



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

Pat McCrory
Governor

Richard O. Brajer
Secretary DHHS

Mark Payne, Director
Health Service Regulation

November 23, 2016

Janet K. Feldkamp
Benesch, Friedlander, Coplan & Aronoff LLP
41 South High Street, Suite 2600
Columbus, Ohio 43215-6164

Exempt from Review – Acquisition of Facility

Record #: 2095
Facility Name: Brookdale Cotswold
Type of Facility: Adult Care Home
FID #: 970113
Acquisition by: S-H Forty-Nine PropCo – Cotswold, LLC
Business #: 2515
County: Mecklenburg

Dear Ms. Feldkamp:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) determined that based on your letter of November 16, 2016, the above referenced proposal is exempt from certificate of need review in accordance with G.S 131E-184(a)(8). Therefore, S-H Forty-Nine PropCo-Cotswold, LLC 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 Adult Care Licensure Section 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 separate determination. If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,

Gloria C. Hale
Project Analyst

Martha J. Frisone
Assistant Chief, Certificate of Need

cc: Adult Care Licensure Section, DHSR
Paige Bennett, Assistant Chief, Healthcare Planning, DHSR



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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November 16, 2016

VIA FEDERAL EXPRESS

Martha Frisone, Assistant Section Chief
North Carolina Department of Health and Human Services
Division of Health Services Regulation
Healthcare Planning and Certificate of Need Section
2704 Mail Service Center
Raleigh, NC 27699-2704



Re: Transaction involving HCP, Inc.; Columbia Pacific 2016 Acquisition II, L.P.; and Brookdale Senior Living, Inc. – Transaction Modifications

Facility:	Brookdale Cotswold 3610 Randolph Road Charlotte, NC 28211
License:	Adult Care Home No. HAL-060-132
Operator:	S-H OpCo Eastover, LLC
Current Property Owner:	S-H Forty-Nine Properties, LLC
New Property Owner:	S-H Forty-Nine PropCo – Cotswold, LLC

Dear Ms. Frisone:

This letter is to notify you of a pending transaction (the “**Transaction**”). The Transaction involves changes: (1) in the direct ownership of the real estate of the above listed facility, and (2) in certain indirect equity ownership interests of the below entities:

- (1) S-H OpCo Eastover, LLC, a Delaware limited liability company (the “**Operator**”) currently licensed as the operator of the Adult Care Home (the “**Facility**”) by the North Carolina Department of Health and Human Services, Division of Health Services Regulation pursuant to the license listed above.
- (2) S-H Forty-Nine Properties, LLC, a Delaware limited liability company (the “**Property Owner**”) that currently owns the real property associated with the Facility and has entered into a lease arrangement (the “**Lease**”) with the Operator.

The parties anticipate consummating the Transaction on or around November 22, 2016 (the “**Closing Date**”).

Current Ownership Structure

(1) The Operator.

S-H Forty-Nine OpCo Ventures, LLC, a Delaware limited liability company (“**OpCo Ventures**”), is currently the direct owner of 100% of the issued and outstanding equity interests of the Operator.

HCP, Inc., a Maryland corporation (“**HCP**”), through wholly owned subsidiaries, currently owns 80% of the equity interests in OpCo Ventures. Brookdale Senior Living Inc., a Delaware corporation (“**Brookdale**”), through wholly owned subsidiaries, currently owns the remaining 20% of the equity interests in OpCo Ventures.

(2) The Property Owner.

S-H Forty-Nine PropCo Ventures, LLC, a Delaware limited liability company (“**PropCo Ventures**”), is currently the direct owner of 100% of the issued and outstanding equity interests of the Property Owner.

HCP, through wholly owned subsidiaries, currently owns 80% of the equity interests in PropCo Ventures. Brookdale, through wholly owned subsidiaries, currently owns the remaining 20% of the equity interests in PropCo Ventures.

Attachment A, enclosed with this letter, sets forth the current ownership structure of the Operator and the Property Owner in greater detail.

Overview of the Transaction

The Transaction will take place in a series of steps occurring on or immediately prior to the Closing Date. As a result of the Transaction, HCP and Brookdale will transfer a portion of their respective indirect equity interests in OpCo Ventures and PropCo Ventures to Columbia Pacific 2016 Acquisition II, L.P., a Delaware limited partnership (“**Columbia**”), such that Columbia, through wholly owned subsidiaries, will acquire 49.89% of the indirect equity interests in OpCo Ventures and PropCo Ventures. HCP’s indirect equity ownership interest in OpCo Ventures and PropCo Ventures will be reduced from 80% to 40.1%. Brookdale’s indirect equity ownership interest in OpCo Ventures and PropCo Ventures will be reduced from 20% to 10%. Additionally, the real property will be transferred from Property Owner to the new property owner identified above (“**New Property Owner**”), a wholly owned subsidiary of Property Owner.

Attachment B, enclosed with this letter, sets forth the proposed ownership structure of the Operator and the New Property Owner, following the Closing Date of the Transaction in greater detail.

Effect of the Transaction

There will be no change in the name or federal or state charters or tax identification number of the Operator as a result of the Transaction. The Operator will continue to hold the License and operate the Facility following the Closing Date. The current Lease between the Operator and the Property Owner will remain in effect, and will be assigned to the New Property Owner following the Closing Date. Other than changes in the ordinary course of business, there is no current intention to replace the staff for the Facility, and none of the day-to-day operations of the Facility will be impacted.

Furthermore, the Transaction occurs only at an indirect level with respect to the Operator and will not change the direct equity ownership of the Operator. OpCo Ventures will continue to be the direct owner of all of the issued and outstanding equity interests of the Operator after the Closing Date. PropCo Ventures will continue to be the direct owner of all of the issued and outstanding equity interests of the Property Owner after the Closing Date, and Property Owner will be the direct owner of all the issued and outstanding equity interests of the New Property Owner after the Closing Date.

It is our understanding, based upon conversations with the Healthcare Planning and Certificate of Need Section that, pursuant to North Carolina General Statutes § 131E-184, the Transaction should be determined to be exempt from certificate of need review.

We respectfully request a letter or email acknowledgement from your office confirming our understanding. For your convenience, we have enclosed a stamped, self-addressed envelope and a copy of this letter for your signature in the space provided below indicating confirmation of our understanding as stated above.

Very truly yours,

BENESCH, FRIEDLANDER,
COPLAN & ARONOFF LLP



Janet K. Feldkamp

Acknowledged by:

North Carolina Department of Health and Human Services
Division of Health Services Regulation
Healthcare Planning and Certificate of Need Section

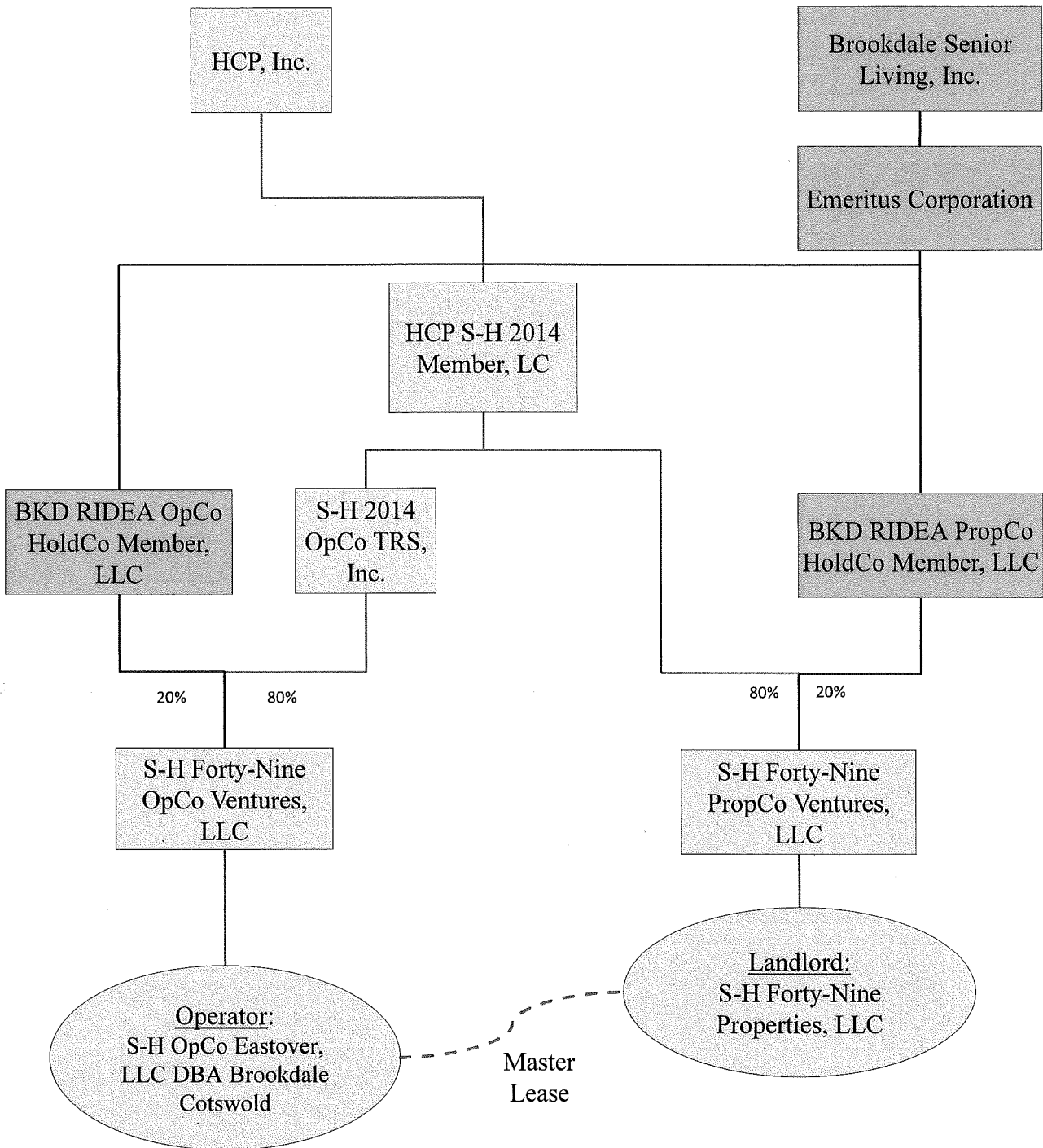
Printed Name: _____

Title: _____

Signature: _____

Date: _____, 2016

**ATTACHMENT A
PRE-CLOSING
ORGANIZATIONAL STRUCTURE DIAGRAM**



**ATTACHMENT B
POST-CLOSING MODIFIED TRANSACTION
ORGANIZATIONAL STRUCTURE DIAGRAM**

