



North Carolina Department of Health and Human Services
Division of Health Service Regulation

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Division Director

April 5, 2013

Ms. Amber Hilliard
Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, N.W.
Washington, D.C. 20005-2111

Exempt from Review – Acquisition of Facility

Facility: Life Care Hospitals of North Carolina
Acquisition by: Hospital Acquisition LLC
County: Nash
FID #: 030568

Dear Ms. Hilliard:

In response to your letter of March 18, 2013, the above referenced proposal is exempt from certificate of need review in accordance with N.C.G.S 131E-184(a)(8). Therefore, Hospital Acquisition LLC may proceed to acquire the above referenced health service facility without first obtaining a certificate of need. However, you need to contact the Acute and Home Care Licensure and Certification Section of the Division of Health Service Regulation to obtain instructions for changing ownership of the existing facility. Note that pursuant to N.C.G.S. §131E-181(b): "*A recipient of a certificate of need, or any person who may subsequently acquire, in any manner whatsoever permitted by law, the service for which that certificate of need was issued, is required to materially comply with the representations made in its application for that certificate of need.*"

It should be noted that this Agency's position is based solely on the facts represented by you and that any change in facts as represented would require further consideration by this Agency and a separate determination. If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,

Bernetta Thorne-Williams
Project Analyst

Craig R. Smith, Chief
Certificate of Need Section

cc: Acute and Home Care Licensure and Certification Section, DHSR



Certificate of Need Section

www.ncdhhs.gov

Telephone: 919-855-3873 • Fax: 919-733-8139

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Received by
the CON Section
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March 18, 2013

Craig Smith, Chief
Certificate of Need Section
N.C. Department of Health and Human Services
Division of Health Services Regulation
809 Ruggles Drive
Raleigh, NC 27603

RE: Certificate of Need Review Exemption under N.C.G.S. 131E-184(a)(8)

Dear Mr. Smith:

I am writing on behalf of Hospital Acquisition LLC and its wholly-owned subsidiary, New LifeCare Hospitals of North Carolina LLC (the "**Applicant**"), pursuant to N.C. Gen. Stat. § 131E-184(a)(8), to provide notice to the N.C. Department of Health and Human Services, Division of Health Service Regulation, Certificate of Need Section (the "**Agency**") of Applicant's intent to acquire the hospital known as LifeCare Hospitals of North Carolina located at 1051 Noell Lane, Rocky Mount, NC, 27804 in Nash County (the "**Facility**") on or about June 30, 2013. The Facility is a health service facility within the meaning of N.C. Gen Stat. § 131E-176(9b) consisting of 50 beds.

LifeCare Holdings, Inc. and certain of its affiliates ("**LifeCare**"), including LifeCare Hospitals of North Carolina, LLC filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware, on December 10, 2012 (the "**Bankruptcy Case**"). In connection with the Bankruptcy Case, LifeCare has agreed to sell substantially all of its assets, including the assets associated with the Facility to its existing secured lender's (the "**Lenders**") in exchange for amounts owed to the Lenders by LifeCare under its secured credit facility.

Mr. Craig Smith
March 18, 2013
Page 2

To facilitate the sale, the Lenders formed Hospital Acquisition LLC and New LifeCare Hospitals of North Carolina LLC - the specific entity that is purchasing the assets, and taking on certain existing liabilities, of the Facility. The closing of the sale is expected to occur on or about June 30, 2013, at which time ownership of the Facility will be transferred from LifeCare to Applicant. The Applicant is working with the Facility and LifeCare to ensure that there are no disruptions to the operation of the Facility. In addition, all of the employees of the Facility are being offered to continue their employment with the Facility. The acquisition of the Facility will not involve the development of any new health service facility or otherwise qualify as a "new institutional health service" under applicable Certificate of Need statutes or regulations which would be subject to Agency review

It is our belief that the acquisition described herein qualifies as an "exempt transaction" within the meaning of N.C. Gen. Stat. § 131E-184(a)(8), which provides that the acquisition of an existing health service facility is exempt from Certificate of Need review, upon prior written notice to the Agency. This correspondence is intended to serve as the required written notice pursuant to the statutory provision. We respectfully request that you provide written confirmation that this transaction is exempt from the Certificate of Need review pursuant to N.C. Gen. Stat § 131E-184(a)(8).

The information provided with this letter includes sensitive personal and other nonpublic information, to the extent possible, and we request that you please treat all such information as confidential information. We greatly appreciate your attention to this matter. If you have any further questions, please feel free to contact me at (202) 371-7379 or by email at amber.hilliard@skadden.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Amber Hilliard", written in a cursive style.

Amber Hilliard

Cc: Alexander Cohen