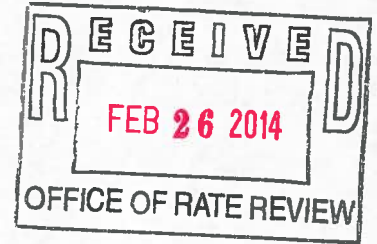


Cable & McCormick, a Professional Corporation
d/b/a Diagnostic Imaging of Alaska
4100 Lake Otis Pkwy, Ste 304
Anchorage, AK 99508

February 25, 2014

Ms. Alexandria Hicks, Coordinator
Certificate of Need Program Coordinator
Division of Health Care Services
Department of Health and Social Services
Office of Rate Review
3601 C Street, Suite 978
Anchorage, AK 99503-5924



HAND DELIVERED

Dear Ms. Hicks:

Re: 7 AAC 07.031 Request for Determination Additional Information Requested

In response to your request for additional information regarding the refurbished 2006 Upright MRI for full body services in Wasilla, Alaska, we have obtained clarifying information from Fonar Corporation to respond to your questions 1 through 3. A copy of an email from Luciano Bonanni, Executive Vice President, Fonar Corporation is also attached to this reply.

1 and 2. The agreement with Fonar is a 'lease' (reference paragraph 3. Addendum to the Fonar Quotation). As Mr. Bonanni has indicated in his email, "The agreement with Fonar is best characterized as a "lease" because Fonar retains title to the equipment and additional monthly payments may be required, if and only if the excess utilization threshold is triggered. At the end of the 60 month term of the lease the MRI is returned to Fonar unless the purchase option is exercised." The lease option was not written into the quote, but was clarified to be a lease.

If the \$800,000 were to be financed by some third-party, the \$800,000 could be converted to a 60 month payment obligation. Rather than approaching a financing entity, we will make the payments as indicated in the Addendum to the Fonar Quote. Since there is no obligation to pay more than the \$800,000 for the MRI at inception, there are no further lease payments due.

The service contract payments are for a separate contract for maintenance of the scanner over the term of the lease. It is our understanding that routine maintenance is not included in the expenditure to be included.

3. Fonar's installation of the MRI scanner is included in the \$800,000. This item is also included in Mr. Bonanni's email.

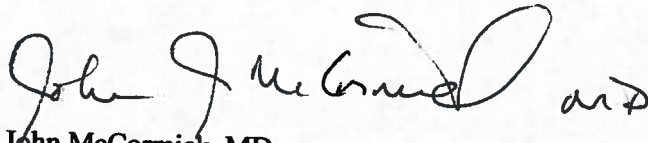
4. Our January 31, 2014 letter addressed the office furnishings for the project. You did not reference the January 31st letter in your request to us and I am including a copy with this response. We do not anticipate other costs for equipment as this will be a part of our existing Diagnostic Imaging of Alaska practice not a new entity.

5. Our letter in November 2013 was only exploratory to your office as it was then we became aware of the regulation change defining independent diagnostic imaging centers. We estimated a cost in November and subsequently in December obtained a quotation from Fonar for the 2006 MRI unit.

It is still our understanding that under 7 AAC we are to calculate the net present value of the lease spread over "the useful life of the asset, less the existing age of the asset." The useful life of this asset is 5 years. The existing age of the asset is 7 years which equals a useful life of minus -2 years. This eliminates the lease costs of the leased asset from the CON monetary threshold.

If you have any questions you can direct them to my email address at mccormickalaska@gmail.com

Sincerely,



John McCormick, MD

Enclosures:

Email from Luciano Bonanni, Executive Vice President, Fonar Corporation

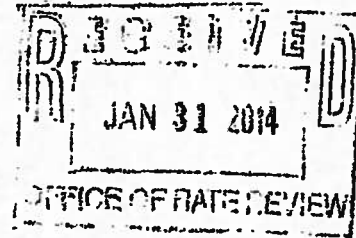
January 31, 2014 letter

Addendum to the Fonar Quotation.

Cable & McCormick, a Professional Corporation
d/b/a Diagnostic Imaging of Alaska
4100 Lake Otis Pkwy, Ste 304
Anchorage, AK 99508

January 31, 2014

Ms. Alexandria Hicks, Coordinator
Certificate of Need Program Coordinator
Division of Health Care Services
Department of Health and Social Services
Office of Rate Review
3601 C Street, Suite 978
Anchorage, AK 99503-5924



HAND DELIVERED

Dear Ms. Hicks:

Re: 7 AAC 07.031 Request for Determination Supplemental Information

We have obtained an independent review of the James Construction Cost Estimate and are providing this to your office. DuClos Construction was asked to conduct the review on our behalf to provide certified cost estimate verification. Mr. DuClos has 12 years of experience managing and constructing medical facilities, including MRI suites. A copy of his review is attached in which he found the \$260,000 construction estimate reasonable. Our request did have two cost estimates and we used the higher range estimate in our CON threshold calculations.

We also have need for office furniture and I have enclosed copies from the Office Depot catalog for office and waiting room chairs. I have updated the schedule to reflect the office furniture costs.

EXPENDITURE	Costs Incurred	Costs Included for CON threshold
Purchase of building at 261 East Park Ave, Ph 1 #3, Wasilla	\$250,000	\$250,000
Remodeling of building—Certified cost estimates included Including architectural schematics and drawings	\$282,595	\$282,595
Office furniture	\$ 509	\$ 509
Designs, plans, working drawings for remodel of building are provided by Fonar	\$ 0	\$ 0
SUBTOTAL	\$533,104	\$533,104
Leasing of equipment or space occupied by the facility. ¹ Per 7 AAC 07.010, the age of the equipment is 7 years, and the useful life of the equipment is 5 years, so these costs are not included in the CON monetary threshold calculation.	\$800,000	\$ 0
TOTAL	\$1,333,104	\$ 533,104

¹ 7 AAC 07.010 Expenditures to be included when determining whether a certificate of need is required (8) leasing of equipment or space occupied by the facility based on (A) the net present value of the lease payments over the useful life of the asset, less the existing age of the asset, as set out in the 2008 edition of *Estimated Useful Lives of Depreciable Assets*, published by the American Hospital Association and adopted by reference.

Sharon Anderson

From: Luciano Bonanni [lbonanni@fonar.com]
Sent: Tuesday, February 25, 2014 5:16 AM
To: Sharon Anderson; Al Mercer
Cc: mccormickalaska@gmail.com; haroldcable@gmail.com
Subject: Re: FW: Emailing: CON reply

Dear Sharon,
I read the response from Alexandria Hicks.

The agreement with Fonar is best characterized as a "lease", because Fonar retains title to the equipment and additional monthly payments may be required, if and only if the excess utilization threshold is triggered. At the end of 60 months, the MRI is returned to Fonar, unless the purchase option is exercised.

The State cannot assume the threshold will be triggered.

At the end of the 60 month term of the lease, if the current regulations still exist, I assume another Request for Determination could be submitted, before the \$550,000 option is exercised.

Since there is no obligation to pay more than the \$800,000 for the MRI at inception, there are no "lease payments" due Fonar. If the \$800,000 were to be financed by some third-party, the \$800,000 could be converted to a 60 month payment obligation.

Similarly, the service contract payments will be for five (5) payments of \$120,000 each year in advance, commencing with acceptance (clinical operation) of the scanner. As you know, this is separate contract for maintaining the scanner over five years.

Installation of the MRI scanner by Fonar (not to be confused with "rigging"), is included in the \$800,000.

Please let me know what you need from us. I will be available.

Regards,
Lou

On 2/24/2014 7:24 PM, Sharon Anderson wrote:

Alan

As we just discussed the State of Alaska is confused with the paperwork from Fonar that we included in our request for determination to the State. Please see the State's letter(attached).

We need help with items 1;2; as it relates to the lease.
They question whether this is really a lease with the full \$800,000 ultimately due at time of installation.

They question if it is a lease when the other document (Quotation) is a Purchase price.

They also refer to 'service payments' on a monthly basis. I think that needs to be clarified that is a Maintenance service agreement.

It is not written anywhere that Fonar will install the equipment. Can you also clarify that. We included certified cost estimates to prepare the building for the installation.

Time is of the essence for all parties, so if you can respond to these items quickly , we will go to the State's CON office with the paperwork to expedite our response.

I am copying Drs. Cable and McCormick on this email.

Thanks

Sharon

Sharon Anderson
Anderson and Lohr Healthcare Consulting Services LLC
341 West Tudor #102
Anchorage, AK 99503
(907) 770-9607

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-----Original Message-----

From: Susan Selzer [mailto:dia.susan@gmail.com]
Sent: Thursday, February 13, 2014 12:41 PM
To: Sharon Anderson
Cc: mccormickalaska@gmail.com; haroldcable@gmail.com
Subject: Emailing: CON reply

Your message is ready to be sent with the following file or link attachments:

CON reply

Note: To protect against computer viruses, e-mail programs may prevent sending or receiving certain types of file attachments. Check your e-mail security settings to determine how attachments are handled.

This email is free from viruses and malware because avast! Antivirus protection is active.
<http://www.avast.com>

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THE INFORMATION CONTAINED IN THIS MESSAGE IS PRIVILEGED AND CONFIDENTIAL INFORMATION INTENDED FOR THE USE OF THE ADDRESSEE LISTED ABOVE. IF YOU ARE NEITHER THE INTENDED RECIPIENT NOR THE EMPLOYEE OR AGENT RESPONSIBLE FOR DELIVERING THIS MESSAGE TO THE INTENDED RECIPIENT, YOU ARE HEREBY NOTIFIED THAT ANY DISCLOSURE, COPYING, DISTRIBUTION OR TAKING OF ANY ACTION IN RELIANCE ON THE CONTENTS OF THIS INFORMATION IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS IN ERROR, PLEASE IMMEDIATELY NOTIFY US BY TELEPHONE (631) 694-2929 TO ARRANGE FOR THE RETURN OF THE ORIGINAL DOCUMENTS TO US OR MAIL

ADDENDUM TO THE FONAR QUOTATION NO. 131217/459

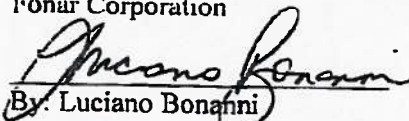
Dated December 17, 2013

1. Fonar will include the Advanced Coil Package at no additional charge.
2. Fonar agrees to accept a refundable \$200,000 down payment, to be applied to the payment obligations below.
3. Fonar will arrange to lease a refurbished Upright MRI scanner (S/N 1370-manufactured Sept. 2006). It will operate at the same specifications of a newly manufactured Upright MRI. The rental contract shall obligate Diagnostic Imaging of Alaska (lessee) to pay the lessor \$800,000 as follows: a \$200,000 down payment, \$400,000 upon the arrival of the MRI system in Alaska and \$200,000 at acceptance. However, there will be a provision in the lease agreement enabling the lessor to charge an additional \$200 per scan, for each scan in excess of 100 per month, if and only if this threshold is exceeded. The excess utilization payments will be due in the month immediately following the month in which the threshold is exceeded. Diagnostic Imaging of Alaska will also have an annual buyout option of \$550,000 to terminate this excess utilization payment provision in the lease agreement. The lessor retains title to the MRI scanner throughout the sixty (60) month term of this agreement. At the end of sixty (60) months, Diagnostic Imaging of Alaska can either exercise the \$550,000 buyout option, or pay Fonar to remove the scanner and return it to Fonar's offices Melville, NY.
4. There is no warranty period. The lease agreement will obligate Diagnostic Imaging of Alaska to enter into a service contract with Fonar for continuous maintenance of the scanner at a cost of \$120,000 per year, paid annually in advance commencing at "acceptance" (successful completion of Fonar's acceptance test procedure witnessed by Diagnostic Imaging of Alaska's designated representative).
5. In appreciation for receipt of the refundable \$200,000 down payment by the close of business Tuesday December 31, 2013, Fonar will include a Quad-Z Planar Coil, Quad Z Wrist/Hand Coil, Quadrature Foot/Ankle Coil and the Scoliosis Package, at no additional charge

Agreed to and Accepted By:

Diagnostic Imaging of Alaska.

Fonar Corporation


By: Luciano Bonanni
Its: Executive Vice President

Date: _____

Date: 12/30/13

Cable & McCormick, a Professional Corporation
d/b/a Diagnostic Imaging of Alaska
4100 Lake Otis Pkwy, Ste 304
Anchorage, AK 99508

January 31, 2014

Ms. Alexandria Hicks, Coordinator
Certificate of Need Program Coordinator
Division of Health Care Services
Department of Health and Social Services
Office of Rate Review
3601 C Street, Suite 978
Anchorage, AK 99503-5924

HAND DELIVERED

Dear Ms. Hicks:

Re: 7 AAC 07.031 Request for Determination Supplemental Information

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SUBTOTAL	\$533,104	\$533,104
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TOTAL	\$1,333,104	\$ 533,104

¹ 7 AAC 07.010 Expenditures to be included when determining whether a certificate of need is required (8) leasing of equipment or space occupied by the facility based on (A) the net present value of the lease payments over the useful life of the asset, less the existing age of the asset, as set out in the 2008 edition of *Estimated Useful Lives of Depreciable Assets*, published by the American Hospital Association and adopted by reference.

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\$54.99
x 2
109.98

This item is in your cart

**Ruzzi Mid-Back Mesh Chair, 37 3/4-41 1/2"H x
24 1/2"W x 27"D, Black**

Item # 901347

Clean, simple lines give your office efficient, up-to-date appeal

Body-friendly design with soft, layered cushioning provides comfort throughout your work day.

Tough engineering keeps the chair looking new for years

Original Price \$109.99 Instant Savings -\$55.00

Your Price \$54.99 \$54.99 After instant savings

Prices effective through 02/01/2014

ONLINE

✓ In Stock

✓ Free Next Business Day Delivery

Order in the next 4 hours 7 minutes and
get it Thursday, January 30**OUR STORES**

✓ Sold in stores

✓ Free In Store Pick Up
Pricing, Assortment and Availability**About This Product****DESCRIPTION**

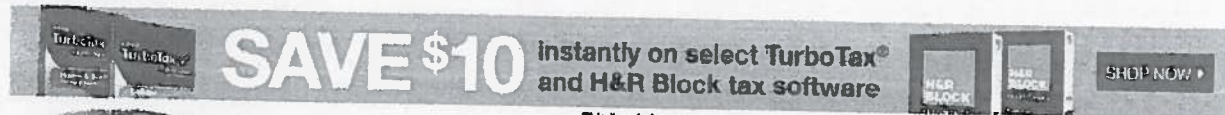
Clean, simple lines give your office efficient, up-to-date appeal

- Body-friendly design with soft, layered cushioning provides comfort throughout your work day. Sit back and relax! Tilt tension control lets you adjust the ease and rate of the chair's recline while the tilt lock lets you lock it in the upright position.
- Tough engineering keeps the chair looking new for years. Pneumatic adjustment helps you find your ideal position — thighs level with the floor and feet flat.
- Streamlined armrests create a comfortable resting place for your arms and elbows
- Tilt controls for optimal positioning.
- 1-touch seat-height adjustment makes it easy to raise or lower your seat.
- Waterfall seat cushion slopes slightly downward to help reduce stress on your legs.
- Weight capacity tested to support up to 250 lbs.
- Recommended for casual use 0-3 hours per day
- Meets or exceeds ANSI/BIFMA performance standards.
- Easy assembly instructions included.
- Backed by the manufacturer's 3-year limited warranty.

PRODUCT DETAILS

Item #	901347
Manufacturer #	HLC-0496F
recommended daily usage	0-3 hours (casual)
frame construction	plywood
frame color	Black
seat size	19 1/2"W x 19 3/4"D
seat material	mesh
material color	Black
dimensions	37 3/4-41 1/2"H x 24 1/2"W x 27"D
chair back style	mid-back
back cushion height	19
multiple adjustments	yes
adjustable seat height	pneumatic/1-touch
adjustable height range	37 3/4" - 41 1/2"
adjustable tilt tension	yes
tilt lock	yes
adjustable seat back depth	no
synchro tilt	no
adjustable forward tilt	no
adjustable tilt angle	no
adjustable knee tilt	no
adjustable back angle	no
adjustable back height	no
lumbar support	no
seat glide	no
waterfall seat cushion	yes
adjustable headrest	no
arms	yes
adjustable arm height	no
adjustable arm width	no
meets/exceeds ANSI/BIFMA standards	yes
weight capacity	250
assembly required	Yes
warranty length	3-year limited
style name	Ruzzi
distributor	Swinerton Avenue Trading Ltd., Inc.
postconsumer recycled content	0

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**Boss Office Products Traditional Tufted
Conference Chair, 31"H x 24"W x 26"D,
Mahogany Frame, Oxblood Vinyl**

Item # 607753

Classic yet comfy chairs keep guests relaxed

*Traditional looks and plush padding keep your guests seated in comfort.
Armrests help relieve shoulder strain.*

Your Price
\$132.99 \$132.99
/ each

Also available in

ONLINE

- ✓ In Stock
- ✓ Estimated delivery 10-15 business days
- ✓ Free delivery

\$132.99

x 3

\$398.97

About This Product

DESCRIPTION

Classic yet comfy chairs keep guests relaxed

- Traditional looks and plush padding keep your guests seated in comfort. These soft, durable conference chairs feature a stylish, button-tufted design in your choice of black or burgundy. The classic brass nail-head detailing gives these chairs a feel of sophistication that your guests are sure to notice.
- Armrests help relieve shoulder strain. Armrests help support forearms and elbows to help eliminate muscle fatigue and stress in the upper back, shoulders and neck.
- Easy assembly instructions included.

PRODUCT DETAILS

Item #	607753
Manufacturer #	80540-BY
frame construction	metal; resin; wood
frame color	Mahogany
seat size	22"W x 21"D
seat material	vinyl
material color	Burgundy
dimensions	31"H x 24"W x 26"D
back cushion height	18 1/2 inches
arms	yes
casters	no
lumbar support	no
weight capacity	250 lb
assembly required	Yes
warranty length	6-year limited
style name	Traditional
brand name	Boss Office Products
manufacturer	Boss Office Products
postconsumer recycled content	0%
total recycled content	0%

[Back To Top](#)

Side & Guest Chairs best sellers

\$10999 / each	\$10100 / each	\$12099 / each
\$12099 / each	\$35999 / each	\$21599 / each
\$13999 / each	\$12999 / each	\$13999 / each
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\$13299 / each	\$27399 / each	\$14999 / each
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DuClos Construction Inc.

PO Box 92710
Anchorage, AK 99509

cell 244-9933, email: dci@acsalaska.net

January 29, 2014

Construction Cost Estimate Review and Certification:

To: Diagnostic Imaging of Alaska c/o Anderson and Lohr Healthcare Consulting
Services LLC
Attn: Sharon Anderson, ph 770-9607
From: David DuClos
Project: 261 E. Park Avenue, Unit 3 – Wasilla, Alaska
Fonar Permanent MRI Magnet

Hello Sharon:

Request:

DuClos Construction Inc. has been asked to review the cost estimate for the General Construction work associated with the remodeling of the above property and the installation of the Fonar Supplied and Installed Permanent MRI Magnet.

Documents:

Provided by James Construction, 13961 E. Moyer Ruelle Court, Palmer, Alaska 99645, 907-982-7978.

1. General Construction Estimate, dated 1-3-2014, for the amount of \$260,000 dollars.
2. Drawing of the existing space.
3. Drawing and Specifications produced by Fonar Corporation, 110 Marcus Drive, Melville, New York 11747, 631-694-2929

Site Visit:

DuClos Construction Inc. met with Stan James of James Construction at the project site and reviewed the existing space to be remodeled. The scope of the remodel work

necessary to accommodate the installation of the Fonar Magnet was discussed. The cost estimate associated with the work was discussed.

Review & Certification:

The Cost Estimate provided by James Construction is reasonable for the General Construction work necessary to remodel the existing space, of the above location, to accommodate the installation of the Fonar Permanent MRI Magnet.

Qualifications:

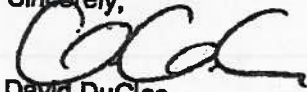
David DuClos of DuClos Construction Inc. has a Bachelor of Science Degree in Construction Management and Engineering from Bradley University, Peoria Illinois.

David DuClos has 26 years of experience in the commercial construction industry.

David DuClos has 12 years of experience in managing and constructing medical facilities to include MRI suites.

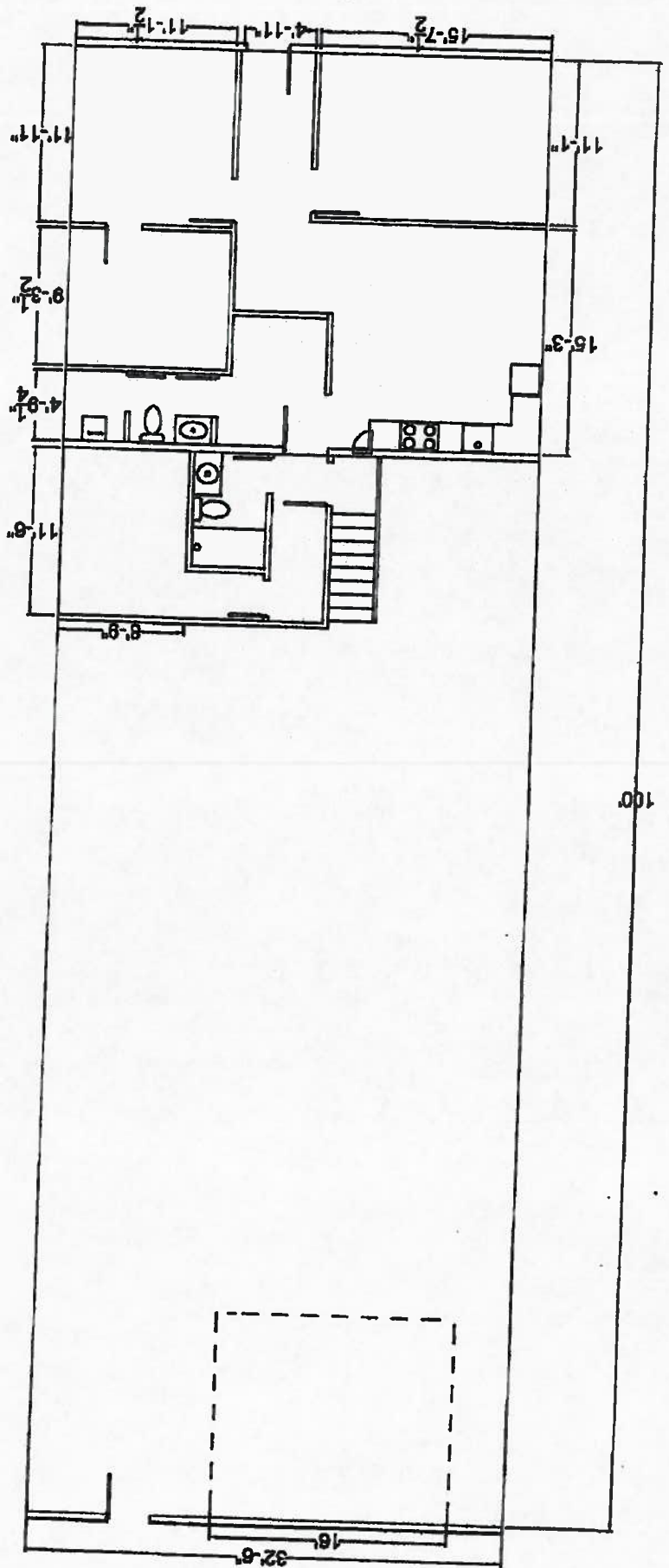
If you have any further questions or require additional analysis please give me a call.

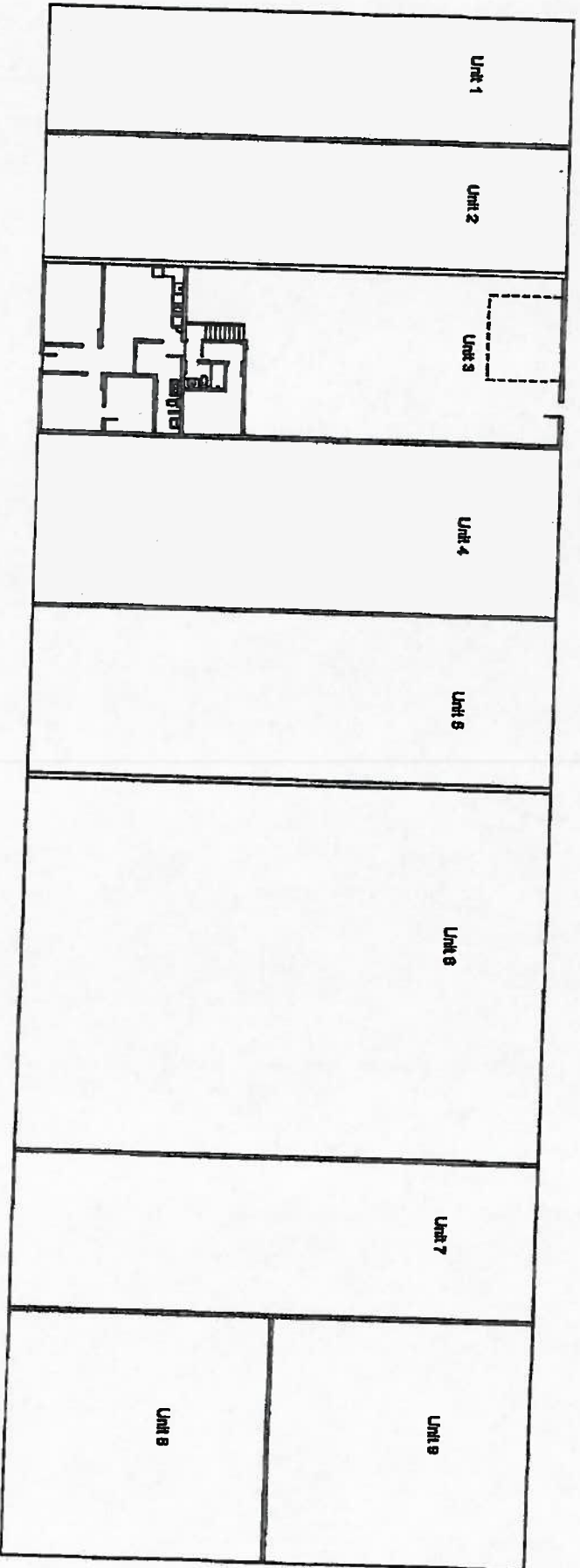
Sincerely,



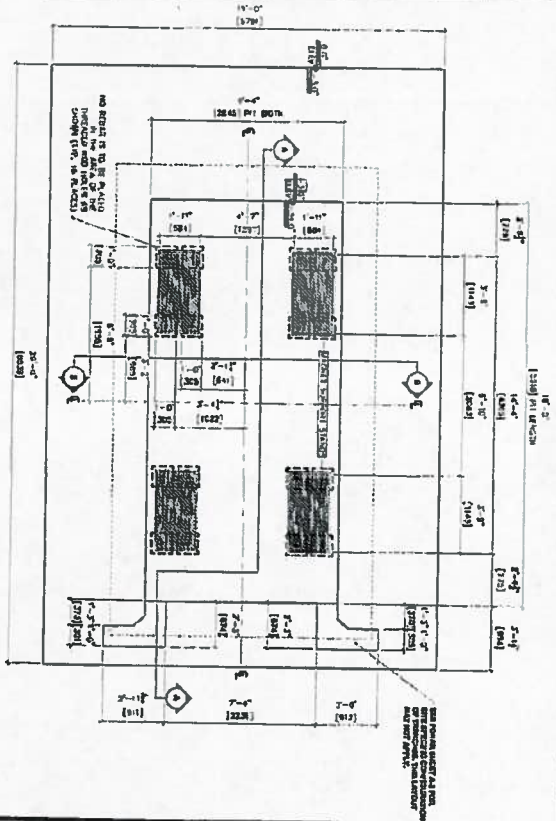
David DuClos,
President

261 E. Park Avenue
(Park Avenue Commercial Condominiums Unit 3)



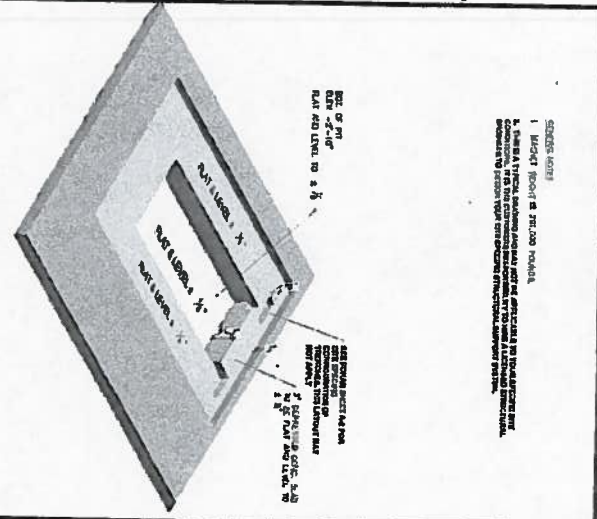


Park Avenue Commercial Condominiums



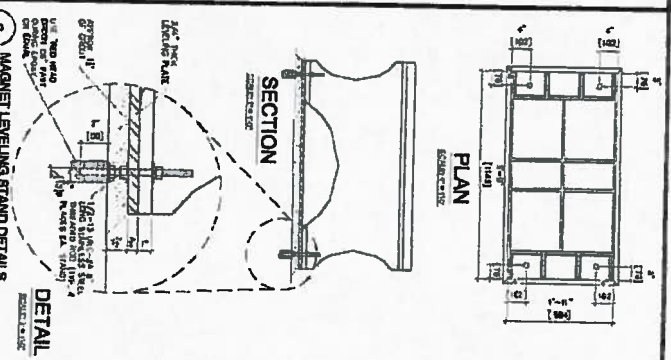
1 PLAN @ MAGNET SUPPORT FOUNDATION

NOTE:
BEARING LOAD ON EACH STAND IS 72,760 LBS.
TOTAL WEIGHT OF MAGNET IS 291,000 POUNDS.



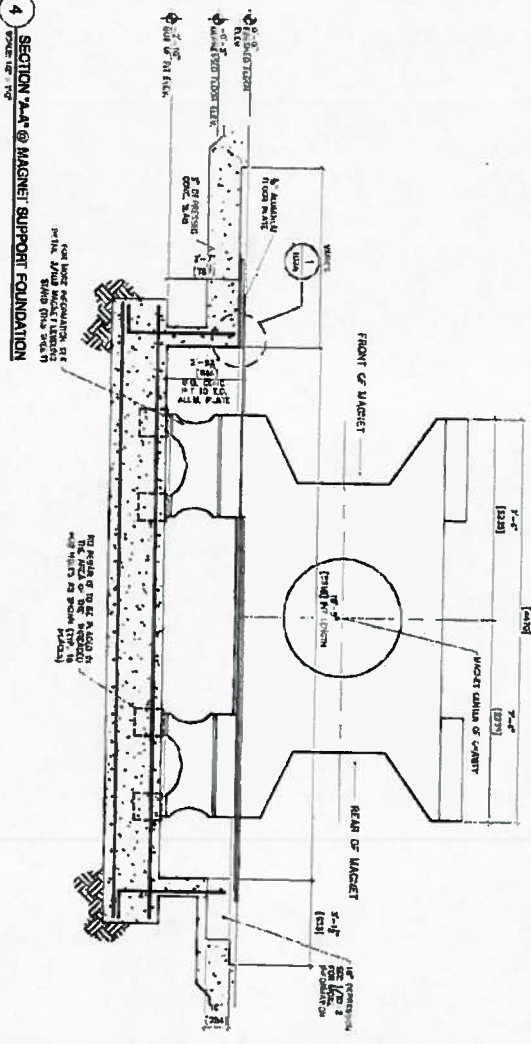
2 3D ISOMETRIC DEPICTION OF SUPPORT MAGNET FOUNDATION

NOTE:
BEARING LOAD ON EACH STAND IS 72,760 LBS.
TOTAL WEIGHT OF MAGNET IS 291,000 POUNDS.



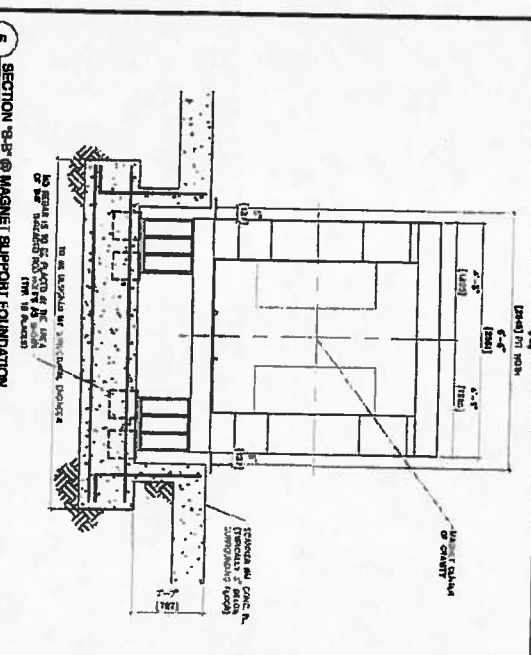
3 MAGNET LEVELING STAND DETAILS

NOTE:
BEARING LOAD ON EACH STAND IS 72,760 LBS.
TOTAL WEIGHT OF MAGNET IS 291,000 POUNDS.



4 SECTION 1-A-A @ MAGNET SUPPORT FOUNDATION

NOTE:
BEARING LOAD ON EACH STAND IS 72,760 LBS.
TOTAL WEIGHT OF MAGNET IS 291,000 POUNDS.



5 SECTION 2-B-B @ MAGNET SUPPORT FOUNDATION

NOTE:
BEARING LOAD ON EACH STAND IS 72,760 LBS.
TOTAL WEIGHT OF MAGNET IS 291,000 POUNDS.