

Gary Griffin & Associates, Inc.

January 14, 2010

Mr. Alva Lambert
Executive Director
State Health Planning & Dev. Agency
P. O. Box 303025
Montgomery, Alabama 36130-3025

Re: CON 2257-ESRD, Project Modification Request # 1

Dear Mr. Lambert:

Bio-Medical Applications, Inc. d/b/a BMA of Toulminville owns and operates the Toulminville ESRD services in Mobile County. This letter requests Project Modification # 1 to CON 2257-ESRD regarding Toulminville. CON 2257-ESRD was approved for the relocation of Toulminville's existing nineteen stations plus the addition of six stations for a total of twenty-five stations in a new facility.

The Project Modification is requested because of a modification in the source of funding for the interior build-out. This modification requests that BMA of Toulminville be permitted to directly fund the interior build-out instead of leasing the interior build-out. The Approved CON indicated that both the building shell and the interior build-out would be leased from a Lessor by what is known as a "Total Turnkey Lease Agreement" as presented in the Approved CON Application. Under the proposed Project Modification, BMA would still lease the building shell, just not the interior build-out. There would be no change or increase in the scope of the interior build-out from that shown or described in the Approved CON.

This modification concerning funding of the interior build-out was made necessary as a result of significant changes in the U. S. banking system over the past year or so including the ability to obtain sufficient and cost-effective financing. Following the economic downturn, BMA has generally found it more difficult for its leasing vendors to obtain the required amount of financing to fund the Total Turnkey capital requirements. In Alabama, BMA has traditionally utilized the Total Turnkey Lease Agreement as its primary business model to provide most new and replacement facilities. However, the cost of financing to a leasing vendor has in some instances been more than BMA or its parent corporation could obtain on its own for the cost of the build-out. Therefore, for several recent projects BMA and its parent company decided it more appropriate to directly fund interior build-outs in lieu of its historical primary business model (Total Turnkey Leasing Agreement).

CON 2257-ESRD qualifies for a project modification per CON Rules and Regulations 410-1-10-.03 Project Modifications After Issuance of CON. The Project Modification can be approved by the Executive Director because: the requested modification does not exceed the dollar thresholds above which a CON must be obtained; no change in location from that designated in the CON is proposed; no change in or new services are proposed; no change in the number and types of dialysis stations is proposed; and no other modification is proposed that would otherwise exceed or trigger another CON threshold.

Attached is Exhibit One, which compares the dollar amount of the requested Project Modification to the projected costs in the Approved CON 2257-ESRD. Please note that a reduction in operating expenses is expected to occur as a result of not leasing the interior build-out (operating lease). This reduction in operating expenses is not reflected in the Requested Project Modification # 1. That is because the reduction would create a negative dollar amount for New First Year Annual Operating Costs. It is the understanding of this author that negative dollar amounts are not to be included in SHPDA CON Application, Item IV. Cost.

There was no opposition to the Approved CON. As such, there are no parties of record in the underlying administrative proceeding that must be notified regarding this Project Modification.

Thank you for your attention regarding this matter. Please contact me should you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Griffin". The signature is written in a cursive style with a large initial "G" and "G".

Gary Griffin

cc: Ms. Susan Stanfield
Mr. David Sweet
Mr. Colin Luke
Mr. Carey McRae
Ms. Robin Franco

**EXHIBIT ONE
CON 2257-ESRD
TOULMINVILLE RELOCATION AND ADDITION
REQUEST FOR PROJECT MODIFICATION # 1**

| ITEM | APPROVED CON 2257- ESRD | REQUESTED PROJECT MODIFICATION # 1 |
|--|-------------------------------|--|
| A. CONSTRUCTION | | |
| 1. Predevelopment | | |
| 2. Site Acquisition | | |
| 3. Site Development | | |
| 4. Construction (interior build-out) | | \$ 720,000 |
| 5. Architect and Engineering Fees | \$ 70,000 | \$ 70,000 |
| 6. Renovation | | |
| 7. Interest during time of construction | | |
| 8. Attorney and consultant fees (facility related) | | |
| 9. Bond Issuance Costs | | |
| 10. Other | | |
| TOTAL COST OF CONSTRUCTION | \$ 70,000 | \$ 790,000 |
| B. PURCHASE | | |
| 1. Facility | N/A | N/A |
| 2. Major Medical Equipment | \$ 195,000 | \$ 195,000 |
| 3. Other Equipment | \$ 20,000 | \$ 20,000 |
| TOTAL COST OF PURCHASE | \$ 215,000 | \$ 215,000 |
| C. LEASE | | |
| 1. Facility Cost per Year ____ x ____ Years = | N/A | N/A |
| 2. Equipment Cost per Month ____ x ____ Months = | | |
| 3. Land-only Lease Cost per Year ____ x ____ Years = | | |
| TOTAL COST OF LEASE(s) (compute according to generally accepted accounting principles) | | |
| Cost If Purchased | | |
| D. SERVICES | | |
| 1. ____ New Service | | |
| 2. ____ Expansion | | |
| 3. ____ Reduction or Termination | | |
| 4. ____ Other | | |
| FIRST YEAR ANNUAL OPERATING COST (NEW) | | |
| E. TOTAL COST OF THIS PROJECT (Total A through D should equal V-C on page A-4) | \$ 285,000 | \$ 1,005,000 |