



FIRST ATLANTIC HEALTHCARE

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Letter Of Intent – Subject To Review Determination  
Corporate Liquidation And Creation Of Stillwater LLC.  
Stillwater Healthcare Bangor, Maine

Division of Licensing and  
Regulatory Services

Ms. Phyllis Powel  
Assistant Director  
Planning, Development and Quality  
Licensing and Regulatory Services  
Department of Human Services  
State House Station #11  
41 Anthony Avenue  
Augusta Maine 04333-0011

Thursday, April 01, 2010

Dear Phyllis,

I am writing this letter of intent to determine if the liquidation of Stillwater Healthcare, Inc, a C corporation organized under the laws of the State Of Maine, and the contribution of its assets and liabilities to a newly formed LLC, managed by First Atlantic Healthcare, as at present is subject to review.

At present Rosscare Inc., a 501-C3 non-profit organization and a subsidiary of Eastern Maine Healthcare and First Atlantic Healthcare d/b/a for First Atlantic Corporation own 55 shares each (50% ownership) of the C-corporation. Fifty-percent (50%) of the new LLC will be owned Rosscare, 49% by Ronald C. Coffin (100% owner of First Atlantic Corporation and 1% by Forum Healthcare. Forum Healthcare is owned equally between Craig G. Coffin and Kenneth W. Bowden. Together Coffin, Coffin and Bowden have received several CON ownership approvals and are well known by Department employees. Additionally, Craig Coffin and Kenneth Bowden serve as corporate officers along with Ron Coffin of First Atlantic Healthcare with Bowden holding the position of CEO and C. Coffin holding the position of COO. First Atlantic Corporation d/b/a First Atlantic Healthcare holds management agreements with healthcare facilities throughout the state.

While the above introduction sounds complicated, the new LLC will conduct business as at present, the manager will not change, no capital expenditures will occur, no costs of the transaction will be reimbursable and the current rate paid to Stillwater Healthcare by the Department will not change as a result of the transaction.

### **Background**

In 1994, the Department Of Health And Human Services granted a certificate of need to Rosscare and First Atlantic Corporation to, in partnership, own and operate the home.

Stillwater Healthcare became the fourth facility to be owned jointly by Rosscare and First Atlantic Corporation, joining Dexter Healthcare, Colonial Healthcare and Ross Manor.

Since that time, the two partners have operated the nursing facility under the management of First Atlantic Corporation, similar to the other facilities in the joint venture group.

Ronald C. Coffin is the sole shareholder of First Atlantic Corporation (FAC) today and was at the time of the Stillwater purchase. FAC is organized as an S corporation under the laws of the State Of Maine.

Rosscare is an affiliate of Eastern Maine Health Care and is organized as a 501-C3 corporation under the laws of the State of Maine.

#### **Financial impact of organizational conversion to an LLC corporate solution**

The current Medicaid rate will be unchanged after the conversion.

Cost for this transaction will be the responsibility of the owners and will not be allowable cost for the purposes of Medicaid reimbursement.

No capital cost will be incurred; no allowable increased operating cost will be incurred; and anticipated utilization at the facility will remain the same as at present as will payer profiles.

#### **Date of anticipated reorganization (completion date)**

The LLC form of corporate solution will be on or before April 30, 2010 and will include the simultaneous execution of a management agreement with First Atlantic Corporation. The new agreement will be identical to the agreement now in place but with the new company.

The management services will not change and as such they are operating now and will continue the day that the LLC commences lawful ownership of assets and liabilities.

#### **Date of anticipated submission of application if one is required**

Of course the filing of an application for CON is somewhat contingent on when we receive the response to this LOI. However, because the nature of this reorganization is time sensitive due to valuation report dates, we would send the application as quickly as we could.

#### **Waiver of technical assistance meeting**

We waive our right to a technical assistance meeting in this matter as the changes to be made do not involve capital expenditures, new construction or transfer of ownership by purchase of a facility.

#### **71.03 Scope of CON-covered activities**

We have not entered into any commitment for financing a project that requires a CON nor have we incurred any expenditure for the project without having sought and received a CON.

The contemplated activity is a contribution of assets and liabilities from Stillwater Healthcare Inc. to a new LLC which is to be owned by Rosscare, Ronald C. Coffin and Forum Healthcare. The percentage of ownership will be:

Rosscare	50%
Ron Coffin	49%
Forum	1%

There will not be an acquisition of certain major movable equipment.

There will not be any capital expenditure that would trigger CON review.

No new health services will be developed as a result of this corporate reorganization.

There will not be any bed increase. No new construction of any kind is anticipated as a result of this reorganization.

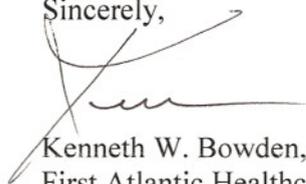
The nature of this corporate reorganization does not amount to an acquisition or transfer as defined by the CON rules. Control will remain in the same proportion to ownership as before the reorganization.

This reorganization does not change the status quo services provided by Stillwater at this time, thus no new 3<sup>rd</sup> year operating costs would result.

This reorganization is an isolated change and does not result in any capital expenditures. Therefore the aggregation rule does not pertain.

I look forward to hearing from you.

Sincerely,



Kenneth W. Bowden, CEO  
First Atlantic Healthcare

Cc: Larry Carbonneau