

Freeport Nursing Home, Inc.
3 East Street
Freeport, Maine 04032

August 20, 2013

Phyllis Powell, Assistant Director
Div. of Licensing and Regulatory Services
Department of Health and Human Services
#11 State House Station
41 Anthony Avenue
Augusta, ME 04333-0011

Larry Carbonneau, CPA,
Senior Health Care Financial Analyst
Department of Health and Human Services
#11 State House Station
41 Anthony Avenue
Augusta, ME 04333-0011

RE: Transfer of Operations of Freeport Nursing

Dear Phyllis and Larry:

This correspondence constitutes a Letter of Intent in accordance with Section 71.05(A) of the BEAS Policy Manual, Certificate of Need Regulations for Nursing Facility Level of Care Projects.

Freeport Nursing Home, Inc., the entity that owns the Real Estate and Operations of Freeport Nursing Home, proposes to transfer the Operations of the facility to Freeport Nursing and Rehabilitation Center, Inc. Freeport Nursing Home Inc. is a Q-sub of Hicks Family Services, Inc., which owns both the Real Estate and Operations of Freeport Nursing Home. Hicks Family Services is 100% owned by David & Elaine Hicks. The goal of this transfer and transaction is to separate the Real Estate from the Operations and sell the Operations to Douglas Powers and Cheryl Lancaster. Doug Powers and Cheryl Lancaster are children of David and Elaine Hicks.

Freeport Nursing and Rehabilitation Center, Inc, a newly formed Sub S Corp, will be owned 50% by Douglas Powers and 50% by Cheryl Lancaster – and will become the operating entity for Freeport Nursing Home. Doug Powers and Cheryl Lancaster have extensive experience with operating and managing long term care facilities. Doug is a licensed nursing home administrator and currently the administrator of the Freeport Nursing Home and has been for over 30 years. Cheryl is a Residential Care administrator with over 10 years of experience. Cheryl is currently the Quality Assurance coordinator for the Freeport Nursing Home.

Freeport Nursing and Rehabilitation Center, Inc (FNRC) would acquire the operating assets from Freeport Nursing Home Inc. for the assumption of certain operating Liabilities. The lease will be a triple net lease, with all operating costs and cash requirements of the real estate entity being covered as part of the lease payment by the FNRC; including but not limited to the Debt Service

(interest, principal, MIP), Replacement Reserve payment, Property taxes, Insurance, and Maintenance. The term of the lease will be equal the term of the underlying HUD financing that is in place or is refinanced. Capital improvements are the responsibility of the Tenant, however the tenant will have access to the balance in the capital replacement reserve to fund needed capital items.

FNRC will have an option to purchase the Real Estate from Freeport Nursing Home Inc. with the option exercisable at any time during the lease.

We understand that this filing triggers the need for a Technical Assistance Meeting as the appropriate next step. We welcome the opportunity to meet with you and your staff as soon as possible. I can be reached at 207-647-8821 and my email is bridgton1_99@yahoo.com. Please also include Doug Powers at dpowers@freeportnursingandrehab.com on all correspondence on this matter. Please also note that we have retained the services of Sandy River Company to assist us in the Certificate of Need process. Daniel Maguire at Sandy River Company will be coordinating and writing the Certificate of Need Application and his email is dmaguire@sandyriver2.com. Please include Daniel on any correspondence; he will work directly with you to set up the required Technical Assistance Meeting.

Sincerely,



David R. Hicks
Vice President
Freeport Nursing Home, Inc