



NC DEPARTMENT OF HEALTH AND HUMAN SERVICES

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

February 7, 2019

Charles E. Trefzger, Jr.
P.O. Box 2568
Hickory, NC 28603

Exempt from Review – Acquisition of Facility

Record #: 2859
Facility Name: Franklin House
Type of Facility: Adult Care Home
FID #: 080177
Acquisition by: Macon Health Investors II, LLC
Business #: 2998
County: Macon

Dear Mr. Trefzger:

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 facility identified above 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 facility do in fact sell it 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 facility, you should contact the Agency's Acute and Home Care Licensure and Certification Section to obtain instructions for changing ownership of the existing facility.

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 Ena Lightbourne]

Ena Lightbourne
Project Analyst

[Handwritten signature of Martha J. Frisone]

Martha J. Frisone
Chief, Healthcare Planning and
Certificate of Need Section

cc: Adult Care Licensure Section, DHSR
Melinda Boyette, Administrative Assistant, Healthcare Planning, 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: 2701 Mail Service Center, Raleigh, NC 27699-2701
www.ncdhhs.gov/dhsr/ • TEL: 919-855-3750 • FAX: 919-733-2757

AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

***MHI Investments, LLC,
Macon Health Holdings, LLC &
Macon Health Investors II, LLC***

*Post Office Box 2568
Hickory, North Carolina 28603-2568*

January 18, 2019

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



Re: **Request for Non-Withdrawal of Certificate of Need**
MHI Investments, LLC and Macon Health Holdings, LLC for Franklin House
(Macon County), Facility ID # 080177, License No. HAL-056-006

Dear Ms. Frisone:

I am writing on behalf of MHI Investments, LLC, a North Carolina limited liability company with its principal place of business located at 1920 Main Street, Suite 1200, Irvine, California 92614 ("Current Lessor"); Macon Health Holdings, LLC, a North Carolina limited liability company with its principal place of business located at 400 Second Avenue NW, Hickory, North Carolina 28601 ("Lessee"); and Macon Health Investors II, LLC, a North Carolina limited liability company with its principal place of business located at 400 Second Avenue NW, Hickory, North Carolina 28601 ("New Lessor"). Current Lessor and Lessee currently own and operate the adult care home ("ACH") known as Franklin House, which is located at 186 One Center Court, Franklin, North Carolina 28734 (the "Facility").

The Facility's Certificate of Need ("CON") was issued to Current Lessor and Lessee on September 30, 2008 by the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Certificate of Need Section (the "Agency"). The CON, which has a scope of 70 ACH beds, was issued pursuant to Project ID # A-8082-08 and Facility ID # 080177.

Current Lessor has entered into a contract to sell the Facility to New Lessor, an affiliate of Lessee. As part of this proposed transaction, the corporate leasehold structure will change. Please refer to the attached Exhibit A, which shows both the current corporate structure and the proposed new corporate structure. Other than the changes reflected in Exhibit A, no other changes are contemplated.

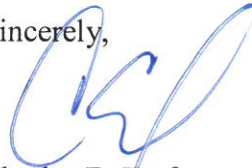
The parties believe it is in the best interests of the community for the transaction to take place. Under the proposed new corporate structure, Lessee will continue to act as the lessee of the Facility and to operate it in accordance with the provisions of N.C. Gen. Stat. § 131D *et seq.* and

10A NCAC 13F *et seq.* The proposed change only relates to the entity that holds the ownership interest in the Facility's real property and to the entity that holds the ownership interests in the Lessee and New Lessor. No transfer of the Facility's CON is contemplated by this transaction.

In accordance with N.C. Gen. Stat. § 131E-189(c), please allow this letter to serve as prior written notice to the Agency of the proposed transaction outlined in Exhibit A. Furthermore, please consider this letter as a formal request that the Agency find good cause for the proposed change in corporate structure and conclude that the Facility's CON will not be withdrawn as a result of such change.

Should you need additional information in order to make a decision on this matter, please do not hesitate to contact me directly.

Sincerely,

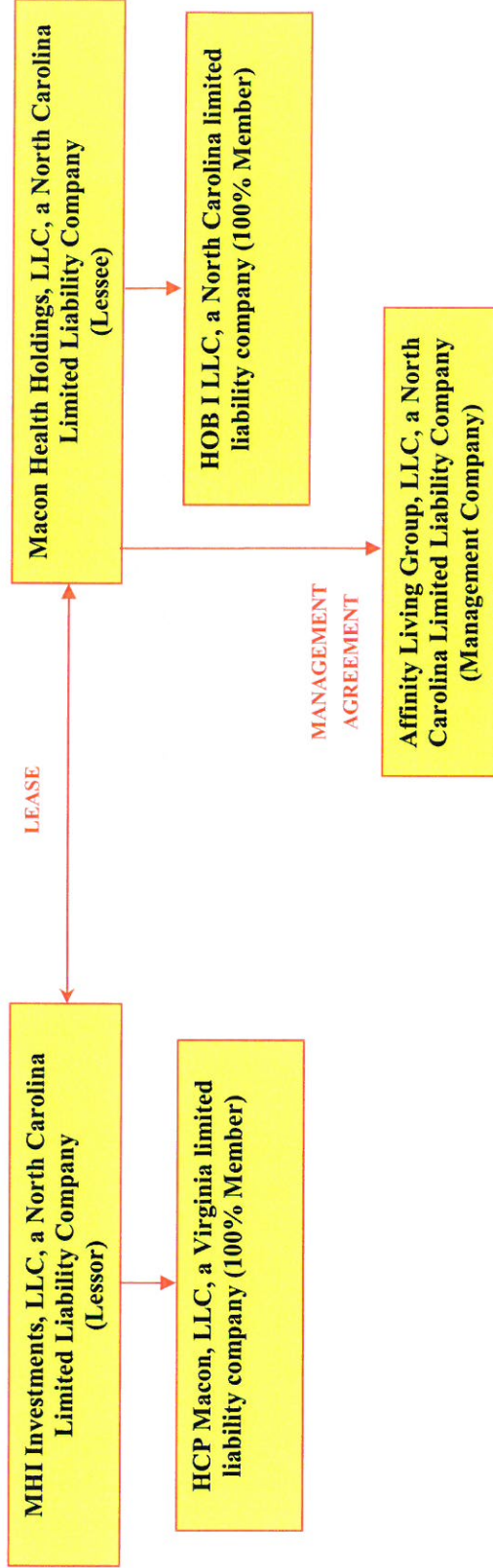


Charles E. Trefzger, Jr.
Authorized Representative
MHI Investments, LLC
Macon Health Holdings, LLC
Macon Health Investors II, LLC

Exhibit A:
Proposed Changes to Corporate Structure

EXHIBIT A

**Franklin House
Current Corporate Structure**



Franklin House Proposed New Corporate Structure

