

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

Pat McCrory
Governor

Richard O. Brajer
Secretary DHHS

Drexdal Pratt
Division Director

September 1, 2015

Cullin B. Hughes
Polsinelli
900 W. 48th Place, Suite 900
Kansas City, MO 64112-1895

No Review

Record #: 1712
Facility Name: CareSouth Homecare Professionals
FID #: 923814
Business Name: CareSouth HHA Holdings of Lexington, LLC
Business #: 2277
Project Description: Corporate merger – Advanced Homecare Management, Inc. d/b/a Encompass Home Health & Hospice to become owner of CareSouth HHA Holdings of Lexington, LLC 's grandparent entity, CareSouth Health System, Inc.
County: Davidson

Dear Mr. Cullin:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) received your letter of August 31, 2015, regarding the above referenced proposal. Based on the CON law **in effect on the date of this response to your request**, the proposal described in your correspondence is not governed by, and therefore, does not currently require a certificate of need. However, please note that if the CON law is subsequently amended such that the above referenced proposal would require a certificate of need, this determination does not authorize you to proceed to develop the above referenced proposal when the new law becomes effective.

However, you need to contact the Agency's Construction and Acute and Home Care Licensure and Certification Sections to determine if they have any requirements for development of the proposed project.

It should be noted that this determination is binding only for the facts represented in your correspondence. Consequently, if changes are made in the project or in the facts provided in



Healthcare Planning and Certificate of Need Section

www.ncdhhs.gov

Telephone: 919-855-3873 • Fax: 919-715-4413

Location: Edgerton Building • 809 Ruggles Drive • Raleigh, NC 27603

Mailing Address: 2704 Mail Service Center • Raleigh, NC 27699-2704

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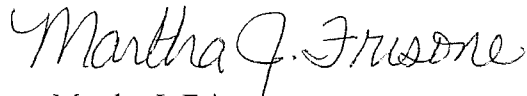
your correspondence referenced above, a new determination as to whether a certificate of need is required would need to be made by this office. Changes in a project include, but are not limited to: (1) increases in the capital cost; (2) acquisition of medical equipment not included in the original cost estimate; (3) modifications in the design of the project; (4) change in location; and (5) any increase in the number of square feet to be constructed.

Please contact this office if you have any questions. Also, in all future correspondence you should reference the Facility ID # (FID) if the facility is licensed.

Sincerely,



Celia C. Inman
Project Analyst

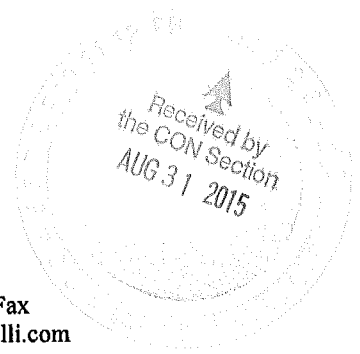


Martha J. Frisone
Assistant Chief, Certificate of Need

cc: Acute and Home Care Licensure and Certification Section, DHSR
Assistant Chief, Healthcare Planning



900 W. 48th Place, Suite 900, Kansas City, MO 64112-1895 • 816.753.1000



August 31, 2015

Cullin B. Hughes
(816) 360-4121
(816) 753-1536 Fax
chughes@polsinelli.com

CONFIDENTIAL

VIA ELECTRONIC MAIL

North Carolina Department of Health and Human Services
Division of Health Service Regulation
Health Planning and Certificate of Need Section
2704 Mail Service Center
Raleigh, NC 27699-2704
Attn: Martha Frisone
Martha.Waller@dhhs.nc.gov

Re: Transaction Involving CareSouth HHA Holdings of Lexington, LLC
License No. HC-0929, CON No. G-4818-93
License No. HC-1104, CON No. G-4818-93 *Davidson*

Dear Ms. Frisone:

Our firm is counsel to Advanced Homecare Management, Inc., a Delaware corporation doing business as Encompass Home Health & Hospice (“**Encompass**”). This letter is to inform you of a transaction that is expected to close on or about October 1, 2015 involving Encompass and CareSouth HHA Holdings of Lexington, LLC (“**CareSouth Lexington**”), and to request a letter of “no review” in relation to its Certificate of Need. CareSouth Lexington owns and is certified by the North Carolina Department of Health and Human Services Division of Health Service Regulation (“**DHSR**”) to operate two home health agencies in North Carolina, both of which operate under the name CareSouth Homecare Professionals. These two home health agencies are located at the following addresses:

- 610 No. Fayetteville St., Suite 112, Asheville, NC 28806
- 729 Venyards Crossing, Lexington, NC 27295

For your reference, the current ownership structure of CareSouth Lexington (i.e., before the transaction) is illustrated by the diagram attached to this letter as Exhibit A.

As a result of the transaction, Encompass will become the owner of CareSouth Lexington’s grandparent entity, CareSouth Health System, Inc., a Delaware corporation (“**CareSouth**”). The transaction is being effected through a merger of CareSouth with a wholly-owned subsidiary of Encompass named EHH Merger Sub Corporation, a Delaware corporation.

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Attn: Martha Frisone
August 31, 2015
Page 2

The ownership structure of CareSouth Lexington after the transaction is illustrated by the diagram attached to this letter as Exhibit B.

Based on the foregoing, our reading of applicable statutes and administrative regulations, and conversations with representatives of DHSR, we believe that the above-described transaction will not create "new institutional health services" that will require a new Certificate of Need application under N.C. Gen. Stat. §131E-176 and 178. As a result, we are requesting that you provide us with a "no review letter" confirming that no action is needed by DHSR.

Further, it is important to note that none of the following will change in connection with the transaction:

- CareSouth Lexington's Federal tax identification number;
- The physical addresses of the home health agencies;
- The NPI or Medicare Provider Number of the home health agencies;
- The type, quantity, and quality of home health services offered by the home health agencies; and
- The key personnel of the home health agencies, including the Administrator and Director of Nursing.

Please confirm that this letter is sufficient notice of the above-described transaction to qualify for your issuance of a "no review letter". If not, please let me know what other materials, if any, we must submit or other actions we must take in advance of or after the closing.

Thank you in advance for your assistance. We will send a follow-up letter after the transaction has been consummated to confirm the date of closing. If you have any questions in the interim, please call me at (816) 360-4121 or e-mail me at chughes@polsinelli.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Cullin B. Hughes".

Cullin B. Hughes

Encs.

Exhibit A
Ownership Structure Prior to the Transaction

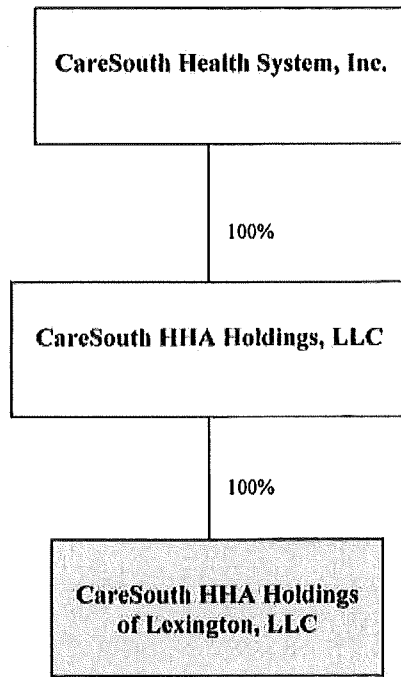


Exhibit B
Ownership Structure After the Transaction

