

November 8, 2016

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**RE: Letter of Intent / Non-Applicability Request for Transfer of Certain  
Ownership Interests**

Dear Ms. Taylor and Messrs. Carbonneau and Lawrence:

This Letter of Intent / Non-Applicability Request is filed in connection with the proposed transfer by Ronald C. Coffin ("Ron") to his son, Craig G. Coffin ("Craig") of certain ownership interests (the "Transfer") in First Atlantic Corporation ("FAC") and other nursing facilities not owned through Ron's ownership of FAC.

**Introduction and Overview**

Ron desires to transfer portions of his ownership interests in these NF holdings to Craig. Transfers of certain portions of Ron's interests, as more fully described below, will be carried out, either through the transfer of corporate stock or LLC membership interests, to a Maine limited liability company, Faraday Holdings, LLC ("Faraday"), in which Craig is the sole member. The planned transfers of the nursing facility ownership interests (collectively, the "Transfers") will be carried out: (1) partly by purchase by Faraday and partly by gift to Faraday of 33.33% of FAC stock where Ron's ownership interest is held by FAC; and (2) by gift from Ron or an entity controlled by him to Faraday or to Craig individually where Ron's ownership interests are held separate from FAC.

For the reasons set forth below, the proposed Transfers do not require CON approval and are requesting a non-applicability, not subject to review ("NSTR") ruling. I am addressing below the key elements set forth in the CON Regulations, Ch. 6(1)(B) and (2)(4) applicable to letters of intent and non-applicability determinations. The value information set forth herein has been determined by BerryDunn and provided to us by the officers of FAC.

### **Background on Certain of the Facility Ownership Entities**

FAC is a Subchapter S Corporation, with 100% of stock now held by The Ronald C. Coffin Living Trust, U/T/A Dated May 30, 1986 as amended (sometimes the “Trust” or “Ron’s Trust”).

Faraday (sometimes “Craig’s LLC”) is a limited liability company in which Craig is the sole member and manager.

For further ease of reference, “Ron” may sometimes be used in place of Ron’s Trust, and “Craig” may be used sometimes in place of Faraday.

First Atlantic HealthCare, Inc. (“FAH”) is a Subchapter S Corporation that provides each of nursing facilities with management service pursuant to management contracts. Ron’s Trust holds 100% of the stock in FAH.

Ross Care Nursing Homes, Inc. (“Ross Care”) is a corporation with 100% of its stock owned by Eastern Maine Health Systems (“EMHS”).

Forum Management, LLC (“Forum”) is a Maine limited liability company with Craig and Kenneth W. Bowden (“Ken”) each holding a 50% membership interest.

### **Continued Management by FAH**

No change is being made to the ownership structure of FAH, and FAH will continue to manage each of these facilities following the Transfer.

### **Valuation of Ownership Interests Being Transferred**

Further detail and the respective valuations of the ownership interests being transferred are set forth in the following attachments:

- November 3, 2016 letter of Seth E. Webber, CFA, ASA, CBA, CVA of BerryDunn; and
- Accompanying Chart – FAC Entities Owned by Ron Coffin – Valuation Schedule, Valuation Date – June 30, 2016.

This letter and chart are largely self-explanatory. A discounting factor was used by BerryDunn to take into account, among other factors, the limited market for such a partial transfer, and that less than a majority interest is being transferred. Please also note that the shaded area in the chart provides the values for the nursing home ownership entities. The total discounted value of the interests in the nursing facility ownership entities being transferred is \$5,084,513.

The chart also lists several assisted living/residential care PNMI facilities that are also being transferred. These transfers are not subject to Certificate of Need review.

**Stock Purchase Agreement and Valuation**

The Transfers involving transfers of FAC stock will be governed by a Stock Purchase Agreement for a purchase price of \$1,615,916. The valuation of the ownership interests being transferred is higher as set forth in the BerryDunn chart. The difference in value is deemed as a gift and will be the subject of a latter filed federal gift tax return.

**Transfers Affecting Ownership Interests in Partnership Nursing Facilities**

The Transfers will affect the ownership interests in the five nursing facilities that are owned by general partnerships in which FAC and Ross Care each hold a 50% ownership interest (the "Partnership Nursing Facilities") with the sole exception Stillwater Healthcare where the FAC holds a 49% interest and Forum holding a 1% interest. The Partnership Homes are as follows:

- Colonial Acres Associates – a general partnership that owns and operates a nursing facility in Lincoln, Maine;
- Dexter Manor Associates – a general partnership that owns and operates a nursing facility in Dexter, Maine;
- Ross Manor Associates – a general partnership that owns and operates Ross Manor, a continuing care community with SNF and RCF beds in Bangor, Maine;
- Katahdin Health Care, LLC – a limited liability company that owns and operates a skilled nursing facility in Millinocket, Maine;
- Dover-Foxcroft Healthcare, LLC – a limited liability company that owns and operates a skilled nursing and rehabilitation facility in Dover-Foxcroft, Maine, d/b/a Hibbard Skilled Nursing and Rehabilitation Center; and
- Stillwater Healthcare, Inc. – a Subchapter S Corporation that owns and operates a skilled nursing and rehabilitation facility in Bangor, Maine.

The Transfers will change the ownership interests in each of these Partnership Nursing Facilities as follows:

- Current Ownership Interests pre-Transfers:
  - FAC                      50% (Ron's Trust 100%)
  - Ross Care              50%
- Ownership Interests Post Transfers (partly by purchase and partly by gift):
  - Ross Care              50%

- FAC 50% (Ron's Trust 66.67% -- Faraday 33.33%)
- Through ownership in the FAC stock the underlying facility ownership between Ron and Craig will be:
  - Ron's Trust will hold a 33.33% interest; and
  - Faraday will hold a 17.67% interest .

**Transfers Affecting Ownership Interests in Other Nursing Facilities**

The Transfers will also affect the following two nursing facilities where the ownership interests are now held 100% by FAC:

- Woodlawn Nursing Center, Inc. and Skowhegan Realty Trust, entities that own and operate a nursing facility in Skowhegan, Maine;
- Freeport Convalescent Center, Inc. and Freeport Convalescent Center Realty Trust, entities that own and operate a nursing facility in Freeport, Maine.

Following Transfers by gift, the ownership interests in these two facilities will be held as follows:

- Ron: 66.67% – Ron's Trust
- Craig: 33.33% – Faraday

The Transfers will also affect the following nursing facilities where the ownership interests are now held in differing ways, with changes indicated below:

- Seaside Healthcare, LLC, a limited liability company that operates a nursing facility in Portland, Maine, is currently owned as follows:
  - 66% – Ron's Trust
  - 34% Forum

Post Transfer by gift, ownership interests will be held as follows:

- Ron: 33% – Ron's Trust
- Craig: 33% – Faraday (Transferred herein)
- Forum: 34.0%
- Seal Rock Associates, LLC and Ferry Road Associates, LLC, entities that own and operate a nursing facility in Saco, Maine, is currently owned as follows

- Ron: 70% – Ron’s Trust
- Forum: 30%

Post transfer by gift, ownership interests will be held as follows:

- Ron: 36% – Ron’s Trust
- Craig: 33.33% (Transferred herein)
- Forum: 30.0% (Currently owned)
- Marshall Healthcare, LLC and 16 Beal Street, LLC, entities that own and operate a nursing facility in Machias, Maine, is currently owned as follows:
  - Ron: 51% – Ron’s Trust
  - Craig: 15% – individually
  - Forum: 34%
- Post transfer by gift, ownership interests will be held as follows:
  - Ron: 17.67% – Ron’s Trust
  - Craig: 33.33% – Faraday (Transferred herein)
  - Craig: 15% – individually
  - Forum 34%
- Falmouth Convalescent Center, Inc. and Falmouth by the Sea Realty Trust, entities that own and operate a nursing facility in Falmouth, Maine, is currently 100% owned by Ron via Ron’s Trust. After the Transfers, these ownership interests will be held:
  - Ron: 99% – Ron’s Trust (Remaining post transfer)
  - Craig: 1% – Faraday (Transferred herein)

**Transfers Not Subject To CON Review**

The proposed Transfers are not subject to Certificate of Need review for the following reasons:

- For each of the nursing facilities, day-to-day management control will continue through the management contracts of FAH that will continue to be 100% owned by Ron’s Trust.

- For those nursing facilities listed above where FAC now has a 100% ownership interest, the above-described Transfers to Faraday of 33.33% of the interests in FAC is not a transfer of majority ownership or control that is subject to review under Sec. 329(1) as a 66.67% interest in FAC will continue to be held by the transferor, the Ronald C. Coffin Living Trust;
- For those Partnership Nursing Facilities listed above where FAC has a 50% ownership interest, the above-described Transfers to Faraday, will result in Faraday holding a 17.67% interest that is not a transfer of majority ownership or control that is subject to review under Sec. 329(1).
- In the case the other facilities, each of these are ones in which Craig, either individually or through his interest in Forum, already held a significant ownership interest and day to day management control of these facilities will continue through FAH which will continue to be 100% owned by Ron via Ron's Trust;
  - *One exception, the transfer by gift of 33.3% of the Marshalls interest results in Ron with a residual 17.67% interest through his trust. However, if this exception were viewed as material to the DHHS CON Unit Craig will grant majority rights to Ron by agreement.*
- The acquisition of the ownership interests in FAC by Faraday is not a reviewable capital expenditure:
  - Title to and ownership of each of the facilities will remain with the respective partnerships or LLCs involved;
  - If the Transfer of interests were deemed to be a reviewable capital expenditure, which it is not, the valuation of the interests being transferred is \$2,128,474 by itself which is below the \$5,529,068 CON threshold for capital expenditures.
- No changes will be made to the reimbursement or rates of the respective facilities as a result of the Transfer; and
- Craig has played, and will continue to play, a key role in the management structure of FAH and FAC. He currently serves as Chief Development Officer, and prior to that, Craig served for many years as Chief Operating Officer.

The Transfer will be completed between now and December 31, 2016, following receipt of clearance from DLRS to proceed.

Because the proposed Transfer is not subject to review, we do not believe a technical assistance meeting is applicable or necessary. However, should you have questions or wish to meet with us to review this filing or review additional information, we would be most willing to meet with you at an early date.

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Thank you for your attention to this request, and my clients and I look forward to working with you to obtain a Non-Applicability NSTR ruling and to addressing and resolving all related regulatory issues.

I will be following up with you shortly to confirm receipt of this filing and to respond to any questions or concerns you may have.

Sincerely,

Kenneth W. Bowden  
Treasurer

Enclosures

cc: Ronald G. Coffin  
Craig G. Coffin  
Kenneth W. Bowden  
Jason Favreau, CPA  
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