renew the Agreement as provided in Section 10.1, Manager (i.e., Physician Group and each Physician Manager) shall not directly or indirectly (including through a family member or affiliate), build, operate, develop, manage, invest in, control, finance, provide administrative services to, participate in the planning of, or provide consulting services to any practice, clinic, hospital, or other health care facility providing ambulatory surgery services within the towns comprising Hospital's primary and secondary service areas, without Hospital's prior written consent. For purposes of this subsection, the term

“consulting services” shall not include collegial advice to fellow physicians for which Manager receives no remuneration.

- (b) Hospital’s Service Area. The Hospital’s primary and secondary service areas for purposes of subsection (a) of this Section 11.16 are as set out in Exhibit 11.16(b)
- (c) Noncompetition Agreement. Manager shall cause to be presented to the Hospital, contemporaneously with the execution of this Agreement and as a condition precedent to the Hospital’s ongoing obligations hereunder, copies of the Non-competition Agreement attached hereto as Exhibit 11.16(c) and made a part hereof, duly executed by each Physician Manager and Physician Group.

11.17. Patient Referrals. Manager shall neither have nor exercise any control over the number, type or receipt of patient referrals made to or received by the Center or Hospital, or by medical and ancillary personnel providing professional services to the Center or Hospital, whether such physicians and ancillary health care providers contract independently with Manager or otherwise, and nothing in this Agreement shall be construed as directing or influencing such referrals. No part of the consideration paid to Manager under this Agreement shall be for the referral of patients to, or ordering, leasing or purchasing any item or service from, or arranging for the referral of patients to, or arranging for the ordering, leasing or purchasing of any item or service from, the Center or Hospital. In addition, the amount charged hereunder by Manager does not include any discount, rebate, kickback or other reduction in charge, and is not intended to be, nor shall it be construed to be, an inducement or payment for referral of patients by Hospital to Manager or any affiliated physician of Manager. Further, the parties understand and agree that each physician practicing at the Center or in any program at Hospital is free to refer his or her patients for professional services to any provider. Nothing in this Agreement shall be construed as a requirement that physicians refer patients to the Center or Hospital. Hospital shall refrain from taking any action to require or encourage its medical staff physicians to refer patients to the Center, or any physician affiliated with Manager. Hospital will not track referrals to the Center made by Manager or physicians affiliated with Manager.

11.18. Government Access to Records. Until the expiration of four (4) years after the furnishing of any Administrative Services and Performance Improvement Services pursuant to this Agreement and to the extent, if any, required by applicable law or regulation, Manager shall make available, upon written request by the Secretary of the Department of Health and Human Services (“Secretary”), or upon request by the Comptroller General, or any of their duly authorized representatives, this Agreement and books, documents, and records of Manager that are necessary to certify the nature and extent of expenses and payments made as a result of this Agreement, to the extent required by 42 C.F.R. § 420.302. If Manager (including Physician Group) carries out any of its duties under this Agreement through a subcontract, with a value or cost of \$10,000 or more over a twelve month period, with a related organization, that subcontract shall contain a clause providing that until the expiration of four years after the furnishing of services pursuant to such subcontract, the related organization shall make available, upon written request, to the Secretary and the Comptroller General, or any of their duly authorized representatives, the subcontract and the books, documents and records of such related organization that are necessary to verify the nature and extent of such costs.

11.19. Dispute Resolution.

- (a) Special Meeting. In the event of any dispute or disagreement between the parties with respect to this Agreement, a party may request in writing a special meeting of the Operations and Performance Monitoring Committee for the resolution of the dispute (a "Special Meeting"). The Special Meeting shall be held at a mutually agreeable location within ten (10) days of a written request for the meeting, which request shall specify the nature of the dispute to be resolved. At the Special Meeting, the Committee shall attempt in good faith to resolve the dispute and shall have reasonable authority to do so.
- (b) Mediation. If a dispute has not been resolved within fourteen (14) days after the date of the Special Meeting or within thirty (30) days of the written request for the Special Meeting, either party may initiate mediation of the dispute by sending a written request for mediation to the other party. The parties shall jointly select an independent and neutral person qualified to act as a mediator. The mediation proceeding shall commence not more than thirty (30) days after the written request for mediation. The mediation shall be attended by representatives of both parties (who may or may not be accompanied by legal counsel, in their respective discretion), who shall attempt in good faith to resolve the dispute and shall have reasonable authority to do so. Unless the parties otherwise agree, all fees and expenses of the mediation (not including the respective parties' own legal and consulting fees, which shall be borne by the respective parties) shall be borne 50% by Hospital and 50% by Manager.
- (c) Arbitration. If a dispute has not been resolved within sixty (60) days of the written request for the mediation as set forth in Subsection (b) above, either party may initiate arbitration of the dispute by sending a written request for arbitration to the other party. The parties shall select a mutually agreeable arbitrator and submit the dispute to such arbitrator for binding arbitration, through the Alternative Dispute Resolution Service of the American Health Lawyers Association (the "AHLA"), under the AHLA Arbitration Code of Ethics and Rules of Procedure (the "Dispute Resolution Rules"). In the event the parties are unable to agree upon the arbitrator, the arbitrator shall be appointed in accordance with the Dispute Resolution Rules. The arbitration award may be enforced in any court of competent jurisdiction. The arbitrator shall have the power to award monetary and/or non-monetary relief, but not punitive or consequential damages. The cost of any arbitration proceedings (not including the respective parties' own legal and consulting fees, which shall be borne by the respective parties) shall be paid 50% by Hospital and 50% by Manager. The decision of the Arbitrator shall be final and binding upon all parties and their successors and assigns. The parties agree to continue to perform their obligations, and this Agreement shall not terminate, during the pendency of any dispute resolution, mediation or arbitration proceeding hereunder, unless the party is sooner relieved of its obligations by an arbitrator or court of competent jurisdiction.

11.20. Interpretation. The parties acknowledge and agree that (a) each of them has reviewed the terms and provisions of this Agreement; (b) the rule of construction to the effect that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement; and (c) the terms and provisions of this Agreement shall be construed fairly as to all parties hereto and not in favor of or against any party, regardless of which party was generally responsible for the preparation of this Agreement.

11.21. Survival of Certain Provisions. The rights and obligations of the parties under this Agreement which are expressly or impliedly intended by the language of this Agreement to survive the expiration or termination of this Agreement shall survive the expiration or termination of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the Effective Date.

Middlesex Health System, Inc.

By: _____
Name: Susan Martin
Title: Vice President, Finance

Shoreline Ambulatory Management,
LLC

By: _____
Name: Maurizio Nichele, M.D.
Title: Member

By: _____
Name: Jay Zimmerman, M.D.
Title: Member

By: _____
Name: Maurizio Nichele, M.D.

By: _____
Name: Jay Zimmerman, M.D.

Exhibit 4.2
Medical Director Services

Scope of Position

The Chief Medical Director of the Middlesex Hospital Endoscopy Center (the Center) will be responsible for providing clinical direction and quality oversight at the Center. The Chief Medical Director will be a voting member of the Operations and Performance Monitoring Committee for the Center (the Committee) and will report to the Vice President Clinical Affairs at Middlesex Hospital. In fulfilling responsibilities hereunder, the Chief Medical Director will consult and work with the Committee and Physician Group. None of the Medical Director responsibilities hereunder is intended to assume or diminish the overall responsibility of Physician Group for the Administrative Services under this Agreement.

The Principal Duties and Responsibilities of the Medical Directors are the following:

- Take the leadership role in directing, coordinating and supervising the quality, availability, safety, efficiency and appropriateness of the medical services of the Center
- Provide leadership for the development and selection of performance improvement initiatives relating to the Center
- Take the leadership role in directing the performance improvement, quality and safety initiatives of the Center
- Take the lead in analyzing the performance indicators and performance of the Center as measured by those indicators
- Attend, organize and participate in committees (including executive, operations and/or quality committees), committee meetings and such other activities as Hospital shall reasonably designate in order to maintain and improve the quality of care of the Center
- Consult with Hospital administration and appropriate Medical Staff committees on an ongoing basis to define responsibilities with respect to the Center
- Participate in and take the leadership role in developing, as necessary, lines of communication between and among the Center, Hospital Medical Staff and other Hospital departments to ensure harmonious interaction within the Center and between the Center and other Hospital operations
- Take the leadership role in working with Hospital to promote the Center's ability to satisfy the medical, physical and psychosocial needs of Center patients
- Assist with the organization and administration of the agenda for the Committee
- Take the leadership role in working with the Center's Anesthesiologist to ensure the high quality, efficient and effective delivery of anesthesia for the Center
- Take the leadership role in overseeing the timely and efficient use of the operating rooms at the Center
- Take the leadership role in developing, and proposing to the Committee, policies for the allocation of operating room block time for the Center to optimize facility utilization
- Assist in the development of operating policies and procedures for the Center, and in the preparation of operating manuals for the Center's operating and procedure rooms, subject to Hospital's ultimate authority to adopt and implement such manuals

- Take the leadership role in recommending, as needed, new policies or revisions to the existing policies for the Center
- Assist with the development of the annual capital budget for the Center for presentation to Hospital for consideration
- Assist with the development of the Center's annual operating budget for presentation to Hospital for consideration
- Monitor the performance and behavior of the Center's physicians
- Provide regular reports to the Committee of the issues confronting the Center
- Participate in such Hospital initiatives that require knowledge of the activities of the Center as the Hospital may reasonably request
- Work collaboratively with the Center's Clinical Nurse Manager.
- Develop and implement tactics to achieve the Center's utilization targets
- Assist with the development of a community relations and education program to effectively communicate with the community about Center services

Exhibit 4.16
Business Associate Agreement

This Business Associate Agreement (the "Agreement"), is hereby made by and between Middlesex Health System ("Covered Entity") and _____ ("Business Associate"), each individually a "Party" and together the "Parties."

A. The purpose of this Agreement is to comply with the business associate requirements of the Standards for Privacy of Individually Identifiable Health Information ("Privacy Regulations," 45 CFR Part 160 and Part 164, Subparts A and E) and the Security Standards for Electronic Protected Health Information ("Security Rule", 45 CFR Parts 160, 162, and 164, Subpart C), contained in the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") (45 C.F.R. parts 142 and 160-164), as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH Act) of 2009.

B. Covered Entity and Business Associate have entered into this Agreement because Business Associate receives and uses Protected Health Information ("PHI") in the course of providing certain services (the "Services") for Covered Entity.

C. The Privacy Regulations require Covered Entity to obtain written assurances from Business Associate that Business Associate will appropriately safeguard the PHI.

Now, therefore, in consideration of the mutual promises set forth below and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, the Parties agree as follows:

1. Definitions.

1.1 Terms used, but not otherwise defined, in this Agreement shall have the same meaning as those terms in the Privacy and Security Regulations.

2. General Permitted Uses and Disclosures, and Obligations of Business Associate.

2.1 Business Associate hereby acknowledges and agrees that it will comply with the new requirements on Business Associates set forth in the HIPAA regulations and in the HITECH Act commencing on the applicable effective date of each such provision and that such requirements are incorporated by reference into this Agreement.

2.2 Business Associate agrees to comply with all appropriate federal and state security and privacy laws, to the extent such laws are applicable to Business Associate or are more protective of individual privacy than HIPAA.

2.3 Business Associate may use or disclose PHI to perform functions, activities, or services for, or on behalf of, Covered Entity as specified in the Privacy Regulations, this Business Associate Agreement and any underlying Agreements between the parties or as otherwise required by law. Business Associate will not use or disclose PHI in a manner (i) inconsistent

with Covered Entity's obligations under the Privacy Regulations, or (ii) that would violate the Privacy Regulations if disclosed or used in such a manner by Covered Entity.

3. Safeguards for the Protection of PHI.

3.1 Business Associate will implement and maintain commercially appropriate security safeguards to ensure that PHI is not used or disclosed by Business Associate, its employees, agents or subcontractors in violation of this Agreement.

3.2 Business Associate will implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of electronic PHI that is created, received, maintained or transmitted by Business Associate.

4. Reporting and Mitigating the Effect of Unauthorized Uses and Disclosures.

4.1 Business Associate agrees to immediately report in writing to Covered Entity's Privacy Officer any use or disclosure of the PHI not provided for by this Agreement of which it becomes aware.

4.2 If Business Associate creates, receives, maintains or transmits electronic PHI on Covered Entity's behalf, Business Associate will report to Covered Entity within forty-eight (48) hours any security incident of which it becomes aware. A "security incident" means the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system.

4.3 Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI by Business Associate in violation of the requirements of this Agreement.

4.4 Business Associate shall notify Covered Entity in writing within five (5) business days of any breach of unsecured PHI, as defined in 45 CFR §164.400 et seq., received from or maintained on behalf of Covered Entity. Business Associate shall further provide all information required for covered entity to provide notifications required under 45 CFR 164.404. Business Associate shall provide all required information to Covered Entity without unreasonable delay and in no case later than thirty (30) days after discovery of the breach.

4.5 Reimbursement of Covered Entity's Expenses. Business Associate will reimburse Covered Entity for expenses reasonably incurred by Covered Entity in responding to a possible breach by Business Associate of Covered Entity's unsecured PHI, including but not limited to Covered Entity's costs of investigation of the breach, compliance with the notification requirements set forth at 45 CFR. 164.404 and responding to investigations by federal or state government authorities. Reasonable expenses include, but are not limited to, reasonable attorney's fees, publication expenses, establishment and maintenance of toll-free numbers, fines and penalties and Covered Entity staff time.

5. Use by and Disclosure to Subcontractors, Agents, and Representatives.

5.1 Business Associate will require any subcontractor, agent, or other representative that is authorized to receive, use, or have access to PHI under this Agreement, to agree in writing to adhere to the same restrictions and conditions on the use and/or disclosure of PHI that apply to Business Associate under this Agreement (the "Sub-contractor Agreements"). Business Associate shall include in each Sub-contractor Agreement a clause that states the Covered Entity is a third-party beneficiary of the Sub-contractor Agreement.

5.2 Not later than April 21, 2005, Business Associate will require any subcontractor, agent, or other representative to whom Business Associate provides electronic PHI to implement reasonable and appropriate safeguards to protect the electronic PHI.

6. Individual Rights and Accounting of Disclosures.

6.1 As directed by the Covered Entity, Business Associate shall (i) make available PHI to the individual in accordance with 45 C.F.R. Section 164.524 and (ii), incorporate any amendments to the PHI.

6.2 Business Associate shall document all disclosures of PHI and any information related to such disclosures as would be required for Covered Entity to respond to a request by an individual for an accounting of disclosures of PHI in accordance with the Privacy Regulations.

6.3 Business Associate agrees to provide to Covered Entity, in a time and manner designated by Covered Entity, information to permit Covered Entity to respond to a request by an individual for an accounting of disclosures of PHI in accordance with the Privacy Regulations.

7. Audit, Inspection and Enforcement.

7.1 With reasonable notice, Business Associate agrees to make internal practices, books and records, including policies and procedures relating to the use and disclosure of PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity, available to the Covered Entity and the Secretary to monitor compliance with the Privacy Regulations. Business Associate will promptly correct any violation of the Privacy Regulations or this Agreement found by Covered Entity, according to Covered Entity's guidelines, and will certify in writing that the correction has been made. Covered Entity's failure to detect any unsatisfactory practice does not constitute acceptance of the practice or a waiver of Covered Entity's enforcement rights under this Agreement.

8. Obligations of Covered Entity to Inform Business Associate of Privacy Practices and Restrictions.

8.1 Covered Entity shall provide Business Associate with its Notice of Privacy Practices in accordance with the Privacy Regulations, as well as any changes to such Notice.

8.2 Covered Entity shall notify Business Associate of any changes in, or revocation of, any Authorizations by individuals to use or disclose PHI, if such changes affect Business Associate's permitted or required uses and disclosures.

8.3 Covered Entity shall notify Business Associate of any restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with the Privacy Regulations, if the restriction affects Business Associate's permitted or required uses and disclosures.

9. Term and Termination.

9.1 Term. This Agreement shall continue until terminated by either party in accordance with this Agreement. The Covered Entity may terminate this Agreement at any time, with cause. Notwithstanding anything to the contrary in this Agreement or any other agreement between Covered Entity and Business Associate, in the event this Agreement terminates for cause, the underlying service or sale agreement between Covered Entity and Business Associate may be terminated by the Covered Entity in its sole discretion.

9.2 Termination for Cause. If either party is determined to have materially breached the HIPAA Regulations or this Agreement, the non-breaching party may either:

- (a) Provide an opportunity to cure the breach or;
- (b) Immediately terminate the Agreement.

9.3 Reporting Terminations for Cause. At Covered Entity's discretion, Covered Entity may report the violation to the Secretary of Health and Human Services.

9.4 Effect of Termination. Upon termination of the Agreement, for any reason, Business Associate shall, within five (5) business days of the termination, return or destroy all PHI, as directed by Covered Entity, created or received by Business Associate on behalf of Covered Entity. This provision shall apply to PHI that is in the possession of subcontractors or agents of Business Associate. Business Associate shall retain no copies of the PHI. Additionally, an officer of Business Associate shall certify by letter that neither it nor any subcontractors or agent has retained, in any medium whatsoever, a copy of any PHI.

9.5 In the event that Business Associate determines that returning or destroying the PHI is infeasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction infeasible. Business Associate shall extend the protections of this Agreement to such PHI and limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible for so long as Business Associate maintains such Protected Health Information.

10. Miscellaneous.

10.1 Regulatory References. A reference in this Agreement to the Privacy or Security Regulations means the Privacy or Security Regulations in effect or as amended.

10.2 Confidentiality.

- (a) Company acknowledges and agrees that in the course of performing services hereunder, Company will obtain certain information relating to the Client's business, programs, internal practices, medical staff, and patients ("Confidential Information").

Company agrees that during the term of the Agreement and thereafter such Confidential Information is the sole and exclusive property of Middlesex Hospital, and Company agrees not to use any such information for Company's benefit or for the benefit of others, and not to disclose any such information for any purpose except as required by law for any purposes. Further, The Confidential Information provided for the services shall be limited to the use of those services agreed to in advance by Middlesex Hospital and shall in no instance be included in Company's data base.

(b) Improper disclosure or use of any such Confidential Information by Company will result in the immediate termination of this and any other underlying Agreements by Middlesex Hospital. Company acknowledges and agrees that Company's breach of this Section (a) hereof will result in irreparable harm to Middlesex Hospital. Accordingly, Middlesex Hospital shall be entitled to all remedies available to it at law or in equity for breach of this Section including, without limitation, injunctive relief.

10.3 Amendment. If any modifications to this Agreement are required by law, Covered Entity shall notify Business Associate of proposed modifications to the Agreement to comply with such law. Such legally required modifications shall be deemed accepted by Business Associate and the Agreement so amended if Business Associate does not within 30 days following the date of the notice, deliver to Covered Entity its written rejection of such modifications.

10.4 Survival. The respective rights and obligations of Business Associate and Covered Entity under Sections 3, 4, 5, 6, 7 and 9 of this Agreement will survive termination of the Agreement indefinitely regardless of the cause giving rise to termination.

10.5 Waiver. A waiver of a breach of this Agreement shall not be deemed to be a waiver of a breach of any other provision of this Agreement, or of a future waiver of any subsequent breach of the same provision.

10.6 No Third Party Beneficiaries Except as it relates to the Sub-contractor Agreements, above, nothing express or implied in this Agreement is intended to confer, nor shall anything herein confer, upon any person other than the Parties and the respective successors and permitted assigns of the Parties, any rights, remedies, obligations, or liabilities whatsoever. The Agreement shall not in any manner be assigned, or transferred by Business Associate, in whole or part, without prior written consent of Covered Entity.

10.7 Notices. Any notice to be given under this Agreement to a Party shall be made via Certified U.S. Mail, return receipt requested, commercial courier with receipt verification, or by hand delivery to such Party at its address given below, or to such other address as shall be specified by the applicable party in the future.

If to Business Associate, to:

If to Covered Entity to:

Middlesex Health System
28 Crescent Street
Middletown, CT 06457
Attention: Materials Management Dept.

10.8 Entire Agreement. This Agreement constitutes the entire understanding among the parties with respect to its subject matter. If the terms of this Agreement are inconsistent with the terms of any present or future underlying service or sale agreement between the parties, the terms of this Agreement shall control.

10.9 Interpretation. Any ambiguity in this Agreement shall be resolved to permit Covered Entity to comply with the Privacy and Security Regulations.

10.10 Choice of Law. This Agreement shall be governed by the laws of the State of Connecticut, without regard to any statute or case law on choice of laws.

10.11 Consent to Jurisdiction. Business Associate expressly consents to the personal jurisdiction of the United States District Court for the District of Connecticut and to the jurisdiction of the Superior Court of Connecticut.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed in its name and on its behalf.

Middlesex Health System

By: _____
Signature

Name (Printed)

Title

Date

By: _____
Signature

Name (Printed)

Title

Date

Exhibit 7.2
Performance Improvement Services

The initial Performance Improvement Services for which Manager shall be eligible to receive a Performance Improvement Fee are as follows:

- 1) 4% percent of the Administrative Services Fee shall be paid by Hospital to Manager if the cancellation rate due to patients not having completed appropriate pre-procedure testing ("PPT") and/or such test result not being received sufficiently in advance by Hospital is less than two percent. For purposes of this standard, PPT tests shall be defined as the patient having received and EKG and blood work no more than six (6) months prior to the procedure and the results being received by the Hospital no later than noon two (2) business days before the patient's scheduled procedure. For the avoidance of doubt and for purposes of example, a procedure scheduled for a Thursday at the Center would be cancelled under this standard if the Hospital has not received the PPT results by noon of the previous Tuesday.
- 2) 3% percent of the Administrative Services Fees shall be paid by Hospital to Manager if a cumulative raw score of 92.5 or above is met on the Press Ganey aggregate patient satisfaction survey.
- 3) 3% percent of the Administrative Services Fee shall be paid by Hospital to Manager if percentage of on-time starts – as measured by electronic documentation – is greater than or equal to 95% of all cases over the course of the year..

Exhibit 11.16(b)
Service Area

Middlesex Service Area Towns:

Chester
Clinton
Colchester
Cromwell
Deep River
Durham
East Haddam (includes Moodus)
East Hampton
Essex (includes Center brook & Ivoryton)
Haddam (includes Higganum)
Killingworth
Madison

Marlborough
Middlefield
Middletown
Old Saybrook
Portland
Westbrook

Secondary Service Area:

Guilford
Lyme
Old Lyme
Rocky Hill

Exhibit 11.16(c)
Noncompetition Agreement

THIS NON-COMPETITION AGREEMENT ("Non-Competition Agreement") made and entered into as of the ___ day of _____, 20___, by and between Middlesex Hospital, Inc. ("Hospital") and Shoreline Ambulatory Management, LLC ("Manager").

1. Covenant Not-to-Compete.

(a) Covenant Not-to-Compete. As an inducement for the Hospital to enter into the Outpatient Surgery Center Co-Management Agreement (the "Co-Management Agreement"), dated as of even date herewith, Manager agrees that, except as otherwise provided in Section 1(b) below, for the term of the Co-Management Agreement and for two (2) years following any termination thereof (except as provided below), Manager shall not, within the towns comprising the primary and secondary service area of the Hospital, engage in, directly or indirectly (including through a family member), any of the following activities without Hospital's prior written consent in each instance: build, operate, develop, manage, invest in, control, finance, provide administrative services to, participate in the planning of, or provide consulting services to any practice, clinic, hospital, or other health care facility providing ambulatory surgery services. Manager shall remain free to provide professional medical services without restriction at any location. For purposes of this subsection, the term "consulting services" shall not include collegial advice to fellow physicians for which Manager receives no remuneration.

(b) Effect of Termination of Co-Management Services Agreement. This Non-Competition Agreement shall terminate automatically and be of no further force and effect as of the effective date that the Co-Management Agreement between Hospital and Manager is terminated by Manager due to Hospital's material breach, or upon termination of the Co-Management Agreement due to Hospital's election not to renew the Co-Management Agreement following the first eight (8) year term or any renewal term thereof, or Hospital's termination of the Co-Management Agreement without cause; provided, however, that if Manager (through either Physician Group of the Physician Managers) terminates the Agreement because of a material breach and Hospital disputes the claim of breach and invokes dispute resolution pursuant to Section 11.19, this Non-Competition Agreement shall remain in force at least until dispute resolution is concluded.

2. Reasonableness of Scope, Duration and Restricted Activities. The parties hereto agree that the covenants and agreements contained in Section 1 of this Non-Competition Agreement are, taken as a whole, reasonable in their geographic scope, duration and restricted activities and are necessary to protect and preserve the business of Hospital, and no party shall raise any issue of the reasonableness of the scope, duration or restricted activities of any such covenants in any proceeding to enforce any such covenants.

3. Enforceability. Manager agrees that Hospital may not be adequately compensated by damages for a breach by Manager of any of the covenants and agreements contained in this Agreement, and that Hospital shall, in addition to all other remedies, be entitled to injunctive relief and specific performance to restrain any breach or threatened breach or otherwise to specifically enforce the provisions of Section 1 of this Non-Competition Agreement.

4. Severability. Whenever possible, each provision of this Non-Competition Agreement shall be interpreted in such manner as to be effective and valid, but if any one or more of the provisions contained in this Non-Competition Agreement shall be invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provisions in every other respect and of the remaining provisions of this Non-Competition Agreement, or the application of such provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Non-Competition Agreement shall be valid and enforceable to the fullest extent permitted by law. The covenants and agreements contained in this Non-Competition Agreement shall be construed as separate covenants and agreements, and if any court shall finally determine that any restraint provided for in any such covenants and agreements is too broad as to the area, activity or time covered, that restraint shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

5. Separate Covenants. The covenants and agreements contained in this Non-Competition Agreement are intended by the parties to be separate and distinct covenants and are intended to be enforceable independent of any other covenants and agreements.

6. Miscellaneous.

- (a) Survival. This Non-Competition Agreement shall inure to the benefit of, and be binding upon, Manager, and Manager's legal representatives, heirs and assigns, and upon Hospital and its successors and assigns.
- (b) Waiver of Breach. The waiver by Hospital of a breach of any provision of this Agreement by Manager shall not operate or be construed as a waiver of any subsequent breach of the same or any other provision by Manager.
- (c) Entire Agreement. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and may not be amended orally, but only by an amendment in writing signed by the party against whom enforcement is sought.
- (d) Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Connecticut, without regard to the conflict of law principles thereof.

IN WITNESS WHEREOF, the parties have executed this Agreement under seal as of the day, month and year first above written.

Middlesex Health System, Inc.

By: _____
Name: Susan Martin
Title: Vice President, Finance

Shoreline Ambulatory Management,
LLC

By: _____
Name: Maurizio Nichele, M.D.
Title: President and Director

By: _____
Name: Jay Zimmerman, M.D.
Title: Vice President and Director

EXHIBIT 2

EXHIBIT 3

Middlesex Hospital

Policy:	Uncompensated Care Policy
Purpose:	To define Middlesex Hospital's policy regarding uncompensated care.

Overview

Middlesex Hospital has always maintained a commitment to provide health care services to all those in need regardless of their ability to pay for those services. Middlesex Hospital's payment policies are intended to insure its ongoing financial viability and, as such, it pursues all avenues available to obtain payments. Middlesex Hospital will make every reasonable effort to assist patients in making payment arrangements for services or in obtaining financial assistance to which they are entitled.

If a patient has the means to pay for services, has been adequately notified of his liability, and does not make payment or acceptable arrangements, Middlesex Hospital uses appropriate methods to pursue collection. These methods include using collection agencies and attorneys to recover balances due including interest, court costs, and attorney fees, where applicable.

If a patient indicates an inability to pay, free care, or care provided at reduced rates, is available providing specific low-income guidelines are met. The federal poverty-income guidelines and state statute are used to determine the level of uncompensated care. The federal government adjusts these guidelines for inflation annually in April.

Collection agencies and attorneys in following their normal collection process and federal poverty income guidelines may determine that certain patients do not have the means to pay for services qualifying them for free care. Middlesex Hospital also grants Charity Care to these patients.

Middlesex Hospital makes administrative decisions to grant Charity Care to patients with circumstances that preclude them from completing the application process, such as patient being homeless.

Free Bed Funds

Middlesex Hospital has Free Bed Funds that are used to provide free care for patients. These funds are trusts or endowments established by various individuals and companies. Middlesex Hospital uses the annual income (if any) generated from the investment of these funds to provide free care to patients who have no other means of payment. Signs are posted in conspicuous public places within the hospital, including but not limited to admission and registration offices, emergency rooms, social services offices and patient accounts or billing offices, in English and Spanish, to notify patients of the availability of these Free Bed Funds. The signs and individual notices inform the patient of the existence of Middlesex Hospital Free Bed Funds and Middlesex Hospital's program to administer them and the person to contact for application information.

Each of these Funds has restrictions that govern its use. For example, the Fund may be restricted to patients who are residents of specific towns and members of the families or employees of the companies who established the Fund. In some instances, eligibility determinations are not made by Middlesex Hospital, but by town selectmen or church clergy chosen by the individuals or companies who established the Fund.

Although these Funds are not restricted by specific income guidelines, the subjective terminology (i.e. poor, needy, etc.) describes the financial status of the patients eligible for these Funds. Middlesex Hospital has decided that in the absence of specific income guidelines, priority will be given to persons meeting the federal poverty-income guidelines. Applicants will be screened for financial eligibility first and then a Fund will be selected based on compliance with the other restrictions. If the patient is eligible for financial assistance and there are no Funds with available money or applicable for the patient, Middlesex Hospital will use Charity Care.

Middlesex Hospital will use a sliding scale based on multiples of the Poverty Income Guidelines to determine the percent of assistance for which the patient is eligible. Accounts will be adjusted using the appropriate transaction code assigned to each fund to reduce the balance to the amount due from the patient. If there is a difference between the money available from the Free Bed Funds and the amount of assistance for which the patient is eligible, the difference will be considered Charity Care. The patients will be billed only for the remaining account balance not eligible for Free Bed Funds and/or Charity Care.

Charity Care

Patients will continue to be provided Charity Care in the event that Free Bed Funds monies are not available or not applicable to the patient. The same sliding scale using multiples of the Poverty Income Guidelines will be used for the Charity Care eligibility determination. The determination may be made prior to the patient receiving service or after the service has been rendered, but prior to classification of the uncollected amount as a bad debt. Notice of Free Bed Funds and Charity Care availability is also provided patients in bad debt collection by the collection agency. Patients in bad debt collection who indicate an inability to pay are returned to Middlesex Hospital for an eligibility determination. The patient must provide proof of income as per application instructions and Middlesex Hospital will validate that there are no other sources of payment. The sliding scale will be limited to the balances due from patients. The amount of the Charity Care will be written off as a Charity Care allowance. These adjustments will be recorded in order to document the Charity Care provided to Middlesex Hospital's patients. Patients are responsible for paying any balance remaining after the Charity Care allowance has been applied.

In some cases, a patient may have substantial assets despite falling within the income range set out in the sliding scale to make the patient potentially eligible for Free Bed Funds or Charity Care. Therefore, before determining eligibility, the patient's assets and other relevant factors are considered. However, under no circumstances will Middlesex Hospital collect from the patient more than the "cost" of providing services in the event the patient is determined to have income at or below 250% of the poverty income guidelines and otherwise meets the definition of "Uninsured Patient" set out in P.A.03-266.

Record Keeping

Middlesex Hospital will maintain records of all Financial Assistance applications, approvals, and transactions, including those for Free Bed Funds, pursuant to state statute.

03/11/1991 EAW

Revised: 06/01/2000; 10/10/2003; 04/05/2004; 04/01/2009

**MIDDLESEX HOSPITAL
ELIGIBILITY CRITERIA FOR FINANCIAL ASSISTANCE**

EFFECTIVE DATE: June 1, 2012

PERCENT DISCOUNT ELIGIBLE FOR:
PERCENT POVERTY INCOME GUIDELINE:

	100% 100%	100% 200%	95% 225%	85% 250%	75% 275%	60% 500%
	POVERTY LEVEL AT OR BELOW:	GROSS ANNUAL INCOME LESS THAN OR EQUAL TO:				
SIZE OF HOUSEHOLD - 1 ADJUSTED GROSS INCOME	\$11,170	\$22,340	\$25,133	\$27,925	\$30,718	\$55,850
SIZE OF HOUSEHOLD - 2 ADJUSTED GROSS INCOME	\$15,130	\$30,260	\$34,043	\$37,825	\$41,608	\$75,650
SIZE OF HOUSEHOLD - 3 ADJUSTED GROSS INCOME	\$19,080	\$38,160	\$42,853	\$47,725	\$52,498	\$95,450
SIZE OF HOUSEHOLD - 4 ADJUSTED GROSS INCOME	\$23,050	\$46,100	\$51,863	\$57,625	\$63,388	\$115,250
SIZE OF HOUSEHOLD - 5 ADJUSTED GROSS INCOME	\$27,010	\$54,020	\$60,773	\$67,525	\$74,278	\$135,050
SIZE OF HOUSEHOLD - 6 ADJUSTED GROSS INCOME	\$30,970	\$61,940	\$69,683	\$77,425	\$86,168	\$154,850
SIZE OF HOUSEHOLD - 7 ADJUSTED GROSS INCOME	\$34,930	\$69,860	\$78,593	\$87,325	\$96,058	\$174,650
SIZE OF HOUSEHOLD - 8 ADJUSTED GROSS INCOME	\$38,890	\$77,780	\$87,503	\$97,225	\$106,948	\$194,450
FOR FAMILY UNITS OF MORE THAN 8 MEMBERS, ADD TO ADJUSTED GROSS INCOME FOR EACH ADDITIONAL MEMBER:	\$3,960	\$7,920	\$8,910	\$9,900	\$10,890	\$19,800

ADJUSTED GROSS INCOME IS DEFINED AS WAGES, SALARIES, TIPS, ALIMONY RECEIVED, ETC. PLUS INTEREST AND OTHER INVESTMENT INCOME LESS ALIMONY PAID AS DEFINED BY IRS REGULATIONS. PERSONS WITH SCHEDULE A ITEMIZED DEDUCTIONS MAY BE GIVEN SPECIAL CONSIDERATION IF THEY PROVIDE A COPY OF THEIR MOST RECENT FEDERAL INCOME TAX RETURN. DISCOUNTS AND ADJUSTED GROSS INCOME LEVELS ARE SUBJECT TO CHANGE WITH CHANGES IN THE POVERTY INCOME GUIDELINES. FEDERAL TAX LAWS AND AT THE DISCRETION OF THE MIDDLESEX HOSPITAL.

05/21/2012

EXHIBIT 4



Lisa Davis
Deputy Commissioner
Department of Health
410 Capitol Avenue
Hartford, CT.

Re: DN 12-31786-CON

Dear Deputy Commissioner Davis:

I am a physician with Middlesex Hospital Primary Care, Inc., a wholly owned affiliate of Middlesex Hospital. I am writing this letter to explain why approval of Middlesex Hospital's application to acquire the Shoreline Colonoscopy Center is important to our efforts to service the Medicaid and uninsured population of the shoreline area.

Our group includes twelve primary care physicians in the shoreline area. We accept all shoreline area patients without regard to their ability to pay. We accept Medicaid. We serve the uninsured. However, our group is limited by the fact that we are purely primary care physicians. Therefore, we depend upon the hospital to find specialists to serve our medicaid/uninsured population. The type of preventative procedures which are available at the Shoreline Colonoscopy Center are very important to our mission to improve prevention of illness among all our patients. But because the Shoreline Colonoscopy Center does not currently accept Medicaid, we must send these patients to Middletown, and many of our medicaid patients elect not to undergo recommended procedures. We believe that opening Shoreline Colonoscopy to Medicaid and uninsured will greatly increase the number of our Medicaid and uninsured patients who will accept needed preventative treatment of the type provided at Shoreline Colonoscopy.

Sincerely,

A handwritten signature in black ink, appearing to read 'Timothy Tobin'.

Timothy Tobin, M.D.

28 Crescent Street
Middletown, Connecticut 06457-3650

tel 860 344-6000
fax 860 344-6654
www.middlesexhealth.org



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

May 29, 2013

IN THE MATTER OF:

Reconsideration of the Final Decision
Rendered in Docket Number: 12-31786-CON
on May 8, 2013, by

Notice of Reconsideration Decision
Office of Health Care Access
Docket Number: 12-31786-RCN

**Middlesex Hospital & Advanced Colon Care,
Inc. d/b/a Shoreline Colonoscopy Suites, LLC**

**Reconsideration of Final Decision to Transfer
Ownership of Certain Assets of Advanced Colon
Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC,
to Middlesex Hospital**

To: Paul E. Knag, Esquire
Murtha Cullina LLP
177 Broad Street
Stamford, CT 06901

Dear Attorney Knag:

This letter will serve as notice of the Response to Petition of Middlesex Hospital and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC (together the "Applicants") to the Office of Health Care Access for reconsideration of the above matter, as provided by Section 4-181b, C.G.S. On May 29, 2013, the response to petition of the Applicants was rendered. A copy of the response to the petition of the Applicants is attached hereto for your information.



Kimberly R. Martone
Director of Operations

Enclosure
KRM:jah



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

IN RE: Middlesex Hospital and Advanced Colon Care, Inc.
d/b/a Shoreline Colonoscopy Suites, LLC

DOCKET NUMBER: 12-31786-RCN

RESPONSE TO REQUEST FOR RECONSIDERATION

On May 8, 2013, the Office of Health Care Access ("OHCA") denied the Certificate of Need ("CON") application of Middlesex Hospital and Advanced Colon Care, Inc. ("Applicants") under Docket Number: 12-31786-CON for the transfer of the assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC, to Middlesex Hospital. On May 23, 2013, the Applicants filed a Request for Reconsideration of the decision.

After careful consideration, OHCA has decided to reconsider its final decision rendered on May 8, 2013, under Docket Number: 12-31786-CON based upon the submission of new evidence which was not available prior to the Application being deemed complete.

5/29/13
Date

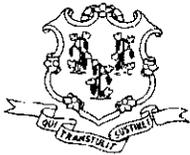
Lisa A. Davis
Lisa A. Davis, MBA, BSN, RN
Deputy Commissioner

LAD:kh

*** TX REPORT ***

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STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
OFFICE OF HEALTH CARE ACCESS

FAX SHEET

TO: PAUL E. KNAG, ESQUIRE

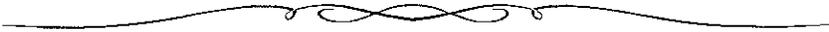
FAX: (860) 240-5711

AGENCY: MURTHA CULLINA LLP

FROM: OHCA

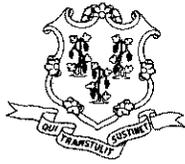
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NUMBER OF PAGES: 3
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Comments: Dn: 12-31786-RCN Request for Reconsideration

PLEASE PHONE IF THERE ARE ANY TRANSMISSION PROBLEMS.



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

June 12, 2013

FACSIMILE TRANSMISSION ONLY

Paul E. Knag, Esq.
Murtha Cullina LLP
177 Broad Street
Stamford, CT 06901

Stephen M. Cowherd, Esq.
Jeffers Cowherd P.C.
55 Walls Drive
Fairfield, CT 06824

RE: Request for Reconsideration; Docket Number: 12-31786-RCN
Middlesex Hospital & Advanced Colon Care, Inc.
Proposal to Transfer Ownership of Certain of the Assets of Advanced Colon Care, Inc. d/b/a
Shoreline Colonoscopy Suites, LLC, to Middlesex Hospital
Request for Additional Information

Dear Attorney Knag and Attorney Cowherd:

On May 23, 2013, the Office of Health Care Access ("OHCA") received your Request for Reconsideration concerning the Final Decision rendered in the above-referenced matter.

OHCA requests the following additional information prior to rendering a decision in this matter.

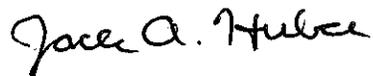
1. Provide the assumptions used to calculate the increase in Medicaid (6.93%) as represented in the payor mix provided in Exhibit 2 of the Request for Reconsideration.
2. Provide the assumptions used to calculate the increase in endoscopy case volume as represented in Exhibit 2 of the Request for Reconsideration.

In responding to the questions contained in this letter, please repeat each question before providing your response. **Paginate and date** your response (e.g., each page in its entirety). Information filed after the initial CON application submission (e.g., completeness response letter, prefile testimony, late file submissions and the like) must be numbered sequentially from the Hospital's document preceding it. Please reference "Docket Number: 12-31786-RCN." Submit one (1) original and four (4) hard copies of your response. In addition, please submit a scanned copy of your response including all attachments on CD in an Adobe format (.pdf) and in an MS Word format.

An Equal Opportunity Employer
410 Capitol Ave., MS#13HCA, P.O.Box 340308, Hartford, CT 06134-0308
Telephone: (860) 418-7001 Toll-Free: 1-800-797-9688
Fax: (860) 418-7053

If you have any questions concerning this letter, please feel free to contact me at (860) 418-7069.

Sincerely,

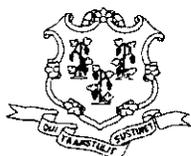
A handwritten signature in black ink that reads "Jack A. Huber". The signature is written in a cursive style with a large initial "J".

Jack A. Huber
OHCA Health Care Analyst

*** TX REPORT ***

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STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
OFFICE OF HEALTH CARE ACCESS

FAX SHEET

TO: PAUL KNAG
FAX: 860-240-5711
AGENCY: MURTHA CULLINA
FROM: JACK HUBER
DATE: 6/10/2013 Time: ~12:30 pm
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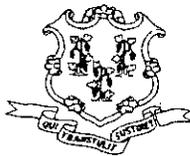
Comments: Transmitted:
Letter Requesting Additional Information Regarding a Request for
Reconsideration concerning a Proposal to Transfer Assets from
Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to
Middlesex Hospital; DN: 12-31786-RCN

**PLEASE PHONE Jack A. Huber at (860) 418-7069
IF THERE ARE ANY TRANSMISSION PROBLEMS.**

*** TX REPORT ***

TRANSMISSION OK

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STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
OFFICE OF HEALTH CARE ACCESS

FAX SHEET

TO: STEPHEN M. COWHERD
FAX: (203) 259-1070
AGENCY: JEFFERS COWHERD, PC
FROM: JACK HUBER
DATE: 6/10/2013 Time: 12:30 pm
NUMBER OF PAGES: 3
(including transmittal sheet)

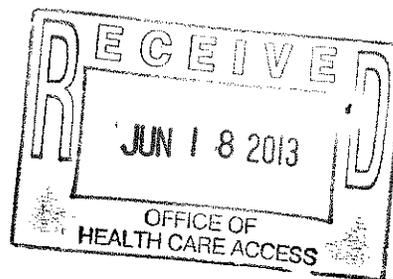
Comments: Transmitted:
Letter Requesting Additional Information Regarding a Request for
Reconsideration concerning a Proposal to Transfer Assets from
Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to
Middlesex Hospital; DN: 12-31786-RCN

**PLEASE PHONE Jack A. Huber at (860) 418-7069
IF THERE ARE ANY TRANSMISSION PROBLEMS.**

ADMINISTRATION

June 17, 2013

Ms. Kimberly Martone
Director of Operations
State of Connecticut
Office of Health Care Access
410 Capitol Avenue, MS#13HCA
Hartford, CT 06134



Re: Request for Reconsideration; Docket Number: 12-31786-RCN, Middlesex Hospital & Advanced Colon Care, Inc.

Proposal to Transfer of Ownership of Certain of the Assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital

Dear Ms. Martone:

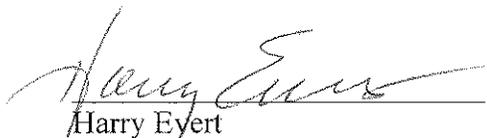
In response to the letter from OHCA dated June 12, 2012, in which OHCA requested additional information prior to rendering a decision in the above-referenced matter; I am pleased to provide Middlesex Hospital and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites' responses to the questions issued by OHCA.

The original and four copies of the responses to the questions are enclosed for Docket Number: 12-31786-RCN, Transfer of Ownership of Certain of the Assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC to Middlesex Hospital. As requested, also enclosed on a CD is a scanned copy of the application response questions and documents in Adobe format (.pdf) and MS format.

Thank you very much for your re-consideration of the Certificate of Need application.

Please call me if you have any questions or concerns.

Very truly yours,



Harry Eyert
Senior Vice President, Strategic Planning and Operations

28 Crescent Street
Middletown, Connecticut 06457-3650

tel 860 344-6000
fax 860 346-5485

1. Provide the assumptions used to calculate the increase in Medicaid (6.93%) as represented in the payer mix provided in Exhibit 2 of the Request for Reconsideration.

Utilizing Fiscal Year 2012 CHIME data, we selected ICD-9 procedure codes applicable to the main procedures performed at Shoreline Colonoscopy Suites, LLC (“Shoreline”). Those ICD-9 procedure codes are as follows:

ICD 9 Code	Description
45.13	Upper GI
45.16	Upper GI w/Biopsy
45.23	Colonoscopy
45.25	Colonoscopy w/biopsy
45.42	Polypectomy

The volume for the above ICD-9 procedure codes were further culled down to the following shoreline towns: Chester, Clinton, Deep River, Essex, Madison, Old Saybrook, Westbrook. These towns were selected based upon Shoreline being located in Old Saybrook. Additionally, there are Middlesex Hospital Primary Care (“MHPC”) offices in Chester, Essex, Madison, Old Saybrook and Westbrook. Physicians at those offices have expressed a need for Shoreline’s services for their Medicaid and self-pay patients.

After isolating the total volume for those aforementioned towns for the ICD-9 codes above, we then determined the applicable payer mix. The payer mix for the above ICD-9 codes for the selected shoreline towns is:

Financial Class	% Total
BLUE CROSS	25.51%
CHAMPUS/TRICARE	0.42%
COMMERCIAL INSUR	8.74%
HMO	13.52%
MEDICAID	6.93%
MEDICARE	30.56%
MEDICARE ADVANTAGE	7.09%
NO CHARGE	0.14%
OTHER	1.09%
PPO	4.24%
SELF-PAY	1.76%
Grand Total	100.00%

Our overall approach to projections in our submissions is to be conservative. Since this transaction will result in increased access for Medicaid patients, it is possible that the Medicaid share of the patient mix

might be greater than projected. As we have noted, we believe that many Medicaid patients who should have this procedure elect not to receive it based on the lack of access.

2. Provide the assumptions used to calculate the increase in endoscopy case volume as represented in Exhibit 2 of the Request for Reconsideration.

The assumptions used to calculate the increase in endoscopy case volume as represented in Exhibit 2 of the Request for Reconsideration are as follows.

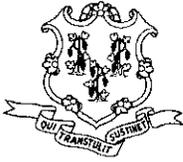
Using Fiscal Year 2012 CHIME data, we took the percentage of Medicaid and self-pay volume of hospital based colonoscopies (regardless of where they were done) in Shoreline's primary service area towns and applied that percentage to the total volume projected in the CON. We then added that volume to the previously projected volume, therefore showing an increase in volume as compared to what was previously projected. The Medicaid and self-pay volume was added to the previous projection because the original CON had volume projections without Medicaid and self-pay volume and the new projections would be an addition to the previous volume projections.

The previously reported number of cases was kept intact by payer; and 6.93% Medicaid and 1.76% self-pay cases were added to the originally projected incremental volume.

As demonstrated in the Request for Reconsideration and specifically Exhibit 4 [letter from Dr. Tobin] therein, many of the additional cases we expect would represent new access for patients that would otherwise be unlikely to receive preventative colonoscopy care due to geographic barriers and other reasons connected with the present lack of local providers that accept Medicaid or provide charity care..

In addition, the revenue from self-pay volume is significantly less than other payers based upon the fact that most self-pays will end up as charity care and/or bad debt.

From the self-pay gross revenue of \$119,000, we expect \$28,000 to be bad debt and \$85,000 will be charity care. \$6,000 is recognized in the schedule as net revenue; a percentage that is consistent with our historical reimbursement for self-pay patients.



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

July 9, 2013

IN THE MATTER OF:

An Application for a Certificate of Need filed
Pursuant to Section 19a-638, C.G.S. by:

Notice of Agreed Settlement
Office of Health Care Access
Docket Number: 12-31786-CON

Middlesex Hospital & Advanced Colon Care,
Inc. d/b/a Shoreline Colonoscopy Suites, LLC

Transfer of Ownership of the Assets of Advanced
Colon Care, Inc. d/b/a Shoreline Colonoscopy
Suites, LLC, to Middlesex Hospital

To:

Harry Evert
Sr. Vice President
Strategic Planning and Operations
Middlesex Hospital
28 Crescent Street
Middletown, CT 06457-3650

Maurizio D. Nichele, M.D.
President
Advanced Colon Care, Inc. d/b/a
Shoreline Colonoscopy Suites, LLC
929 Boston Post Road, Suite 1
Old Saybrook, CT 06475-2143

Dear Mr. Evert and Dr. Nichele:

This letter will serve as notice of the approved Certificate of Need in the above matter, as provided by Section 19a-638, C.G.S. On July 9, 2013, the Agreed Settlement, attached hereto, was adopted and issued as an Order of the Department of Public Health, Office of Health Care Access.

Kimberly R. Martone
Director of Operations

Enclosure
KRM:jah

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(If you require aid/accommodation to participate fully and fairly, contact us either by phone, fax or email)

410 Capitol Ave., MS#13HCA, P.O.Box 340308, Hartford, CT 06134-0308
Telephone: (860) 418-7001 Fax: (860) 418-7053 Email: OHCA@ct.gov



**Department of Public Health
Office of Health Care Access
Certificate of Need Application**

Agreed Settlement

Applicants: Middlesex Hospital
28 Crescent Street, Middletown, CT

Advanced Colon Care, Inc. d/b/a
Shoreline Colonoscopy Suites, LLC
929 Boston Post Road, Old Saybrook, CT

Docket Number: 12-31786-CON

Project Title: Transfer of Ownership of the Assets of
Advanced Colon Care, Inc., d/b/a
Shoreline Colonoscopy Suites, LLC,
to Middlesex Hospital

Project Description: Middlesex Hospital and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC (“Shoreline”) (Middlesex Hospital and Shoreline are hereinafter collectively referred to as the “Applicants”) are seeking Certificate of Need authorization for the transfer of ownership of the assets of Shoreline to Middlesex Hospital. The total capital expenditure associated with the proposed asset purchase is \$1,875,000.

Procedural History: The Applicants published notice of their intent to file the Certificate of Need application in the *New Haven Register* and the *Hartford Courant* on August 15, 16 and 17, 2012. On September 24, 2012, the Office of Health Care Access received the Certificate of Need application from the Applicants for the above-referenced project. On December 5, 2012, the Office of Health Care Access deemed the Certificate of Need application complete.

The Office of Health Care Access received no responses from the public concerning the Applicants' proposal and no hearing requests were received from the public pursuant to Connecticut General Statutes ("Conn. Gen. Stat.") § 19a-639a. Deputy Commissioner Lisa A. Davis read the entire record in this matter and issued a Final Decision on May 8, 2013 denying the Application.

On May 23, 2013, the Applicants filed a Request for Reconsideration, pursuant to Conn. Gen. Stat. § 4-181a, claiming the existence of new evidence which materially affected the merits of the case. On or about May 29, 2012, OHCA granted the Applicants' Request for Reconsideration.

FINDINGS OF FACT

1. Middlesex Hospital, a wholly owned subsidiary of Middlesex Health System, Inc., is a not-for-profit, acute care hospital located at 28 Crescent Street in Middletown, Connecticut. Exhibit A, pp. 11, 19, 43 & 46.
2. Shoreline currently operates a licensed outpatient surgical center ("Shoreline Center") located at 929 Boston Post Road, Suite 1, in Old Saybrook, Connecticut. Exhibit A, p. 8.
3. Middlesex Hospital and Shoreline are health care facilities or institutions as defined by Conn. Gen. Stat. §19a-630.
4. The Shoreline Center is a freestanding, one operating room endoscopy center providing gastroenterology and colorectal services to residents of the shoreline area. Exhibit A, p. 8; Shoreline's Report in response to OHCA's Outpatient Surgery Questionnaire for Calendar Year 2010, information received by OHCA on July 20, 2011.
5. Shoreline is currently owned by Maurizio Nichele, M.D., who possesses a 51% ownership share, and Jay Zimmerman, M.D., who possesses a 49% ownership share. Both Shoreline physicians are affiliated with Middlesex Hospital. Exhibit A, pp. 8 & 10.
6. The Applicants are seeking Certificate of Need authorization for the transfer of ownership of the assets of Shoreline to Middlesex Hospital. Exhibit A, p. 8.
7. Middlesex Hospital serves Middlesex County and the shoreline area of Connecticut through a network of community-based outpatient, primary care and emergency care facilities located throughout its service area. Exhibit A, p. 8.
8. The Shoreline Center is located within Middlesex Hospital's primary service area. Exhibit A, p. 9.
9. The proposed transfer of ownership would give Middlesex Hospital sole ownership of the assets of Shoreline after which the Shoreline Center will operate as an outpatient department of Middlesex Hospital. Exhibit A, p. 8.

10. The scope of services currently provided at the Shoreline Center will not change as a result of the proposed asset purchase. Exhibit A, p. 8.
11. Middlesex Hospital plans to enter into a co-management agreement with Dr. Nichele and Dr. Zimmerman to co-manage the Shoreline Center as well as have the doctors continue to provide professional services to the patients at the Shoreline Center. Exhibit A, pp. 8, 11 & 21.
12. Under the Co-Management Agreement, the Shoreline physicians are required to accept Medicaid and provide a reasonable amount of free care. Specifically, they are required to: 1) be participating providers with all health insurers and third party payment plans (including Medicare and Medicaid) with which the hospital contracts, unless such payors are unwilling to contract on commercially reasonable terms; and 2) provide reasonable amounts of charity care to patients of the Shoreline Center. Request for Reconsideration, p. 2 and Exhibit 1 contained therein.
13. Middlesex Hospital accepts all patients without regard to ability to pay, including Medicaid patients and the uninsured, and it provides charity care for those uninsured individuals who meet its guidelines. This policy will apply to patients of the Shoreline Center. This proposal will allow both Medicaid patients and the uninsured to be treated at the Shoreline Center, increasing local access for this population. Request for Reconsideration, p. 4.
14. There are twelve Middlesex Hospital Primary Care physicians in the shoreline area (Old Saybrook, Westbrook, Essex and Madison) who together perform over 3,100 Medicaid visits per year. These physicians cannot currently refer their Medicaid patients to the Shoreline Center because it does not currently accept payment from Medicaid. Instead, these patients have to travel to Middlesex Hospital or another hospital to receive a colonoscopy. This proposal will provide a local center to which those physicians can refer all of their patients. Request for Reconsideration, p. 4.
15. The Co-Management Agreement will allow and require the Shoreline physicians to facilitate the development and operation of the Shoreline Center as a high quality, efficient, cost-effective hospital-based facility and center of excellence without having to spend time on administrative matters that do not require a clinical background. Request for Reconsideration, p. 6.
16. The proposed transfer of ownership will better enable the Shoreline physicians to focus on the professional services they provide to the Shoreline Center's patients, while at the same time allowing the Shoreline Center's patients to continue to receive endoscopy services locally under the auspices of Middlesex Hospital. Exhibit A, pp. 8 & 9.
17. The Co-Management Agreement requires the Shoreline physicians to assist Middlesex Hospital with obtaining and maintaining appropriate regulatory

approvals and accreditation, and to participate in and make recommendations concerning policies regarding pathways and quality standards. Request for Reconsideration, p. 7.

18. Under the Co-Management Agreement, the Shoreline physicians are required to work with Middlesex Hospital to increase productivity at the Shoreline Center by: evaluating and recommending the restructuring of delivery of care processes with the Shoreline Center; evaluating job descriptions and recommending the realignment of responsibilities within the Shoreline center; and establishing and monitoring productivity standards within the Shoreline Center. Request for Reconsideration, Exhibit 1 contained therein.
19. The acquisition of Shoreline's assets will allow Middlesex Hospital to accomplish the following:
 - a. To integrate the Shoreline Center's community-based clinical services into Middlesex Health System's existing network of outpatient service sites to continue meeting the needs of area communities in the future;
 - b. To ensure effective and efficient care coordination for these patients receiving care within the Middlesex Health System; and
 - c. To provide long term sustainability of the outpatient services provided at the Shoreline Center. Exhibit A, pp. 8 & 9; Exhibit E, p. 105.
20. The number of endoscopy procedures performed at the Shoreline Center for fiscal years ("FYs") 2007 through 2012 are as follows:

Table 1: Actual Shoreline Center Volume

Fiscal Year*	Number of Endoscopy Procedures
FY 2007	567
FY 2008	1,014
FY 2009	990
FY 2010	976
FY 2011	1,045
FY 2012	1,126**

Note: *The Shoreline Center's fiscal year operates on a calendar year basis.

**The annualized number of procedures for FY 2012 is based upon nine months of actual data, from January 1 to September 30, 2012.

Exhibit C, p. 49; Exhibit E, 111.

21. Middlesex Hospital projects the following number of endoscopy procedures annually without the proposal, incremental to the proposal and with the proposal.

Table 2: Projected Volume Without, Incremental to and With the Proposal

Fiscal Year	Without the Proposal	Incremental with the Proposal	With the Proposal
FY 2013	1,896	797	2,693
FY 2014	1,915	1,062	2,977
FY 2015	1,934	1,062	2,996

Exhibit A, pp. 15 and 99. Request for Reconsideration, Exhibit 2 contained therein.

22. The Shoreline Center is accredited through the American Association for Accreditation of Ambulatory Surgery Facilities, Inc. Exhibit A, p. 8.
23. The capital expenditure for the proposal is \$1,875,000, representing the asset purchase price for the Shoreline Center. Exhibit A, p. 13.
24. Middlesex Hospital intends to use equity to fund the asset purchase. Exhibit A, p. 13.
25. Shoreline reported the following gains from operations for FYs 2007 through 2011:

Table 3: Actual Gains in Operations from Fiscal Years 2007 through 2011

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues from Operations	\$402,523	\$549,582	\$561,551	\$534,108	\$621,130
Total Operation Expense	\$362,678	\$538,479	\$530,112	\$528,860	\$601,842
Incremental Gain from Operations	\$39,845	\$11,352	\$31,439	\$5,248	\$19,288

Exhibit E, p. 111.

26. Middlesex Hospital projects the following incremental gains from operations with the proposed project:

Table 4: Projected Incremental Revenues and Expenditures with the Project

Net Patient Revenue	FY 2013*	FY 2014	FY 2015
Non-Government	\$1,989,828	\$2,679,575	\$2,706,312
Medicare	\$141,230	\$190,189	\$192,091
Medicaid & Other Medical Assistance	\$70,989	\$94,652	\$95,599
Other Government	\$0	\$0	\$0
Revenues from Operations	\$2,202,047	\$2,964,416	\$2,994,002
Total Operation Expense	\$793,582	\$832,884	\$849,544
Incremental Gain from Operations**	\$1,408,195	\$2,131,532	\$2,144,457

Note:*FY 2013 reflects commencement of the Center's service at the beginning of the Hospital's second quarter (i.e. 9-months of operation in year 1) and FYs 2014 and 2015 each reflects a full year or 12-month projected impact.

**Increasing revenue for the Shoreline Center in each of the future fiscal years, FYs 2013 through 2015, is attributable to increasing utilization volume when the operation becomes a Hospital outpatient center.

Exhibit C, p. 99.

Request for Reconsideration, Exhibit 2 contained therein.

27. The actual payer mix for the Shoreline Center consists exclusively of Medicare and commercial insurers as is illustrated in the following table.

Table 5: Actual Payer Mix for the Shoreline Center

	Actual FY 2009	Actual FY 2010	Actual FY 2011	Actual FY 2012
Medicare*	22.1%	17.8%	21.3%	21.3%
Medicaid*	-	-	-	-
CHAMPUS & TriCare	-	-	-	-
Total Government	22.1%	17.8%	21.3%	21.3%
Commercial Insurers*	77.9%	82.2%	78.7%	78.7%
Uninsured	-	-	-	-

Workers Compensation	-	-	-	-
Total Non-Government	77.9%	82.2%	78.7%	78.7%
Total Payer Mix	100.0%	100.0%	100.0%	100.0%

Note: * Includes managed care activity.
 Exhibit C, p. 48.

28. Middlesex Hospital's overall projected payer mix with the inclusion of the Shoreline operations is as follows:

Table 6: Projected Payer Mix for the Shoreline Center

	Projected FY 2013	Projected FY 2014	Projected FY 2015
Medicare	19.49%	19.49%	19.49%
Medicaid*	6.93%	6.93%	6.93%
CHAMPUS & TriCare			
Total Government	26.42%	26.42%	26.42%
Commercial Insurers*	71.82%	71.82%	71.82%
Uninsured	1.76%	1.76%	1.76%
Workers Compensation			
Total Non-Government	73.58%	73.58%	73.58%
Total Payer Mix	100.0%	100.0%	100.0%

Request for Reconsideration, Exhibit 2 contained therein.

* Percentage based upon anticipated service to Medicaid and self-pay patients from Chester, Clinton, Deep River, Essex, Madison, Old Saybrook and Westbrook based using ICD 9 codes 45.13; 45.16; 45.23; 45.25; and 45.42.

29. OHCA is currently in the process of establishing its policies and standards as regulations. Therefore, OHCA has not made any findings as to this proposal's relationship to any policies and standards not yet adopted as regulations by OHCA. (Conn. Gen. Stat. § 19a-639(a)(1)).
30. OHCA recently published a statewide facilities and services plan. Since the plan was not in circulation more than ninety days at the time the CON application was deemed complete, OHCA has not made any findings as to this proposal's relationship to the plan. (Conn. Gen. Stat. § 19a-639(a)(2)).
31. The Applicants have established that there is a clear public need for this proposal given the new access for the Medicaid population. (Conn. Gen. Stat. § 19a-639(a)(3)).
32. The Applicants have satisfactorily demonstrated that this proposal is financially feasible. (Conn. Gen. Stat. § 19a-639(a)(4)).
33. The Applicants have satisfactorily demonstrated that their proposal would improve the accessibility, quality and cost effectiveness of health care delivery in the region. (Conn. Gen. Stat. § 19a-639(a)(5)).

34. The Applicants have shown that there would be a change to the provision of health care services to the relevant populations and payer mix given the new access for the Medicaid population. (Conn. Gen. Stat. § 19a-639(a)(6)).
35. The Applicants have satisfactorily identified the population to be served by their proposal, and have satisfactorily demonstrated that this population currently has a need as proposed. (Conn. Gen. Stat. § 19a-639(a)(7)).
36. The historical utilization in the service area supports this proposal. (Conn. Gen. Stat. § 19a-639(a)(8)).
37. The Applicants have satisfactorily demonstrated that their proposal would not result in an unnecessary duplication of existing services in the area. (Conn. Gen. Stat. § 19a-639(a)(9)).

DISCUSSION

Certificate of Need applications are decided on a case by case basis and do not lend themselves to general applicability due to the uniqueness of the facts in each case. In rendering its decision, the Office of Health Care Access considers the factors set forth in Conn. Gen. Stat. § 19a-639(a). The Applicants bear the burden of proof in this matter by a preponderance of the evidence. *Goldstar Medical Services, Inc., et al. v. Department of Social Services*, 288 Conn. 790 (2008).

The Applicants are seeking Certificate of Need authorization for the transfer of ownership of the assets of Shoreline to Middlesex Hospital with the continued operation of the endoscopy center as an outpatient department of Middlesex Hospital at its current Old Saybrook location. *FF 1, 2, 6, 7*. The scope of services currently provided at the Shoreline Center's single operating room will not change as a result of the proposed transfer of ownership. *FF 4, 8*. Shoreline is currently owned by Maurizio Nichele, M.D., who possesses a 51% ownership share, and Jay Zimmerman, M.D., who possesses a 49% ownership share. *FF 5*. Middlesex Hospital plans to enter into a Co-Management Agreement with Drs. Nichele and Zimmerman to co-manage the Shoreline Center whereby Drs. Nichele and Zimmerman will continue to provide professional services to the patients receiving endoscopy services at the Shoreline Center. *FF 11*. Under the Co-Management Agreement, the Shoreline physicians are required to accept Medicaid and provide a reasonable amount of free care. Specifically, they are required to: 1) be participating providers with all health insurers and third party payment plans (including Medicare and Medicaid) with which the hospital contracts, unless such payors are unwilling to contract on commercially reasonable terms; and 2) provide reasonable amounts of charity care to patients of the Shoreline Center. *FF 12*. Middlesex Hospital accepts all patients without regard to ability to pay, including Medicaid patients and the uninsured, and it provides charity care for those uninsured individuals who meet its guidelines. This policy will apply to patients of the Shoreline Center. This proposal will allow both Medicaid patients and the uninsured to be treated at the Shoreline Center, increasing local access for this population. *FF 13*.

There are twelve Middlesex Hospital Primary Care physicians in the shoreline area (Old Saybrook, Westbrook, Essex and Madison) who together perform over 3,100 Medicaid visits per year. These physicians cannot currently refer their Medicaid patients to the Shoreline Center because it does not currently accept payment from Medicaid. Instead, these patients have to travel to Middlesex Hospital or another hospital to receive a colonoscopy. This proposal will provide a local center to which those physicians can refer all of their patients. *FF 14*.

The proposed transfer of ownership will better enable the Shoreline physicians to focus on the professional services they provide to the Shoreline Center's patients, while at the same time allowing the Shoreline Center's patients to continue to receive endoscopy services locally under the auspices of Middlesex Hospital. *FF 16*.

The Co-Management Agreement will allow and require the Shoreline physicians to facilitate the development and operation of the Shoreline Center as a high quality,

efficient, cost-effective hospital-based facility and center of excellence without having to spend time on administrative matters that do not require a clinical background. *FF 15*. To effectuate this, the Co-Management Agreement requires the Shoreline physicians to assist Middlesex Hospital with obtaining and maintaining appropriate regulatory approvals and accreditation, and to participate in and make recommendations concerning policies regarding pathways and quality standards. *FF 17*. Furthermore, under the Co-Management Agreement, the Shoreline physicians are required to work with Middlesex Hospital to increase productivity at the Shoreline Center by: evaluating and recommending the restructuring of delivery of care processes with the Shoreline Center; evaluating job descriptions and recommending the realignment of responsibilities within the Shoreline Center; and establishing and monitoring productivity standards within the Shoreline Center. *FF 18*.

The Applicants' proposal will allow the Shoreline physicians to concentrate their efforts on serving the Shoreline Center's patient population; ensure effective and efficient care coordination for the patients receiving care within the Middlesex Health System; and provide sustainability of the outpatient services provided at the Shoreline Center. *FF 19*. Moreover, since the Shoreline physicians are required to accept Medicaid and provide a reasonable amount of free care, access would be improved for this population. *FF 12-13*. Consequently, OHCA finds that the Applicants have satisfactorily demonstrated that their proposal would improve the quality, cost-effectiveness and accessibility of health care delivery in the region.

In their Request for Reconsideration, the Applicants provided a copy of the Co-Management Agreement referenced, but not provided, in their initial Application. The Co-Management Agreement contains an extensive amount of new information that was not part of the record for review and consideration prior to the Final Decision being rendered in this matter on May 8, 2013. Moreover, the Applicants' initial Application represented that the Shoreline Center would continue to not serve the Medicaid population if the proposal were to be approved. Such representation contrasts with the Applicants' present representation that the Shoreline Center will in fact serve the Medicaid population upon approval of the proposal. Based upon the foregoing notable new information, OHCA concludes that the Applicants have demonstrated a clear public need for the proposed transfer of ownership of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC, to Middlesex Hospital.

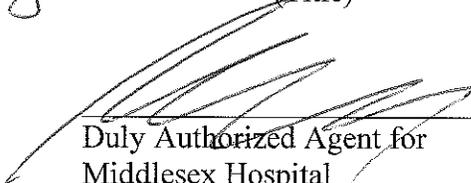
ORDER

NOW, THEREFORE, the Department of Public Health, Office of Health Care Access, Middlesex Hospital and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC (Middlesex Hospital and Shoreline are hereinafter collectively referred to as the "Applicants") hereby stipulate and agree to the terms of settlement with respect to the transfer of ownership of Shoreline as follows:

1. The Applicants shall provide the Office of Health Care Access with a fully executed copy of the Co-Management Agreement, provided as Exhibit 1 within the Request for Reconsideration and as subsequently revised, including any and all attachments or exhibits, within thirty (30) days of execution.
2. The Applicants shall provide the Office of Health Care Access with a copy of the approval of Dr. Maurizio Nichele and Dr. Jay Zimmerman to be enrolled as providers in the Connecticut Medical Assistance Program thereby allowing them to accept Medicaid patients. The approvals must be filed with OHCA within thirty (30) days of receipt by the Applicants.
3. Upon receipt of the approval to accept Medicaid patients, the Applicants shall issue a notification directly to physicians and other practitioners in the Shoreline Center's service area announcing that its physicians are now enrolled in the State Medical Assistance program and are actively accepting Medicaid referrals. Within thirty (30) days of its release, the Applicants shall provide OHCA with a copy of the notification as well as an affidavit affirming that the notification was released to physicians and other practitioners in the Shoreline Center's service area.
4. The Office of Health Care Access and the Applicants agree that this Agreed Settlement represents a final agreement between the Office of Health Care Access and the Applicants with respect to Docket No. 12-31786-CON. The execution of this Agreed Settlement resolves all objections, claims and disputes, which may have been raised by the Applicants with regard to Docket Number 12-31786-CON.
5. This Agreed Settlement is an order of the Office of Health Care Access with all the rights and obligations attendant thereto, and the Office of Health Care Access may enforce this Agreed Settlement under the provisions of Conn. Gen. Stat. §§ 19a-642 and 19a-653 with all fees and costs of such enforcement being the responsibility of the Applicants.
6. This Agreed Settlement shall be binding upon the Applicants and their successors and assigns.

Signed by Paul Knog, Counsel for Middlesex Hospital
(Print name) (Title)

7/8/13
Date


Duly Authorized Agent for
Middlesex Hospital

Signed by Stephen M. Cowherd, Counsel for ACC, Inc.
(Print name) (Title)

7/3/13
Date


Duly Authorized Agent for
Advanced Colon Care, Inc. d/b/a Shoreline
Colonoscopy Suites, LLC

The above Agreed Settlement is hereby accepted and so ordered by the Department of
Public Health Office of Health Care Access on July 9, 2013.


Lisa A. Davis, MBA, BSN, RN
OHCA Commissioner

*** TX REPORT ***

TRANSMISSION OK

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PAGES SENT 13
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STATE OF CONNECTICUT
DEPARTMENT OF HEALTH SERVICES
OFFICE OF HEALTH CARE ACCESS

FAX SHEET

TO: ✓ HARRY EVERT MAURIZIO D. NICHELE, M.D.
FAX: (860) 346-5485 N/A C/O (860) 346-5485
AGENCY: MIDDLESEX HOSPITAL SHORELINE COLONOSCOPY
FROM: JACK HUBER
DATE: 7/9/2013 Time: ~1:45 pm
NUMBER OF PAGES: 12
(including transmittal sheet)

Comments: Transmitted:
Agreed Settlement Regarding the Transfer the Ownership of the Assets
of Advanced Colon Care, Inc., d/b/a Shoreline Colonoscopy Suites, LLC,
to Middlesex Hospital.
Docket Number: 12-31786-CON

**PLEASE PHONE Jack A. Huber at (860) 418-7069
IF THERE ARE ANY TRANSMISSION PROBLEMS.**

 *** TX REPORT ***

TRANSMISSION OK

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 TIME USE 02'39
 PAGES SENT 13
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STATE OF CONNECTICUT
 DEPARTMENT OF HEALTH SERVICES
 OFFICE OF HEALTH CARE ACCESS

FAX SHEET

TO: HARRY EVERT ✓ MAURIZIO D. NICHELE, M.D.

FAX: (860) 346-5485 N/A C/O (860) 346-5485

AGENCY: MIDDLESEX HOSPITAL SHORELINE COLONOSCOPY

FROM: JACK HUBER

DATE: 7/9/2013 Time: 1:45 pm

NUMBER OF PAGES: 12
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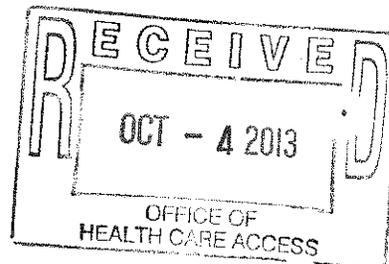
Comments: Transmitted:
 Agreed Settlement Regarding the Transfer the Ownership of the Assets
 of Advanced Colon Care, Inc., d/b/a Shoreline Colonoscopy Suites, LLC,
 to Middlesex Hospital.
 Docket Number: 12-31786-CON

**PLEASE PHONE Jack A. Huber at (860) 418-7069
 IF THERE ARE ANY TRANSMISSION PROBLEMS.**

ADMINISTRATION



October 3, 2013



Ms. Kimberly Martone
Director of Operations
State of Connecticut
Department of Public Health,
Office of Health Care Access
410 Capitol Avenue, MS #13HCA
Hartford, Connecticut 06134

RE: Docket No. 12-31786-CON; Transfer of Ownership of the Assets of Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC, to Middlesex Hospital

Dear Ms. Martone:

Pursuant to the Order in the Agreed Settlement in the above-referenced docket number, I have enclosed a copy of the approval of Dr. Maurizio Nichele to participate in the Connecticut Medical Assistance Program. The additional documents required by the Order will follow.

If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Harry Evert'.

Harry Evert
Senior Vice President
Strategic Planning and Operations

HE/aac

Enclosure

4811638.1

28 Crescent Street
Middletown, Connecticut 06457-3650

tel 860 344-6000
fax 860 346-5485



07/12/2013

MAURIZIO D NICHELE
929 BOSTON POST ROAD
OLD SAYBROOK, CT 06475-2143

Dear MAURIZIO D NICHELE:

We are pleased to advise you that in accordance with the Department of Social Services' policy, your application for enrollment in the Connecticut Medical Assistance Program has been approved:

NPI/Non-medical Provider Identifier:	MCD 008044941
Program Participation:	Surgery Anesthesia Physician Radiology Office and Outpt Serv Lab

AVRS/Initial Web User ID*: 008044941

Based on the information provided on the enrollment application, you are enrolled with the following provider type, specialty, and primary taxonomy, as well as any additional taxonomies you provided. Please notify us in writing on office letterhead should any of these taxonomies change. Billing providers are required to submit claims for reimbursement using your National Provider Identifier (NPI) and taxonomy. If the billing provider is an atypical provider who does not have an NPI, claims must be submitted with the non-medical provider identifier.

<u>Type Description</u>	<u>Specialty Description</u>
Physician	General Surgery
Primary Taxonomy	208600000X Physician-Surgery

If you are a billing provider or a performing provider within an organization, the effective date of your Provider Enrollment Agreement is 07/12/2013, and the Provider Enrollment Agreement shall thereafter be in effect until 07/12/2018, unless terminated by either DSS or the Provider prior to the stated ending date. As stated in the Provider Enrollment Agreement, this approval letter containing your enrollment period is incorporated into and made part of your Provider Enrollment Agreement. Please note that you will be required to successfully re-enroll prior to the end date of this application/agreement. Providers who do not successfully re-enroll before that period of time will be dis-enrolled. A letter will be sent notifying you when you are due for re-enrollment.



If you are enrolling as an ordering/prescribing/referring provider only, you will also be required to successfully re-enroll. A letter will be sent notifying you when you are due for re-enrollment. Ordering/prescribing/referring providers that do not successfully re-enroll in the required timeframe will be dis-enrolled.

Next Steps for Billing Providers

Now that you are successfully enrolled:

1. **Review Provider Manuals** – Provider manuals explaining Connecticut Medical Assistance Program policy, claim billing procedures, and electronic data interchange options for such things as eligibility verification and access to electronic remittance advices should be reviewed by all providers. These provider manuals are available at www.ctdssmap.com by choosing Information > Publications.
2. **Set up Secure Web Account** – Billing providers will receive a separate letter with a Personal Identification Number (PIN) which will allow you access to the Connecticut Medical Assistance Program's secure provider Web portal. You must log in to the Secure Web portal when you receive this PIN to set up your account.
3. **Associate Members to Your Organization** – In order to avoid future claim denials, organizations (such as provider groups, clinics, hospital outpatient clinics, and FQHC providers) must also ensure that each performing provider is both enrolled in the Connecticut Medical Assistance Program as an individual and associated to the organization.
 - a. If the member is not already enrolled, he/she must utilize the online Web portal enrollment Wizard available at www.ctdssmap.com to do so.
 - b. If the member was previously enrolled but is not currently active, the member must contact the Provider Assistance Center at the number listed below to request an application tracking number and then will use that to re-enroll at www.ctdssmap.com.
 - c. If the member is already enrolled but simply needs to be associated to your organization, you must do so on the Secure Web portal via Demographic Maintenance.

Next Step for All Providers

1. **Complete Attestation for Enhanced Payment, if applicable** – In accordance with the federal health reform law, the Patient Protection and Affordable Care Act (ACA), certain primary care providers are eligible to receive increased Medicaid payments for primary care services provided to Medicaid eligible individuals. To determine if you are eligible to receive these enhanced payments, please visit www.ctdssmap.com and access the Important Message titled "2013 Primary Care Physician Rate Increase". Physicians and mid-level/non-physician practitioners MUST REQUEST the enhanced reimbursement by self-attesting that they are an eligible provider through the Connecticut Self-Attestation survey available via <http://www.surveymonkey.com/s/2013selfattestation>.



Contact Information

Connecticut's Department of Social Services also contracts with three Administrative Service Organizations (ASO). Depending on your type and speciality, you may need to contact one of the ASOs to assist with the day-to-day business of servicing our clients. Contact information for the ASOs can be found in Chapter 1 of the Provider Manual.

If you have any questions regarding your participation in the Connecticut Medical Assistance Program, please direct them to HP's Provider Assistance Center at the telephone number listed below.

We hope this information has been helpful to you. Please contact us if you need further assistance.

Sincerely,

Provider Assistance Center
1-800-842-8440



STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
Office of Health Care Access

January 9, 2014

FACSIMILE TRANSMISSION ONLY

Mr. Harry Evert
Senior Vice President, Strategic Planning and Operations
Middlesex Hospital
28 Crescent Street
Middletown, CT 06457

RE: Compliance with Agreed-Upon Stipulations set forth in Docket Number: 12-31786-CON
The Proposal to Transfer Ownership of the Assets of Advanced Colon Care, Inc. d/b/a
Shoreline Colonoscopy Suites, LLC, to Middlesex Hospital
Request for Project Update

Dear Mr. Evert:

On July 9, 2013, Middlesex Hospital ("Hospital") and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC, ("Shoreline"), collectively hereinafter referred to as the "Applicants", entered into an Agreed Settlement with the Department of Public Health, Office of Health Care Access ("OHCA") under Docket Number: 12-31786-CON, to transfer ownership of the assets of Shoreline to the Hospital. A copy of the agreed-upon stipulations is enclosed as Attachment 1 of this letter for reference proposes.

On October 4, 2013, the Office of Health Care Access ("OHCA") received from you a copy of the approval of Dr. Maurizio Nichele to participate in the Connecticut Medical Assistance program. The submission indicated that additional documents required by the Order would follow. As of this date, OHCA has not received any additional documentation regarding the agreed-upon stipulations set forth in Docket Number: 12-31786-CON. As such, OHCA requests that the Applicants provide the following:

1. With respect to the project as a whole, provide a description of the steps that have been accomplished in the implementation of the authorized CON project.
2. With respect to Stipulation 1, provide a description of the steps taken to secure a fully executed Co-Management Agreement and provide an estimate as to when the Co-Management Agreement will be fully executed.

3. With respect to Stipulation 2, provide a description of the progress made to date on the part of Dr. Jay Zimmerman to secure his approval to participate in the Connecticut Medical Assistance program. Provide a target date as to when this will be accomplished.
4. With respect to Stipulation 3, provide a description of the steps that have been taken to notify directly the physicians and other practitioner in the Shoreline Center's service area announcing that the Shoreline physicians are now enrolled in the State Medical Assistance program and are actively accepting Medicaid referrals.

Kindly respond to this letter by the close of business on Friday, January 24, 2014. If you have any questions regarding the above, please feel to contact me at (860) 418-7069.

Sincerely,



Jack A. Huber
Health Care Analyst

Middlesex Hospital and
Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC
Docket Number: 12-31786-CON

Page 10 of 11

ORDER

NOW, THEREFORE, the Department of Public Health, Office of Health Care Access, Middlesex Hospital and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC (Middlesex Hospital and Shoreline are hereinafter collectively referred to as the "Applicants") hereby stipulate and agree to the terms of settlement with respect to the transfer of ownership of Shoreline as follows:

1. The Applicants shall provide the Office of Health Care Access with a fully executed copy of the Co-Management Agreement, provided as Exhibit 1 within the Request for Reconsideration and as subsequently revised, including any and all attachments or exhibits, within thirty (30) days of execution.
2. The Applicants shall provide the Office of Health Care Access with a copy of the approval of Dr. Maurizio Nichele and Dr. Jay Zimmerman to be enrolled as providers in the Connecticut Medical Assistance Program thereby allowing them to accept Medicaid patients. The approvals must be filed with OHCA within thirty (30) days of receipt by the Applicants.
3. Upon receipt of the approval to accept Medicaid patients, the Applicants shall issue a notification directly to physicians and other practitioners in the Shoreline Center's service area announcing that its physicians are now enrolled in the State Medical Assistance program and are actively accepting Medicaid referrals. Within thirty (30) days of its release, the Applicants shall provide OHCA with a copy of the notification as well as an affidavit affirming that the notification was released to physicians and other practitioners in the Shoreline Center's service area.
4. The Office of Health Care Access and the Applicants agree that this Agreed Settlement represents a final agreement between the Office of Health Care Access and the Applicants with respect to Docket No. 12-31786-CON. The execution of this Agreed Settlement resolves all objections, claims and disputes, which may have been raised by the Applicants with regard to Docket Number 12-31786-CON.
5. This Agreed Settlement is an order of the Office of Health Care Access with all the rights and obligations attendant thereto, and the Office of Health Care Access may enforce this Agreed Settlement under the provisions of Conn. Gen. Stat. §§ 19a-642 and 19a-653 with all fees and costs of such enforcement being the responsibility of the Applicants.
6. This Agreed Settlement shall be binding upon the Applicants and their successors and assigns.

*** TX REPORT ***

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STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
OFFICE OF HEALTH CARE ACCESS

FAX SHEET

TO: HARRY EVER ✓ MAURIZIO D. NICHELE, M.D.
FAX: (860) 346-5485 N/A C/O (860) 346-5485
AGENCY: MIDDLESEX HOSPITAL SHORELINE COLONOSCOPY
FROM: JACK HUBER
DATE: 1/9/2014 Time: ~ 4:45 pm
NUMBER OF PAGES: 4
(including transmittal sheet)

Transmitted: A Letter Addressing Compliance with Agreed-Upon Stipulations Set Forth in Docket Number: 12-31786-CON, authorizing the Proposal to transfer the Ownership of the Assets of Advanced Colon Care, Inc., d/b/a Shoreline Colonoscopy Suites, LLC, to Middlesex Hospital.

*** TX REPORT ***

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STATE OF CONNECTICUT
DEPARTMENT OF PUBLIC HEALTH
OFFICE OF HEALTH CARE ACCESS

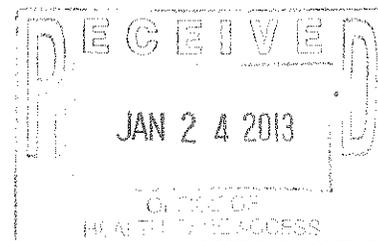
FAX SHEET

TO: HARRY EVERETT MAURIZIO D. NICHELE, M.D.
FAX: (860) 346-5485 N/A C/O (860) 346-5485
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Huber, Jack

From: Cole, Abby <abby.cole@midhosp.org>
Sent: Friday, January 24, 2014 1:40 PM
To: Huber, Jack
Subject: Response Letter
Attachments: Huber Ltr Docket No 13-31786-CON 1.24.14.pdf



re: Docket No. 13-31786-CON

Mr. Huber: Please find attached a response letter from Harry Evert at Middlesex Hospital regarding the above Docket Number I will send the original letter to you via regular mail.

Thank you.

Abby Cole

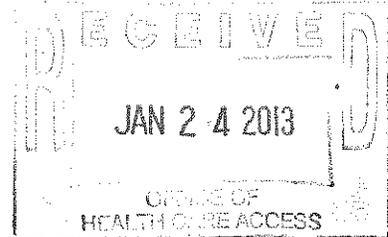
Abby Cole, Executive Assistant to:
Vincent G. Capece, Jr., President/CEO
Harry Evert, Senior Vice President, Strategic Planning & Operations
Middlesex Hospital
28 Crescent Street
Middletown, CT 06457
Tel. #: 860-358-6150
abby.cole@midhosp.org

If you have received this message in error, please notify Middlesex Health System by sending a reply email to the sender or calling the Middlesex Hospital Privacy Office Hotline at 860-358-4630 and then delete this email and all attachments.

The information contained in this email and any attached files from Middlesex Health System are confidential under federal and state law and are intended only for the person to whom they are addressed. If you are not the intended recipient, you are hereby notified that any inappropriate use or reproduction of the information is strictly prohibited and may subject you to civil or criminal penalties.

January 24, 2014

Jack Huber
Department of Public Health
Office of Health Care Access
410 Capital Avenue
MS13HCA
Box 340308
Hartford, CT 06103



Re: Docket Number 13-31786-CON

Dear Mr. Huber:

This is in response to your letter dated January 9, 2014. Following are the questions raised in that letter and our responses.

Question 1: With respect to the project as a whole, provide a description of the steps that have been accomplished in the implementation of the authorized CON.

Answer: Shortly after the CON was granted, Dr. Zimmerman advised that he had decided to leave the state. This led to discussions as to changes in the transaction documents, which we anticipate will be signed next week. Dr. Nichele has absorbed Dr. Zimmerman's colonoscopy cases into his practice while a decision is made as to a successor physician for Dr. Zimmerman.

Question 2: With respect to Stipulation 1, provide a description of the steps taken to secure a fully executed Co-Management Agreement and provide an estimate of when the Co-Management Agreement will be fully executed.

Answer: This Agreement has just been changed to delete reference to Dr. Zimmerman. It is anticipated that this and other transaction documents will be signed next week. We will further advise you as soon as this happens.

28 Crescent Street
Middletown, Connecticut 06457-3650

tel 860 344-6000

fax 860 346-5485

Jack Huber
Page 2
January 24, 2014

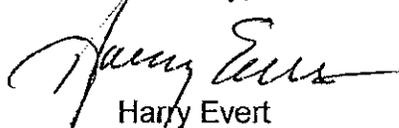
Question 3: With respect to stipulation 2, provide a description of the progress made to date on the part of Dr. Jay Zimmerman to secure his approval to participate in the Medical Assistance program. Provide a target date when this will be accomplished.

Answer: As mentioned, Dr. Zimmerman has left the state. All physicians who will perform procedures at the facility will either be participating providers in the Medicaid program or seek to enroll as such.

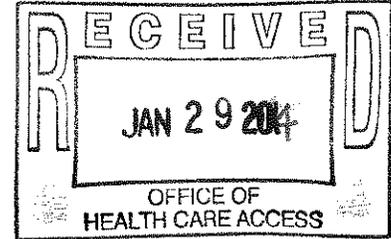
Question 4: With respect to Stipulation 3, provide a description of the steps that have been taken to notify directly the physicians and other practitioners in the Shoreline Center's service area announcing that the Shoreline physicians are now enrolled in the State Medical Assistance program and are actively accepting Medicaid referrals.

Answer: A notification that Dr. Nichele is now enrolled in the State Medical Assistance program and is actively accepting Medicaid referrals will be sent to physicians and other practitioners in the Shoreline Center's service area as soon as the transaction documents are signed. We will provide the required affidavit as soon as this is accomplished. In addition, Dr. Nichelle's name is listed along with other participating Medicaid providers on a list that can be accessed on-line at www.ctdssmap.com (click on "Provider" then on "Provider Search") and Medicaid beneficiaries may also contact the Department of Social Services for a list of participating providers by calling the DSS Client Assistance Center (CAC) at 1-866-409-8430.

Sincerely,



Harry Evert
Senior Vice President
Strategic Planning & Operations



January 24, 2014

Jack Huber
Department of Public Health
Office of Health Care Access
410 Capital Avenue
MS13HCA
Box 340308
Hartford, CT 06103

Re: Docket Number 13-31786-CON

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This is in response to your letter dated January 9, 2014. Following are the questions raised in that letter and our responses.

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Middletown, Connecticut 06457-3650

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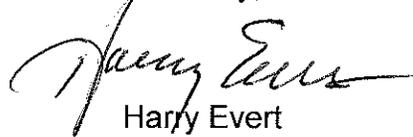
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Answer: A notification that Dr. Nichelle is now enrolled in the State Medical Assistance program and is actively accepting Medicaid referrals will be sent to physicians and other practitioners in the Shoreline Center's service area as soon as the transaction documents are signed. We will provide the required affidavit as soon as this is accomplished. In addition, Dr. Nichelle's name is listed along with other participating Medicaid providers on a list that can be accessed on-line at www.ctdssmap.com (click on "Provider" then on "Provider Search") and Medicaid beneficiaries may also contact the Department of Social Services for a list of participating providers by calling the DSS Client Assistance Center (CAC) at 1-866-409-8430.

Sincerely,



Harry Evert
Senior Vice President
Strategic Planning & Operations



June 20, 2014

Mr. Jack Huber
Health Care Analyst
State of Connecticut
Department of Public Health,
Office of Health Care Access
410 Capitol Avenue, MS #13HCA
Hartford, Connecticut 06134

Re: Docket No. 12-31786-CON

Dear Mr. Huber:

This letter is in response to your June 16, 2014 email to me regarding the above-referenced docket number. Middlesex Hospital and Advanced Colon Care, Inc. d/b/a Shoreline Colonoscopy Suites, LLC are awaiting an acceptable consent by the landlord of the Shoreline Center's leased space to the contemplated sublease of that space. Assuming that this can be obtained soon, we are targeting a September 1, 2014 closing date.

As required by the Agreed Settlement, we will file a copy of the final Co-Management Agreement following its execution. Upon the closing of the transaction, we will distribute the required notice of the acceptance of Medicaid by physicians at the Center. Thereafter, we will file a copy of this notice, as well as the required affidavit.

Sincerely,



Harry Evert
Senior Vice President,
Strategic Planning & Operations

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