



**ALASKA REGIONAL**  
H O S P I T A L

October 16, 2008

Karen Lawfer, Health Planner II  
Certificate of Need Program  
Department of Health and Social Services  
P.O. Box 110610  
Juneau, AK 99811-0610

Re: Response to DHSS September 19, 2008 Letter Requesting Certified Estimates Regarding Alaska Regional Hospital Request for Determination Dated September 9, 2008, to Purchase Certain Alaska Open Imaging Center, LLC Assets

Dear Ms. Lawfer:

Thank you for your letter of September 19, 2008. Your letter requests that we supply you with a certified estimate of the total cost of all equipment that will be purchased from the Fairbanks facility and the cost of relocation, renovation, and installation of the Fairbanks MRI and any other equipment in Wasilla. Your letter notes that a certified estimate means an estimate developed by a professional architect or engineer licensed under AS 08.48, or by an individual who is qualified to estimate the cost of health care facility equipment, moving expenses, and renovation costs.

Enclosed please find four estimates for various phases of the project to remove, move, and install the Fairbanks MRI in Wasilla. The total estimated cost to purchase, move, and install the Fairbanks MRI in Wasilla is between \$913,653.00 and \$973,653.00.

The first enclosure, marked as "Attachment 1," is a letter summarizing an estimate received from Toshiba to remove the MRI from the Fairbanks facility, transport the MRI from Fairbanks to Wasilla, and install the MRI in the Wasilla facility. The estimate for the removal, transportation, and installation is \$164,100.00. The letter summarizing the Toshiba estimate is made by Jeff Kinion, CEO of Alaska Open Imaging Center (AOIC). As CEO for AOIC, Mr. Kinion qualifies as an individual with sufficient knowledge and experience to give the estimate contained in the letter.

The second enclosure, marked as "Attachment 2," is an estimate by Iditarod Development Company, LLC to build and/or remodel a portion of the Wasilla facility to accept the Fairbanks MRI. The estimate for remodeling the Wasilla facility to accept the Fairbanks MRI is \$145,053.00. The estimate for remodeling is from a reputable company and was made by the authorized representative of that company who has sufficient knowledge and experience to make the estimate.

The third enclosure, marked as "Attachment 3," is the Summary Appraisal Report for the Fair Market Value of the MRI located in the Fairbanks facility. The Summary Appraisal concludes the Fairbanks MRI is valued at between \$550,000.00 and \$610,000.00. The appraisal is made by Dennis Leonetti who is an Accredited Senior Appraiser of the American Society of Appraisers and therefore qualified to issue his expert opinion of the value of the Fairbanks MRI.

The fourth estimate, marked as "Attachment 4," is the estimate for RF Shielding. The estimate indicates that RF Shielding will cost approximately \$54,500.00. The estimate is given by Robert Rumney, an executive with MRI Corporation. MRI Corporation specializes in the installation of RF Shielding. As an executive of MRI Corporation, Mr. Rumney qualifies as a person of sufficient knowledge to render the opinion given.

As you can see from the above certified estimates, the total cost of moving the Fairbanks MRI to the Wasilla facility and installing it there will be below the threshold amount requiring a certificate of need application. Even if one were to use the high end of the range estimated for the cost of the MRI itself, the total cost of moving the Fairbanks MRI and installing it in Wasilla calculates to be \$973,653.00, which is well below the \$1.2 million threshold requiring a certificated of need application.

This letter is intended to respond fully to your letter of September 19, 2008. If you believe that any item has been overlooked please advise immediately and we will address the issue.

Very truly yours,

A handwritten signature in cursive script that reads "Paul Morris".

Paul Morris  
Chief Financial Officer

# Attachment 1



ALASKA OPEN IMAGING CENTER, LLC

**WASILLA CENTER**

BOGARD PROFESSIONAL PLAZA

1751 EAST GARDNER WAY, STE B

WASILLA, ALASKA 99654

907-357-1220  
907-357-1222 FAX



**ANCHORAGE CENTER**

6911 DeBARR RD

ANCHORAGE, ALASKA 99504

907-330-1220  
907-330-1222 FAX



**SOLDOTNA CENTER**

35670 KENAI SPUR HWY, STE 104

SOLDOTNA, ALASKA 99669

907-260-6501  
907-260-6502 FAX

October 3, 2008

Mark Meadows  
V.P. Outpatient Development  
Mountain Division  
6985 Union Park Center  
Suite 500  
Cottonwood Heights, Utah 84047

Mark,

As requested I have summarized the bid received from Toshiba to remove the MRI in Fairbanks and reinstall it in Wasilla. This bid has some areas that could have some variance in costs but overall the major components are detailed.

De-Install Labor - 5 days two Engineers @ \$265.00 per hour = \$21,200  
Estimated total Packing, Rigging, Transportation = \$26,000 This figure is only an estimate based on previous work performed from outside vendors  
Estimated cost for shipping specialized equipment \$ 6,000 This figure is only an estimate based on previous equipment shipping and will need to be verified  
Travel and Living expenses for required MRI Magnet specialist approx \$8200.00  
Helium approx for topping off the magnet after move \$10,000.00  
Re-Installation Labor of 2 engineers 4 weeks 320 hours @ \$265 per hour= \$84,800  
Site Planning \$4100.00 (Drawings and Revisions)  
2 Installation Project Manager Visits \$3800.00

Total for budgetary purposes = 164,100.00

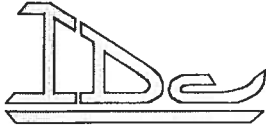
Price does not include construction required to remove the System from it's current location or construction required to install it in the new location. Nor does it include any shielding expenses (the room at the new location will require testing by a qualified shielding vendor after the magnet is delivered and the shielding closed up. Does not include any non Toshiba accessories currently installed within the present location. Does not include disconnecting and reconnecting the chiller and VRDU power unit, or any construction related to this work including plumbing, wiring at new location, prior to the equipment move.

Quote is valid for 45 days

Sincerely,

Jeff Kinion  
Chief Executive Officer

## **Attachment 2**



**IDITAROD DEVELOPMENT COMPANY LLC**  
 General Contractors  
 2928 McCollie Ave  
 Anchorage, AK 99517-1222  
 (907) 562-2533 / Fax (907) 562-2522  
 FEIN: 92-0161977

**PRELIMINARY ESTIMATE**

941  
 Page: 1

ATTENTION: Jeff Kinion

Proposal Submitted To: Alaska Open Imaging Center 1751 E Gardner Way Wasilla, AK 99654	Phone: 907-357-1220	Fax: 907-357-1222	Date: Oct 9, 2008
Architect:	Date of Plans:	Job Name: New Rooms	Estim. By: Terry Johannes
		Job Location:	

We hereby submit specifications and estimates for:

Provide labor & materials necessary to construct new MRI scan room, equipment rm, & operator control rm for new high field MRI. Work to include the following:

1. Remove existing subfloor & wood floor trusses. Construct new concrete foundation and slab to support new MRI magnet & equipment.

Infill existing exterior window & modify building exterior to allow delivery of magnet. Build out & finish rooms similar to existing.

2. Mechanical - Provide installation of manufacturer supplied HVAC & plumbing equipment required for MRI chiller units & equipment room cooling.

3. Electrical - provide necessary power, lighting, & control wiring for equipment room, scan room, & control room.

Preliminary Estimate:

Optional: Remove existing magnet & associated equipment from Fairbanks office & reinstall in Wasilla office. Estimate \$20,000-25,000. Allowance:

120,053.00  
 25,000.00

**EXCLUSIONS**

1. Any design, engineering, or permit fees.
2. Any delivery or placement of MRI magnet or equipment.
3. Any RF shielding or testing.

We propose hereby to furnish material and labor - complete in accordance with above specifications, for the  
**Preliminary Estimate**

**145,053.00**

Payment to be made as follows:

C.O.D.

Progress payments may apply. Unpaid balance subject to 1.5% interest per month from date of invoice.

This is a preliminary estimate only. The Contractor does not have enough information to issue a contract proposal. The following information will be included on actual contract proposals and is given for information only. All material is guaranteed to be as specified. All work is to be completed in a workmanlike manner according to standard practices. Any alteration or deviation from above specifications involving extra costs will be executed upon written or verbal orders, and will become an extra charge over and above the estimate. ALLOWANCES ARE NOT AN EXACT COST, BUT WILL BE ADJUSTED UPON COMPLETION OF DESCRIBED WORK BASED UPON ACTUAL JOB COSTS. All agreements contingent upon strikes, accidents or delays beyond our control. Building Owner to carry fire, earthquake and other necessary insurance such as builder's risk. Our employees are covered by Worker's Compensation Insurance.

Authorized Signature: Terry Johannes

## **Attachment 3**

**A Summary Appraisal Report of**  
**The Fair Market Value of**  
**One Toshiba Vantage XGV MRI System**  
**Without Final Asset Reconciliation**

**Location:**

Alaska Regional Hospital  
2801 DeBarr Road  
Anchorage, AK 99508

**Important Dates:**

**Effective Date: October 1, 2008**

**Report Date: October 2, 2008**

**By:**

**Dennis Leonetti, Accredited Senior Appraiser**  
**American Society of Appraisers**  
**Mile High Equipment Services**  
**2511 Bellaire Street**  
**Denver, Colorado 80207**  
**303-333-1003**  
**dleonetti@qwest.net**



**A Summary appraisal. Not a complete report without all of the pages**



# Alaska Regional Hospital

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A Summary appraisal. Not a complete report without all of the pages

October 2, 2008

Mark Meadows  
V.P. Outpatient Development  
Mountain Division  
6985 Union Park Center  
Suite 500  
Cottonwood Heights, Utah 84047

RE: Appraisal of one Toshiba Vantage XGV MRI System

Dear Mark:

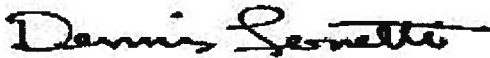
This appraisal concerns the Toshiba Vantage XGV MRI System at the Alaska Regional Hospital. The following appraisal was conducted and this report was prepared in compliance with the requirements of the 2008 Edition of Uniform Standards of Professional Appraisal Practice (USPAP).

The Fair Market Value range for the Toshiba Vantage XGV MRI System currently owned by Alaska Regional Hospital is estimated to be \$550,000 and \$610,000.

This appraised valued has an effective date of October 1, 2008.

We appreciate the efforts and cooperation of those involved leading to the successful completion of this assignment. A full summary appraisal report is attached. If you need further assistance, please feel free to call upon our services.

Very truly yours,



Dennis Leonetti, Accredited Senior Appraiser  
American Society of Appraisers  
Mile High Equipment Appraisals, LLC  
2511 Bellaire Street  
Denver Colorado 80207  
303-333-1003  
[dleonetti@qwest.net](mailto:dleonetti@qwest.net)

**A Summary appraisal. Not a complete report without all of the pages**

**Executive Summary of Important Conclusions**

Subject: The physical assets located at Alaska Regional Hospital, 2801 DeBarr Road, Anchorage, AK 99508

Premises of Value: Fair Market Value Removed

Value indication: As of October 1, 2008:

**Important Values**

- 1. Using the Appraiser’s calculations and judgment the Fair Market Value In Continuous Use for the Appraisal is an estimated Range of ..... \$550,000 to \$610,000

**In the opinion of the appraiser:**

This agreement falls within a range of acceptable Fair Market Value costs

This transaction meets the standard definition of “Commercial Reasonableness” as provided by the Stark regulations found at 69. Fed. Reg. 16093 (2004). (Fair, done in good faith, and corresponding to commonly accepted commercial practices)

Further the Appraiser states that there is a legitimate need for this equipment at the facility and that the equipment is a vital part of the services offered at this facility.

**General Asset Discussion:** This asset is installed and is a representative asset for a medical facility of this size as defined by the appraisers experience.

IRS Publication 946 (Depreciation) classifies medical apparatus as having an accounting depreciation life of 5 years, while having a 9 years economic life (Class 57).

As a primary source of useful life calculations, I use the American Hospital Association’s manual, “Estimated Useful Lives of Depreciable Assets”, Revised 2004 Edition. (Current)

The American Society of Appraisers’ Machinery and Technical Specialties Normal Useful Life Schedules were consulted to further establish the useful lives of the various assets.

**General comments:**

A desktop opinion is an expression of value that is stronger than a supposition but more theoretical than knowledge based on appraisals. The opinion is concluded without benefit of a physical inspection, and certain other criteria requisite to an appraisal. Its purpose is to provide guidelines of valuation only, and the accuracy of these guidelines is determined by the information provided and the time constraints inherent in the rendering of the opinion.

**Equipment Description:**

One fully featured Toshiba Vantage XGV MRI System as described on the Toshiba order summary dated June 21, 2005.

## **THE APPRAISAL**

### **Scope of Work Summary - Details of the Scope of Work follows throughout this report.**

I understand my client expects a reasonable appraisal that is USPAP compliant and that the report will be completed using the highest ethics and competitive standards. I am acting as an appraiser, I will perform the valuation services competently, and in a manner that is independent, impartial, and objective.

The problem to be solved is,

“What is the Fair Market Value of Alaska Regional Hospital’s medical office furniture, fixtures, and equipment in Anchorage, AK 99508?”

To solve this appraisal problem for the Alaska Regional Hospital and Hospital Corporation of America, the intended users of this appraisal, I personally did not inspect Alaska Regional Hospital’s MRI system; I researched the equipment by both applying values from my personal medical equipment database and by searching various on-line sources to estimate the Fair Market Value of the asset. I applied appraiser’s judgment after considering the current retail marketplace and I created this report using 2008 USPAP guidelines.

There are no Extraordinary Assumptions (“assumed but unknown”) nor are there any Hypothetical Conditions, (“items not existing”) contained in this appraisal.

Vendors and distributors were not called since I have a familiarity with the equipment

We are looking to a Fair Market Value Removed, since Alaska Regional Hospital may be removing the asset for moving the MRI to a new physical space in the future. This definition of value meets Stark Regulations and Alaska Regional Hospital’s and Hospital Corporation of America’s requirements. I believe this is also the value premise and methodology that would be used by other experienced appraisers.

The appraised value range under this premise is **\$550,000 to \$610,000** as of October 1, 2008. See the Premise of Value below.

## **The Company**

Alaska Regional Hospital's medical facility is located in Anchorage, AK 99508. The hospital maintains a web site at <http://www.alaskaregional.com/>

## **Assets to be Appraised**

The assets to be appraised are the Toshiba Vantage XGV MRI System assets owned by the Alaska Regional Hospital. This item is not leased. The relevant characterizes affecting the value of this asset is influenced by such items as age, condition, and level of use.

## **Purpose of the Appraisal**

The purpose of this appraisal is to establish the Fair Market Value for the equipment used in for a possible sale of assets between the Alaska Regional Hospital and the Hospital Corporation of America

## **Intended Users of the Appraisal**

Alaska Regional Hospital, Hospital Corporation of America, its subsidiaries and affiliates and controlling governmental agencies when requested are the intended users of this appraisal.

## **Premise of Value**

The value used for this appraisal is Fair Market Value Removed. This value is the estimated amount, of an installed property expressed in terms of money, that may reasonably be expected for an asset in exchange between a willing buyer and a willing seller with equity to both, neither under any compulsion to buy or sell and both fully aware of all relevant facts, considering removal of the property to another location, as of a specific date. This definition has been approved by the American Society of Appraisers and is contained in their source book, "Valuing Machinery and Equipment", copyright 2005.

Further the standard of value used in this assignment also meets the fair market value definition as defined by Stark regulations found at 66 Fed. Reg. 856 (2001), 69 Fed. Reg. 16054 (2004) and 72 Fed. Reg. 51081 (2007). As stated in the Federal Register, Final Rule, Stark II, Phase II Regulations, March 26, 2004, "Fair Market Value" is defined as the value in arm's-length transactions, consistent with the general market value. "General market value" means the price that an asset would bring, as the result of bona fide bargaining between well-informed buyers and sellers who are not otherwise in a position to generate business for the other party, or the compensation that would be included in a service agreement as the result of bona fide bargaining between well-informed parties to the agreement who are not otherwise in

a position to generate business for the other party, on the date of acquisition of the asset or at the time of the service agreement. Usually, the fair market price is the price at which bona fide sales have been consummated for assets of like type, quality, and quantity in a particular market at the time of acquisition, or the compensation that has been included in bona fide service agreements with comparable terms at the time of the agreement, where the price or compensation has not been determined in any manner that takes into account the volume or value of anticipated or actual referrals

## **Approaches to Value**

There are three (3) acceptable approaches to value under the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP). These approaches help define the development of the underlining values presented in an appraisal.

The Cost Approach: The Cost Approach measures value by determining the current cost of an asset and deducting for the various elements of depreciation: physical deterioration and functional and economic obsolescence. Physical deterioration is the loss in value resulting from wear and tear of an asset in use and exposure to various elements. Functional obsolescence is the loss in value within the property as a result of the development of new technology. Economic obsolescence is the loss in value resulting from factors external to the property. The Cost Approach is a common personal property valuation approach. However, certain classes of assets, for example furniture, do not lend themselves easily to the mathematics of the Cost Approach and therefore; many times the Cost Approach will result in inflated or deflated valuations of these common assets.

The Cost Approach uses the principles of substitution. That is, an informed purchaser will pay no more for a property than the cost of producing or obtaining a substitute property with the same utility as the subject property. The depreciated cost to install the items is added to this value to derive an estimated value in place and installed.

The Cost Approach is also the most mathematical of the approaches to value. Mathematical techniques such as trending cost/prices, cost to capacity comparisons, and engineering factoring can support the value conclusions.

The Market or the Sales Approach: The Market Approach compares recent sales and offering prices of similar property to arrive at an indication of the most probable selling price of the property being appraised. If the comparables are not identical to the assets being appraised, the selling prices of the comparables are adjusted to equate them to the characteristics of the assets being appraised. The procedure is to gather data on sales and offering of similar assets, determine their comparability to the subject asset, determine the appropriate units of

comparison, collect and array the data, analyze and adjust the data, and apply the results to the subject.

The Income Approach: The Income Approach converts the property's expected net income or cash flow to a present value. In other words, the Income Approach values the fair market value of an asset to the present worth of the future benefits (income) of ownership. Value estimates may be calculated by applying an appropriate multiplier or capitalization rate to the subject personal property's expected income or cash flow. The Income Approach is not usually applied to individual items of equipment since it is difficult, if not impossible, to identify individual income streams.

**Estimated values for this appraisal were developed using the Cost Approach. Concerning the Market Approach, the comparables discovered do not lend themselves to adjustments reflecting the subject's market value. The Income Approach was considered but is irrelevant to this appraisal because we could not isolate revenue streams or earnings directly flowing from the specific machine or groups of items inspected.**

### **Sources of Information**

Valuation information was obtained from the Hospital Corporation of America and their particular knowledge of the local market and the practice's history.

The equipment order confirmation was viewed for the major assets. This information is always important to validate the age, the replacement cost new and features of the important assets.

I applied data from my personal medical equipment database. Internet sites are particularly helpful in basic research into the characteristics of the assets and at times can give the used pricing of certain assets.

### **Highest and Best Use, and Level of Trade**

In the opinion of this appraiser, the use of the Toshiba Vantage XGV MRI System used in this medical facility qualifies as the highest and best use of the items. The System is an integral part of the practice and would not serve a higher use nor produce a higher economic return if placed in service elsewhere for a different use.

I recognize that there are distinct levels of trade (measurable marketplaces) and each may generate its own data. This appraisal's value is based upon a retail level of trade. This level of trade is affected by market acceptability of the assets, and the current supply, demand,



scarcity and rarity of the subject assets. I assume a normal absorption rate of the assets in the open marketplace.

### **Important Dates**

Date of Valuation – October 1, 2008

Date of Report – October 2, 2008

### **Confidentiality**

The data and results of the appraisal assignment, including this appraisal report, are confidential, and are the property of the client. No disclosure may be made to anyone other than (1) the client, (2) such third parties as may be authorized by the client or required by due process of law, and (3) state and federal regulatory agencies as required.

## **A Definition of Conditions**

### New Condition (N) (90 to 100% Remaining Useful Life)

This term describes new items that have not been used before.

### Excellent Condition (E) (80 to 89% Remaining Useful Life)

This term describes those items that are in near-new condition and have had very little use.

### Very Good Condition (VG) (70% to 79% Remaining Useful Life)

This item describes an item of equipment in excellent condition capable of being used to its fully specified utilization for its designed purpose with out being modified and without requiring any repairs of abnormal maintenance at the time of inspection or with the foreseeable future.

### Good Condition (G) (50% to 79% Estimated Useful Life)

This term describes those items of equipment that are in good operating condition. They may or may not have been modified or repaired and are capable of being used at or near their fully specified utilization.

### Fair Condition (F) (25% to 49% Estimated Useful Life)

This term describes those items of equipment which because of their condition are being utilized are being used at some point below their fully specified utilization because of the effects of age and/or application and which may require general repairs and/or replacement of minor elements in the foreseeable future to raise their level of utilization to or near their original specifications.

### Worn, Poor or Old Condition (O)/(P) (10% to 25% Estimated Useful Life)

This term is used to describe those items of equipment, which because of their condition can be used only at some point well below their fully specified utilization, and it is not possible to realize full capacity in their current condition without extensive repairs and/or replacement of major elements in the very near future.

### Salvage Condition (S) (1% to 9%) Estimated Useful Life)

This term is used to describe those items of equipment whose value remains in the whole property or a component of the whole property that has been retired from service,

### Scrap Condition (X) (0% Estimated Useful Life)

This term is used to describe these items of equipment, which are no longer serviceable and which cannot be utilized to any practical degree regardless of the extent of the repairs or modifications to which they may be subjected. This condition applies to items of equipment which have been used for 100% of their useful life or which are 100% technologically or functionally obsolete and are no longer serviceable and have no value other than for their material content.

### **Special Assumptions and Limiting Conditions specific to this appraisal**

1. The Alaska Regional Hospital and Hospital Corporation of America has a mid range financial credit rating.
2. There has not been another valuation of these assets within 180 days of this appraisal.
3. The appraiser considers the data provided by the Alaska Regional Hospital and Hospital Corporation of America, and Alaska Regional Hospital to be valid, reasonable and within the range of existing Fair Market Value for the Medical Center's geographic area.

### **General Assumptions and Limiting Conditions**

1. The appraiser renders no opinion as to legal fee or title to the assets. Prevailing liens, leases and other encumbrances were disregarded and the property was appraised as if it is free and clear unless otherwise specified. We assume the ownership to be 100% unencumbered interest. We have not examined liabilities against the property. The appraisal of the property considers a value "as is, where is". The property is in place on the premises and available for use. Assets known by the appraiser to be on a lease were excluded from the report.
2. The depreciation of the subject assets causes a change in value. Depreciation is caused by physical wear and tear, decay, maintenance policies and functional and economic obsolescence. Continuing depreciation will lead to the ultimate retirement of the property.
3. Values are reported in Year 2008 dollars.
4. Values are based on the appraiser's knowledge of the equipment in a regular and continuous market. The appraisal does not consider the short-term price movements of equipment prices other than to acknowledge that the market is inconsistent.
5. No responsibility is taken for changes in market conditions and no obligation is made to revise the report to reflect conditions that may occur after the date of the valuation.
6. The appraiser reserves the right to make such adjustment to the valuation herein reported as may be required by consideration of additional or more reliable information that may become available.
7. The appraiser certifies that to the best of his knowledge the statements and opinions contained in the appraisal, subject to the limiting conditions are correct. All estimates of value presented are the appraiser's considered opinion, and are in no way guaranteed to represent the price which may be paid for the equipment, or to represent the amount of financing which may be obtained for the equipment, or to represent a value which may be accepted by the United States Internal Revenue Service for any tax purpose.

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8. The appraisal is an opinion of value as of the effective date, October 1, 2008, and is to be use for the stated purpose of estimating the fair market value of the personal property assets as of October 1, 2008.

9. The appraisal report is prepared on the basis of statements, and information from the client. Information contained in the appraisal report, or used as a basis of value, comes from sources customarily relied upon. We do not independently verify the accuracy or completeness of third party information reviewed or received during the course of the appraisal and, we do not guarantee the accuracy or completeness of that information.

11. The appraisal is based on the assumption that the property is structurally safe and sound, containing no hidden or unknown defects or conditions that will affect the value or usefulness of the property. We assume that the property is free of toxic waste in any form, free from asbestos or any other surface or subsurface contaminants. Should there be concerns about the existence of such substances on the property, we consider it imperative that you retain the services of a qualified independent engineer or contractor to determine the existence and extent of any hazardous materials, as well as the costs associated with any required or desirable treatment or removal.

12. This appraisal is to be used only in its entirety and not in part or parts. No part or parts of the appraisal will be used in conjunction with any other appraisal without our prior knowledge and approval. The conclusions and findings contained in this appraisal may not be used by anyone other than the Alaska Regional Hospital and Hospital Corporation of America, their agents or appropriate government authorities.

13. The appraiser states that this appraisal should not be considered a substitute for due diligence on the part of any third party. All data has been assumed to be correct, however, the appraiser offers no guarantee or assumes any liability for the accuracy of any data, opinions or estimates provided by third parties, which have been used in formulating this analysis.

14. It is assumed that all equipment is in compliance with all federal, state and local laws, ordinances and administrative rules and regulations. It is agreed and understood that this appraisal report does not included any review or state any opinion as to whether the equipment complies, or fails to comply, with any federal, state and local laws, ordinances and administrative rules and regulations.

15. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made and an agreement made for the payment of additional fees.

16. By acceptance of the appraisal report, the client acknowledges that he/she has read and understands the report, and further acknowledges that the report is only valid in its entirety.

17. This appraisal was made in accordance with the code of ethics and the requirements of the **Uniform Standards of Professional Appraisal Practice** as set forth by the **American Society of Appraisers**.

18. All reported measurements are approximate.

## **THE APPRAISAL PROCESS**

Location of Assets Appraised:

### **Site Location:**

Alaska Regional Hospital  
2801 DeBarr Road  
Anchorage, AK 99508

The subject asset was researched by lookup in my personal medical database, by internet searches on the equipment and processes/procedures.

The original order confirmation document was gathered to further support data such as the original costs, the replacement cost new, the assets age, and the features of the equipment.

The equipment itself, its acquisition, its condition, and its usage are major factors in the values presented. These considerations in combination with the economic nature of the current marketplace are the basis of the estimate of value of each asset.

As stated, I have relied on the Cost Approach to estimate the Fair Market Value of your asset. The comparables discovered do not lend themselves to adjustments reflecting the subject's market value. The Income Approach was considered but is irrelevant to this appraisal because we could not isolate revenue streams or earnings directly flowing from the specific machine or groups of items inspected. See page 8 for a full description of the Approach to Value.

Three steps are required to estimate value using the Cost Approach. The first step is to estimate the reproduction or replacement costs new for the equipment as of the effective date, October 1, 2008, of the appraisal.

Reproduction cost is the cost to produce or obtain a new and identical item of equipment. Because of technological advancement and design changes, subsequent models of equipment, intended for the identical purpose, is seldom identical for any extended period of time.

Replacement cost is the cost to obtain or produce a new and item of equipment providing the same utility as the asset being appraised. The replacement cost may involve the cost of

equipment that serves the same purpose but is more technologically advanced than the older used equipment subject to the appraisal. The replacement cost is most often used in this appraisal.

The second step is to estimate the accrued depreciation caused by physical, functional, and economic factors. An analysis of the physical condition, operation, and technological state of the used equipment, when compared to new equipment, provides a basis for the estimate of depreciation. The equipment in this appraisal is subject to losses in value from physical deterioration, functional obsolescence and economic factors. An analysis of the remaining age/life ratio of the assets is also considered where possible.

IRS Publication 946 (Depreciation) classifies medical apparatus as having an accounting depreciation life of 5 years, while having a 9 years economic life (Class 57).

As a primary source of useful life calculations, I use the American Hospital Association's manual, "Estimated Useful Lives of Depreciable Assets", Revised 2004 Edition.

The American Society of Appraisers' Machinery and Technical Specialties Normal Useful Life Schedules were consulted to further establish the useful lives of the various assets.

In the appraiser's judgment, the Toshiba Vantage XGV MRI System asset is considered in Fair Condition will have approximately 30% of its normal useful life remaining. There is functional and/or economic depreciation applied to these assets.

The third step is to subtract all accrued depreciation from the replacement cost new. The depreciated cost to install the items is added to this value to derive an estimated value in place and installed. Adding any necessary start-up costs, and referring and comparing to current adjusted data in the marketplace for like items, we find the Fair Market Value. This process was accomplished for each line item and is listed under "Cost Approach" on Appendix A.

We have not relied on the Market Approach as an indicator of value for this assignment.

## **Appraisal conclusions for Alaska Regional Hospital's valuations:**

### **1. Fair Market Value of the MRI:**

To arrive at my opinion of Fair Market Value of the practice's **Toshiba Vantage XGV MRI System**, I relied on the Cost Approach, reviewed general marketplace data, and used Appraisers Judgment to arrive at the Fair Market Value **range** for the Appraisal of \$550,000 and \$610,000.

### **Alaska Regional Hospital Anchorage, AK 99508**

#### CERTIFICATION

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property or the contract that is the subject of this report, and I have no personal interest with respect to the parties involved.

I have no bias with respect to the property or contract that is the subject of this report or to the parties involved with this assignment.

My engagement in and compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

**A Summary appraisal. Not a complete report without all of the pages**

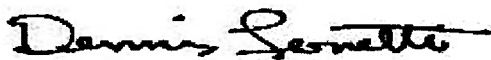
My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the 2008 Edition of the Uniform Standards of Professional Appraisal Practice and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.

I have not made a personal inspection of the property that is the subject of this report.

No one has provided significant professional assistance to the person signing this report

All of my material questions and requests for information related to this valuation assignment have been answered and resolved to my satisfaction. This report and its opinion of value have not been issued with any issue of question of material fact or data relating to the opinion of value's being unresolved or unanswered at the time of issuance of this report.

I have the knowledge and experience necessary to have completed the portions of this valuation assignment involving the valuation of machinery and equipment ("M&E") in a reliable and competent manner, taking into account the body of knowledge necessary for M&E appraisal work. I further attest that the M&E-related appraisal work included in this valuation report has been completed in a competent manner, which is consistent with the definition of competency found in the Competency Rule promulgated under the Uniform Standards of Professional Appraisal Practice ("USPAP");



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Dennis Leonetti, President  
Mile High Equipment Services  
Accredited Senior Appraiser  
American Society of Appraiser



**Dennis Leonetti**  
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**Accredited Senior Appraiser, American Society of Appraisers**  
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Dennis Leonetti is an Accredited Senior Appraiser of the American Society of Appraisers and has been evaluating, leasing, buying, and selling industrial and commercial assets since 1966. Dennis Leonetti received his Bachelor of Arts degree from Westminster College, New Wilmington, PA. Mr. Leonetti is available for fee appraisal assignment.

As an adjunct to industrial and commercial asset appraisals, Mr. Leonetti maintains his contacts in the leasing and financial industries. Beyond the standard appraisal services, he offers complete leasing consultation services. Mr. Leonetti is an affiliate member of the Equipment Lessors Association (ELA).

Mr. Leonetti has been active in all types of equipment transactions for over 40 years. This includes many medical transactions involving Doctor and Dental offices, hospitals and clinics, and medical equipment distributors.

Mr. Leonetti's resume is highlighted with careers as a Large Account Representative for IBM, as a Founder and President of WebPort, Inc., a successful Internet Company, and as a Vice President of PNC Financial Corporation, a Pittsburgh Headquartered Bank.

Mr. Leonetti is the President of the Denver Chapter of the American Society of Appraisers and is in compliance with all of the Society's programs and requirements.

## **Attachment 4**

**Morris Paul**

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**From:** Bob Rumney [rrumney@MRICorporation.com]  
**Sent:** Monday, October 13, 2008 2:02 PM  
**To:** Morris Paul  
**Subject:** RF Shielding

Paul,

For budgetary purposes, please allow \$54,500 for the RF shielded room to accommodate a Toshiba Vantage MRI System. This includes one door, one view window and the normal waveguides and filters. The general contractor would provide a framed and plywood sheeted walls and ceiling. When we are complete, the room will be re-framed and ready for drywall, finish ceiling and floor. As an add option, please allow \$120 per square foot for RF exterior windows.

Let me know if you have any questions or need additional information.

Regards.

*Robert Rumney  
MRI Corporation  
949-225-1310  
949-225-1314 fax*

10/16/2008