



## **In March of 1999 the principals of Cyrus partnered on the restructuring of Continucare**

**History:** Continucare (“CNU”), a healthcare services rollup, undertook a course of rapid expansion in an attempt to reach critical mass and provide a continuum of healthcare services. In 1996, the Company went public through a reverse-merger. In 1997, the Company raised \$6.6 million in equity financing and \$46 million in convertible subordinated debentures (the “Subordinated Debentures”). In early 1998, an additional \$12.5 million in equity financing was raised. The cash obtained from those financings together with an exhausted secured bank line of credit allowed the company to consummate twelve (12) acquisitions in the span of sixteen (16) months while leaving it operationally challenged and drained of cash.

- The Company incurred net losses of \$15.0 million and \$50.0 million in 1998 and 1999, respectively.
- The first cash pay interest payment on the Subordinated Debentures was coming due.
- The Company was in non-compliance with covenants under its secured bank facility.
- The Company lacked sufficient cash flow to sustain operations for more than a few months
- The Company faced pending litigations from breached contracts.
- Senior management was incapable of addressing severe operational issues.
- Middle management was frustrated and distracted making working conditions untenable.
- Employees, anticipating the demise of the Company, were resigning.

### **Step by Step Plan.**

**Cashflow and Debt Restructuring:** One division was immediately closed and a second was sold to generate cash that could be used to sustain the operations and allow for a more thorough rehabilitation. While the majority of the cash generated from the sale was used to pay down the secured bank facility, we were able to negotiate the hold back of 20% of the proceeds for operational purposes.

We next addressed the pending Subordinated Debt interest payment and inevitable default. It was apparent that the Company would never be able to generate sufficient capital to address the debt that it had accumulated. Intense negotiations with the holders of the Subordinated Debentures then led to a consensual debt to equity restructuring plan that provided for the conversion of \$36 million of the Subordinated Debentures into something less than 51% of CNU’s equity and reinstatement of the balance of the Subordinated Debentures to performing status. In 2001, by means of a debt for equity swap, the remaining \$7 million of Subordinated Debentures converted into common equity.

**Management.** Concurrent with the Subordinated Debt restructuring, a new management team was recruited. A new CFO was recruited from a big six accounting firm and new Director of Operation were hired. The Medical Director positions were re-staffed setting a new tone for the medical management of contracted “lives” (patients). Staffing levels were rationalized thereby realizing productivity gains. Strict attention was paid to the metrics as the Company was able to slowly but surely stem its tremendous operating losses. The Company also rehabilitated its image in the community by focusing on its service delivery and once again made itself a responsible healthcare provider.

**Financial Controls:** Negotiation with the American Stock Exchange allowed CNU to avoid delisting, despite a then stock price of less than \$.10, as a credible plan with specific benchmarks was

developed and executed upon, allowing the Company to regain compliance with the exchange's listing requirements.

Internal controls were implemented thereby increasing the integrity of the Company's financial reporting. Additionally, robust compliance and quality management programs were instituted to stabilize the operations and allow for incremental enhancements to operational performance. These programs also had the desirable effect of bringing our incidents (malpractice, workers compensation and management) down to a manageable level.

The Company, in conjunction with its auditors, addressed all Corporate Governance and Sarbanes Oxley initiatives and achieved full compliance with both directives.

**Litigation**: Aggressive postures were taken with respect to the various litigations that were affecting the Company. Strategic defenses and counterclaims were instituted that set the framework for eventual settlement of all litigations.

**Conclusion**: The concerted effort of a guided team whose structure was forged out of respect, integrity and professionalism allowed Continucare to withstand its troubled start and rehabilitate its operations into a vibrant player in the South Florida Healthcare arena.

### **Summary of Critical Activities**

#### **Regained Financial Control of Company**

- Sale and closing of non-performing units.
- Negotiation of the conversion Subordinated Debentures to equity.
- Negotiation of payout on defaulted bank line.
- Negotiation of plan for maintenance of listing with American Stock Exchange.

#### **Address Litigation Threatening Company**

- Initiation of preemptive litigation to protect assets of company.
- Address complex breach of contract and malpractice litigation.
- Negotiate settlement of multi million dollar equipment lease defaults.
- Terminate burdensome lease contracts.
- Entry into new lease agreements upon favorable terms.

#### **Rehabilitation and Stabilization of Management Team and Employee Base**

- Rationalization of staffing levels.
- Stabilization of operations.
- Growth of performing units.
- Establishment of internal controls.
- Rehabilitation of community perception of company through TV, radio, print and telemarketing.
- Implementation of compliance and quality management programs.
- Implementation of Corporate Governance and Sarbanes Oxley initiatives.

**Having effectuated the turnaround, the principals of Cyrus, in October 2003, withdrew from Continucare in conjunction with the close of CNU's June 30, 2003 fiscal year**

**CONTINUCARE CORPORATION**  
**SUMMARY OF FINANCIAL HISTORY**

**SUMMARY PROFIT AND LOSS STATEMENT – Fiscal year end 6/30**

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Medical services revenue	\$132,990,912	\$112,231,113	\$101,824,102	\$101,409,690	\$95,500,313	\$112,607,916	\$116,582,895	\$182,526,752	\$65,584,293	\$13,916,385
Net income (loss)	<b>\$5,337,539</b>	<b>\$15,891,492</b>	<b>\$6,246,797</b>	<b>\$58,598</b>	<b>(\$3,646,388)</b>	<b>(\$137,902)</b>	<b>\$14,117,969</b>	<b>(\$50,510,766)</b>	<b>(\$14,982,935)</b>	<b>\$1,706,675</b>

<b>LIABILITIES</b>										
<b>Current liabilities</b>	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Accounts payable	575,925	660,139	504,151	683,488	680,443	679,745	687,703	842,442	816,844	285,518
Accrued expenses	2,401,933	3,140,802	1,794,019	2,283,048	2,400,410	2,330,456	2,517,985	2,358,346	2,593,493	1,543,463
Liab related to discontinued opp	0	0	0	110,345	629,789	579,805	742,069	1,856,140	2,629.66	0
Due (from) to HMOs, net	0	0	0	0	0	(622,666)	985,835	4,825,081	966,251	0
Credit Facility	0	0	0	2,315,000	2,315,000	500,000	0	0	0	0
Current portion of deferred rev	0	0	3,000,000	0	0	0	0	0	0	0
Due to Medicare, net	0	0	0	0	350,991	500,045	73,527	302,358	0	0
Advances from HMO	0	0	0	0	0	450,000	0	0	0	0
Current portion of convertible sub notes payable	0	0	0	233,716	273,896	273,896	700,000	45,000,000	0	811,133
Current portion of long-term debt	0	0	0	2,640,943	4,375,329	4,952,076	2,276,635	6,857,946	850,000	0
Current portion of related party note payable	0	0	0	63,854	63,854	53,211	0	0	0	0
Accrued interest payable	0	0	0	51,754	10,708	17,703	6,044	2,400,022	623,556	37,295
Current portion of capital lease obligations	0	0	0	70,913	107,479	149,915	115,685	112,652	328,295	44,055
<b>Total current liabilities</b>	<b>2,977,858</b>	<b>3,800,941</b>	<b>5,298,170</b>	<b>8,453,061</b>	<b>11,207,899</b>	<b>9,864,186</b>	<b>8,105,483</b>	<b>64,554,987</b>	<b>8,808,099</b>	<b>2,721,464</b>
Deferred rev., less current portion	0	0	0	3,850,000	0	0	0	0	0	0
Deferred tax liability	0	0	0	0	0	0	0	0	954,894	0
Capital lease ob., less cnt. portion	112,068	38,361	101,177	125,606	42,171	99,774	103,682	123,436	496,766	0
Convertible sub notes payable	0	0	0	4,122,751	4,356,468	4,630,364	11,050,000	0	46,000,000	2,330,367
LTD, less current portion	0	0	0	1,341,947	3,597,122	1,011,704	5,023,244	1,396,753	0	181,551
Related party note, less cnt. portion	0	0	117,717	997,333	1,061,186	1,135,683	0	0	0	0
<b>Total liabilities</b>	<b>3,089,926</b>	<b>3,839,302</b>	<b>5,517,064</b>	<b>18,890,698</b>	<b>20,264,846</b>	<b>16,741,711</b>	<b>24,282,409</b>	<b>66,075,176</b>	<b>56,259,756</b>	<b>5,233,382</b>

**Continucare Market Cap Comparison**

Date	Shares Issued	Share Price	Market Cap
June 30, 2006	50,242,478.00	\$2.95	\$ 147,888,760
June 30, 1999	17,536,283.00	\$0.62	\$ 10,872,495