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Division of Licensing and Regulatory Services

October 27, 2009

200 Somerset Street
Millinocket, Maine 04462
Tel. (207) 723-5161
www.mrhme.org

Phyllis Powell, Manager, CON Unit
Division of Licensing and Regulatory Services
41 Anthony Avenue
11 State House Station
Augusta, Maine 04333

Millinocket Surgical Associates
165 Poplar Street, Suite 2
Millinocket, Maine 04462
(207) 723-3003

Re: Letter of Intent and Request for Determination of Non-Applicability—
Infrastructure
Upgrade Project

Millinocket Urology Associates
200 Somerset Street
Millinocket, Maine 04462
(207) 723-5161

Dear Ms. Powell:

Northern Penobscot Orthopaedics
165 Poplar Street, Suite 1
Millinocket, Maine 04462
(207) 723-2034

Millinocket Regional Hospital ("MRH" or the "Hospital") submits this Letter of Intent and Request for Determination of Non-Applicability with respect to a proposed infrastructure upgrade project (the "Project"). The Project has preconstruction and design costs of \$180,000 and a not-to-exceed maximum construction cost budget of \$2,850,000, for a total that will be well under the \$3,070,888 capital expenditures threshold. The Project is more fully described below. We believe the Project does not trigger any of the requirements which would make the Project subject to CON review.

White Birch Medical Center
899 Central Street
Millinocket, Maine 04462

Rehabilitation Department
(207) 723-6450

This Letter of Intent fulfills the requirements of Chapter 6, Sections 1 (A) and (B) of the CON Procedures Manual, and requests a determination of non-applicability consistent with Chapter 6, Section 2 (4). We would be happy to provide additional information as necessary.

Advantage Wellness
(207) 723-3032

Background

Life Style Fitness Center
(207) 723-6454

The Hospital's electrical, HVAC, plumbing, medical gases, and emergency generator systems are old, and due to be replaced and upgraded. Many pieces of equipment are between 35 to 55 years old, and no longer comply with modern code requirements or life safety standards. The Hospital's infrastructure systems are "grandfathered" for purposes of actual code compliance, but the systems need to be replaced before they begin to fail or become truly obsolete and represent patient safety issues.

MRH Family Medicine
200 Somerset Street, Suite 3
Millinocket, Maine 04462
(207) 723-5173

After extensive discussion and consideration with our architects and engineers, and with certain members of our Board, one of whom is a Fire Chief and well versed in life safety issues, we have determined that the scope of the Project will include the following items:

MRH Internal Medicine
200 Somerset Street
Millinocket, Maine 04462
(207)723-5173

*"Striving to be your
first choice
always"*

- Replacing medical air compressor
- Upgrading/replacing /changing low pressure steam boiler and associated systems
- Replacing existing chillers and increasing the capacity of the chilled water systems
- Making improvements to the domestic water service to stabilize water pressure, and making improvements to the domestic water heaters to better control temperature
- Replacing and upgrading the existing Building Automation System
- Replacing the air handler unit for Laboratory
- Replacing the emergency generator
- Replacing/upgrading existing automatic transfer switches
- Replacing/upgrading existing emergency distribution panels
- Replacing existing utility company transformer
- Replacing/upgrading existing main distribution panels
- Replacing 1953 and 1975 electrical panel boards
- Installing sprinklers in mechanical spaces
- Installing a fire pump on the fire protection system
- Converting existing sterilization equipment to operate with electric steam
- Repairing the existing masonry chimney

Cost Estimates and Analysis

As discussed above, the total preconstruction, design, and construction costs for the Project will be well under the \$3,070,888 threshold. We have calculated the third-year operating costs of \$146,599, taking into account the applicable depreciation expense for the respective components and the financing costs. The Hospital will fund the Project primarily with financing provided by USDA Rural Development.

Based on the above, we believe the Project is not subject to CON review and approval for the following reasons:

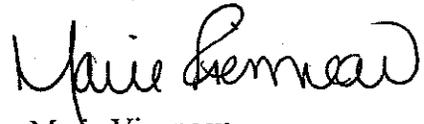
- Capital expenditures for the project will not exceed the capital cost trigger of \$3,070,888;
- Third year operating costs will not exceed the operating cost trigger of \$509,449;
- The Project does not involve acquisition of "major medical equipment" above the \$1,535,444 threshold;
- The Project does not entail or offer any new health services.

Conclusion

We look forward to receiving a non-applicability ruling at your earliest opportunity. If you have any questions, please don't hesitate to call me or our

counsel for this project, Mike Duddy, Esq. Thank you for your assistance with this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Marie Vienneau". The signature is fluid and cursive, with the first name "Marie" being more prominent than the last name "Vienneau".

Marie Vienneau
Chief Executive Officer

Cc: Michael A. Duddy, Esq.
John W. Weaver