

SECURITIES AND EXCHANGE COMMISSION

FORM 10KSB/A

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]
[amend]

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FILER

COSMETIC SCIENCES INC

CIK: **318940** | IRS No.: **222210547** | State of Incorpor.: **NY** | Fiscal Year End: **1231**
Type: **10KSB/A** | Act: **34** | File No.: **000-09836** | Film No.: **96620416**
SIC: **8082** Home health care services

Business Address
*ONE OLD COUNTRY
STE 335
CARLE PLACE NY 11514
5162482273*

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-KSB/A
AMENDMENT NO.3

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

[Fee Required]

For the fiscal year ended: December 31, 1995

Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the transition period from

Commission file number 0-9836

COSMETIC SCIENCES, INC.

Exact name of registrant as specified in its charter

New York

22-2210547

(State or other jurisdiction of incorporation or organization) I.R.S. Employer Identification Number

One Old Country Road, Suite 335, Carle Place, N.Y. 11514

(Address of principal executive offices) (Zip Code)

Registrant's telephone number: 516-248-2273,

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock par value \$.01 per share

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such other shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part 11I of this Form 10-KSB or any amendment to this Form 10-KSB.

State the registrant's revenues for its most recent fiscal year:
\$7,367,958

The aggregate market value of the Company's voting common stock held by non-affiliates computed by reference to the average bid and ask price on March 28, 1996 was \$3,019,018.

(ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDING DURING THE PAST FIVE YEARS)

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 19,300,229 common shares as of March 30, 1996

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Registrant's definitive proxy statement for the 1996 Annual Meeting of Shareholders of the Company are incorporated by reference into Part III hereof.

PART I

Item 1. Description of Business

Background

Cosmetic Sciences, Inc. (the "Company") is in the business of providing home health care services, principally personal hygiene, homemaking, general patient safety, and to a lesser extent nursing services ("Home Care"), primarily through contracts with government agencies under the Medicaid program. The Company is a holding company which derives 100 percent of its revenues from the operation of TPC Home Care Services, Inc. ("TPC"), an 83 percent owned subsidiary doing business as Extended Family Care.

The Company was incorporated in New York on May 10, 1978 under the name M.A.E. Enterprises, Inc. In 1980, the name of the Company was changed to Cosmetic Sciences, Inc. and also in 1980, the Company completed its initial public offering of 1.5 million shares of common stock, raising gross proceeds of \$1.5 million. Between 1980 and 1985, the Company engaged in research, development, marketing and distribution of medical devices and cosmetics. These products never proved to be commercially viable, and by the mid-1980's the development of these products were discontinued and the subsidiaries through which these businesses were operated were dissolved.

In August 1984, the Company entered the Home Care industry by acquiring all of the outstanding shares of TPC, which at the time was providing Home Care services in New York and New Jersey. In December 1984, the shareholders of the Company received as a dividend approximately 17 percent of the outstanding common stock of TPC, leaving TPC as an 83 percent owned subsidiary of the Company.

On April 25, 1985, TPC entered into an agreement to acquire all of the outstanding stock of another home health care company doing business in New Jersey called A-Round the Clock Nursing Services, Inc. ("A-Round the Clock"). In December 1985, a Form S-1 Registration Statement was declared effective in anticipation of an initial public offering by TPC. Proceeds from this offering were to provide the funding for the acquisition of A-Round the Clock. However, the underwriter terminated the offering, and TPC was unable to find another underwriter to complete the offering. TPC was forced to borrow the funds required to consummate the acquisition of A-Round the Clock. The burden of the additional debt service, coupled with the increased demand for working capital, further reduced cash flow. Facing bank foreclosure upon TPC's accounts receivable, significant tax arrears and cash shortfalls, the Company and TPC filed a petition under Chapter 11 of the U.S. Bankruptcy Code, in the U.S. Bankruptcy Court, Southern District, New York, in August 1986.

Following the filing of the bankruptcy petition, TPC continued to operate its Home Care business as a debtor in possession. In July 1987 a secured lender foreclosed on the common stock of A-Round the Clock, and took possession and control of the business of A-Round the Clock. TPC continued to provide Home Care services with operating branches in Hempstead, New York and Hackensack, New Jersey.

In 1992, the Company's headquarters were moved from Hempstead, New York to Carle Place, New York. In March 1994, TPC opened a branch office in Irvington, New Jersey, which moved in March 1996 to East Orange. In February 1995, a satellite office of the Hackensack branch office was opened in Paterson, New Jersey, which is relocating to Clifton, New Jersey on or about April 15, 1996. In August 1995, a TPC satellite office was opened in Jersey City, New Jersey and in March 1996, a satellite office was opened in Elizabeth, New Jersey.

In October 1993, and in connection with the Company's Amended Plan of Reorganization adopted in 1992, an investment group, COSS Holding Corp. ("C.O.S.S."), invested cash of \$250,000 in the Company and thereby became the holder of approximately 66 percent or 12,748,658 shares of the Company's common stock. [See "Legal Proceedings"]

On October 31, 1995, the Company, TPC and C.O.S.S. entered into an agreement with Arbor Home Healthcare Holdings, LLC. ("Arbor") (in which Ivan Kaufman owns a 99% interest), pursuant to which the Company granted Arbor the option to purchase 13 million newly issued shares of its common stock for \$1.3 million, (\$.10 per share). This option can be exercised by Arbor in two equal installments of 6.5 million shares on or before June 21, 1996 and November 1, 1996, respectively. Upon exercising both installments of this option, Arbor will own approximately 40 percent of the outstanding common stock of the Company. To date, neither installment of the option has been exercised. In addition, C.O.S.S. has agreed to place its holdings of the Company's common stock in a voting trust, providing Arbor the right to direct the voting of such shares and to elect a majority of the board of directors of the Company. The Company, C.O.S.S. and Arbor have also entered into various agreements relating to C.O.S.S.' holdings of the Company's common stock. [See "Certain Relationships and Related Transactions" in the Company's Form 10K-SB item 13]. Mr Kaufman is not affiliated with any of the current officers or directors of the Company.

On October 31, 1995, C.S.I. entered into an agreement with Arbor Management, LLC (in which Ivan Kaufman owns a 99% interest), for two years by which C.S.I. will pay \$7,500 a month to Arbor Management, LLC for management services, including accounting, finance, human resources and marketing, rendered to the Company.

Home Care Services

According to published industry data, the home care industry in 1994 constituted a \$23 billion market with an annual growth rate exceeding 20 percent. Primary reasons cited for such rapid growth include: (1) the general aging of the United States' population; (2) the cost savings achievable through at-home treatment as an alternative to hospital care; (3) medical and technological advances which enable a growing number of treatments to be administered at home rather than in a medical facility; and (4) Insurance (both government regulated and private) reimbursement policies which provide certain incentives to minimize the length of in-patient hospital care.

TPC provides its patients the services of certified home health aides, personal care aides, homemakers and to a lesser extent registered and licensed practical nurses. These individuals are part-time employees of TPC who work for TPC as needed. TPC's roster of Home Care personnel includes approximately 435 paraprofessionals and 10 nurses.

TPC requires its paraprofessionals and nurses to meet certain licensing, certification, and/or other requirements. TPC conducts mandatory in-service classes for its nurses and paraprofessionals both to meet New York and New Jersey continuing education requirements and to fulfill TPC's own quality assurance standards. These in-service classes typically last between three and six hours and are offered periodically. They are taught by health care professionals selected by TPC for their expertise in their fields, including nurses, physical therapists, social workers and occasionally physicians. All field staff employees are subject to an internal review not less than every 60 days.

TPC was recently surveyed by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and, in February 1996, was found to meet the requirements for accreditation. JCAHO is the accrediting body for hospitals; its accreditation enhances TPC's contractual business. TPC's accreditation will expire in October 1998, at which time TPC must be resurveyed for the following three-year term.

Procedure for a Typical Home Care Placement

When TPC accepts a new patient for service, TPC's Director of Nursing or nursing supervisor confers with the patient's physician and other medical and health care professionals (collectively, the patient's "Health Care Team") to (1) obtain the physician's orders; (2) acquire a detailed description of the patient's

medical problem; (3) determine the patient's specific home care requirements (the "Protocol"), including the plan of treatment and

pharmaceutical services, products and equipment which will be needed; and (4) determine the type of personnel and the number of hours and shifts required. The Director of Nursing and/or a nursing supervisor seeks to verify all initial information received and selects the appropriate Home Care personnel to care for the patient.

In a typical Home Care case, TPC's personnel assigned to the case visit the patient on a prescribed schedule to administer the Protocol and to provide other general care to the patient. All Home Care cases are supervised by a nursing supervisor to ascertain whether any problems have arisen in connection with the services. Occasionally the Company acts as a subcontractor for other home care companies, implementing the patient Potocol under the direct supervision of the primary contractor. TPC's nurses and paraprofessionals are in frequent contact with the patient's Health Care Team.

Care Givers

TPC employs a variety of clinical and ancillary personnel as follows:

1. Certified Home Health Aides ("CHHA") provide assistance as prescribed by the physician in accordance with the Protocol and assist with personal hygiene, housekeeping, general patient safety and other supportive tasks. CHHAs hold a higher level of education, classroom training and field supervision than Personal Care Aides.
2. Personal Care Aides ("PCA") assist the patient with personal hygiene, dressing, bathing, meal preparation/feeding, housekeeping, general patient safety and other activities of daily living.
3. Homemakers assist with light housekeeping, meal preparation and shopping.
4. Registered Nurses ("RN") supervise and implement plans of treatment as mandated by a physician, administer medication, maintain required documentation and supervise all other non-RN health care employees.
5. Licensed Practical Nurses ("LPN") can administer certain medications and assist the RN's in performing certain procedures.

ORGANIZATIONAL STRUCTURE

Branch Description

TPC presently has three operating branches, three satellite sites, and a corporate headquarters. The branches are located in New York and New Jersey with corporate headquarters located in New York. Each operating branch is licensed by the appropriate state agency for its location. Each operating branch is staffed by a director of nursing, nursing supervisors, a branch director, a personnel

manager, staffing coordinator(s) and clerical personnel.

TPC conducts its own in house state approved training courses to prepare qualified employees for employment. In addition, TPC maintains a recruiting program to attract qualified personnel to its staff.

Customers

TPC has four types of customers: public assistance agencies, other third party payers, insurance companies and private pay customers.

Public assistance agencies, which provided approximately 81 percent and 71 percent of total TPC's revenues in 1995 and 1994, respectively, are billed directly for Home Care services provided to individuals who have qualified for Medicaid benefits. TPC's business in Nassau County, New York is tied directly to a single contract between TPC and the Department of Social Services in Nassau County. A substantial portion of TPC's business would be lost should this single contract be terminated. The contract with Nassau County is renewable on an annual basis and has been in existence in excess of ten years. TPC has no reason to believe that this contract will not be renewed in the future, however, there is no assurance that the contract will be renewed.

In New Jersey, unlike New York, the New Jersey Department of Medicaid will grant a Medicaid contract to any accredited home health care agency. New

business is obtained through referrals from physicians, county medical services, community organizations, hospital social service workers, nurses, insurance companies and the patient's family.

Other third party payers, such as hospitals and other health care institutions, provided 11 percent and 12 percent of total TPC's revenues, in 1995 and 1994, respectively. The third party payer subcontracts with TPC for Home Care services. These contracts are generally non-exclusive.

The insurance segment of TPC's business represented approximately 2 and 7 percent of TPC's total revenues in 1995 and 1994, respectively. This business is dependent upon the insurer's decision to enter into various preferred provider networks ("PPO") and health maintenance organization networks ("HMO"). The insurance segment has become more closely linked to associations with various PPOs and HMOs. Therefore, TPC will have to develop alliances with such networks or risk the loss of business.

Private pay customers represented approximately 6 and 10 percent of TPC's revenues in 1995 and 1994, respectively. These customers have determined, for a

variety of reasons, including ineligibility of public assistance, or insurance benefits, to personally pay for the Home Care services provided by TPC. These customers are referred to TPC from a variety of sources.

The charts below sets forth: (a) the percent of total TPC's revenues by type of customer; (b) percent of total TPC's revenues by state; and (c) TPC Medicaid revenues as percentages of total state revenues.

<TABLE>
<CAPTION>

Percent of Total TPC Revenues by Type of Customer	1995	1994
-----	----	----
<S>	<C>	<C>
Medicaid (Through public assistance agencies)	81%	71%
Other third party payers	11	12
Insurance	2	7
Private pay	6	10
	-----	-----
	100%	100%

Percent of Total TPC Revenues by State	1995	1994
-----	----	----
New York	25%	36%
New Jersey	75	64

TPC Medicaid Revenues as Percentages of Total State Revenues	1995	1994
-----	----	----
New York	82%	84%
New Jersey	80	63

</TABLE>

Governmental Regulation and Licensing

The Company's business is subject to substantial regulation by state and local authorities. These regulations can cause significant time delays, as well as additional costs, as TPC must comply with state eligibility standards for licensing and/or accreditation as a Home Care provider. The imposition of more stringent regulatory requirements or the denial, revocation, or suspension of any license or accreditation necessary for TPC to operate in a particular market could have a material adverse effect on TPC's operations.

Medicaid reimbursement rates in New York and New Jersey are not negotiated by TPC, but are established by these respective states. Recent budgetary pressures at the federal and state governmental level, may in the future, reduce the allocation of federal and state budgetary dollars appropriated for the Medicaid program. This reduction, if it occurs, will have a negative impact on TPC's revenues and profitability. Federal and state budgetary pressures may

adversely impact TPC by: (1) reducing the Medicaid reimbursement rates paid by the state; (2) reducing the number of hours that will be reimbursed per case; and (3) reducing the funding of one or more public assistance agencies with which TPC presently does business. [See "Management's Discussion and Analysis or Plan of Operation - Industry Information" and "Forward Looking Statements - Cautionary Factors"]

New York State requires approval of the Public Health Council of the New York State Department of Health ("NYPHC") for any change in a "Controlling Person" of an operator of a licensed health care services agency ("LHCSA"). Control of an entity is presumed to exist if any person owns, controls or holds the power to vote 10% or more of the voting securities of such entity. To the extent TPC or the Company may seek to acquire control of an LHCSA, TPC would have to be granted the approval of the NYPHC prior to exercising control over such LHCSA. NYPHC approval is also required if any entity seeks control of more than 10 percent of the voting securities of the Company or TPC. The NYPHC has approved the change of control that occurred from the acquisition by C.O.S.S. of approximately 66 percent of the Company's common stock and the option granted to Arbor to acquire 40 percent of the Company's common stock.

Health regulatory agencies of New York and New Jersey, where TPC operates, require satisfaction of certain standards with respect to personnel, services and supervision. Health regulatory agencies also require the establishment of a professional advisory group that includes at least one physician, one registered nurse and other representatives from related disciplines or consumer groups. TPC is currently in compliance with such standards.

Applicable federal and state "anti-kickback" regulations in general provide that TPC may not make certain payments in order to receive referrals of patients. The Company believes that it is in compliance with both state and Federal "anti-kickback" regulations.

Competitive Conditions

TPC's health care operations face competition in recruiting qualified health care personnel, securing customers and providing services, from numerous proprietary health care agencies and not-for-profit organizations, many of which are substantially larger and better financed than TPC.

In New York, TPC has an annual contract with the Department of Social Services in Nassau County representing approximately 21 percent of TPC's total revenue in 1995. This type of contract was awarded to approximately sixty home health care agencies, and currently, no additional agencies are permitted to bid on this contract. Cases are referred to agencies on a rotating basis. TPC is at a competitive disadvantage in other locations in New York State, since TPC does not have Medicaid contracts in areas other than Nassau County.

In New Jersey, unlike New York, the New Jersey Department of Medicaid will grant Medicaid contracts to any accredited home health care agency. Each branch office of TPC has a contract with the New Jersey Department of Medicaid for billing and administrative purposes. For New Jersey, new business is dependent on referrals through physicians, county medical services, community organizations, hospital social service workers, nurses, insurance companies and the patient's family. Consequently, all of TPC's New Jersey business is subject to numerous competitive factors. TPC believes that prompt service, price (excluding Medicaid which by virtue of fixed reimbursement rates cannot be a differentiating factor), quality of service and the range of services offered are the principal factors which enable it to compete effectively in the New Jersey market.

Marketing and Sales

TPC currently markets its health care personnel and services in Nassau and Queens counties in New York, and in the eastern and northern counties in New Jersey. TPC's services are marketed by a team of professionals headed by a Regional Director, in each state. All of TPC's services are promoted through print and yellow page advertising, brochures, direct mail and visual presentations through field sales calls. Targeted clients are hospitals, nursing homes, retirement centers, social service agencies, senior citizen centers and other home care companies for sub-contract referrals. TPC's

representatives maintain telephonic contact not only to maintain a relationship with existing referral sources, but also to establish new sources and markets. TPC's staff attend health care sponsored seminars and various trade shows and exhibitions.

Business Strategy

The Company's business strategy is to provide Home Care services to a diversified mix of customers in the geographic markets served by the Company. The Company anticipates growing its business in the following ways: (a) opening new locations in both its existing and additional geographic markets; (b) adding additional products and services, including hospice care and skilled pediatric care; and (c) forming joint ventures and alliances and/or acquiring other Home Care businesses. (See "Forward Looking Statements - Cautionary Factors")

Liability Insurance

TPC is exposed to potential liability in the event of negligence or wrongful

acts of its personnel. TPC maintains liability insurance which it believes to be adequate. There can be no assurance, however, that TPC will be able to maintain its existing insurance at an acceptable cost or obtain additional insurance in the future as required. There can be no assurance that TPC's insurance will be sufficient to cover liabilities resulting from claims that may be brought in the future.

Employees

The Company currently has approximately 490 employees, 45 of which are full-time employees. TPC has no union contracts with any of its employees and believes that its relationship with its employees is good. TPC pays its employees at rates that it believes are competitive.

Employees at one branch of TPC are attempting to organize a union to represent the employees at the branch. An initial hearing before the National Labor Relations Board ("NLRB") has determined that a vote should be taken by the employees of this branch to decide whether the union should represent these employees. It is uncertain whether the efforts to unionize this branch will be successful. The Company, however, does not anticipate a material adverse affect on its operations and financial condition should the efforts to unionize the branch prove successful. The Company does not know at this time whether efforts will be made to unionize its other branches, whether those efforts would be successful, and whether if successful, they would have a material effect upon the Company's operations or financial condition.

Securities Filings

Since filing its petition for bankruptcy in 1986, the Company has not filed any required reports under the Securities Exchange Act of 1934 (the "Exchange Act"). The last such report filed was the Company's Form 10-K for the fiscal year ended December 31, 1985. During the years while in bankruptcy, the Company did not possess adequate financial and staffing resources to produce audited financial statements and other reports as required by the Exchange Act. The Company has made a commitment to file the reports as required under the Exchange Act commencing with this report.

As a result of the Company's past non-compliance with the Exchange Act, the Securities and Exchange Commission (the "SEC") may determine to bring civil and administrative proceedings against the Company. While the likelihood of such proceedings being brought is uncertain, if such proceedings were brought, the Company could be subject to substantial monetary penalties and other administrative remedies. The Company is also aware that if the SEC were to seek substantial monetary or administrative remedies against the Company, Arbor may not elect to exercise its option, which, if exercised fully, would result in an injection of

\$1.3 million of capital into the Company.

Forward Looking Statements - Cautionary Factors

Except for the historical information and statements contained in this Report, the matters and items set forth in this Report are forward looking statements that involve uncertainties and risks some of which are discussed at appropriate points in the Report and are also summarized as follows:

1. The Company derives most of its revenues from Medicaid reimbursements. To the extent Medicaid reimbursements are reduced the Company's revenues may be adversely impacted. Reductions in Medicaid budgetary dollars are being discussed at the federal and state executive and legislative levels, including the states of New York and New Jersey.

2. The Company's expansion strategy is contingent upon obtaining additional financing. As such, if the Company were unable to obtain such financing, it may fail to achieve all or part of its expansion strategy. The Company believes its expansion strategy would be sufficiently funded if Arbor exercises its option in full and injects \$1.3 million of equity into the Company. If the capital required to fund the Company's expansion strategy does not come from Arbor through its exercise of its option in full, the Company will seek alternative financing to fund its expansion strategy.

Item 2. Description of Property

The Company's corporate office is located in Carle Place, New York. The lease expires on November 30, 2000. The Company leases 2,060 gross square feet at an annual rental of \$39,140, with annual escalations of 12%.

TPC's New York branch is located in Hempstead, New York. The space consists of 1,688 square feet for a rental period expiring on July 31, 2000 at an annual rental of \$20,286.

TPC operates two branch offices and three satellite offices in New Jersey.

The East Orange, New Jersey branch office occupies approximately 2,250 square feet. The lease term runs from March 1, 1996 through February 28, 2001 at an annual rental of \$29,400.

The Hackensack, New Jersey branch office occupies approximately 2,000 square feet at an annual rental of \$27,600, pursuant to a lease that expires on February 28, 2000.

The Clifton, New Jersey office will be a satellite office of the Hackensack branch office. Additionally, the Clifton location will serve as the New Jersey

Regional Office. This location occupies approximately 3,500 square feet with an annual rental of \$61,250. The lease term expires January 31, 2006. The Patterson, New Jersey satellite office will move to the Clifton Regional Office on or about April 15, 1996. The present Paterson, New Jersey office is a satellite office of the Hackensack branch office. TPC occupies approximately 500 square feet at an annual rental of \$6,000. The lease is on a year by year basis with a thirty day termination clause.

The Jersey City, New Jersey office is a satellite office of the Hackensack branch office consisting of approximately 1,500 square feet. The term of the lease is from July 1, 1995 through June 30, 2000. The minimum rental is \$15,600 per year with an annual increase of 4%.

The Elizabeth, New Jersey office which opened on March 1, 1996, is a satellite office of the East Orange branch office. This office occupies approximately 1,150 square feet and has an annual rental is \$13,464. The lease expires on February 28, 1999.

Item 3. Legal Proceedings

In October 1992, Telford Home Assistance, Inc., d/b/a Extended Care ("Telford"), brought an action in New York State Supreme Court (the "Supreme Court") against TPC, alleging corporate name infringement. Telford is a home health care provider located in Suffolk County, New York. The suit alleged

that TPC, d/b/a Extended Family Care infringed upon the name, Extended Care, and had hurt Telford's business relationships with common clients. In September 1994, the Supreme Court entered a summary judgment in favor of Telford. TPC appealed this judgement and in January 1995 won an unanimous reversal by the Supreme Court, Appellate Division, Second Department, which dismissed the action and awarded TPC reimbursement of legal costs. Telford moved to appeal this decision to the New York Court of Appeals, which motion was denied in May 1995.

Bankruptcy Proceedings

In 1986 the Company and TPC filed for protection from its creditors under Chapter 11 of the U.S. Bankruptcy Code in the Southern District, New York. An Amended Joint Plan of Reorganization (the "Plan") dated February 5, 1992 was filed for both the Company and TPC. The Plan was approved on March 23, 1992. Shareholders of the Company prior to the bankruptcy filing retained ownership of their shares.

There were seven classes of creditors. Some creditors withdrew their claims, some received cash or negotiated extended payment terms, and some were offered an option of receiving cash or newly issued common stock. The latter group of creditors received 1,388,959 shares of newly issued common stock in exchange for their claims.

As noted above, COSS received 12,749,658 shares of newly issued common stock, representing 66 percent of the Company's outstanding common stock for a \$250,000 cash investment.

A Final Decree was entered on January 13, 1995 confirming that the Plan has been consummated permitting the Company and TPC to emerge from bankruptcy proceedings.

PART II

Item 5. Market for Common Equity and Related Stockholder Matters

(a) Market Information

The Common Stock of the Company has traded in the over-the-counter market since November 1980. Prices for the Company's common stock are quoted in the "pink sheets".

The high and low bid quotations for the common stock for each quarter of 1994 and 1995 are shown below. These quotations were supplied by National Quotation Bureau, Inc., located in Cedar Grove, New Jersey. The prices reported reflect inter-dealer quotations that may not represent actual transactions and do not include retail mark-ups, mark-downs or commissions.

<TABLE>

<CAPTION>

1995	Bid Prices (\$)	
	High	Low
<S>	<C>	<C>
First Quarter	\$.125	\$.031
Second Quarter	.250	.063
Third Quarter	.250	.063
Fourth Quarter	.375	.063

1994	Bid Prices (\$)	
	High	Low
First Quarter	\$.125	\$.031
Second Quarter	.094	.031
Third Quarter	.100	.031
Fourth Quarter	.100	.020

</TABLE>

(b) Holders

There are 1,295 holders of record of the Company's common stock as of March 20, 1996.

(c) Dividends

The Company has not paid dividends in the past ten years. The Company's policy is to retain earnings in the Company to provide for future growth and, therefore, it is not anticipated that the Company will pay dividends in the foreseeable future.

Item 6. Management's Discussion and Analysis or Plan of Operation.

The following discussion and analysis provides information which the Company's management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition. This discussion should be read in conjunction with the audited consolidated financial statements and related notes contained elsewhere in this filing.

Overview

The Company's revenues are derived from providing home health services to individuals, in New York and New Jersey, through various contracts with government agencies (under the Medicaid program) and to a lesser extent hospitals, insurance companies, private pay and other third party payers.

Industry Information

According to published industry data, the home care industry in 1994 constituted a \$23 billion market with an annual growth rate exceeding 20 percent for this industry sector. Primary reasons cited for such rapid growth include: (1) the general aging of the United States' population; (2) the substantial cost savings achievable through at-home treatment as an alternative to hospital care; (3) medical and technological advances which enable a growing number of treatments to be administered at home rather than in a medical facility; and (4) Insurance (both government regulated and private) reimbursement policies which provide certain incentives to minimize the length of in-patient hospital care. The Company believes that the factors above will continue to contribute to steady growth for the home care industry.

The Company is aware of discussions in New York and New Jersey at the executive and legislative branches of government, concerning a possible reduction of Medicaid reimbursement rates. The Company does not know if any such reduction will occur, or if it were to occur, the extent of the reduction, and therefore does not know if there would be a material adverse effect on the Company's financial condition as a result of any such reduction. [See "Forward Looking Statements - Cautionary Factors"]

Results of Operations

Year Ended December 31, 1995 Compared to Year Ended December 31, 1994

Net Patient Service Revenue: Net patient service revenue increased \$2,757,768 or 60% to \$7,367,958 for the year ended December 31, 1995 from \$4,610,190 for the year ended December 31, 1994. The addition of two new branches in 1995 increased net patient service revenue by \$1,149,408 or 25%. The balance of the increase in net patient service revenue resulted from an increase in the remaining branches' net patient service revenue of \$1,608,360 or 35% from 1994 to 1995, due to a general upward trend in the Home Care business, and aggressive recruiting and marketing programs that enabled the Company to increase its referral sources and number of cases serviced.

Cost of Services: Cost of services increased \$1,805,292 or 62% to \$4,706,196 for 1995 from \$2,900,904 for 1994. The increase in cost of services is primarily due to increases in field staff payroll cost resulting from a 60% increase in net patient service revenue. The Company's growth in the number of cases serviced increased the need for additional field staff to service these cases.

Selling, General and Administrative Expenses: Selling, general and administrative expenses increased \$467,938 or 28% to \$2,128,432 for 1995 from \$1,660,494 for 1994. This increase reflects higher administrative salaries, marketing and facility expenses associated with the additional branch locations and the increase in case volume. Selling, general and administrative expenses as a percentage of net revenues decreased to 29% in 1995 from 36% in 1994, which was primarily attributable to fixed overhead being absorbed by the increase in net patient service revenue.

Provision For Income taxes: Provision for income taxes increased \$173,000 or 481% to \$209,000 for the year ended December 31, 1995 from \$36,000 for the year ended December 31, 1994. The increase is primarily due to a \$420,926 or 420% increase in pre-tax income (adjusted for permanent taxable differences) and partially due to an increase in the Company's effective tax rate from 1994 to 1995.

Inflation and Seasonality

Medicaid reimbursements, which represent the Company's principal source of revenue, have historically been adjusted to keep pace with inflation. There can be no assurance that future Medicaid reimbursement will keep pace with inflation.

The Company's business is generally not subject to seasonal trends.

Liquidity and Capital Resources

The nature of the Company's business requires weekly payments of wages to its personnel at the time they render services, while it receives payments for services rendered over an extended period of time (30 to 90 days). At December 31, 1995 and December 31, 1994, the Company's accounts receivable balances were \$895,131 and \$803,664, respectively. During 1995 and 1994, TPC's days sales in accounts receivable was approximately 49 and 61 days, respectively.

At December 31, 1995, the Company had working capital of \$285,828. Historically, the Company's cash requirements have been met internally from operations. The Company currently has no outstanding bank debt nor does it have any agreements for a line of credit.

In 1995 and 1994, the Company generated cash from operating activities of \$555,433 and \$39,713 respectively. The change in cash generated from operating activities in 1995 was a result of increased revenues and profitability and a faster collection of accounts receivable.

During 1995 the Company invested \$57,373 in property and equipment primarily for purchases of computers, telecommunication equipment, and furniture and equipment associated with the Company's two new branch locations.

In 1995, the Company used cash to pay down \$83,687 in various loan and capital lease obligations. In 1994, the Company had net borrowings of \$41,949 from various parties.

The Company believes that its liquidity and capital resources are adequate for its current level of operations. However, due to its anticipated geographical expansion, addition of new products and services and potential acquisitions and joint ventures of other home care businesses (See "Business Strategy"), the Company expects its future capital needs to increase. Should Arbor exercise its option in full to purchase common stock of the Company in 1996 (See "Certain Relationships and Related Transactions") it will contribute \$1.3 million in cash to the Company. The Company believes that the proceeds from the exercise of the Arbor option will be sufficient to meet the Company's expansion related and working capital requirements over the next twelve months. Should Arbor not exercise its option to purchase the Company's shares, the Company will seek alternative financing to fund its business expansion. The Company's inability to obtain alternative financing could have a material adverse effect on the Company's business expansion plans. [See "Forward Looking Statements - Cautionary Factors"]

Item 7. Financial Statements.

The Company's financial statements and schedules appear at the end of this Report.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Effective February 19, 1996, the Company dismissed Rose, Michlin, Karpf & Co. ("Rose, Michlin") as its independent auditor for the audit of its financial statements. The new independent auditor to be engaged by the Company to audit the Company's financial statements, effective February 19, 1996, is Carpenter & Onorato, P.C.

Rose, Michlin did not complete the audit of the Company's financial statements for the two most recent fiscal years 1994 and 1995. However, during these years there were no disagreements with Rose, Michlin on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure. Further, the Company was not advised by Rose, Michlin during this period of the existence of any of the events described in Item 304(a)(1)(B) of Regulation S-B.

The decision to change accountants was recommended and approved by the Board of Directors.

During the Company's two most recent fiscal years and to the present, there were no issues, as such are defined in Item 304(a)(2) of Regulation S-B that were consulted upon with the newly appointed accountant to the Company or Rose, Michlin.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

The directors and executive officers of the Company are as follows:

<TABLE>

<CAPTION>

Name	Age	Position
----	---	-----
<S>	<C>	<C>
Mary Ann Page	54	Acting Chief Executive Officer/Vice-President/Director/Director Nominee
Patricia Cantalupo	36	Vice-President/Director
Peter P. Jackson	45	Former Chief Executive Officer of TPC
Paul Elenio Controller	28	Vice President,
Robert Kohlmeyer Treasurer/Director	41	Secretary,
Steven Gorenstein	52	Former President, Chief Executive Officer and Director
Joseph Martello	40	Director Nominee
Joseph Heller	32	Director Nominee

</TABLE>

Mary Ann Page

Acting Chief Executive Officer since January 1996; Vice President and Director of the Company since June 1994. Ms. Page is also President and a Director of TPC Home Care Services, Inc., the Company's majority-owned subsidiary ("TPC"). From 1991 to 1993, Ms Page held the position of Director of Training for Health Force, a national home health care agency, where she was responsible for training new franchisees in all aspects of home care personnel services. From 1988 to 1991, she held the position of Director of Franchising for Winston Franchising Corp. Ms. Page is expected to stand for reelection as a director at the Company's Annual Meeting (the "Meeting").

Patricia Cantalupo

Vice President and Director since 1992. Dr. Cantalupo is also a Vice President and Secretary of TPC. Dr. Cantalupo has been the principal owner of Cantalupo Chiropractic Associates, a full service multi-disciplinary Chiropractic Health Care Facility, since 1985. Dr. Cantalupo is not expected to stand for reelection at the Meeting.

Peter Jackson

Managing Director of Business Development since January 1996. Mr. Jackson was Chief Executive Officer of TPC from July 1993 to December 1995. From 1975 to 1984 Mr. Jackson was President of International Real Estate Computer Company, a software development company for real estate advisory and appraisal services. From 1972 to 1992 Mr. Jackson was President of Jackson Associates, a national commercial real estate appraisal firm which also specialized in nursing home cost evaluation for medical reimbursement rates.

Paul Elenio

Vice President and Controller of the Company since January 1996. From 1993 to 1995 Mr. Elenio held the position of Financial Reporting and Tax Supervisor for BankAmerica Mortgage, FSB, formally Arbor National Mortgage, Inc., a mortgage banking company which originated, sold and serviced residential and al mortgages. From 1991 to 1993, Mr. Elenio held the position of Senior Accountant for Arbor National Mortgage, Inc.

Robert Kohlmeyer

Secretary, Treasurer and Director of the Company since 1992. Mr. Kohlmeyer is also Secretary/Treasurer and Director of TPC. Mr. Kohlmeyer has been President and Chief Operating Officer of CRK Contracting, a regional large scale electrical contracting company, since 1987. Mr. Kohlmeyer is not expected to stand for reelection as a director at the Meeting.

Steve Gorenstein

President, Chief Executive Officer and Director of the Company since 1992. Mr. Gorenstein resigned as an officer and director in January 1996. From 1991 to present, Mr. Gorenstein has been President of Career Placements, Inc., a temporary employment agency.

Joseph Martello

From August 1995 to present Mr. Martello has been Senior Vice President and Chief Financial Officer of Arbor Home Healthcare Holding, LLC, a holding company which holds the option to purchase up to 13,000,000 shares of the Company's Common

Stock. See "Certain Relationships and Related Transactions." Mr. Martello, from 1993 to the present, has been Senior Vice President and Chief Financial Officer of Arbor National

Commercial Mortgage, LLC (and its predecessor), a nationwide provider of debt and equity financing to multifamily borrowers. From August 1995 to present, Mr. Martello has been Senior Vice President and Chief Financial Officer of Arbor Management, LLC, a company which is active in the marketing, financing and management of growth oriented businesses. See "Certain Relationships and Related Transactions." From 1990 to 1995, Mr. Martello was Senior Vice President and Chief Financial Officer of Arbor National Mortgage, Inc. (and its successor), a mortgage banking company which originated, sold and serviced residential mortgages. In 1995 Arbor National Mortgage, Inc. was sold to BankAmerica Mortgage, FSB. From 1979 to 1990, Mr. Martello was a Senior Manager for Ernst & Young, LLP, an international accounting and consulting firm. Mr. Martello is a Certified Public Accountant. Mr. Martello is expected to be a nominee for election as a director for the first time at the Meeting.

Joseph Heller

From August 1995 to the present, Mr. Heller has been a Vice President of Arbor Home Healthcare Holding, LLC. From June 1995 to the present, Mr. Heller has also been Vice President of Corporate Planning for Arbor Management, LLC. From 1991 to May 1995, Mr. Heller has held the positions of Vice President of Financial Analysis and Budgeting and Director of Shareholder Relations for Arbor National Mortgage, Inc. and its successor. From 1990 to 1991, Mr. Heller was an Acquisition Associate for WinStar Services, Inc., a merchant and investment banking firm. From 1987 to 1990, Mr. Heller was a Senior Analyst for Morgan Stanley & Co., a leading investment banking firm, and from 1985 to 1987, Mr. Heller was a Senior Accountant for Ernst & Young, LLP, an international accounting and consulting firm. Mr. Heller is a Certified Public Accountant; in 1991, he received a Masters degree in Business Administration from Fordham University. Mr. Heller is expected to be a nominee for director for the first time at the Meeting.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors and officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission ("SEC"). Such persons are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on its review of the copies of such reports received by it with respect to fiscal 1995, or written representations from certain reporting persons, the Company believes that all filing requirements applicable to its directors, officers and persons who own more than 10% of a registered class of the Company's equity securities have been timely complied with, except that COSS, Steven Gorenstein, Mary Ann Page, Patricia Cantalupo, Robert Kohlmeyer, Peter Jackson and Paul Elenio failed to timely file a Form 3 - Initial Statement of Beneficial Ownership. Paul Elenio has since filed his Form 3.

ITEM 10. EXECUTIVE COMPENSATION

Summary Compensation Table

<TABLE>
<CAPTION>

SUMMARY COMPENSATION TABLE

(a) Name and Principal Position	(b) Annual Compensation			
	(c) Year	(d) Salary (\$)	(e) Bonus (\$)	(f) Other Compensation (\$)

<S>	<C>	<C>	<C>	<C>
Steve Gorenstein	1995	\$0	\$0	\$0
Chief Executive Officer	1994	\$0	\$0	\$0
President and Director	1993	\$0	\$0	\$0
Mary Ann Page	1995	\$82,210	\$6,250	\$
Acting Chief Executive Officer	1994	\$66,221	\$0	\$
	1993	\$ 9,231	\$0	\$

</TABLE>

No officer of the Company received compensation in excess of \$100,000. Members of the Board of Directors received no compensation of any kind for services provided as a director.

There are no employment agreements with any officer or director of the Company or its subsidiaries.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of certain beneficial owners.

The following sets forth the holdings of any person known by the issuer to be the beneficial owner of more than five percent of the Company's Common Stock:

<TABLE>

<CAPTION>

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
<S>	<C>	<C>	<C>
Common Stock	COSS Holding Corp. 1 Old Country Road Suite 500 Carle Place, NY. 11514	12,749,658	66.1
Common Stock	Arbor Home Healthcare Holding, LLC 333 Earle Ovington Blvd. Uniondale, NY. 11553	25,749,658 (1)	79.7
Common Stock	Ivan Kaufman c/o Arbor Home Healthcare Holding, LLC 333 Earle Ovington Blvd. Uniondale, NY. 11553	25,749,658 (1) (2)	79.7

</TABLE>

(1) Includes and gives effect to the exercise in full of options held by Arbor to purchase up to 13 million newly issued shares from the Company. Includes voting power over 12,749,658 shares owned by COSS Holding Corp. pursuant to a voting trust. (See "Certain Relationships and Related Transactions").

(2) Ivan Kaufman owns a 99 percent interest in Arbor Home Healthcare Holding LLC. and is its controlling member.

(b) Security Ownership of Management.

The following sets forth the holdings of all of the Company's directors, executive officers and director nominees, as well as all directors and officers as a group:

<TABLE>

<CAPTION>

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
<S>	<C>	<C>	<C>
Common Stock	Steven Gorenstein 16 Barrington Place Dix Hills, NY 11747	0	0
Common Stock	Robert Kohlmeyer (1) 86 Hilltop Drive Smithtown, NY 11787	0	0
Common Stock	Mary Ann Page c/o Cosmetic Sciences, Inc. 1 Old Country Road Carle Place, NY 11514	0	0
Common Stock	Patricia Cantalupo 50 Harvard Drive Westbury, NY 11590	0	0
Common Stock	Peter P. Jackson c/o Cosmetic Sciences, Inc. 1 Old Country Road Carle Place, NY 11514	110,000 (1)	*
Common Stock	Paul Elenio c/o Cosmetic Sciences, Inc. 1 Old Country Road Carle Place, NY 11514	0	0
Common Stock	Joseph Martello c/o Arbor Management, LLC 333 Earle Ovington Blvd. Uniondale, NY 11553	0	0
Common Stock	Joseph Heller c/o Arbor Management, LLC 333 Earle Ovington Blvd. Uniondale, NY 11553	0	0
Common Stock	All directors and executive officers as a group	110,000	*

*Less than 1%

</TABLE>

(1) Owned by son Steven Jackson. Peter Jackson disclaims beneficial ownership of these shares.

(c) Changes in control

COSS has agreed to place all of its 12,749,658 shares of the Company's Common Stock (the "COSS Shares"), representing approximately 66 percent of the currently outstanding Company Common Stock, in a voting trust. Arbor will have the right under this voting trust to direct the voting of all of the COSS Shares and to nominate a majority of the Company's Board of Directors. (See "Certain Relationships and Related Transactions".)

In addition, pursuant to a certain Amended and Restated Option Agreement (the "Option Agreement"), dated as of October 31, 1995, by and among Arbor, COSS, COSS' shareholders, the Company, and TPC, Arbor acquired from the Company an option to purchase up to 13 million newly issued shares of the Company's Common Stock, which would constitute 40 percent of the Company's outstanding Common Stock if exercised in full. Should this option

be exercised in full, Arbor will have beneficial ownership and voting rights as to 79.7 percent of the outstanding Common Stock of the Company, due to the exercise of this option in full and voting control over the Coss Shares. (See "Certain Relationships and Related Transactions".)

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Pursuant to a certain Amended and Restated Option Agreement (the "Option Agreement"), dated as of October 31, 1995, by and among Arbor, COSS, COSS' shareholders, the Company, and TPC, Arbor acquired from the Company an option to purchase up to 13 million shares of the Company's Common Stock as follows: (a) Arbor has an irrevocable option (the "First Option") to purchase, by June 21, 1996, 6.5 million shares of the Company's Common Stock at an exercise price of \$.10 per share; (b) subject to Arbor's timely exercise of the First Option, Arbor will be given the option (the "Second Option") to purchase, by November 1, 1996, up to an additional 6.5 million shares of the Company's Common Stock at an exercise price of \$.10 per share. The First and Second Options are subject to adjustment in the event of stock splits and similar events.

COSS has agreed to place all of the Coss Shares representing approximately 66 percent of the currently outstanding Company Common Stock, in a voting trust. Arbor will have the right under this voting trust to direct the voting of all of the COSS Shares and to nominate a majority of the Company's Board of Directors. In addition, under certain circumstances, the trustee of the voting trust is required to observe certain restrictions in the event COSS wishes to effect a sale, transfer or encumbrance of the COSS Shares. COSS will retain all economic rights in the COSS Shares, including, but not limited to, its right to dividends. The Option Agreement also provides for various negative covenants in favor of Arbor with respect to actions that may be taken by COSS, its shareholders, the Company and TPC.

Pursuant to a Registration Rights and Conditional Put Option Agreement (the "Registration Rights Agreement"), dated as of October 31, 1995, between COSS and the Company, the Company has agreed to register the COSS Shares for resale under the Securities Act of 1933, as amended (the "Securities Act"), upon the written demand of COSS made at any time commencing one year after the date on which the Company's Common Stock is listed on the Nasdaq Stock Market (whether as a SmallCap Market security or a National Market System security, or any equivalent or successor of the foregoing). Pursuant to the Registration Rights Agreement, the Company will be obligated to file up to three registration statements, with one-third of the COSS Shares (subject to certain adjustments) to be registered in each year of such three year period. Notwithstanding the foregoing, the Company has the right to reject the demand by COSS, following which COSS may require that the Company redeem the COSS Shares at a price equal to 75 percent of the average bid price in effect during the thirty trading days prior to the demand for registration. Upon the Company's rejection of the demand, COSS, at its option, may sell the COSS Shares to a party other than the Company, subject to the Company's right of first refusal on such sale. Arbor has the right to purchase the COSS Shares in lieu of the Company on the same terms and conditions granted the Company as described in the two preceding sentences. In addition, COSS has been granted certain registration rights in the event the Company shall register any shares for sale under the Securities Act.

On October 31, 1995, the Company entered into a two year Financial Services Agreement with Arbor Management LLC ("Arbor Mgt."). This Agreement requires Arbor Mgt. to provide consulting services in the areas of finance, information systems, accounting and marketing. Arbor Mgt. receives a fee of \$7,500 per month for

these services. This agreement is subject to early termination if Arbor Health's First Option is not exercised or upon the listing of the Company's Common Stock on the NASDAQ Stock Market.

Item 13. Exhibits and Reports on Form 8-K.

(a) Exhibits

Item 13. Exhibits and Reports on Form 8-K.

(b) Current Reports on Form 8-K

The Company filed a Current Report on Form 8-K dated October 31, 1995 in connection with the granting of Arbor an option to purchase 13 million shares of the Company's common stock. Item 1. Changes in Control and Item 7. Financial Statements and Exhibits were reported in this Report. No financial statements were filed with this Report.

COSMETIC SCIENCES, INC. AND SUBSIDIARY

Consolidated Financial Statements

Years Ended December 31, 1995 and 1994

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

COSMETIC SCIENCES, INC. AND SUBSIDIARY

<TABLE>

<CAPTION>

<S>	Page
Independent Auditor's Report	<C>
	F - 2

Consolidated Balance Sheets as of December 31, 1995 and December 31, 1994	F - 3
--	-------

Consolidated Statements of Operations for the years ended December 31, 1995 and 1994	F - 4
---	-------

Consolidated Statements of Shareholder's Equity for the years ended December 31, 1995 and 1994	F - 5
---	-------

Consolidated Statements of Cash Flows for the years ended December 31, 1995 and 1994	F - 6
---	-------

Notes to Consolidated Financial Statements	F - 7
--	-------

</TABLE>

F - 1

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Cosmetic Sciences, Inc.

We have audited the accompanying balance sheets of Cosmetic Sciences, Inc. and subsidiary, as of December 31, 1995 and 1994 and the related consolidated statements of operations, shareholders'

equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cosmetic Sciences, Inc., at December 31, 1995 and 1994 and the consolidated results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Carpenter & Onorato, P.C.
 Certified Public Accountants
 Garden City, NY 11530
 March 8, 1996

F - 2

COSMETIC SCIENCES, INC. AND SUBSIDIARY
 Consolidated Balance Sheets
 December 31,

<TABLE>
 <CAPTION>

	1995 ----	1994 ----
Assets -----		
<S>	<C>	<C>
Current Assets:		
Cash	\$ 511,563	\$ 97,190
Accounts receivable, net of allowance for doubtful accounts of \$100,000 and \$48,190, respectively (note 2)	895,131	803,664
Prepaid expenses	146,809	72,756
Total current assets	----- 1,553,503	----- 973,610
Property and equipment, net (note 5)	118,591	38,449
Other assets:		
Deferred taxes (note 7)	259,000	468,000
License, net (notes 3 and 6)	515,832	555,511
Other	11,197	7,123
Total assets	----- \$2,458,123 =====	----- \$2,042,693 =====
Liabilities and Shareholders' Equity -----		
Current liabilities:		
Accounts payable	\$ 222,677	\$ 204,695

Accrued expenses (note 10)	543,974	325,683
Customer deposits	59,146	71,270
Notes payable (note 4)	148,449	218,449
Payroll taxes payable (note 10)	280,584	332,858
Current portion of obligations under capital leases	12,845	-
Total current liabilities	1,267,675	1,152,955
Non-current liabilities:		
Long-term debt (note 4)	54,500	62,000
Obligations under capital leases	40,010	-
Total non-current liabilities	94,510	62,000
Total liabilities	1,362,185	1,214,955
Commitments and contingencies (notes 8, 9, and 10)		
Minority interest in subsidiary	140,008	93,610
Shareholders' equity (notes 6 and 7)		
Common stock, \$.01 par value, 20,000,000 shares authorized, 19,300,229 shares issued and outstanding	194,506	194,506
Additional paid-in-capital	638,844	638,844
Retained earnings (deficit)	122,580	(99,222)
Total shareholders' equity	955,930	734,128
Total liabilities and shareholders' equity	\$2,458,123	\$2,042,693

</TABLE>

See accompanying notes to consolidated financial statements.

F - 3

COSMETIC SCIENCES, INC. AND SUBSIDIARY
Consolidated Statements of Operations
Years Ended December 31,

<TABLE>

<CAPTION>

	1995	1994
	----	----
<S>	<C>	<C>
Net patient service revenue (note 2)	\$ 7,367,958	\$4,610,190
Cost of services:		
Salaries	4,058,749	2,495,237
Payroll taxes and other	647,447	405,667
Total cost of services	4,706,196	2,900,904
Gross profit	2,661,762	1,709,286

Selling, general and administrative expenses	2,128,432	1,660,494
	-----	-----
Provision for doubtful accounts	51,810	48,190
	-----	-----
Income from operations	481,520	602
Interest expense	4,320	21,072
	-----	-----
Income (loss) before provision for income taxes and minority interest	477,200	(20,470)
Provision for income taxes, income tax equivalent provision (note 7)	209,000	36,000
	-----	-----
Net income (loss) before minority interest	268,200	(56,470)
Minority interest in subsidiary net income (loss)	46,398	(8,889)
	-----	-----
Net income (loss)	\$ 221,802	\$ (47,581)
	=====	=====
Primary earnings (loss) per share	\$ 0.0107	\$ (0.0025)
	=====	=====
Fully diluted earnings per share	\$ 0.0105	\$ -
	=====	=====
Weighted average number of shares outstanding:		
Primary	\$20,823,555	\$19,300,229
	=====	=====
Fully diluted	\$21,033,562	-
	=====	=====

</TABLE>

See accompanying notes to consolidated financial statements.

F - 4

COSMETIC SCIENCES, INC. AND SUBSIDIARY
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 1995 and 1994

<TABLE>
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	Common Stock		Additional	Retained	Total
	Shares	Amount	Paid-in capital	Earnings (Deficit)	Shareholders' Equity
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
December 31, 1993	\$ 19,300,229	\$ 194,506	\$ 220,524	\$ (51,641)	\$ 363,389

Benefit of
utilization of
net operating

loss carryforward	-	-	418,320	-	418,320
Net loss	-	-	-	(47,581)	(47,581)
December 31, 1994	19,300,229	194,506	638,844	(99,222)	734,128
Net income	-	-	-	221,802	221,802
December 31, 1995	\$ 19,300,229	\$ 194,506	\$ 638,844	\$122,580	\$ 955,930

</TABLE>

See accompanying notes to consolidated financial statements.

F - 5

COSMETIC SCIENCES, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years Ended December 31,

<TABLE>

<CAPTION>

	1995	1994
	----	----
Cash flows from operating activities:		
<S>	<C>	<C>
Net income (loss)	\$ 221,802	\$ (47,581)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Allowance for doubtful accounts	51,810	48,190
Depreciation and amortization	36,273	20,051
Amortization of intangible assets	39,679	39,679
Provision for income taxes, income tax equivalent provision	209,000	36,000
Minority interest in subsidiary income (loss)	46,398	(8,889)
Change in operating assets and liabilities:		
(Increase) in assets:		
Accounts receivable	(143,276)	(284,988)
Prepaid expenses	(74,053)	(10,945)
Security deposits	(4,074)	(2,700)
Increase (decrease) in liabilities:		
Accounts payable	17,982	21,008
Accrued expenses	218,290	140,927
Customer deposits	(12,124)	20,919
Payroll taxes payable	(52,274)	68,042
Net cash provided by operating activities	555,433	39,713
Cash flow from investing activity:		
Purchase of property and equipment	(57,373)	(9,464)
Net cash (used in) investing activity	(57,373)	(9,464)
Cash flow from financing activity:		
Loans from affiliates	-	61,949
Payment of obligations under capital leases	(6,187)	-
Repayment of loans	(77,500)	(20,000)

Net cash (used in) provided by financing activities	(83,687)	41,949
Net increase in cash	414,373	72,198
Cash at beginning of year	97,190	24,992
Cash at end of year	\$ 511,563	\$ 97,190
Supplemental disclosures:		
Equipment acquired under capital lease obligation	\$ 59,042	\$ -
Cash paid during the year for:		
Interest	\$ 5,825	\$ 3,312
Income taxes	\$ 654	\$ 479

</TABLE>

See accompanying notes to consolidated financial statements.

F - 6

COSMETIC SCIENCES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
December 31, 1995

(1) Significant Accounting Policies

(a) Description of Business

Cosmetic Sciences, Inc. (C.S.I.) or (the Company), is primarily engaged in the business of providing health care services in the home through its 83% majority owned subsidiary, T.P.C. Home Care Services, Inc. (T.P.C.). C.S.I. is the holding company for T.P.C.

T.P.C. is a licensed home care provider servicing patients since 1980. T.P.C. has offices in New York and New Jersey, providing twenty four hour home care services.

On August 5, 1986, T.P.C. and its parent, C.S.I., filed voluntary petitions for reorganization under Chapter 11 of the United States Bankruptcy Code. On March 23, 1992, this plan of reorganization was confirmed by the United States Bankruptcy Court. On January 13, 1995, the bankruptcy court issued a final decree.

As part of the plan of reorganization, on October 8, 1993, per an agreement between C.O.S.S. Holding Corp. (C.O.S.S.), an investor group, and C.S.I. dated March 23, 1992, C.S.I. issued 12,749,658 shares of stock to C.O.S.S. for \$250,000 in cash which resulted in C.O.S.S. owning a 66% interest in C.S.I. Also, unsecured creditors were given the option to receive a pro rata share of C.S.I.'s common stock or 12% of the allowed amount of their respective claims. This option resulted in C.S.I. issuing 1,388,959 shares of common stock to the unsecured creditors.

On October 31, 1995, C.S.I. entered into an agreement with Arbor Home Healthcare Holdings, LLC (Arbor) (in which Ivan Kaufman owns a 99% interest), by which C.S.I. granted Arbor the irrevocable option for C.S.I. to issue 13,000,000 shares of C.S.I. stock to Arbor at \$.10 per share. This option agreement can be exercised by Arbor in two equal stock issuances of 6.5 million shares on or before June 21, 1996 and November 1, 1996, respectively. Upon exercising such option, Arbor will own approximately a 40% interest in

C.S.I. In addition, per the agreement, C.O.S.S. has placed all of its 12,749,658 shares of C.S.I. common stock in a voting trust. Arbor has the right to direct the voting of all of the C.O.S.S. shares and to nominate a majority of the C.S.I. Board.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of C.S.I. and its majority owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

(Continued)

F - 7

COSMETIC SCIENCES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued

(c) Revenue Recognition and Allowance for Doubtful Accounts

Net patient service revenue is recorded at the Company's reimbursement rates or contracted rates. Such revenue is received from patients, third party payors and others for services rendered. A significant portion of the Company's revenue is received from third-party payors (i.e. Medicaid) and is subject to audit and adjustment by those payors. A provision for doubtful accounts is made for accounts receivable estimated to be uncollectible; which is based upon management's evaluation of relevant facts that effect the collectibility of accounts receivable.

(d) Property and Equipment

Property and equipment are recorded at cost. The carrying amount of the assets and related accumulated depreciation and amortization are removed from the accounts when such assets are disposed of and the resulting gain or loss is included in operations. Depreciation and amortization of equipment and leasehold improvements are computed using the declining balance method for the following useful lives of the assets:

Furniture and fixtures	5 - 7 years
Equipment	5 years
Leasehold improvements	lesser of the useful life of the asset or the remaining lease period.

(e) Post-retirement Health Care and Life Insurance Benefits

The Company does not provide post-retirement benefits for its employees.

(f) Income Taxes

In 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", which requires recognition of deferred tax liabilities and assets for the future tax consequences attributable to temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at statutory rates expected to be in effect when such amounts are realized or settled. The effects of statutory tax law or rate changes are reflected in income in the period of enactment.

(g) Net Income (Loss) per Common Share

Net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common stock and common stock equivalents outstanding

COSMETIC SCIENCES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued

during each period. Common stock equivalents represent the dilutive effect of the assumed exercise of certain outstanding stock options.

(2) Concentration of Segment Risk

T.P.C. provides temporary health care personnel to in-home patients in New York and New Jersey. T.P.C. grants credit to its patients who are insured under third-party payor agreements. Deposits are required for all private business. The mix of accounts receivable from private and third-party payors at December 31 were as follows:

<TABLE>
<CAPTION>

	1995	1994
	----	----
<S>	<C>	<C>
Medicaid	62%	52%
Insurance	2	14
Other third-party payors	29	23
Private	7	11
	----	----
	100%	100%
	=====	=====

</TABLE>

Historically, credit losses relating to customers have not been significant and have been within management's expectations.

(3) Intangible Assets

Intangible assets at December 31 are as follows:

<TABLE>

	1995	1994
	----	----
<S>	<C>	<C>
License	\$595,190	\$595,190
less accumulated amortization	79,358	39,679
	-----	-----
	\$515,832	\$555,511
	=====	=====

</TABLE>

The value of the above license was derived from the valuation of the entity's assets as part of its "Fresh Start Reporting" (see note 6).

COSMETIC SCIENCES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued

(4) Notes Payable and Long-Term Debt

Notes payable and long-term debt consist of the following at December 31:

<TABLE>

<CAPTION>

	1995 ----	1994 ----
<S>	<C>	<C>
Note payable - Bank due on demand. \$30,000 was paid in 1995 as full and complete satisfaction of the original \$50,000 debt.	\$ -	\$ 50,000
Note payable, non-interest bearing, payable in monthly installments of \$1,500 with a final balloon payment of \$26,000 due in August, 1998. Interest on this note was not imputed as the Company considers the amount to be immaterial.	72,500	80,000
Notes payable, non-interest bearing and payable on demand.	80,000	80,000
Due to Affiliated Parties (see note 8).	50,449	70,449
	-----	-----
Notes payable and long-term debt	202,949	280,449
Less current portion	148,449	218,449
	-----	-----
Long-term debt	\$ 54,500	\$ 62,000
	=====	=====

</TABLE>

(5) Property and Equipment

Property and equipment consist of the following:

<TABLE>

<CAPTION>

	1995 ----	1994 ----
<S>	<C>	<C>
Furniture and fixtures	\$ 18,751	\$ 15,723
Machinery and equipment	167,108	112,763
Leasehold improvements	7,039	7,039
Equipment held under capital leases	59,042	-
	-----	-----
	251,940	135,525
less accumulated depreciation and amortization	133,349	97,076
	-----	-----
	\$118,591	\$ 38,449
	=====	=====

(Continued)

COSMETIC SCIENCES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued

(6) Fresh Start Reporting

On October 8, 1993, the Company, pursuant to the plan of reorganization, issued stock to C.O.S.S. in exchange for \$250,000 and also issued stock to the unsecured creditors (see note 1). Accordingly, the Company implemented Statement of Position (SOP) 90-7, " Financial Reporting by Entities in Reorganization Under the Bankruptcy Code." SOP 90-7 is applicable because pre-reorganization shareholders received less than 50% of the Company's new common stock and the reorganization value of the assets of the reorganized Company is less than the total of all post-petition liabilities and allowed claims.

SOP 90-7 requires an allocation of the reorganization value to the entity's assets. The Company's reorganization value was determined to be \$838,204. Such reorganization value was first allocated to existing tangible assets (primarily cash and accounts receivable) at book value and next to Home Health Care Licenses (primarily state accreditation's and government agency contracts). The reorganization value of its assets was determined by valuing the Company's equity at the confirmation date (March 23, 1992), at fair value, and adding post reorganization liabilities (valued at present value which approximated fair value) on this date as reflected in the bankruptcy files. The fair value of the Company's equity at the confirmation date was based on the average consideration received by the Company for the stock issued to C.O.S.S. and the unsecured creditors. Included in the reorganization value is the value for the Company's Home Health Care Licenses of \$595,190. This asset is amortized by the straight line method over 15 years. Amortization expense for each year equals \$39,679 and is included in selling, general and administrative expenses. The Company based the fifteen year amortization period on the nature of the licenses, the Company's historical experience with the licenses and management's estimate of the future term of the licenses. These licenses are subject to periodic audits by various state agencies. In general, material non compliance with state guidelines could result in a termination of the licenses. However, the Company has been awarded the licenses over the past ten years and is in compliance with all state guidelines as of December 31, 1995 and 1994, respectively.

Adopting "Fresh Start Reporting" resulted in the Company financial statements being prepared on the basis that a new reporting entity was created. Assets and liabilities were recorded at their estimated fair values and the Company's accumulated deficit was eliminated.

Obligations aggregating \$688,090 were discharged pursuant to the plan of reorganization in 1992.

The effect of all "Fresh Start Reporting" adjustments resulted in income of \$595,190 which should have been reflected in the Statement of Operations for the nine month period ended September 30, 1993. The accumulated deficit of \$2,343,097 at October 8, 1993 was reclassified to additional paid-in capital.

(7) Income Taxes

"Fresh Start Reporting" requires the Company to report an income tax equivalent provision when there is book taxable income and a pre-reorganization net operating loss carryforward. This requirement applies despite the fact that the Company's pre-reorganization net operating loss carryforward would eliminate (or reduce) the related income tax payable. Therefore, the current and future year benefit related to the carryforward is not reflected in net loss, but instead is recorded as a direct increase to

COSMETIC SCIENCES INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued

During the year ended December 31, 1994, the income tax equivalent provision and the associated increase in additional paid-in-capital amounted to \$36,000 and \$418,320, respectively. The income tax equivalent provision does not effect the Company's income tax liability.

The provision for income taxes consists of the following:

<TABLE>
<CAPTION>

	1995 ----	1994 ----
<S>	<C>	<C>
Current		
Federal	\$ -	\$ -
State	-	-
Income tax equivalent provision	-	36,000
	-----	-----
	\$ -	\$36,000
	-----	-----
Deferred		
Federal	\$160,500	\$ -
State	48,500	-
	-----	-----
	209,000	-
	-----	-----
	\$209,000	\$36,000
	=====	=====

Deferred tax assets consist of the following:

Pre-reorganization net operating loss carryforward	\$221,000	\$451,000
Allowance for doubtful accounts	38,000	17,000
	-----	-----
Total deferred tax assets	\$259,000	\$468,000
	=====	=====

The following is a reconciliation of the effective income tax rate to the Federal statutory rate:

Computed income tax expense (benefit) at 34%	\$162,000	\$(7,000)
Increase in taxes resulting from:		
Nondeductible expenses	15,000	35,000
State income taxes, net of federal tax benefit	32,000	7,000
Other - effect of graduated tax rates	-	1,000
	-----	-----
	\$209,000	\$36,000
	=====	=====

</TABLE>

At December 31, 1995, the Company has a net operating loss carryforward (NOL) of

approximately \$650,000 for tax purposes, expiring beginning with the year 2000 through 2008.

(Continued)

F - 12

COSMETIC SCIENCES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements, Continued

(8) Related Party Transactions

Notes payable consist of the following at December 31:

<TABLE>

<CAPTION>

	1995	1994
	----	----
<S>	<C>	<C>
C.O.S.S. holds a note which is non-interest bearing, and payable upon demand.	\$ 25,449	\$ 25,449
An officer of T.P.C. holds a note which is non-interest bearing, and payable upon demand.	-	15,000
An officer of the Company holds a note which bears an interest rate of 11% and is payable upon demand. Annual interest expense amounted to \$3,238 and \$3,312, respectively.	25,000	30,000
	-----	-----
	\$ 50,449	\$ 70,449
	=====	=====

</TABLE>

The landlord for the Company's corporate office is an officer of C.O.S.S. The annual rental is \$39,140 per year, and shall be increased by 12% over the prior year's fixed minimum annual rent. The lease expires November 30, 2000.

On October 31, 1995, C.S.I. entered into an agreement with Arbor Management, LLC (in which Ivan Kaufman owns a 99% interest), for two years by which C.S.I. will pay \$7,500 a month to Arbor Management, LLC for management services, including accounting, finance, human resources and marketing, rendered to the Company.

(9) Commitments and Contingencies

T.P.C. conducts its operations from leased office spaces in New York and New Jersey. These leases expire at various dates through the year 2000. Management expects that in the normal course of business, these leases will be renewed or replaced by other leases. Rent expense for the years ended December 31 amounted to \$104,965 and \$68,920, respectively.

The Company is also the lessee of machinery and equipment under capital leases expiring in various years through 2000.

COSMETIC SCIENCES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements

As of December 31, future net minimum lease payments under capital and operating leases are as follows:

<TABLE>
<CAPTION>

	1995	
	Capital	Operating
	-----	-----
<S>	<C>	<C>
1996	\$ 12,845	\$ 187,890
1997	12,845	207,671
1998	12,845	208,295
1999	9,722	197,699
2000	4,598	138,960
Thereafter	-	326,462
	-----	-----
	\$ 52,855	\$1,266,977
	=====	=====

</TABLE>

The gross amount of assets recorded under capital lease obligations was \$59,042 at December 31, 1995. Interest on the capital lease obligations was not imputed as the Company considers the amount to be immaterial.

Since filing its petition for bankruptcy in 1986, the Company has not filed the reports as required under the Securities Exchange Act of 1934 ("Exchange Act"). The Company last filed a Form 10K for the fiscal period ended December 31, 1985.

During the years in bankruptcy, the Company was unable to gather the financial and staffing resources to produce audited financial statements and therefore, has been delinquent in filing such reports. The Company has made an affirmative commitment to file the reports required under the Exchange Act.

(10) Payroll Taxes Payable

Payroll taxes payable includes pre-petition liabilities to various federal and state governmental agencies in the amount of \$221,443. In addition, included in accrued expenses are penalties and interest incurred for the late payment of payroll taxes totaling \$102,979. The Company has commenced negotiations with a federal agency to settle those agencies claims. Management can make no assurances as to the outcome of these negotiations.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934,

