



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

October 27, 2015

Gary S. Qualls
K&L Gates LLP
430 Davis Drive
Suite 400
Morrisville, NC 27650

Exemption from Review – Acquisition of Facility

Record #: 1780
Facility Name: Stanly Manor, Inc.
FID #: ~~944734~~ 923471 MF 11/3/15
Business Name: The Charlotte-Mecklenburg Hospital Authority
Business #: 1770
Project Description: The merger of Stanly Manor, Inc. into The Charlotte-Mecklenburg Hospital Authority
County: Stanly

Dear Mr. Qualls:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) determined that based on your letter of October 21, 2015 the above referenced proposal is exempt from certificate of need review in accordance with G.S 131E-184(a)(8). Therefore, The Charlotte-Mecklenburg Hospital Authority may proceed to acquire the above referenced health service facility without first obtaining a certificate of need. However, you need to contact the Agency's Nursing Home Licensure and Certification Sections to obtain instructions for changing ownership of the existing facility. Note that pursuant to 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



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

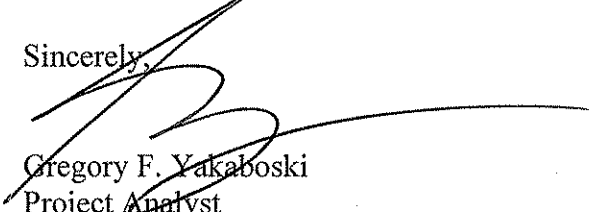
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separate determination. If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,



Gregory F. Yakaboski
Project Analyst



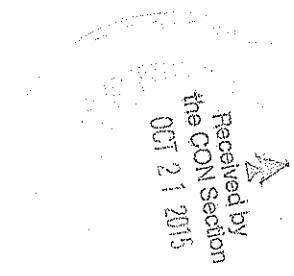
Martha J. Frisone,
Assistant Chief, Certificate of Need

cc: Nursing Home Licensure and Certification Section, DHSR
Kelli Fisk, Program Assistant, Healthcare Planning

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K&L GATES

K&L GATES LLP

POST OFFICE BOX 14210
RESEARCH TRIANGLE PARK, NC 27709-4210
430 DAVIS DRIVE, SUITE 400
MORRISVILLE, NC 27560
T +1 919 466 1190 F +1 919 831 7040 klgates.com



October 21, 2015

Gary S. Qualls
Gary.qualls@klgates.com

T +1 919 466 1182
F +1 919 516 2072

Via Hand Delivery

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

Re: No Review Request and, Alternatively, Exemption Notice regarding Merger of Stanly Manor into The Charlotte-Mecklenburg Hospital Authority

Dear Ms. Frisone:

The purpose of this letter is to inform you of a proposed transaction (the "Stanly Manor Transaction") which will entail the merger of Stanly Manor, Inc. into The Charlotte-Mecklenburg Hospital Authority ("CMHA"). Effective on or about January 1, 2016, Stanly Manor, Inc. will merge into CMHA and will become an operating unit of CMHA. Currently, Stanly Manor, Inc. is a controlled affiliate of Stanly Health Services, Inc. ("SHS"). In turn, SHS is a controlled affiliate of CMHA.

We are asking that the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Health Planning and Certificate of Need Section (the "Agency") determine that this Stanly Manor Transaction is either: (1) non-reviewable because it does not constitute a new institutional health service under N.C. Gen. Stat. §§ 131E-176(16); or (2) exempt from CON review under N.C. Gen. Stat. § 131E-184(a)(8).

Stanly Manor, Inc. owns and operates (as the licensee) a Combination Nursing Facility known as Stanly Manor, in Albemarle, Stanly County, North Carolina (the "Nursing Facility") -- License No. NH0464, Facility ID No. 923471. Stanly Manor is licensed for 90 Nursing Home Beds and 10 Adult Care Home Beds.

This is a transaction involving only the reorganization of an existing health service facility ultimately owned by CMHA. Currently, Stanly Manor, Inc. is wholly owned directly by SHS, which is wholly owned by CMHA. After the Stanly Manor Transaction, the Nursing Facility will be directly owned as an operating unit of CMHA with no entities in between.

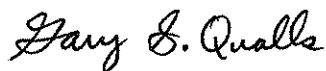
Under North Carolina law, a CON is required only prior to offering or developing a “new institutional health service.” “New institutional health service[s]” include a variety of services and activities, including a “Nursing Home Facility.”¹ Furthermore, the North Carolina General Assembly has exempted certain types of services or proposals from CON review under N.C. Gen. Stat. § 131E-184, including the acquisition of an existing health service facility, including equipment owned at the time of acquisition.

However, this transaction involves only the acquisition, via merger, of the Nursing Facility, along with any rights, title and interests. After the merger, the Nursing Facility will continue to operate as a Combination Nursing Facility, with Nursing Home and Adult Care Home Beds. Furthermore, the transaction does not entail the offering of any new *per se* reviewable services² or the purchase of any major medical equipment or *per se* reviewable equipment as defined in N.C. Gen. Stat. §§ 131E-176(14)(o) and (16)(f1).

Given that the transaction involves only the reorganization of an existing health service facility ultimately owned by CMHA, please confirm that the transaction is not CON reviewable because it does not constitute a new institutional health service. However, if you decide that the transaction does constitute a new institutional health service, then please confirm that the transaction is nevertheless exempt from CON review under N.C. Gen. Stat. § 131E-184.

If you require additional information, please contact us at the above number. Thank you in advance for your review of this notice.

Sincerely,



Gary S. Qualls

¹ See N.C. Gen. Stat. § 131E-176(9b).

² See N.C. Gen. Stat. § 131E-176(16)(f).