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Richard S. Lawrence
Senior Health Care Financial Analyst
Division of Licensing and Regulatory Services
Department of Health and Human Services
State House Station #11
41 Anthony Avenue
Augusta, ME 04333-0011

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

Re: Calais Community Hospital Letter of Intent

Dear Rich and Larry:

This correspondence constitutes a Letter of Intent ("LOI") submitted on behalf of Calais Community Hospital ("CCH"), a 501(c)(3) licensed hospital located in Calais, Maine and wholly owned by Down East Community Hospital in Machias, Maine ("DECH"). The LOI is submitted in accordance with 22 M.R.S.A. § 337 and in accordance with 10-144 DHHS Chapter 503 Maine Certificate of Need Procedures Manual for Health Care Facilities Other than Nursing Homes, and confirms CCH's plans to submit an application for a Certificate of Need ("CON") regarding a certain transaction between Calais Regional Hospital ("Calais Regional") and CCH, as described in more detail below (the "Transaction").

The Transaction arises out of the filing by Calais Regional of a voluntary petition for relief under chapter 11 of the Bankruptcy Code (the "Bankruptcy Proceedings") on September 17, 2019.

Calais Regional historically provided the majority of its services at its hospital campus located at 24 Hospital Lane, Calais, Maine. It operated as a critical access hospital under the Medicare and Medicaid programs, and operated a 25-bed general medical and surgical hospital. Calais Regional had approximately 200 employees and 171 full-time equivalent positions.

On March 24, 2021, the Bankruptcy Court for the District of Maine (the "Bankruptcy Court") entered a Confirmation Order, approving the First Amended Chapter 11 Plan dated February 24, 2021 for Calais Regional Hospital Prepared by the Official Committee of Unsecured Creditors and Katahdin Trust Company (the "Plan"). The Plan authorized Calais Regional to enter into an Asset Purchase Agreement, pursuant to which CCH would purchase certain assets of Calais Regional ("APA"). The Bankruptcy Court also approved a proposed Management Services Agreement between Calais Regional and CCH, pursuant to which CCH would oversee the operations and management of Calais Regional from the date of the confirmation of the Plan through the closing of the sale pursuant to the APA (which management was performed in conjunction with a Plan Officer designated through the Plan).

On March 8, 2021, CCH submitted a request pursuant to 22 M.R.S.A. § 329(1) to the Maine Department of Health and Human Services (the "Department") for an Emergency CON in connection with the Management Services Agreement, to permit CCH to manage and oversee Calais Regional operations, pending the closing of the Transaction. On March 24, 2021, the request for the Emergency CON was supplemented by CCH. The Department granted the Emergency CON effective as of March 24, 2021, allowing the continued operation of Calais Regional under the Management Services Agreement (the "First Emergency CON").

On April 5, 2021, CCH submitted a Second Request for an Emergency Certificate of Need, seeking approval of the Transaction. On April 26, 2021, the Department approved the second emergency CON (the "Second Emergency CON") to permit the closing of the Transaction pursuant to the APA and continued operations of Calais Regional's health care services by CCH after closing. The Second Emergency CON was issued with the condition that a full Application for a CON ("CON Application") would be subsequently filed by CCH.

The closing of the Transaction occurred on and was effective on July 1, 2021. The Management Services Agreement expired by its terms at that time (with certain provisions surviving termination). On that same date, in accordance with the Second Emergency CON, and based upon the CCH State of Maine hospital license, CCH assumed the operations of the critical access hospital in Calais, Maine. An initial Technical Assistance Meeting was held with Department representatives on September 28, 2021.

There are no current plans for capital expenditures. Third year operating costs are intended to be reduced from prior Calais Regional operations. Utilization of hospital services is intended to remain the same, except with respect to services that have been rendered in connection with COVID-19 which will, hopefully, decrease over time.

There is no expectation of filing any Hart-Scott Rodino notifications with the Federal Trade Commission. The parties have already communicated with the State of Maine Office of Attorney General regarding pertinent issues.

The Transaction and related ongoing operations are intended to preserve the Calais Regional resources and services. CCH believes that access to quality health care services will be maintained and improved in the Calais region as a result of the Transaction. CCH is amenable to participating in any meetings with the Department and/or providing additional information upon request to facilitate the CON Application. It is CCH's plan to submit the CON Application on or before November 1, 2021.

Thank you for your consideration and support in connection with this matter.

Respectfully Submitted,

Name: Steven Lail
Title: President and Chief Executive Officer