



NC DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER • Governor
MANDY COHEN, MD, MPH • Secretary
MARK PAYNE • Director, Division of Health Service Regulation

September 26, 2019

Gary S. Qualls
PO Box 14210
Research Triangle Park, NC 27709-4210

Exempt from Review – Acquisition of Facility

Record #: See Attachment A
Facility Name: See Attachment A
Type of Facility: Nursing Home
FID #: See Attachment A
Acquisition by: AHSNF, Inc.
Business #: 3099
County: See Attachment A

Dear Mr. Qualls:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) determined that based on your representations, the above referenced proposal is exempt from certificate of need (CON) review in accordance with N.C. Gen. Stat. §131E-184(a)(8). Therefore, the above referenced business may proceed to acquire the health service facilities identified in Attachment A without first obtaining a CON. The Agency’s determination is limited to the question of whether or not the above referenced business would have to obtain a CON if the current owners of the health service facilities do in fact sell them to the business listed above. Note that pursuant to N.C. Gen. Stat. §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.”

In the event that the business listed above does acquire the facilities, you should contact the Agency’s Nursing Home Licensure and Certification Section to obtain instructions for changing ownership of the existing facilities.

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 regarding whether or not a certificate of need would be required. If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,

Handwritten signature of Julie M. Faenza

Julie M. Faenza
Project Analyst

Handwritten signature of Martha J. Frisone

Martha J. Frisone
Chief

cc: Nursing Home Licensure and Certification Section, DHSR

NC DEPARTMENT OF HEALTH AND HUMAN SERVICES • DIVISION OF HEALTH SERVICE REGULATION
HEALTHCARE PLANNING AND CERTIFICATE OF NEED SECTION

LOCATION: 809 Ruggles Drive, Edgerton Building, Raleigh, NC 27603
MAILING ADDRESS: 809 Ruggles Drive, 2704 Mail Service Center, Raleigh, NC 27699-2704
https://info.ncdhhs.gov/dhsr/ • TEL: 919-855-3873

**ATTACHMENT A**

<b>Record #</b>	<b>County</b>	<b>Facility Name</b>	<b>FID #</b>
3049	Mecklenburg	Huntersville Oaks	923277
3050	Mecklenburg	Sardis Oaks	923444
3051	Stanly	Stanly Manor	923471
3052	Cleveland	Cleveland Pines	923107
3053	Union	Jesse Helms Nursing Center	923515*

\*Jesse Helms Nursing Center is currently licensed as part of Atrium Health Union (whose FID number is listed in the table) and will be separately licensed prior to acquisition by AHSNF, Inc.



September 17, 2019

Gary S. Qualls  
D 919.466.1182  
F 919.516.2072  
gary.qualls@klgates.com

**Via Hand Delivery**

Ms. Martha Frisone, Chief  
Healthcare Planning  
and Certificate of Need Section  
Division of Health Service Regulation  
Department of Health & Human Services  
809 Ruggles Drive  
Raleigh, NC 27603

Re: Reorganization of Skilled Nursing Facilities to Controlled Affiliate -- No Review Letter, or in the Alternative, Exemption Notice

Huntersville Oaks (License No: NH0377); Sardis Oaks (License No: NH0483); Jesse Helms Nursing Center (License No: H0050); Stanly Manor (License No: NH0464); and Cleveland Pines (License No. NH0524)

Dear Martha:

We represent The Charlotte-Mecklenburg Hospital Authority (“CMHA”) and also one of its controlled affiliates, AHSNF, Inc., in making this request to the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Healthcare Planning and Certificate of Need Section (the “Agency”).

The purpose of this letter is to:

1. Request no review confirmation of an upcoming corporate reorganization, which is anticipated to be effective January 1, 2020 and will reorganize five of CMHA’s skilled nursing facilities (“SNFs”) such that the SNFs will be directly owned by CMHA’s controlled affiliate, AHSNF, Inc., rather than being directly owned by CMHA as an operating division; and
2. Confirm the non-reviewability of separately licensing Jesse Helms Nursing Center, which is currently operating under the same license as Atrium Health Union.

These actions will collectively be referred to as the “Reorganization.”

As further described below, we ask the Agency to confirm that the Reorganization is either not reviewable as a new institutional health service under the North Carolina Certificate of Need (“CON”) law or (in the alternative) exempt from review under the CON law’s exemption provisions in N.C. Gen. Stat. § 131E-184.

**I. The Proposed Reorganization.**

AHSNF, Inc. is a North Carolina non-member, nonprofit corporation and is a controlled affiliate of CMHA. By virtue of CMHA’s authority to appoint all of the directors of AHSNF, Inc., CMHA will maintain and exercise control over AHSNF, Inc. Upon consummation of the Reorganization, all of CMHA’s SNF assets described below will be conveyed to AHSNF, Inc. AHSNF, Inc. will continue to utilize the assets and operations of the SNFs in a manner consistent with the nonprofit mission of CMHA and AHSNF, Inc.

CMHA currently operates five SNFs:

- 1) A 168-bed SNF known as Huntersville Oaks in Mecklenburg County (License No: NH0377) (Provider: 345096);
- 2) A 124-bed SNF known as Sardis Oaks in Mecklenburg County (License No: NH0483) (Provider: 345331);
- 3) A 70-bed SNF known as Jesse Helms Nursing Center in Union County (License No: H0050) (Provider: 345097);
- 4) A facility known as Stanly Manor in Stanly County with 90 SNF beds and 10 adult care home beds (License No: NH0464) (Provider: 345281); and
- 5) A 120-bed SNF known as Cleveland Pines in Cleveland County (License No: NH0524) (Provider: 345282).

**II. No Review For Independent Licensing of Jesse Helms Nursing Center.**

Jesse Helms Nursing Center is currently under the same license as Atrium Health Union, which is owned and operated by CMHA. Thus, as a first step of the Reorganization described above, Jesse Helms Nursing Center would obtain its own license, separate from the Atrium Health Union license, of which it is currently part, with CMHA as the licensee.

Once the Reorganization is complete and the SNF is conveyed to AHSNF, Inc., the entity (CMHA) that currently directly owns the Jesse Helms Nursing Center and will continue to own it upon independent licensure until the conveyance will still control the independently licensed SNF through AHSNF, Inc., as its controlled affiliate. Jesse Helms Nursing Center is located in a separate building from Atrium Health Union, and the same building, staff and equipment will continue to be used to provide the same services at the same location upon independent licensure.

The proposed independent licensing step of the Reorganization does not involve the offering or expansion of any new facility, service or equipment, and the State's inventory of nursing beds will not change. No new or additional nursing home beds will be acquired or placed in operation in the State. Jesse Helms Nursing Center already has its own distinct Medicare provider number (Medicare Provider 345097), which is separate from Atrium Health Union's Medicare provider number (Medicare Provider 340130).

This proposal is similar to other proposals that the Agency has found to be non-reviewable. For example, the Agency determined that no CON reviews were necessary for Rex Hospital and Hugh Chatham Memorial Hospital, Inc. to independently license nursing homes that historically operated under each hospital's license. See Exhibit 1.

Likewise, the CON law allows the independent licensing of the Jesse Helms Nursing Center without the requirement of a CON because such an event does not constitute the development or acquisition of a new facility or services, within the meaning of N.C. Gen. Stat. § 131E-176(16). The beds already exist in the State Medical Facilities Plan inventory and there is no new facility constructed. Thus, there has been no action which constitutes the offering or development of a new institutional health service within the meaning of N.C. Gen. Stat. § 131E-178(a), and no CON is therefore required.

### **III. No Review Request.**

The conveyance of the CMHA SNFs into its controlled affiliate, AHSNF, Inc., is not a CON reviewable event for the following reasons. First, the proposed Reorganization is not expressly addressed in N.C. Gen. Stat. § 131E-176(16). The consolidation of an entity's assets into a controlled affiliate is not included in the list of activities that constitute the development of a new institutional health service, requiring a CON.

Pursuant to the maxim of statutory construction *expressio unius est exclusio alterius*, those transactions not included in N.C. Gen. Stat. § 131E-176(16) do not require a CON. See, e.g., In re Miller, 357 N.C. 316, 325, 584 S.E.2d 772, 780 (2003) (stating that “[u]nder the doctrine of *expressio unius est exclusio alterius*, when a statute lists the situations to which it applies, it implies the exclusion of situations not contained in the list”); see also Jackson v. A Woman’s Choice, Inc., 130 N.C. App. 590, 594, 503 S.E.2d 422, 425 (1998) (internal citations omitted) (“[W]here a statute is explicit on its face, the courts have no authority to impose restrictions that the statute does not expressly contain.”).

Second, to the extent that the holder of the CON for any of these facilities is changing to CMHA’s affiliate, the identity of the holder is changing solely because of a corporate reorganization. It is not the type of reorganization that would trigger CON review. The consolidation of an entity’s assets into a wholly-controlled affiliate does not change control or ownership outside of the two related entities.

Further, no capital expenditures are being incurred to accomplish this Reorganization. After the Reorganization, CMHA’s controlled affiliate, AHSNF, Inc., will continue to operate the Facilities in their current locations as currently constituted.

For the reasons described above, and pursuant to the maxim of statutory construction *expressio unius est exclusio alterius*, this Reorganization is not included in the list of new institutional health service items requiring a CON under N.C. Gen. Stat. § 131E-176(16). Thus, no CON is required in order to consummate the Reorganization.

#### **IV. Exemption Notice.**

For the reasons described above, we do not think that notice under N.C. Gen. Stat. § 131E-184(a)(8) is technically required. However, to the extent that you disagree, please accept this letter as the required notice under N.C. Gen. Stat. § 131E-184(a)(8) for an exemption.

The General Assembly has chosen to exempt certain otherwise reviewable events from CON review, including the acquisition of an existing health service facility and the equipment owned by the health service facility at the time of the acquisition. See N.C. Gen. Stat. § 131E-184(a)(8). Under N.C. Gen. Stat. § 131E-176(9b), nursing home facilities (i.e., SNFs) are “health service facilities.”

If the Agency were to construe the Reorganization as an acquisition under the CON law, upon consummation of the Reorganization, AHSNF, Inc., would be acquiring existing "health service facilities," including all related equipment owned at the time of acquisition from CMHA. Specifically, AHSNF, Inc. will be acquiring the five SNFs. After the Reorganization, AHSNF, Inc. will continue to operate these health service facilities as skilled nursing facilities at their current locations.

Furthermore, the proposed Reorganization does not entail the acquisition of any major medical equipment or any *per se* reviewable equipment as defined in N.C. Gen. Stat. §§ 131E-176(14)(o) and (16)(f1). Likewise, the Reorganization does not include the offering of any *per se* reviewable services under N.C. Gen. Stat. § 131E-176(16)(f). Accordingly, given that the proposed Reorganization involves only existing health service facilities, it is exempt from CON review, assuming an exemption is necessary.

**V. Conclusion.**

Based upon the foregoing information, we hereby request the Agency's (1) confirmation that the proposed Reorganization (as described above) is not subject to CON review; or (2) alternatively is exempt from CON review under N.C. Gen. Stat. § 131E-184(a)(8).

Thank you for your assistance in regard to this matter. Please feel free to contact me at the number above if you have any questions of need further information.

Sincerely,

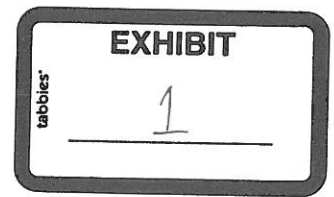
  
Gary S. Qualls

Martha Frisone  
September 17, 2019  
Page 6

**Exhibits**

1. No Review Approval for Rex Hospital
2. No Review Approval for Hugh Chatham Memorial Hospital, Inc.





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

Pat McCrory  
Governor

Aldona Z. Vos, M.D.  
Ambassador (Ret.)  
Secretary DHHS

Drexdal Pratt  
Division Director

April 7, 2014

Gary S. Qualls  
K&L Gates, LLP  
P.O. Box 14210  
Research Triangle Park NC 27709-4210

**No Review**

Facility: Rex Hospital  
Project Description: Obtain a separate license for Rex Rehabilitation and Nursing Center of Raleigh  
County: Wake  
FID #: 953429

Dear Mr. Qualls:

The Certificate of Need Section (CON Section) received your letter of March 24, 2014 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.

Moreover, you need to contact the Acute and Home Care Licensure and Certification and Nursing Home Licensure and Certification Sections of the Division of Health Service Regulation 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 by you. Consequently, if changes are made in the project or in the facts provided in your correspondence referenced above, a new determination as to whether a certificate of need is required would need to be made by the Certificate of Need Section. 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.



**Certificate of Need Section**

www.ncdhhs.gov

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

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

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

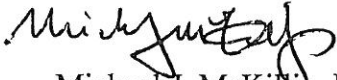
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Mr. Qualls  
April 7, 2014  
Page 2

Please contact the CON Section if you have any questions. Also, in all future correspondence you should reference the Facility I.D. # (FID) if the facility is licensed.

Sincerely,



Michael J. McKillip, Project Analyst



Martha J. Frisone, Interim Chief  
Certificate of Need Section

cc: Medical Facilities Planning Branch, DHSR  
Acute and Home Care Licensure and Certification Section, DHSR  
Nursing Home Licensure and Certification Section, DHSR

*mla*

K&L Gates LLP  
Post Office Box 14210  
Research Triangle Park, NC 27709-4210  
430 Davis Drive, Suite 400  
Morrisville, NC 27560  
T 919.466.1190 www.klgates.com

Gary S. Qualls  
D 919.466.1182  
F 919.516.2072  
gary.qualls@klgates.com

Received by  
the CON Section  
MAR 24 2014

March 24, 2014

**VIA HAND DELIVERY**

Martha Frisone,  
Chief, Certificate of Need Section  
Division of Health Service Regulation  
North Carolina Department of Health &  
Human Services  
809 Ruggles Drive  
Raleigh, North Carolina 27603

RE: Rex Hospital, Inc. (License No. H0065)  
No Review Request To Independently License Rex Rehabilitation &  
Nursing Center of Raleigh

Dear Ms. Frisone:

We are writing on behalf of our client Rex Hospital, Inc. ("Rex"). Rex owns and operates Rex Rehabilitation & Nursing Center of Raleigh (the "Nursing Center"), a nursing home with 120 nursing beds under the Rex Hospital license. Rex has decided to obtain an independent license for the Nursing Center in order to promote operational efficiencies. We are requesting confirmation from the Department of Health and Human Services, Division of Health Service Regulation, Certificate of Need Section (the "Agency") that this proposal is not subject to certificate of need review.

In this instance, the entity (Rex) that owns the Nursing Center will not change, and the same building, staff and equipment will be used to provide the same services at the same location. Rex will continue to own the CON-authorized Nursing Center assets that have been used to furnish skilled nursing care to the Nursing Center's residents. The proposed transaction does not involve the offering or expansion of any new facility, service or equipment, and the State's inventory of nursing beds will not change. No new or additional nursing home beds will be acquired or placed in operation in the State. The Nursing Center already has its own

Martha Frisone,  
Chief, Certificate of Need Section  
March 24, 2014  
Page 2

distinct Medicare provider number (Medicare #345369), which is separate from Rex Hospital's Medicare provider number (Medicare #340114).

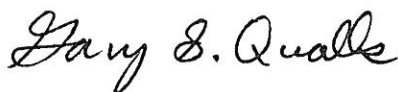
This proposal is similar to other proposals that the Agency has found to be non-reviewable. For example, the Agency recently determined that no CON review was necessary for Hugh Chatham Memorial Hospital, Inc. to independently license a nursing home that historically operated under its hospital license. See Exhibit 1.

We believe that the CON law allows the independent licensing of the Nursing Center without the requirement of a CON because such an event does not constitute the development or acquisition of a new facility or services, within the meaning of N.C. Gen. Stat. § 131E-176(16). The beds already exist in the State Medical Facilities Plan inventory and there is no new facility constructed. Thus, there has been no action which constitutes the offering or development of a new institutional health service within the meaning of N.C. Gen. Stat. § 131E-178(a), and no CON is therefore required.

We request that you provide a no review letter confirming that our interpretation of the CON law is correct and that this proposal is not subject to certificate of need review.

Please do not hesitate to contact us if you have any questions.

Sincerely,



Gary S. Qualls

Martha Frisone,  
Chief, Certificate of Need Section  
March 24, 2014  
Page 3

Exhibits

1. Hugh Chatham Memorial Hospital, Inc. No Review Request and Response



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

Pat McCrory  
Governor

Aldona Z. Wos, M.D.  
Ambassador (Ret.)  
Secretary DHHS

Drexdal Pratt  
Division Director

March 11, 2014

S. Todd Hemphill  
3105 Glenwood Avenue, Suite 300  
Raleigh, North Carolina 27612

**No Review**

Facility: Hugh Chatham Memorial Nursing Center  
Project Description: Transfer by Hugh Chatham Memorial Hospital, Inc. (HCMH) of 100% of its ownership interests in Hugh Chatham Memorial Nursing Center to Hugh Chatham Nursing Center, LLC, a wholly-owned subsidiary of HCMH and license it separately from the hospital  
County: Surry  
FID #: 955375

Dear Mr. Hemphill:

The Certificate of Need Section (CON Section) received your letter of February 18, 2014, 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.

Moreover, you need to contact the Acute and Home Care Licensure and Certification Section and the Nursing Home Licensure and Certification Section of the Division of Health Service Regulation 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 by you. Consequently, if changes are made in the project or in the facts provided in your correspondence referenced above, a new determination as to whether a certificate of need is required would need to be made by the Certificate of Need Section. 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.



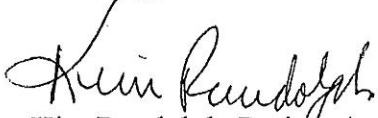
**Certificate of Need Section**  
www.ncdhhs.gov  
Telephone: 919-855-3873 • Fax: 919-733-8139  
Location: Edgerton Building • 809 Ruggles Drive • Raleigh, NC 27603  
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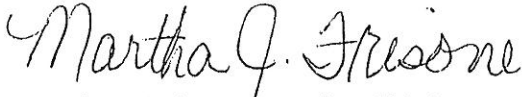
S. Todd Hemphill  
March 11, 2014  
Page 2

Please contact the CON Section if you have any questions. Also, in all future correspondence you should reference the Facility I.D. # (FID) if the facility is licensed.

Sincerely,



Kim Randolph, Project Analyst



Martha J. Frisone, Interim Chief  
Certificate of Need Section

cc: Acute and Home Care Licensure and Certification Section, DHSR  
Nursing Home Licensure and Certification Section, DHSR  
Medical Facilities Planning Branch, DHSR

JOHN T. BODE  
S. TODD HEMPHILL  
MATTHEW A. FISHER  
DAVID R. BROYLES

*John Kim*

**BODE HEMPHILL, L.L.P.**

ATTORNEYS AT LAW  
3105 GLENWOOD AVENUE, SUITE 300  
RALEIGH, NORTH CAROLINA 27612

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27628-6338

Writer's E-mail: [HEMPHILL@BCS-LAW.COM](mailto:HEMPHILL@BCS-LAW.COM)

February 18, 2014



**VIA HAND DELIVERY**

Martha J. Frisone, Interim Chief  
Kim Randolph, Project Analyst  
Certificate of Need Section  
N.C. Department of Health and Human Services  
Division of Health Service Regulation  
809 Ruggles Drive  
Raleigh, North Carolina 27603

Re: Hugh Chatham Memorial Hospital, Inc. (License No. H0049)  
No review request to transfer control of Hugh Chatham Nursing Center to wholly owned-subsiary

Dear Ms. Frisone and Ms. Randolph:

We are writing you on behalf of our client, Hugh Chatham Memorial Hospital, Inc. ("HCMH"), a North Carolina non-profit corporation. HCMH owns and operates Hugh Chatham Nursing Center (the "Nursing Center"), a combination facility with 99 nursing beds and 28 assisted living beds (20 Alzheimer's or special care unit beds and 8 general beds), under the hospital's license. HCMH has determined that it is in its best interest to transfer ownership of the Nursing Center to a wholly-owned subsidiary which it has created, Hugh Chatham Nursing Center, LLC, a North Carolina limited liability company ("HCNC"). HCMH is the sole member of HCNC. See HCNC Articles of Organization, Exhibit 1 hereto.

We also understand that as part of this transfer, the Nursing Center will need to be operated as a separately-licensed nursing facility. I have already spoken about this subject with Becky Wertz, Nurse Consultant with the Nursing Home Licensure and Certification Section, and our client is in the process of preparing the Nursing Home Licensure Application and other related documentation which she has provided. However, before that documentation can be filed, we first need to confirm with your office that this proposal is not subject to certificate of need review.



The CON law provides that transfer of ownership or control of a CON would constitute grounds for withdrawal of the CON if it occurs during the course of development of a project before the project is complete. N.C.G.S. § 131E-189. There is no CON project under development at the Nursing Center. Furthermore, Agency rules provide that neither ownership nor control of a certificate of need is transferred when the holder of the certificate is a corporation and the identity of the holder changes because of a corporate reorganization, such as transferring ownership to a wholly-owned subsidiary. 10A N.C.A.C. 14C.0502(b)(1) and (c).

In this instance, the entity that owns the Nursing Center will not change, and the same building, staff and equipment will be used to provide the same services at the same location. HCMH will continue to own the Nursing Center assets that were authorized under the CON and have been used to furnish skilled nursing care to the Nursing Center's residents. The proposed transaction does not involve the offering or expansion of any new facility, service or equipment, and the State's inventory of nursing home beds will not change. No new or additional nursing home beds will be acquired or placed in operation in the State. The Nursing Center already has its own separate NPI number and Medicare number.

This proposal is similar to other proposals involving transfer of assets to wholly owned subsidiaries that the CON Section has found in the past did not require CON review. For example, the CON Section determined that a perfusion company could hold heart-lung bypass equipment in two separate wholly owned subsidiaries without undergoing CON review. See enclosed Exhibit 2 (without exhibits to original request letter).

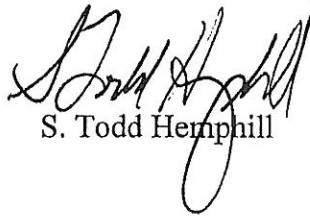
For these reasons, we believe that the CON law allows the transfer of the Nursing Center to a wholly-owned subsidiary of HCMH, without the requirement of a CON, because such a transfer does not constitute the development or acquisition of a new facility or services by the subsidiary, within the meaning of G.S. 131E-176(16) or 10A N.C.A.C. 14C.0502. The subsidiary has no control over those services independent of its parent entity. The ultimate ownership and control of the service does not change. The beds already exist in the inventory in the State Medical Facilities Plan and there is no new facility constructed. Thus, there has been no action which constitutes the offering or development of a new institutional health service within the meaning of G.S. 131E-178(a), and no CON is required.

We request that you provide a letter of no review confirming that our interpretation of the CON law and applicable rules is correct and that this proposal is not subject to certificate of need review.

Please let us know if you need further information or if there are questions we can answer.

Very truly yours,

BODE HEMPHILL, L.L.P.



S. Todd Hemphill

STH:sh

Enclosure

cc w/enc.: Becky Wertz, Nurse Consultant (via hand delivery)  
Paul Hammes/Don Trippel (via e-mail only)

State of North Carolina  
Department of the Secretary of State

Limited Liability Company  
ARTICLES OF ORGANIZATION

Pursuant to §57D-2-20 of the General Statutes of North Carolina, the undersigned does hereby submit these Articles of Organization for the purpose of forming a limited liability company.

1. The name of the limited liability company is: Hugh Chatham Nursing Center, LLC  
(See Item 1 of the Instructions for appropriate entity designation)
2. The name and address of each person executing these articles of organization is as follows: (State whether each person is executing these articles of organization in the capacity of a member, organizer or both. Note: This document must be signed by all persons listed.)  
S. Todd Hemphill (Organizer)  
Post Office Box 6338, Raleigh, NC 27628
3. The name of the initial registered agent is: Raymond A. Parker
4. The street address and county of the initial registered agent office of the limited liability company is:  
Number and Street 131 Colony Lane  
City Elkin State: NC Zip Code: 28621 County: Surry
5. The mailing address, if different from the street address, of the initial registered agent office is:  
Number and Street \_\_\_\_\_  
City \_\_\_\_\_ State: NC Zip Code: \_\_\_\_\_ County: \_\_\_\_\_
6. Principal office information: (Select either a or b.)  
a.  The limited liability company has a principal office.  
The principal office telephone number: (336) 527-7000  
The street address and county of the principal office of the limited liability company is:  
Number and Street 180 Parkwood Drive  
City Elkin State: NC Zip Code: 28621 County: Surry



The mailing address, if different from the street address, of the principal office of the company is:

Number and Street Post Office Box 660

City Elkin State: NC Zip Code: 28621 County: Surry

b.  The limited liability company does not have a principal office.

7. Any other provisions which the limited liability company elects to include (e.g., the purpose of the entity) are attached.

8. (Optional); Please provide a business e-mail address: Privacy Redaction  
The Secretary of State's Office will e-mail the business automatically at the address provided above at no cost when a document is filed. The e-mail provided will not be viewable on the website. For more information on why this service is offered, please see the Instructions for this document.



9. These articles will be effective upon filing, unless a future date is specified:

This is the 12th day of February, 20 14.

S. Todd Hemphill  
Signature

S. Todd Hemphill, Organizer  
Type or Print Name and Title

The below space to be used if more than one organizer or member is listed in Item #2 above.

_____ Signature	_____ Signature
_____ Type and Print Name and Title	_____ Type and Print Name and Title
_____ Signature	_____ Signature
_____ Type and Print Name and Title	_____ Type and Print Name and Title

NOTES:

1. Filing fee is \$125. This document must be filed with the Secretary of State.

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**ATTACHMENT TO ARTICLES OF ORGANIZATION  
HUGH CHATHAM NURSING CENTER, LLC**

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**NAME AND ADDRESS OF INITIAL MEMBER**

The sole member of Hugh Chatham Nursing Center, LLC is Hugh Chatham Memorial Hospital, Inc.

Hugh Chatham Memorial Hospital, Inc.'s address is 180 Parkwood Drive, Elkin, NC 28621



North Carolina Department of Health and Human Services  
 Division of Health Service Regulation  
 Certificate of Need Section  
 2704 Mail Service Center ■ Raleigh, North Carolina 27699-2704

Beverly Eaves Perdue, Governor  
 Lanier M. Cansler, Secretary

www.ncdhs.gov/dhsr

Craig R. Smith, Section Chief  
 Phone: 919-855-3875  
 Fax: 919-733-8139

December 9, 2011

William R. Shenton  
 Poyner Spruill  
 P.O. Box 1801  
 Raleigh, NC 27602-1801

- RE: No Review:
- o Transfer by CSA Medical Services, LLC (CSA) of 100% of its ownership interests in five (5) existing heart lung bypass machines in use at WakeMed to CSAMS New Bern Avenue, LLC, a wholly-owned subsidiary of CSA
  - o Transfer by CSA Medical Services, LLC (CSA) of 100% of its ownership interests in three (3) existing heart lung bypass machines in use at Rex Hospital to CSAMS Lake Boone Trail, LLC, a wholly-owned subsidiary of CSA
- Wake County

Dear Mr. Shenton:

The Certificate of Need (CON) Section received your letter of November 21, 2011 regarding the above referenced proposals. Based on the CON law in effect on the date of this response to your request, the proposals described in your correspondence are not governed by, and therefore, do not currently require a certificate of need. However, please note that if the CON law is subsequently amended such that the above referenced proposals would require a certificate of need, this determination does not authorize you to proceed to develop the above referenced proposals when the new law becomes effective.

It should be noted that this determination is binding only for the facts represented by you. Consequently, if changes are made in the proposals or in the facts provided in your correspondence referenced above, a new determination as to whether a certificate of need is required would need to be made by the Certificate of Need Section. Changes in a proposal 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 the CON Section if you have any questions. Also, in all future correspondence you should reference the Facility I.D.# (FID) if the facility is licensed.

Sincerely,

*Martha J. Frisone*  
 Martha J. Frisone  
 Assistant Chief

*Craig R. Smith*  
 Craig R. Smith, Chief  
 Certificate of Need Section

cc: Medical Facilities Planning Section, DHSR



Location: 809 Ruggles Drive ■ Dorothea Dix Hospital Campus ■ Raleigh, N.C. 27603  
 An Equal Opportunity / Affirmative Action Employer



**EXHIBIT**  
**2**



*Martha*

Poyner Spruill<sup>LLP</sup>

November 21, 2011

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Mr. Craig R. Smlth, Chief  
Ms. Martha Frisono, Assistant Chief  
Division of Health Service Regulation  
Certificate of Need Section  
2704 Mail Service Center  
Raleigh, North Carolina 27696-2704

RE: CSA Medical Services, LLC; No Review Request regarding Transfer of Heart-Lung Bypass Machines to Wholly Owned Subsidiaries

Dear Mr. Smith and Ms. Frisono:

This letter is submitted on behalf of CSA Medical Services, LLC ("CSA"), and two subsidiary limited liability companies to be formed and wholly owned by CSA and to be named "CSAMS New Bern Avenue, LLC" (CSA New Bern), and "CSAMS Lake Boone Trail, LLC" (CSA Lake Boone), upon receipt of your approval of this request. CSA currently owns and operates eight (8) heart-lung bypass ("HLB") machines. Five (5) of the HLB machines are operated at WakeMed and three (3) of the HLB machines are operated at Rex Hospital, Inc. ("Rex"). The purpose of this letter is to provide notice to the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Certificate of Need Section (the "Agency"), and confirm that the transfer of CSA's interests in these eight (8) HLB machines and the operation of the same to two wholly owned subsidiaries of CSA is not reviewable as a new institutional health service under the North Carolina Certificate of Need ("CON") law.

The Agency has recently approved a similar transfer in an August 18, 2011 Declaratory Ruling regarding Radiation Oncology Centers of the Carolinas, Inc. ("ROCC"). That Declaratory Ruling concerned the transfer of interests in two radiation oncology facilities from ROCC to two wholly owned subsidiaries of ROCC. Attached hereto as Exhibits 1 and 2 are the ROCC Declaratory Ruling Request and the ROCC Declaratory Ruling. The ruling requested by CSA here is directly analogous to the ROCC ruling, the only difference being that ROCC involved the *per se* reviewable items of linear accelerators and simulators and CSA's request involves the *per se* reviewable items of heart-lung bypass machines.

**I. BACKGROUND AND FACTS**

CSA directly owns eight (8) Terumo Corporation Series 8000 HLB machines. Five (5) of these HLB machines are located and used by CSA to provide perfusion services at WakeMed, located at 3000 New Bern Avenue, Raleigh, NC 27620. Three (3) of these HLB machines are located and used by CSA to provide perfusion services at Rex, located at 4420 Lake Boone Trail, Raleigh, NC 27607. CSA also owns

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Mr. Craig R. Smith, Chief  
Ms. Martha Frisone, Assistant Chief  
November 21, 2011  
Page 2

seven (7) cell saver machines located at WakeMed in Raleigh, and two (2) located at WakeMed-Cary. These cell saver machines are Baylor Rapid Autologous Transfusion (BRAT) machines manufactured by Sorin Corporation and are not subject to CON review. CSA does not own the BRAT machines at Rex, which are owned by the hospital. CSA also provides the hospitals with the services of seven (7) licensed perfusionists, who are employed by CSA's affiliate Carolina MSO, L.L.C. (MSO) but work for CSA pursuant to its Management Services Agreement with MSO.

The five (5) HLB machines at WakeMed are labeled A, B, C, D, and E, and the three (3) at Rex are labeled 1, 2, and 3. Each HLB machine consists of the following: (a) a four (4) or five (5) pump Terumo Base; (b) three (3) or four (4) Terumo 8000 roller pump modules (8000 roller pump modules); (c) one (1) Medtronic Bio-Medicus arterial pump series 550 (Bio pump); (d) one (1) Medtronic TX 50 Flowmeter (Flowmeter); and (e) one (1) Sechrist air/oxygen mixer (Sechrist). Similarly, the seven (7) BRAT machines at WakeMed in Raleigh are labeled A, B, C, D, E, F and G, and the two at WakeMed-Cary are labeled 1 and 2. Each HLB machine (and its components) and BRAT machine is identified by its serial numbers (SN), model numbers and the hospital where it is located, as described in Exhibit 3 to this letter.

The surgeons of Carolina Cardiovascular Surgical Associates, P.A. (Practice), started performing open heart surgery and providing their own perfusion services at WakeMed in 1979 and at Rex in 1989, through either the Practice itself or a perfusion company owned by the same physicians. Each of the eight (8) HLB machines currently owned by CSA is replacement equipment for a machine owned by CSA (or a predecessor entity) prior to the year 1993, when acquisition of an HLB machine became subject to CON review regardless of its cost. W. Charles Helton, M.D., founded the Practice in 1979 and Cardinal Bio-Medical Associates, Inc. (Cardinal Bio-Medical), in 1980. Cardinal Bio-Medical was the perfusion company predecessor to CSA that like CSA was owned by the shareholders of the Practice. The two hospitals have never owned the HLB machines used at their facilities. Before 1989, Cardinal Biomedical had acquired and operated three (3) HLB machines at WakeMed and two (2) at Rex. Another cardiothoracic surgery practice in Raleigh, Atkinson & Zeok, M.D., P.A., had two (2) additional HLB machines at WakeMed and one (1) additional HLB machine at Rex. Atkinson & Zeok, M.D., P.A. merged with the Practice in 1993, and its two (2) surgeon shareholders, Alvan W. Atkinson, M.D., and John V. Zeok, M.D., joined the Practice. At the same time their three (3) HLB machines were acquired by Cardinal Bio-Medical, and they become shareholders of that perfusion company. Cardinal Bio-Medical or its successor company has continued to own and operate these eight (8) HLB machines (or their replacements) at their same respective locations at WakeMed and Rex since that time. In 1997, the shareholders of Cardinal Bio-Medical reorganized the company by forming CSA and transferring the operations and all eight (8) machines to CSA, which was owned by the same surgeons.

By 2001, CSA needed to replace all eight (8) of its HLB machines. There was a fourth HLB machine at Rex owned by surgeons Abdul G. Chaudhry, M.D. and James H. Davis, M.D. This one (1) HLB machine had been loaned to them by the manufacturer in the late 1990's to replace one they had provided for use at Rex which had become obsolete. At that time, CSA bought this fourth loaned HLB machine, which had already been used at Rex, from the manufacturer to replace one of CSA's older machines at Rex. Thereafter, Drs. Chaudhry and Davis no longer provided perfusion services or a HLB machine for use at Rex. CSA's purchase of this machine thus resulted in a net decrease in useable HLB machines at Rex from four (4) to three (3).

The same year, CSA obtained replacement equipment for its other seven (7) HLB machines at WakeMed and Rex, at a total capital cost of \$322,695. CSA's obsolete machines were subsequently removed out of North Carolina. By letter dated June 25, 2004, the Agency approved CSA's acquisition of the seven (7)



Mr. Craig R. Smith, Chief  
Ms. Martha Frisone, Assistant Chief  
November 21, 2011  
Page 3

new HLB machines at WakeMed and Rex as replacement equipment. The Agency's "no review" letter of that date is attached and labeled as Exhibit 4.

CSA would like to transfer its interest in the eight (8) HLB machines into two wholly owned subsidiary limited liability companies. The first wholly owned subsidiary will be named "CSAMS New Bern Avenue, LLC" and will own the five (5) HLB machines currently operated at WakeMed. The second wholly owned subsidiary will be named "CSAMS Lake Boone Trail, LLC" and will own the three (3) HLB machines currently operated at Rex. The transfer of CSA's interests in the eight (8) HLB machines into two (2) wholly owned subsidiaries is not a CON reviewable event because it will have the following results:

- (1) No increase in the HLB machine inventory in Wake County;
- (2) No physical relocation of any HLB machines in Wake County;
- (3) No creation of any new health service facilities; and
- (4) No asset purchases of any per se reviewable equipment, consistent with the ROCC Declaratory Ruling.

This letter requests your confirmation that such a proposed transfer of interests would not trigger any of the new institutional health service provisions in the CON statute, and the transaction may proceed without first acquiring a CON.

## II. ANALYSIS

The CON law provides that the "acquisition by purchase, donation, lease, transfer or comparable arrangement" of an HLB machine constitutes a "new institutional health service" that is subject to CON review. N.C. Gen. Stat. § 131E-176(16)f1; § 131E-178(a). However, we believe the creation of these two wholly owned subsidiaries is not a reviewable event because CSA, the owner of the CON rights for the eight (8) HLB machines, is not undergoing any direct change in its ownership status. Rather, this is merely a type of reorganization in the nature of those which the CON rules recognize as non-reviewable.

Until 1993, the acquisition of an HLB machine was not regulated under the CON law unless it involved the obligation of a capital expenditure exceeding two million dollars (\$2,000,000), which far exceeds the cost of this equipment. See N.C. Sess. Laws 1993, c. 7, § 2 (adding the acquisition of HLB machines and any "major medical equipment" costing more than \$750,000 as "new institutional health services" requiring a CON). However, effective March 18, 1993, the General Assembly amended the CON law to make the acquisition of HLB machines constitute a "new institutional health service" requiring a CON regardless of its cost. N.C. Gen. Stat. § 131E-176(10a), (16)f1.5., as amended by N.C. Sess. Laws 1993, c. 7, § 2.

Under the CON law, transfer of ownership or control of a CON prior to completion of a project or operation of the facility constitutes grounds for withdrawal of a CON. N.C. Gen. Stat. § 131E-180. However, the Agency's rules provide that in that situation, neither ownership nor control of a CON is transferred when the holder of the certificate is a corporation and the identity of the holder changes because of corporate reorganization, including transferring ownership to wholly owned subsidiaries. 10A N.C.A.C. 14C.0502(b)(1) and (c).

Mr. Craig R. Smith, Chief  
Ms. Martha Frisone, Assistant Chief  
November 21, 2011  
Page 4

Specifically, the provisions of N.C. Gen. Stat. § 131E-189(c) state by analogy that the Department of Health and Human Services may immediately withdraw any CON if the holder of the certificate, before completion of the project or operation of the facility, transfers ownership or control of the facility, the project, or the certificate of need." Further, the Agency's rules at 10A N.C.A.C. 14C.0502(b) state as follows:

Ownership of a certificate of need is transferred when any person acquired a certificate from the holder by purchase, donation, lease, trade, or any comparable arrangement, except that ownership of a certificate of need is not transferred when:

- (1) the holder of the certificate is a corporation and the identity of the holder changes because of a corporate reorganization; or
- (2) the holder of the certificate is a partnership and the identity of the holder changes because the same partners reorganize as a new partnership.

10A N.C.A.C. 14C.0502(b) (emphasis added).

Here, CSA's right to own and operate the HLB machines is not a CON project that is not yet completed or operational. Nonetheless, if the CON law permits the transfer of a CON for an undeveloped project to a subsidiary of the applicant without a new CON or other sanction, then it would make no sense to interpret the law to prevent an existing provider from transferring a service to a wholly-owned subsidiary after the project has been developed. This principle has been affirmed by the Agency on a very similar set of facts in the ROCC Declaratory Ruling referenced above and attached as Exhibit 2.

Moreover, N.C. Gen. Stat. § 131E-189(c) acknowledges that completed projects may be transferred without CON review. It states that "[a]ny transfer after [the project is completed or becomes operational] will be subject to the requirement that the service be provided consistent with the representations made in the application and any applicable conditions." That statute does not require that a CON first be acquired before such a transfer takes place. Clearly, the reorganization of CSA's assets and CON exemption into two wholly owned subsidiaries would not constitute the "offering or development of a new institutional health service" within the definition of N.C. Gen. Stat. § 131E-178(a).

### III. CONCLUSION

Based on the foregoing information, we hereby request the Agency's confirmation that the following transactions are not subject to CON review as a new institutional health service:

- (1) CSA's proposed transfer of its ownership interest in, and operation of, five (5) HLB machines, operated at WakeMed, to CSA Lake Boone, a wholly owned subsidiary of CSA; and
- (2) CSA's proposed transfer of its ownership interest in, and operation of, three (3) HLB machines, operated at Rex, to CSA New Bern, a wholly owned subsidiary of CSA.

If you require additional information to consider this request, please contact us as soon as possible. We thank you for consideration of this request.

Poyner Spruill<sup>LLP</sup>

Mr. Craig R. Smith, Chief  
Ms. Martha Frisone, Assistant Chief  
November 21, 2011  
Page 5

Very truly yours,

A handwritten signature in cursive script, appearing to read "Wilson Hayman", with a long horizontal line extending to the right.

Wilson Hayman  
*Partner*  
William R. Shenton  
*Partner*

Attachments