

# STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES  
OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

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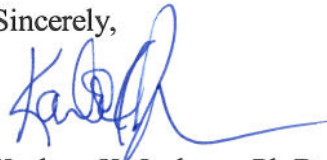
September 26, 2007

Charles C. Franz, CEO  
4300 Bartlett Street  
Homer, Alaska 99603

Dear Mr. Franz:

It has come to our attention that a significant amount of construction has occurred at the South Peninsula Hospital that is above the threshold that triggers the requirement for approval of a Certificate of Need application. As such, South Peninsula Hospital shall cease and desist from any further construction until the review of the current Certificate of Need application is completed and my decision is made. Please submit, in writing, confirmation that you have received this letter and South Peninsula Hospital will abide by this order to stop any further construction until the final decision is made on your application. If you have any questions please contact David Pierce at (907) 465-3001.

Sincerely,



Karleen K. Jackson, Ph.D.  
Commissioner

cc: Stacie Kraly, Assistant Attorney General, State of Alaska  
Rebecca Polizzotto, Assistant Attorney General, State of Alaska  
Kevin Henderson, Medical Assistance Administrator, DHSS  
Colette Thompson, Borough Attorney, Kenai Peninsula Borough