



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

April 3, 2014

Susan Fradenburg  
Smith Moore Leatherwood, LLP  
P.O. Box 21927  
Greensboro, NC 27401

**Exempt from Review – Acquisition of Facility**

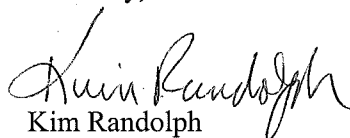
Facility: Hugh Chatham Nursing Center  
Acquisition by: DGS Investments, LLC and DGS Healthcare Elkin, Inc.  
County: Surry  
FID #: 955375

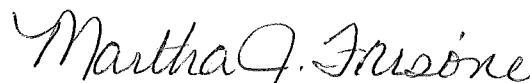
Dear Ms. Fradenburg:

In response to your letter of March 21, 2014, the above referenced proposal is exempt from certificate of need review in accordance with G.S 131E-184(a)(8). Therefore, DGS Investments, LLC and DGS Healthcare Elkin, Inc. may proceed to acquire the above referenced health service facility without first obtaining a certificate of need. However, you need to contact the Nursing Home Licensure and Certification Section of the Division of Health Service Regulation 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,

  
Kim Randolph  
Project Analyst

  
Martha J. Frisone, Interim Chief  
Certificate of Need Section

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



**Certificate of Need Section**

[www.ncdhhs.gov](http://www.ncdhhs.gov)

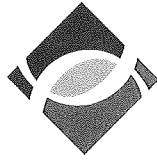
Telephone: 919-855-3873 • Fax: 919-733-8139

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

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

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# SMITH MOORE LEATHERWOOD

March 21, 2014

VIA E-MAIL AND FEDERAL EXPRESS

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

Received by  
the CON Section  
MAR 24 2014

Re: Notice of Exemption: Acquisition of Hugh Chatham Nursing Center by DGS Investments, LLC, a North Carolina LLC and DGS Healthcare Elkin, Inc.

Dear Martha and Kim:

On behalf of our clients, DGS Investments, LLC (“DGS”) and DGS Healthcare Elkin, Inc. (“DGSHE”), we are providing prior written notice of DGS’s and DGSHE’s intention to acquire the nursing facility known as Hugh Chatham Nursing Center, license number NH0640, located at 700 Johnson Ridge Road, Elkin, North Carolina (the “Facility”). DGS and DGSHE will acquire the Facility and the land upon which the Facility is located from Hugh Chatham Memorial Hospital, Inc. and Hugh Chatham Nursing Center, LLC. The Facility is an existing health service facility consisting of 99 nursing beds and 28 adult care home beds and twenty of the adult care home beds are special care unit beds.

As you know, N.C. Gen Stat. § 131E-184(a)(8) provides that the Certificate of Need Section shall, upon receipt of prior written notice, exempt from review the acquisition of “an existing health service facility.” “Health service facility” is defined to include “nursing home facility” and “adult care home.” See N.C. Gen. Stat. § 131E-176(9)(b). Hugh Chatham Memorial Hospital, Inc. is the current licensee of the Hugh Chatham Nursing Center and owns the land upon which the Facility is located. Hugh Chatham Nursing Center, LLC owns the building in which the Facility is located. Hugh Chatham Nursing Center, LLC currently leases the Facility to Hugh Chatham Memorial Hospital.

Under the terms of the acquisition agreement, DGS and DGSHE will acquire all of the assets of Hugh Chatham Nursing Center, LLC and substantially all of the assets currently owned by Hugh Chatham Memorial Hospital in its capacity as licensee of Hugh Chatham Nursing

Martha J. Frisone, Interim Chief  
Kim Randolph, Project Analyst  
March 21, 2014  
Page 2

Center. The acquisition includes: (a) the land upon which the Facility is located, (b) any improvements that have been made to the land, (c) the physical facility itself, (d) personal property pertaining to the operation of the Facility, (e) intangible property owned by Hugh Chatham Nursing Center, LLC, (f) intangible property owned by Hugh Chatham Memorial Hospital, Inc., and (g) the nursing home operations related to the Facility. DGS and DGSHE will also be assuming certain contracts pertaining to the operation of the Facility.

Upon completion of the acquisition DGS and DGSHE will own and operate the facility currently known as Hugh Chatham Nursing Center as well as the land upon which it is located and the building out of which the Facility operates. DGS and DGSHE will not be adding any health services or health service facility beds as part of this acquisition. All services and the number of beds will remain the same as currently being provided and reflected on Hugh Chatham Memorial Hospital, Inc.'s license for the Hugh Chatham Nursing Center.

Because the parties hope to close the acquisition by May 1, 2014, DGS and DGSHE would appreciate receiving, as soon as possible, your written confirmation that their anticipated acquisition of the assets and operations of Hugh Chatham Memorial Hospital d/b/a Hugh Chatham Nursing Center and Hugh Chatham Nursing Center, LLC is exempt under the CON Act. Please let us know if you have any questions or need any other information. We appreciate your consideration and prompt attention.

Sincerely,

SMITH MOORE LEATHERWOOD LLP



Susan M. Fradenburg

SMF/mp