

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
<http://www.ncdhhs.gov/dhsr/>

Drexdal Pratt, Director

Beverly Eaves Perdue, Governor
 Albert A. Delia, Acting Secretary

Craig R. Smith, Section Chief
 Phone: (919)-855-3873
 Fax: (919) 733-8139

July 6, 2012

Diana R. Cohen
 Arnall Golden Gregory LLP
 171 17th Street, NW
 Suite 2100
 Atlanta, GA 30363-1031

RE: Exempt from Review – Acquisition of certain Sun Healthcare Group, Inc. facilities (See list below) by Genesis Healthcare LLC / Statewide FID #953832

Dear Ms. Cohen:

In response to your letter of June 20, 2012 the above referenced proposal is exempt from certificate of need review in accordance with N.C.G.S 131E-184(a)(8). Therefore, Genesis Healthcare LLC may proceed to acquire the corporation, Sun Healthcare Group, Inc., that owns the licenses of the health service facilities referenced below without first obtaining a certificate of need.

	Current Operator/ Licensee	Facility /Address	FID #	County
1	Sunbridge Regency – North Carolina, Inc.	Abbotts Creek Care and Rehabilitation Center 877 Hill Everhart Road Lexington, NC 277295-9140	923045	Davidson
2	Sunbridge Regency – North Carolina, Inc.	Alleghany Care and Rehabilitation Center 179 Combs Street Sparta, NC 28675-8429	923249	Alleghany
3	Sunbridge Regency – North Carolina, Inc.	Mount Olive Care and Rehabilitation Center 228 Smith Chapel Road Mount Olive, NC 28365-1917	923344	Wayne
4	Sunbridge Retirement Care Associates, LLC	Pembroke Care and Rehabilitation Center 310 East Wardell Drive Pembroke, NC 28372-7997	923393	Robeson
5	Sunbridge Retirement Care Associates, LLC	Poplar Heights Care and Rehabilitation Center 804 S. Poplar Street Elizabethtown, NC 28337-9226	943301	Bladen
6	Sunbridge Regency – North Carolina, Inc.	Siler City Care and Rehabilitation Center 900 West Dolphin Street Siler City, NC 27344-3711	923120	Chatham




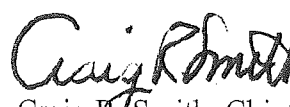
7	Sunbridge Regency – North Carolina, Inc.	Triad Care and Rehabilitation Center 707 North Elm Street High Point, NC 27262-3917	923288	Guilford
8	Sunbridge Regency – North Carolina, Inc.	Woodland Hill Care and Rehabilitation Center 400 Vision Drive Asheboro, NC 27203-3855	923365	Randolph

Although you state that the merger will not change the operators as licensees or Medicare/Medicaid providers, you should contact the Acute and Home Care Licensure and Section of the Division of Health Service Regulation to obtain instructions for changing ownership of the existing facility. Note that pursuant to N.C.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. Please forward notification of the new owner of the real estate after foreclosure sale has taken place. If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,


Lisa Pittman
Team Leader


Craig R. Smith, Chief
Certificate of Need Section

cc: Acute and Home Licensure and Certification Section, DHSR



June 20, 2012

VIA FEDERAL EXPRESS

Mr. Craig Smith
State of North Carolina Department of Health and Human Services
Division of Health Service Regulation
Certificate of Need Section
809 Ruggles Drive
Raleigh, North Carolina 27603

Re: Merger of Sun Healthcare Group, Inc./Genesis HealthCare LLC

Dear Mr. Smith:

This letter is to notify you of a merger involving our client, Genesis HealthCare LLC ("Genesis"), and Sun Healthcare Group, Inc. ("Sun"), a corporation that owns the operators/providers listed on Attachment A (the "Operators"). Specifically, the merger involves a subsidiary of Genesis being merged into Sun, which will result in Genesis and its investors becoming the ultimate owners of Sun and the Operators.

The merger will not change the Operators. The transaction is occurring at a parent level and there will be no change to the Operators as the licensees or Medicare/Medicaid providers. The Operators will continue to exist, and their current Medicare/Medicaid provider agreements will remain in place and their federal tax identification numbers will not change. There will be no change to the real estate owners. In addition, other than changes resulting in the ordinary course of business, there is no current intention to replace the facility staff for any Operator, and none of the Operators' day-to-day operations should be impacted.

For your reference, we have enclosed a diagram that illustrates the relationship between the entities involved in the merger. The merger is expected to close on or before October 1, 2012.

It is our understanding that this merger will not constitute a change of ownership that would require the Operators to obtain new certificates of need, that no additional filings are required prior to the merger taking place, that the existing certificates of need as

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currently held will not be impacted by the merger, and that we may proceed with the merger. We will provide post-closing notice to your office once the merger occurs. **We respectfully request a letter or email acknowledgment from your office confirming our understanding.**

For your convenience, I 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.

Thank you for your attention to this matter. If you have any questions, please do not hesitate to contact me.

Sincerely,

ARNALL GOLDEN GREGORY LLP



Diana R. Cohen

Enclosures

cc: Ms. Virginia Lovelace, Sun Healthcare Group, Inc.
Teresa Salamon, Esq., Genesis HealthCare LLC
Hedy S. Rubinger, Esq.

STATE OF NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

Signature: _____

Printed Name: _____

Title: _____

Date: _____

ATTACHMENT A

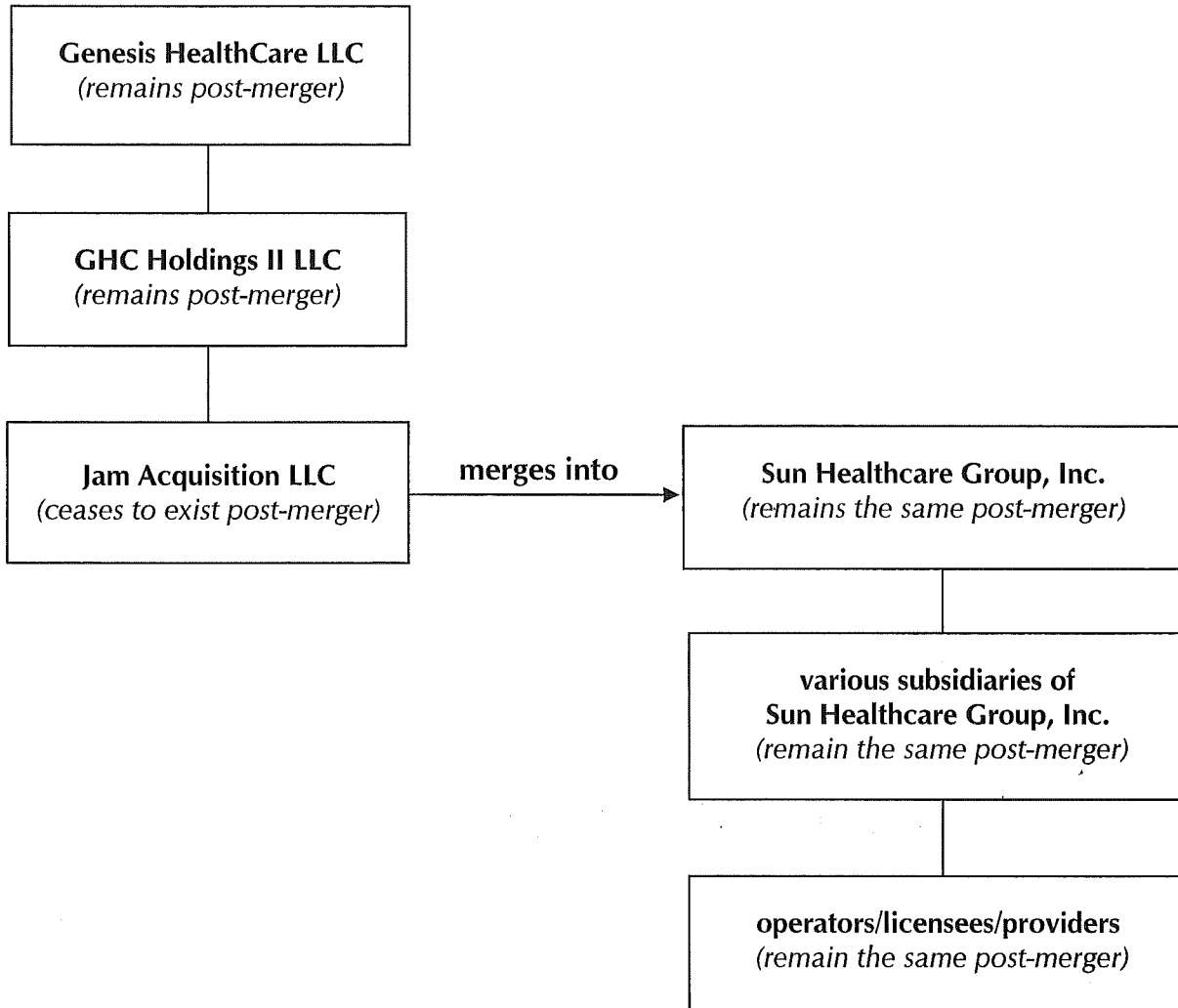
NURSING FACILITY OPERATORS

	Current Operator / Licensee	Facility / Address	FID #	County
1	SunBridge Regency-North Carolina, Inc.	Abbotts Creek Care and Rehabilitation Center 877 Hill Everhart Road Lexington, NC 27295-9140	923045	Davidson
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Lisa
Les
Jane
Jay
Bej
Dene
Lisa
Lisa

Overview of Merger of Sun Healthcare Group, Inc. and
Genesis HealthCare LLC

NURSING FACILITY OPERATORS



**This diagram presents the merger in generalized terms.
Please let us know if you would like additional information regarding the various subsidiaries or
the structure of the merger.**

June 20, 2012

VIA FEDERAL EXPRESS

Mr. Craig Smith
State of North Carolina Department of Health and Human Services
Division of Health Service Regulation
Certificate of Need Section
809 Ruggles Drive
Raleigh, North Carolina 27603

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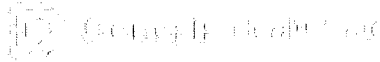
STATE OF NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES

Signature: _____

Printed Name: _____

Title: _____

Date: _____



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We're Genesis HealthCare

We're Genesis HealthCare — one of the nation's largest skilled nursing and rehabilitation therapy providers. We employ nearly 50,000 people, each one dedicated to the delivery of high-quality, personalized health care to all the patients and residents in our Centers. Our more than 200 Skilled Nursing Centers and Assisted/Senior Living Communities are located in 13 eastern states, while our Genesis Rehab Services division provides therapy to over 1,100 health care providers in 35 states and the District of Columbia.

We're headquartered in downtown Kennett Square, Pennsylvania - a historic borough located southwest of Philadelphia and about 20 minutes northwest of Wilmington, Delaware.



We invite you to learn more about us

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About Genesis Genesis offers a variety of services in more than 200 centers across 13 eastern states. In addition to our ShortStay and LongTerm care services, we offer Specialized Alzheimer's care, orthopedic rehabilitation, ventilator care, dialysis care and Assisted Living services in a variety of centers near you!

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1.866.745.Care

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News Releases

PRESS RELEASES

Genesis HealthCare to Acquire Sun Healthcare Group,

SEC FILINGS

IRVINE, CA -- (Marketwire) -- 06/20/12 -- Sun Healthcare Group, Inc. (NASDAQ: SUNH) to a definitive agreement for the acquisition of Sun Healthcare (Sun) by Genesis HealthCare (Ge will be able to strengthen its core business lines and enhance its collective ability to provide th while meeting the current challenges facing the healthcare industry.

MGT TEAM/BOARD

Under the terms of the merger agreement, Genesis will acquire Sun for \$8.50 per share of cor a transaction value of approximately \$275 million net of cash and debt acquired. Sun Healthc unanimously approved the transaction. The closing of the transaction is subject to customary by Sun stockholders, expiration of the waiting period under the Hart-Scott-Rodino (HSR) Ant 1976, as well as regulatory approvals. The closing is expected to occur in the fall.

EVENT CALENDAR

The transaction price represents a 43.1% premium over the closing sale price of Sun shares or 55.6% premium to the volume-weighted average closing sale price of approximately \$5.46 du that date.

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Regarding the transaction, William A. Mathies, Sun's Chairman and Chief Executive Officer, s have broad geographic reach and the scale necessary to remain competitive in the post-acute : two companies generated roughly \$4 billion in revenue in 2011 and will have more than 420 f "This transaction brings together two companies with similar operating structures, experienc