



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

August 7, 2015

Susan K. Hackney
PO Box 14210
Research Triangle Park, NC 27709-4210

Exempt from Review

Record #: 1627
Facility Name: Alexander Hospital
FID #: 932934
Business Name: Alexander Hospital Investors, LLC
Business #: 2119
Project Description: Replace existing facility on the same site
County: Alexander

Dear Ms. Hackney:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letters of May 29, 2015 and July 27, 2015, the above referenced proposal is exempt from certificate of need review in accordance with G.S 131E-184(g). Therefore, you may proceed to offer, develop, or establish the above referenced project without a certificate of need.

However, you need to contact the Agency's Construction and Acute and Home Care Licensure and Certification Sections to determine if they have any requirements for development of the proposed project.

It should be noted that this determination is binding only for the facts represented by you. Consequently, if changes are made in the project or in the facts provided in your correspondence referenced above, a new determination as to whether a certificate of need is required would need to be made by the Agency. Changes in a project include, but are not limited to: (1) increases in the capital cost; (2) acquisition of medical equipment not included in the original cost estimate; (3) modifications in the design of the project; (4) change in location; and (5) any increase in the number of square feet to be constructed.



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

An Equal Opportunity/ Affirmative Action Employer



Susan K. Hackney

August 7, 2015

Page 2

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

Sincerely,



Julie Halatek
Project Analyst



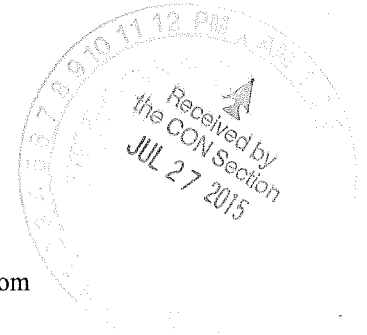
Martha J. Frisone, Assistant Chief
Certificate of Need

cc: Construction Section, DHSR
Acute and Home Care Licensure and Certification Section, DHSR
Assistant Chief, Healthcare Planning

K&L GATES

K&L GATES LLP

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Susan K. Hackney
susan.hackney@klgates.com

T (919) 466-1195
F (919) 516-2025

Via Hand Delivery

July 27, 2015

Julie Halatek
Project Analyst, Certificate of Need
N.C. Department of Health and Human Services
Division of Health Service Regulation
Healthcare Planning and Certificate of Need Section
809 Ruggles Drive
Raleigh, N.C., 27603

Re: Response to CON Section Request for Information, dated July 7, 2015 -
Exemption Notice for conversion of acute care beds to psychiatric beds

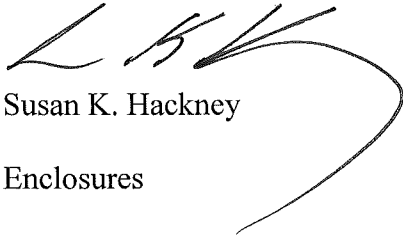
Dear Julie:

Alexander Hospital Investors, LLC and MBHS of North Carolina (collectively "Alexander") intend to replace the existing Alexander Hospital building with a replacement hospital building on the same site. In response to your request for additional information, dated July 7, 2015, we have provided the enclosed schematics, drawn to scale, from DIGroup Architecture.

As you can see from Exhibit A, the site of the replacement hospital will be located on the current site of the South Wing of the existing main hospital building. The existing main hospital building (North Wing and South Wing) is all connected. Exhibit B shows the new construction for each floor and further demonstrates that the location of the replacement hospital will overlap the site of the existing main hospital building. If you have further questions regarding these drawings, please feel free to give me a call.

Alexander is anxious to proceed with its project and respectfully requests an expedited review of this additional information. Thank you in advance for your prompt attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'LKH', with a large, sweeping flourish extending to the right.

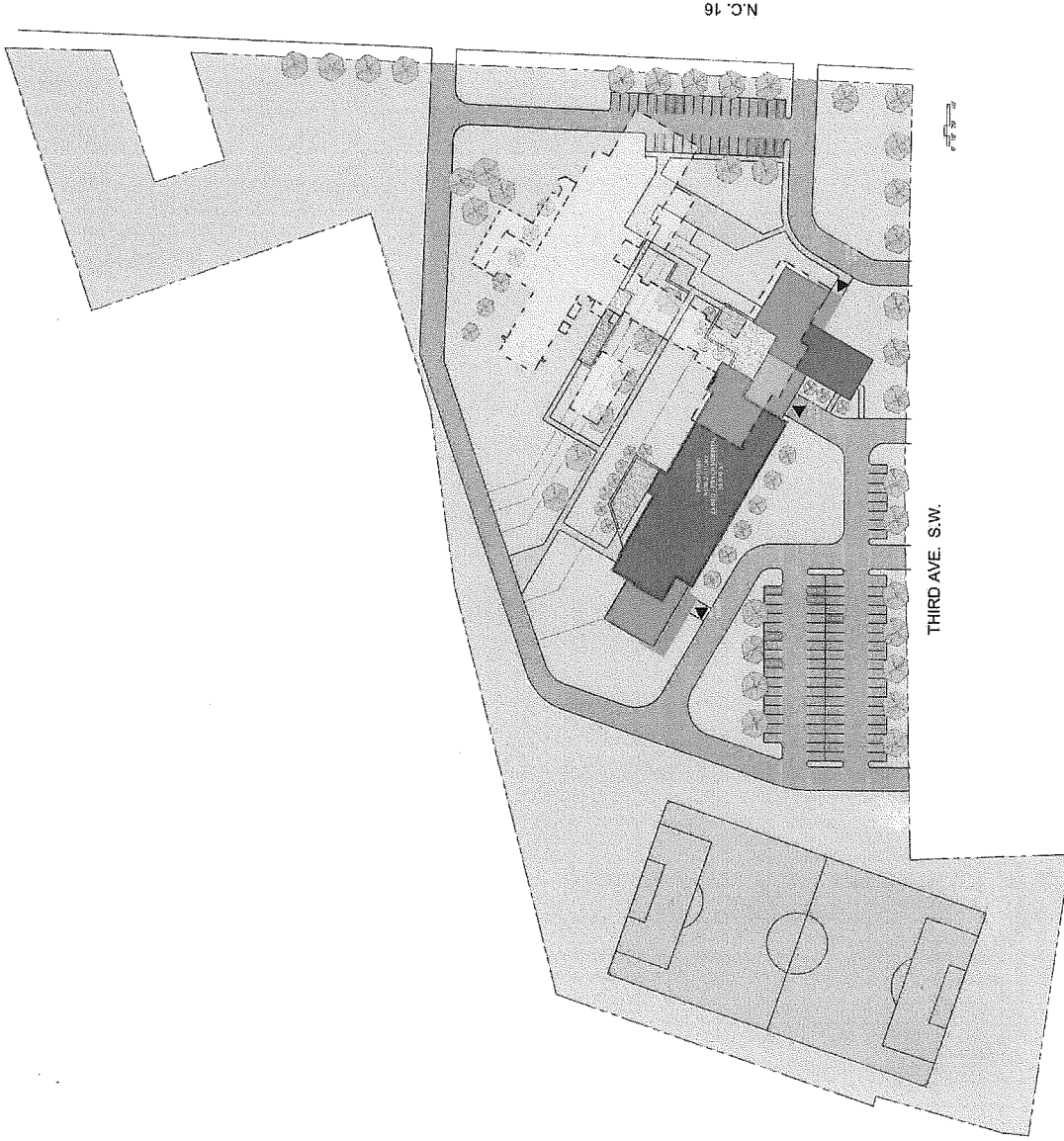
Susan K. Hackney

Enclosures

PRELIMINARY CONCEPT - SITE PLAN - NEW 2 STORY 25 BED PSYCH - HOSPITAL

JULY 15, 2015

- KEY**
- NEW 2 STORY
25 BED PSYCH. HOSPITAL
 - EXISTING ALEXANDER
HOSPITAL (TO BE RAZED)



tabbles®
EXHIBIT
A

DI Group Architecture

MERIDIAN BEHAVIORAL HEALTH SYSTEMS
ALEXANDER CAMPUS - TAYLORSVILLE, NC

PRELIMINARY CONCEPT - LOWER LEVEL PLAN - NEW 2 STORY 25 BED PSYCH - HOSPITAL

JULY 15, 2015

KEY
- - - EXISTING ALEXANDER
HOSPITAL (TO BE RAZED)

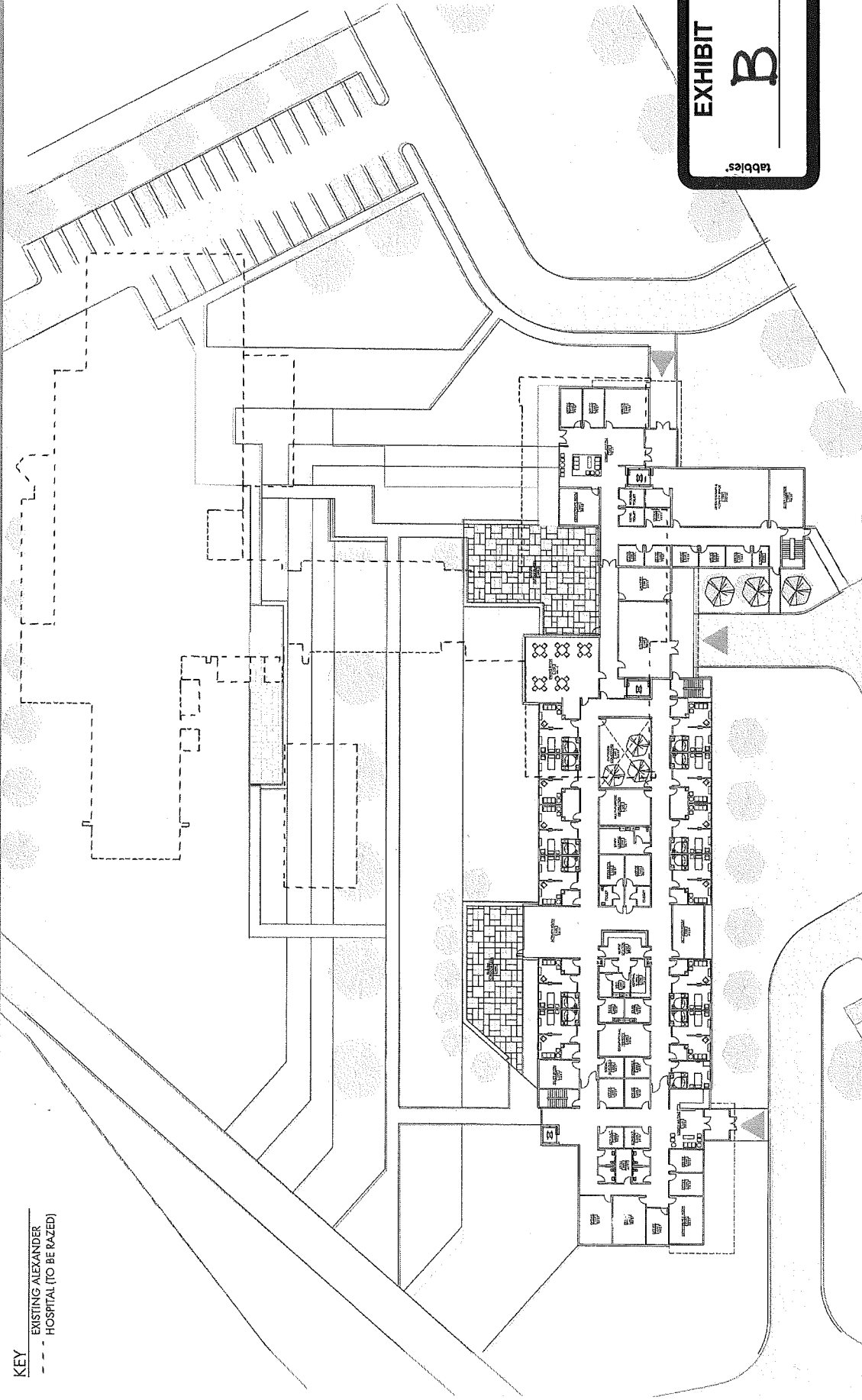


EXHIBIT
B
tables

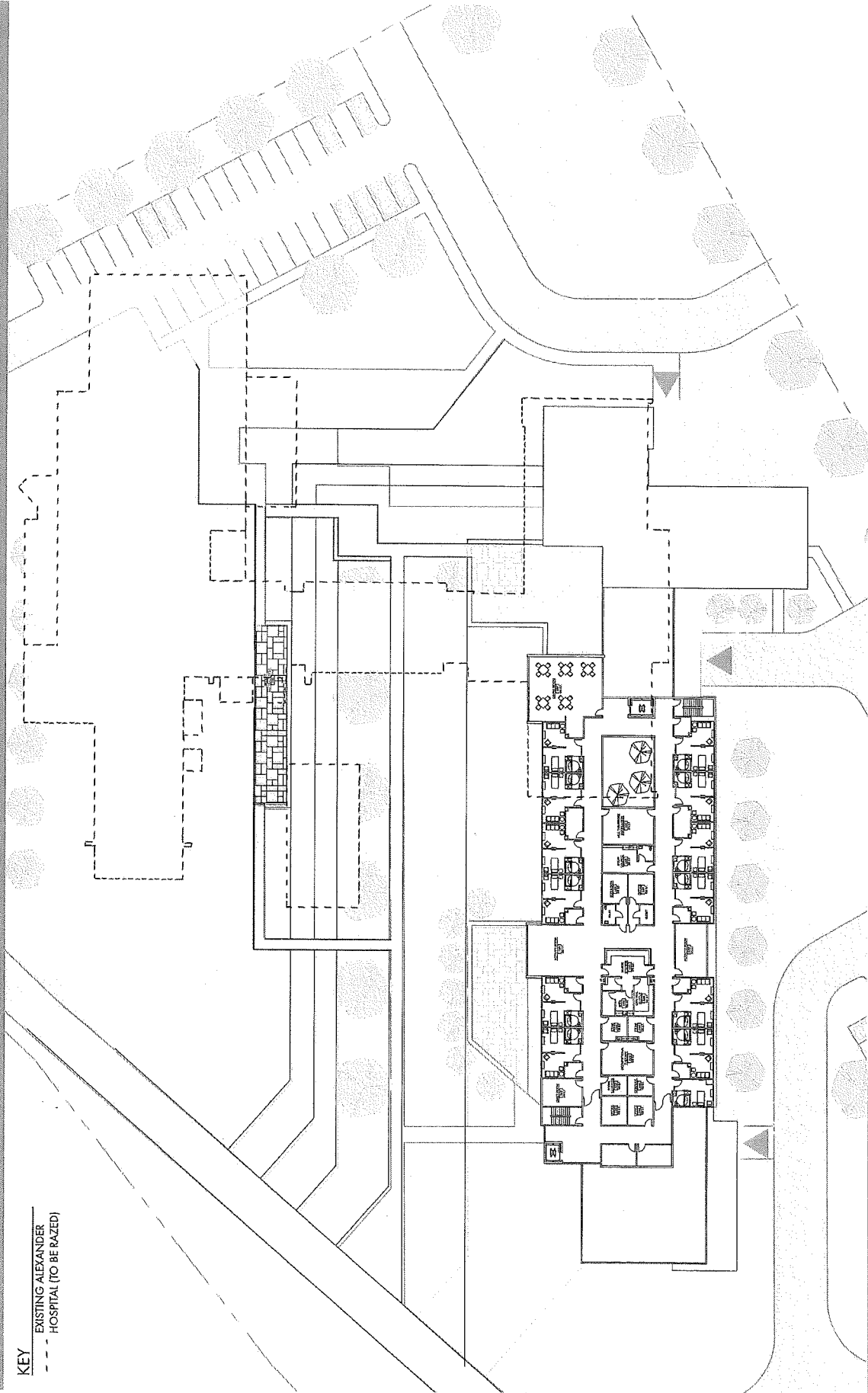
MERIDIAN BEHAVIORAL HEALTH SYSTEMS
ALEXANDER CAMPUS - TAYLORSVILLE, NC

DIGroup Architecture

PRELIMINARY CONCEPT - UPPER LEVEL PLAN - NEW 2 STORY 25 BED PSYCH - HOSPITAL

JULY 15, 2016

KEY
— EXISTING ALEXANDER
HOSPITAL (TO BE RAZED)



MERIDIAN BEHAVIORAL HEALTH SYSTEMS
ALEXANDER CAMPUS - TAYLORSVILLE, NC

DIGroup Architecture



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

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Drexdal Pratt
Division Director

July 7, 2015

Susan K. Hackney
PO Box 14210
Research Triangle Park, NC 27709-4210

Information Request for Exemption Pursuant to G.S. 131E-184(g)

Facility: Alexander Hospital
Project Description: Replace existing facility on the same site
County: Alexander
FID #: 932934

Dear Ms. Hackney:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) received your letter dated May 29, 2015 regarding the above reference proposal. However, additional information is needed to determine if the project is exempt from review pursuant to G.S. 131E-184(g).

Provide a written response to each of the following.

1. A site plan drawn to scale identifying the main building and the site of the proposed renovations or construction.
2. If the site of the proposed renovations or construction is not strictly contiguous to the main building, documentation that it is located within 250 yards of the main building.
3. Design schematics drawn to scale showing:
 - a. each area to be renovated; and
 - b. each area of new construction that replaces existing space.

If you have any questions concerning this request, please do not hesitate to call this office.

Sincerely,

Julie Halatek
Project Analyst, Certificate of Need



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

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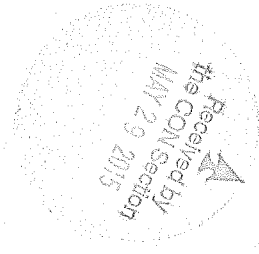
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1627
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F (919) 516-2025

Via Hand Delivery

Martha J. Frisone
Assistant Chief, Certificate of Need
N.C. Department of Health and Human Services
Division of Health Service Regulation
Healthcare Planning and Certificate of Need Section
809 Ruggles Drive
Raleigh, N.C., 27603

May 29, 2015

Re: Exemption Notice for conversion of acute care beds to psychiatric beds

Dear Martha:

2119
On October 16, 2014, Alexander Hospital Investors, LLC ("AHI") and MBHS of North Carolina, LLC ("MBHS") (collectively "Alexander") submitted an exemption notice, seeking to convert Alexander Hospital's 25 acute care beds to psychiatric beds through a renovation of Alexander Hospital pursuant to N.C. Gen. Stat. § 131E-184(c) ("Original Exemption Notice"). See Exhibit 1, Original Exemption Notice, dated October 16, 2014. By letter dated January 22, 2015, the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Health Care Planning and Certificate of Need Section (the "Agency") confirmed that Alexander's proposed project was exempt from CON review ("Exemption Confirmation Letter"). See Exhibit 2, Exemption Confirmation Letter.

At the time Alexander submitted the Original Exemption Notice, it planned to renovate Alexander Hospital. However, after further analysis, Alexander has determined it would be best to entirely replace the existing building. Accordingly, Alexander submits this exemption notice, seeking confirmation that its plan to convert 25 licensed acute care beds to psychiatric beds by

replacing the existing facility is exempt from CON review pursuant to N.C. Gen. Stat. § 131E-184(c).

A. Background

Alexander Hospital, located at 326 Third Street South West in Taylorsville, Alexander County, has 25 licensed acute care beds. *See* Exhibit 3, Alexander Hospital's 2015 License. AHI is the licensee for Alexander Hospital. *Id.* In conjunction with MBHS, AHI plans to convert its acute care beds to psychiatric beds in order to offer inpatient acute psychiatric services to residents of Alexander County and other nearby counties.

Alexander has obtained financing that provides the opportunity to build a state of the art inpatient psychiatric facility. Inpatient psychiatric services will be provided in a facility built specifically for the psychiatric population Alexander will serve. Alexander now plans to convert its 25 licensed acute care beds to psychiatric beds by tearing down the existing building and replacing it on the same site with the new one.

As you are aware, on December 8, 2014, AHI and MBHS received a CON to develop Alexander Youth Services, a new child/adolescent chemical dependency treatment facility with 15 beds. Alexander Youth Services will be located in a separate building on Alexander Hospital's campus and will not be affected by the replacement of Alexander Hospital.

B. Exemption Notice

The North Carolina General Assembly saw fit to exempt certain types of services or proposals from CON review, pursuant to N.C. Gen. Stat. § 131E-184. One such exempt service or proposal includes the "conversion of existing acute care beds to psychiatric beds." N.C. Gen. Stat. § 131E-184(c). To obtain this exemption, (1) the hospital proposing the conversion must execute a contract with, *inter alia*, at least one of the area mental health, developmental disabilities, and substance abuse authorities; and (2) the total number of beds to be converted cannot be more than twice the number of beds for which the contract provides. N.C. Gen. Stat. § 131E-184(c). The exemption in N.C. Gen. Stat. § 131E-184(c) encompasses costs incurred to replace the facility for the provision of inpatient psychiatric services regardless of the capital expenditure involved.¹

¹ In addition to being exempt under N.C. Gen. Stat. § 131E-184(c), capital costs in excess of \$2,000,000 are exempt pursuant to N.C. Gen. Stat. § 131E-184(g). Alexander's sole purpose for the capital expenditure is to replace the existing hospital, the only building on the main campus, in order to provide inpatient psychiatric services. Financial and administrative control will be exercised at the building to be replaced. No outside entity will exercise financial

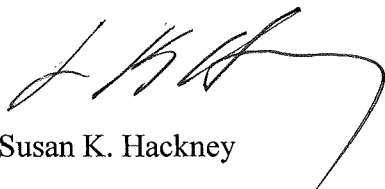
AHI and MBHS have executed a contract with Smoky Mountain Center, a local management entity, committing to provide inpatient psychiatric services to patients referred by Smoky Mountain Center. See Exhibit 4, Contract among Alexander Hospital Investors, LLC, MBHS of North Carolina, and Smoky Mountain Center. Accordingly, Alexander complies with N.C. Gen. Stat. § 131E-184(c)(1). Further, Alexander has obligated to provide thirteen beds for Smoky Mountain Center's referrals to Alexander Hospital. Therefore, the number of beds to be converted, twenty-five (25), is no more than twice the number of beds provided to Smoky Mountain Center, thirteen (13), and complies with N.C. Gen. Stat. § 131E-184(c)(2). The Agency's January 22 Exemption Confirmation Letter was based on this same information and documentation. See Exhibits 1 and 2.

C. CONCLUSION

Based on the foregoing information, we hereby request the Agency's confirmation that the proposal described above is exempt from CON review, pursuant to N.C. Gen. Stat. § 131E-184(c), and thus Alexander may convert its existing twenty-five acute care beds to inpatient acute psychiatric beds through replacement of its existing building without CON review.

If you require additional information to consider this request, please contact us at the above number as soon as possible. We thank you for your consideration of this request.

Sincerely,



Susan K. Hackney

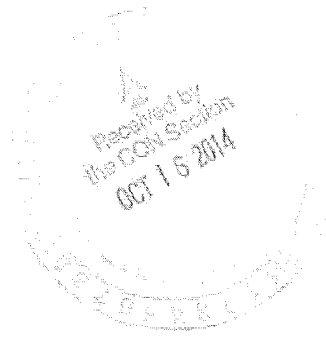
or administrative control over Alexander Hospital. Because the conversion of acute care beds to psychiatric beds is exempt from CON review, it does not result in a change in bed capacity. Further, there is no addition of a health service facility or any other new institutional health service.

Exhibits

- Exhibit 1 Original Exemption Notice
- Exhibit 2 Exemption Confirmation Letter, dated January 22, 2015
- Exhibit 3 Alexander Hospital's 2015 license
- Exhibit 4 Contract among Alexander Hospital Investors, LLC, MBHS of North Carolina and Smoky Mountain Center

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October 16, 2014

Susan K. Hackney
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VIA HAND DELIVERY

Ms. Martha Frisone, Chief
Certificate of Need Section
Division of Health Service Regulation
Department of Health and Human Services
809 Ruggles Drive
Raleigh, NC 27603

Re: Exemption Notice for Alexander Hospital Investors, LLC and MBHS of North Carolina, LLC to convert 25 existing acute care beds to psychiatric beds

Dear Martha:

Alexander Hospital Investors, LLC and MBHS of North Carolina, LLC (collectively ("Alexander")) are planning to convert Alexander Hospital's 25 acute care beds to psychiatric beds (the "Project"). This letter provides prior notice of this conversion and requests confirmation that Alexander's Project is permitted without CON review.

I. BACKGROUND

Alexander Hospital, located at 326 Third Street South West in Taylorsville, Alexander County, has 25 existing acute care beds. See Exhibit 1, Excerpt from Hospitals Licensed by the State of North Carolina, <http://www.ncdhhs.gov/dhsr/data/hllist.pdf>; Exhibit 2, 2014 State Medical Facilities Plan ("SMFP"), Table 5A. The building consists of 54,000 square feet on 12.5 acres of land. Alexander Hospital Investors, LLC ("AHI") is the licensee for Alexander Hospital.

Exhibit 1

In conjunction with MBHS of North Carolina ("MBHS"), AHI plans to convert its acute care beds to psychiatric beds in order to offer inpatient acute psychiatric services to residents of Alexander County and other nearby counties.

II. EXEMPTION NOTICE

Under North Carolina law, a CON is required only prior to offering or developing a "new institutional health service." A "new institutional health service" includes a variety of services and activities, including a change in bed capacity or a capital expenditure exceeding \$2 million to develop a health service facility. *See* N.C. Gen. Stat. §§ 131E-176(16)(c) and (b).

The North Carolina General Assembly saw fit to exempt certain types of services or proposals from CON review, pursuant to N.C. Gen. Stat. § 131E-184. One such exempt service or proposal includes the "conversion of existing acute care beds to psychiatric beds." N.C. Gen. Stat. § 131E-184(c). To obtain this exemption, (1) the hospital proposing the conversion must execute a contract with, *inter alia*, at least one of the area mental health, developmental disabilities, and substance abuse authorities; and (2) the total number of beds to be converted cannot be more than twice the number of beds for which the contract provides. N.C. Gen. Stat. § 131E-184(c). The exemption in N.C. Gen. Stat. § 131E-184(c) encompasses costs incurred to renovate the facility for the provision of inpatient psychiatric service regardless of the capital expenditure involved.¹

AHI and MBHS have executed a contract with Smoky Mountain Center, a local management entity,² committing to provide inpatient psychiatric services to patients referred by Smoky Mountain Center. *See* Exhibit 3, Contract among Alexander Hospital Investors, LLC, MBHS of North Carolina, and Smoky Mountain Center. Accordingly, Alexander complies with N.C. Gen. Stat. § 131E-184(c)(1). Further, Alexander has obligated to provide thirteen beds for Smoky Mountain Center's referrals to Alexander Hospital. Therefore, the number of beds to be converted, twenty-five (25), is no more than twice the number of beds provided to Smoky Mountain Center, thirteen (13), and complies with N.C. Gen. Stat. § 131E-184(c)(2).

¹ In addition to being exempt under N.C. Gen. Stat. § 131E184(c), capital costs in excess of \$2,000,000 are exempt pursuant to N.C. Gen. Stat. § 131E-184(g). Alexander's sole purpose for the capital expenditure is to renovate the existing hospital, the only building on the main campus, in order to provide inpatient psychiatric services. Financial and administrative control of Alexander Hospital will be exercised at the building to be renovated. No outside entity will exercise financial or administrative control over Alexander Hospital. Because the conversion of acute care beds to psychiatric beds is exempt from CON review, it does not result in a change in bed capacity. Further, there is no addition of a health service facility or any other new institutional health service.

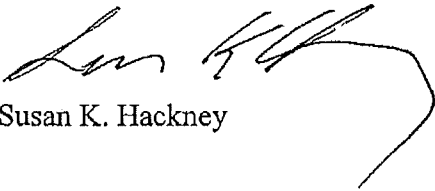
² A "local management entity" ("LME") is an area authority that is responsible for managing, coordinating, facilitating and monitoring the provision of mental health, developmental disabilities, and substance abuse services in the area that they serve.

III. CONCLUSION

Based on the foregoing information, we hereby request the Agency's confirmation that the proposal described above is exempt from CON review, pursuant to N.C. Gen. Stat. § 131E-184(c), and thus Alexander may convert its existing twenty-five acute care beds to inpatient acute psychiatric beds without CON review.

If you require additional information to consider this request, please contact us at the above number as soon as possible. We thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Susan K. Hackney", with a long, sweeping horizontal stroke extending to the right.

Susan K. Hackney

EXHIBITS

- Exhibit 1 Excerpt from Hospitals Licensed by the State of North Carolina
- Exhibit 2 2014 State Medical Facilities Plan ("SMFP"), Table 5A
- Exhibit 3 Contract among Alexander Hospital Investors, LLC, MBHS of North Carolina and Smoky Mountain Center

Hospitals

Licensed by the State of North Carolina
Department of Health and Human Services - Division of Health Service Regulation

As of 10/2014

Alamance Regional Medical Center

PO Box 202; Burlington, NC 27216-0202
County: ALAMANCE Phone: (336)538-7450

Licensee: Alamance Regional Medical Center, Inc.

License No: H0272

HOSPITAL BEDS: General: 182 Psych: 44 Sub Abuse: 12

Operating Room(s):

C-Section: 2

Ambulatory Surgery: 3

Shared Inpatient/Ambulatory Surgery: 9

Endoscopy: 4

Alexander Hospital

1985 Startowd Road; Hickory, NC 28682-

County: ALEXANDER Phone: (828)377-4745

Licensee: Alexander Hospital Investors, LLC

License No: H0274

HOSPITAL BEDS: General: 25

Operating Room(s):

Shared Inpatient/Ambulatory Surgery: 2

Endoscopy: 1

Alleghany Memorial Hospital

P O Box 9; Sparta, NC 28675

County: ALLEGHANY Phone: (336)372-5511

Licensee: Alleghany County Memorial Hospital, Inc.

License No: H0108

HOSPITAL BEDS: General: 41

Operating Room(s):

Shared Inpatient/Ambulatory Surgery: 2

Angel Medical Center, Inc.

P O Box 1209; Franklin, NC 28744-

County: MACON Phone: (828)524-8411

Licensee: Angel Medical Center, Inc.

License No: H0034

HOSPITAL BEDS: General: 59

Operating Room(s):

C-Section: 1

Shared Inpatient/Ambulatory Surgery: 4

Endoscopy: 2

Annie Penn Hospital

618 South Main St.; Reidsville, NC 27320

County: ROCKINGHAM Phone: (336)951-4000

Licensee: The Moses H. Cone Memorial Hospital Operating Corp.

License No: H0023

HOSPITAL BEDS: General: 110

Operating Room(s):

Shared Inpatient/Ambulatory Surgery: 4

Endoscopy: 2

Ashe Memorial Hospital, Inc.

200 Hospital Ave.; Jefferson, NC 28640

County: ASHE Phone: (336)846-7101

Licensee: Ashe Memorial Hospital, Inc.

License No: H0099

HOSPITAL BEDS: General: 76

NURSING HOME BEDS: General: 60

Operating Room(s):

Shared Inpatient/Ambulatory Surgery: 2

Endoscopy: 1

Asheville Specialty Hospital

428 Biltmore Ave; Asheville, NC 28801

County: BUNCOMBE Phone: (828)213-5400

Licensee: MSJHS And CCP Joint Development Company, LLC

License No: H0279

HOSPITAL BEDS: General: 34

Betsy Johnson Hospital

P O Dwr 1706; Dunn, NC 28335

County: HARNETT Phone: (910)892-7161

Licensee: Harnett Health System, Inc

License No: H0224

HOSPITAL BEDS: General: 151

Operating Room(s):

Shared Inpatient/Ambulatory Surgery: 7

Endoscopy: 2

Blue Ridge Regional Hospital, Inc

P O Drawer 9; Spruce Pine, NC 28777

County: MITCHELL Phone: (828)765-4201

Licensee: Blue Ridge Regional Hospital, Inc.

License No: H0169

HOSPITAL BEDS: General: 46

Operating Room(s):

Shared Inpatient/Ambulatory Surgery: 3

Endoscopy: 1

2
0
1
4

STATE HEALTH COORDINATING COUNCIL

STATE
MEDICAL
FACILITIES
PLAN



Table 5A: Acute Care Bed Need Projections

2012 Utilization Data from Truven Health Analytics compiled by the Cecil B. Sheps Center for Health Services Research
 Target Occupancy Rates: ADC 1-99: 66.7%, ADC 100-200: 71.4%, ADC > 200 and <=400: 75.2%, ADC >400: 78%
 Target Occupancy Factors: ADC 1-99: 1.50, ADC 100-200: 1.40, ADC > 200 and <=400: 1.33, ADC >400: 1.28

A	B	C	D	E	F	G	H	I	J	K	L
Service Area	License Number	Facility Name	Licensed Acute Care Beds	Adjustments for CONs/Previous Need	Truven Health Analytics 2012 Acute Care Days	County Growth Rate Multiplier	4 Years Growth Using County Growth Rate (=2012 Days, if negative growth)	2016 Projected Average Daily Census (ADC)	2016 Beds Adjusted for Target Occupancy	Projected 2016 Deficit or Surplus (surplus shows as "-")	2016 Need Determination
Alamance	H0272	Alamance Regional Medical Center	182	0	41,737	-1.0218	41,737	114	160	-22	0
Alamance Total			182	0					0	-25	0
Alexander	H0274	Alexander Hospital	25	0	0	0.0000	0	0	0	-25	0
Alexander Total			25	0					8	-33	0
Alleghany	H0108	Alleghany Memorial Hospital	41	0	1,964	-1.0761	1,964	5	8	-33	0
Alleghany Total			41	0					8	-7	0
Anson	H0082	Anson Community Hospital	52	-37	1,887	-1.1736	1,887	5	8	-7	0
Anson Total			52	-37					19	-57	0
Ashe	H0099	Ashe Memorial Hospital	76	0	4,570	-1.0283	4,570	12	19	-57	0
Ashe Total			76	0					20	-10	0
Avery	H0037	Charles A. Cannon, Jr. Memorial Hospital	30	0	4,976	-1.0620	4,976	14	20	-10	0
Avery Total			30	0					23	-97	0
Beaufort	H0188	Vidant Beaufort Hospital*	120	0	5,533	-1.1603	5,533	15	23	-97	0
Beaufort	H0002	Vidant Pungo Hospital*	39	0	1,236	-1.1603	1,236	3	5	-34	0
Beaufort/Hyde Total			159	0					0	-1	0
Bertie		2013 Acute Care Bed Need Determination	0	1	1,0038	1.0038	0	0	0	-1	0
Bertie	H0268	Vidant Bertie Hospital	6	0	1,592	1.0038	1,616	4	7	1	0
Bertie Total			6	1					13	-35	0
Bladen	H0154	Cape Fear Valley-Bladen County Hospital	48	0	3,220	-1.0288	3,220	9	13	-35	0
Bladen Total			48	0					17	-8	0
Brunswick	H0150	J. Arthur Doshier Memorial Hospital	36	-11	4,011	1.0086	4,151	11	17	-8	0
Brunswick	H0250	Novant Health Brunswick Medical Center	74	0	12,606	1.0086	13,045	36	53	-21	0
Brunswick Total			110	-11					626	-107	0
Buncombe	H0036	Mission Hospital	682	51	178,868	-1.0107	178,868	489	626	-107	0
Buncombe/Graham/Madison/Yancey Total			682	51					98	-195	0
Burke	H0062	CMC - Blue Ridge	293	0	23,918	-1.0694	23,918	65	98	-195	0
Burke Total			293	0					0	0	0

Projections based on four-year average county-specific growth rates, compounded annually over the next four years. Acute Care Days data from 2008, 2009, 2010, 2011 and 2012 were used to generate four-year growth rate.
 (ADC= Average Daily Census)

**CONTRACT BETWEEN
SMOKY MOUNTAIN LOCAL MANAGEMENT ENTITY/ MANAGED CARE
ORGANIZATION ("LME/MCO")
AND
ALEXANDER HOSPITAL INVESTORS, LLC,
AND
MBHS OF NORTH CAROLINA, LLC**

WHEREAS, Alexander Hospital, located at 326 Third Street South West in Taylorsville, Alexander County, has twenty-five existing acute care beds; and

WHEREAS, Alexander Hospital Investors, LLC and MBHS of North Carolina, LLC, a provider of Mental Health, Intellectual/ Developmental Disability, and/or Substance Abuse ("MH/IDD/SA") services, (hereinafter collectively "Provider" or "Contractor") intend to convert the twenty-five licensed acute care beds at Alexander Hospital to inpatient psychiatric beds; and

WHEREAS, Contractor intends to submit an exemption request to the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Certificate of Need Section, pursuant to N.C. Gen. Stat. § 131E-184(c); and

WHEREAS, in order to be eligible for the exemption, Contractor is required to execute a contract with one or more Area Authorities created under Chapter 122C of the N.C. General Statutes to provide psychiatric beds to patients referred by the Area Authority; and

WHEREAS, Smoky Mountain LME/MCO (hereinafter "Smoky" or "LME/MCO") is the Area Authority created under Chapter 122C responsible for a 23-county catchment area that includes Alexander County; and

WHEREAS, the Parties desire to enter into this Contract in order for Contractor to provide up to thirteen (13) psychiatric beds to patients referred by the LME/MCO, for the purpose of providing medically necessary MH/IDD/SA services to the LME/MCO's Enrollee(s).

WHEREAS, this Contract sets forth the requirements under which LME/MCO will make referrals to Alexander Hospital for the provision of such publicly-funded MH/IDD/SA services; and

NOW, THEREFORE, for and in consideration of mutual covenants herein and the mutual benefits to result therefrom, the Parties hereby agree as follows:

DEFINITIONS

- A. "Alexander Hospital" means an inpatient acute care hospital in Alexander County that intends to license and operate twenty-five inpatient psychiatric beds.
- B. "Catchment area" of the Local Management Entity/Managed Care Organization (LME/MCO) means the geographic part of the State served by Smoky.
- C. "Clean Claim" means as defined in 42 C.F.R. § 447.45(b).

- D. "Contract" means this Contract between Contractor and the LME/MCO.
- E. "Contractor" means Alexander Hospital Investors, LLC and MBHS of North Carolina, LLC, including all staff and employees of Contractor.
- F. "Department" means the North Carolina Department of Health and Human Services and its Divisions, including but not limited to the Division of Medical Assistance (DMA), Division of Health Service Regulation (DHSR), and Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH/DD/SAS).
- G. "Emergency services" means as defined in 42 CFR: §422.113 and §438.114.
- H. "Enrollee" means an individual with a Medicaid county of residence located within the LME/MCO catchment area enrolled with LME/MCO.
- I. "Local Management Entity/Managed Care Organization" (LME/MCO) means as defined at N.C. Gen. Stat. § 122C-3(20c). The LME/MCO is responsible for authorizing, managing and reimbursing providers for all Medicaid and State-funded mental health, substance abuse, and developmental disability services pursuant to contracts with the Department for those Enrollees within the LME/MCO's defined catchment area.
- J. "Notice" means a written communication between the parties delivered by trackable mail, electronic means, facsimile or by hand.

ARTICLE I

RIGHTS AND OBLIGATIONS OF THE LOCAL MANAGEMENT ENTITY

- 1.0 Operations Manual. The LME/MCO shall post on its website an "Operations Manual" which is hereby incorporated by reference. If the terms of this Contract conflict with information contained in the Operations Manual, the terms of the Contract shall control. Provider may download and print copies of the manual from the SMC website at: www.smokymountaincenter.com.
- 1.1 Screening, Triage and Referral. LME/MCO agrees to make appropriate referrals of Enrollees to Contractor effective upon execution of a Procurement Contract with LME/MCO for the provision of inpatient services. TTY capability, for persons who have a hearing impairment, and foreign language interpretation will be provided to the person making the referral or to the individual seeking service for the purposes of receipt of appropriate information for referral of services at no cost when necessary.

ARTICLE II

RIGHTS AND OBLIGATIONS OF PROVIDER

- 2.0 Scope of Work. Contractor agrees to make up to thirteen (13) beds of inpatient hospitalization available for referrals of LME/MCO adult enrollees dually diagnosed with IDD and mental health disorders ("dual diagnosed enrollees"). Contractor agrees to make a minimum of twelve (12) beds of facility-based crisis available for referrals of dual diagnosed adult enrollees in a facility separate from the Alexander Hospital facility. The Parties agree that LME/MCO will be intricately involved in the development and implementation of processes and procedures governing the operation of each of the facilities and a best practice clinical model for both identified facilities. LME/MCO must approve the best practice clinical model and policies governing entrance and discharge

criteria, restrictive interventions and other policies and procedures affecting service delivery. Contractor will employ qualified staff to meet the unique needs of the dual diagnosed IDD population. Acceptance of referrals for inpatient admission is contingent upon the approval and signed order of a physician authorized to admit enrollees to the inpatient unit. Upon acceptance of referrals, all services will be delivered in accordance with all requirements set forth or referenced in Federal and State laws, rules, and regulations, and NCDHHS implementation updates, bulletins, manuals, Clinical Coverage Policies, State Service Definitions, and the Operations Manual and all subsequent revisions.

- 2.1 Maintenance of Facility Licensure, Accreditation and Credentialing. Provider accepting referrals under this Contract shall obtain and maintain in good standing all applicable accreditation(s), licenses and certificates required by DHHS policy or State law, including but not limited to licensure required by all appropriate agencies and/or Boards. The Provider and its agents providing services on the Provider's behalf under this Contract shall continuously, during the term of this Contract, meet all licensure, credentialing and privileging/competency standards as described in this Contract, the Operations Manual or as required by law, policy or regulation. Provider shall meet all Certificate of Need requirements and further agree and understand that rates are based on a midnight census.
- 2.2 Service Record Compliance. Upon acceptance of referrals, Provider shall maintain a Service Record for each individual served in accordance with the standards set forth in Federal and State laws, rules, and regulations, and DHHS implementation updates, bulletins, manuals, Clinical Coverage Policies, and State Service Definitions, including but not limited to the Division of Mental Health, Developmental Disabilities and Substance Abuse Services ("DMH/DD/SAS") Records Management and Documentation Manual - APSM 45-2 (effective April 1, 2009). The original Service Record related to services provided in accordance with this Contract shall be accessible upon request for review for the purpose of Quality Assurance, Utilization Management, monitoring services rendered, financial audits by third party payers and research and evaluation. Service records shall be retained for the duration and the format prescribed by the LME/MCO and by State and Federal law, rules, regulation and policy. Upon request, Provider shall provide data about individuals for the research and study to the LME/MCO as permitted or required by DHHS and applicable Federal law. Contractor shall provide the LME/MCO with all necessary clinical information for the LME/MCO's utilization management process.
- 2.3 Rights of Individuals. Provider shall conduct activities in a manner that shall deter, prevent, and avoid abuse, neglect, and/or exploitation of individuals in its care and to ensure compliance with all DHHS and Federal requirements and in accordance with the policies of the LME/MCO, including but not limited to the DMH/DD/SAS Confidentiality Rules APSM 45-1 (1/05), Treatment of Confidential Information Under N.C.G.S. § 122C (Special Medicaid Bulletin, July 2012), and Client Rights Rules in Community Mental Health, Developmental Disabilities & Substance Abuse Services APSM 95-2 (7/03). The Provider agrees to maintain policies, procedures and monitoring as required in the DHHS Client Right's policy, the Operations Manual and the policies of the LME/MCO. When a restrictive intervention is used, Contractor shall follow all applicable Controlling Authority

governing seclusion and restraint for behavior management, including but not limited to 42 C.F.R. §482.12, N.C. Gen. Stat. §122C-60, and 10A N.C.A.C. 13B .1924.

- 2.4 Adverse Selection. Provider shall be prohibited from arbitrarily declining, refusing to serve or ejecting consumers referred by the LME/MCO under this Agreement except that Provider shall serve only those Enrollees for which it has capacity or staff appropriate to treat the Enrollee at the time the Enrollee presents for treatment. In the event that Provider declines a referral, refuses to serve or ejects a specific consumer, Provider shall provide a detailed written specific reason for the decline, refusal or denial to Smoky via email (Provider.Info@smokymountaincenter.com). In all cases of adverse selection, Provider must provide timely reasons, and where applicable, notice to ensure that continuity of care can be optimized. Refusal to accept a referral based upon the individual's source of reimbursement may constitute adverse selection. The LME/MCO may consider information regarding adverse selection in its evaluation of Provider.
- 2.5 Service Coordination. All individuals referred by LME/MCO shall receive Continuity of care. In an effort to improve the coordination of supports and services within the LME/MCO's community of providers, Provider agrees to use good faith efforts to coordinate supports and services with other Provider participants, Carolina Access and other primary care providers for all individuals served under this Contract. Provider shall coordinate interpretation services as necessary, including but not limited to TTY/TTD or other similar services for the deaf and hard of hearing. Provider shall obtain appropriate client authorizations and consents to release or exchange information. The Provider shall participate in team meetings and/or community collaborations and communicate regularly with other providers regarding mutual cases. A pattern of failure to coordinate services in a timely manner, without demonstrated corrections, may result in contract termination.
- 2.6 Quality Management. Facilities and/or Programs that are accredited by accrediting agencies accepted by the Centers for Medicare and Medicaid Services (CMS) shall be considered in compliance with Quality Assurance/ Quality Improvement requirements. Contractor shall provide a copy of its QA/QI Plan upon written request by the LME/MCO.
- 2.7 Incident Reporting. Provider shall report and respond to all client incidents as required under Federal and State laws, rules, and regulations, and DHHS implementation updates, bulletins, manuals, Clinical Coverage Policies and State Service Definitions. Incidents shall be reported in the manner prescribed and on a form provided by DHHS.
- 2.8 Reports of Regulatory Authorities. Copies of surveys, reviews and/or audits performed by accrediting or regulatory authorities of Provider, including but not limited to the Centers for Medicare & Medicaid Services ("CMS"), DHHS, DMH/DD/SAS, the Division of Medical Assistance ("DMA") and the Division of Health Service Regulation ("DHSR"), shall be provided to the LME/MCO within five (5) business days of receipt by the Provider.
- 2.9 Exclusion, Suspension or Debarment. Provider certifies by signing this Contract that neither it nor its agents have been excluded, suspended or debarred by any applicable

governmental authority from conducting any business or activities contemplated by this Contract whether under current corporate name or any additional name or former name, including the current or former name of a division, department, program or subsidiary.

2.10 Insurance. Provider shall purchase and maintain insurance as listed below from a company, or a self insurance program which is licensed and authorized to do business in the State of North Carolina by the North Carolina Department of Insurance. Self insurance policies shall not be eliminated or reduced in coverage or limits below the stated minimums without thirty (30) days prior notice to the LME/MCO. Additional coverage and requirements may apply for approval of credentialing and/or execution of a Procurement Contract.

- a. Professional Liability: Contractor shall purchase and maintain professional liability insurance protecting the Contractor and any employee performing work under the Contract for an amount of not less than \$1,000,000.00 per occurrence and proof of coverage at or exceeding \$3,000,000.00 in the annual aggregate.
- b. Comprehensive General Liability: Bodily Injury and Property Damage Liability Insurance shall protect the Contractor and any employee performing work under the Contract from claims of Bodily Injury or Property Damage, which may arise from operations under the Contract. The amounts of such insurance shall not be less than \$1,000,000.00 per Occurrence/\$3,000,000.00 per Aggregate/\$1,000,000.00 Personal and Advertising Injury/\$50,000.00 Fire Damage. The insurance shall not include exclusion for contractual liability.
- c. Automobile Liability: Automobile Bodily Injury and Property Damage Liability Insurance covering all owned, non-owned, and hired automobiles for limits of not less than \$1,000,000.00 each person and \$1,000,000.00 each occurrence of Bodily Injury Liability and \$1,000,000.00 each occurrence of Property Damage Liability. Policies written on a combined single limit basis should have a limit of not less than \$1,000,000.00.
- d. Workers' Compensation and Occupational Disease Insurance: Insurance Coverage must meet the statutory requirements of the State of North Carolina; and Employer's Liability Insurance for an amount of not less than: Bodily Injury by Accident \$100,000.00 each Accident, Bodily Injury by Disease \$100,000.00 each Employee, and Bodily Injury by Disease \$500,000.00 Policy Limit.
- e. Certificate of Coverage: Contractor shall permit the LME/MCO to inspect Certificates of Insurance Coverage consistent with the Contract upon advance written request. Notwithstanding anything to the contrary herein, the Contractor shall have the right to self-insure so long as the Contractor's self insurance program is licensed by the Department of Insurance of the State of North Carolina and is actuarially determined sufficient to pay the insurance limits required in this paragraph.

2.11 Federal Requirements. Provider by signing this contract agrees to comply with all

governmental requirements applicable to the services being provided and to its operations, including, but not limited to the Certification Regarding Environmental Tobacco Smoke; Certification Regarding Lobbying; Certification Regarding Drug-Free Workplace Requirements; and Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion-Lower Tier Covered Transactions (See Appendices A through D).

- 2.12 Utilization Management Requirements. The LME/MCO can only authorize medically necessary services within available funding. Authorization requests shall comply with established clinical guidelines, evidence based practices where applicable, the Operations Manual, the LME/MCO state funded benefit plan, Federal and State laws, rules, and regulations, and NCDHHS implementation updates, bulletins, manuals, Clinical Coverage Policies and State Service Definitions.
- 2.13 Admission and Discharge Requirements. As shall be more fully described in the Procurement Contract between the Parties, Contractor shall immediately notify LME/MCO electronically upon an Enrollee's inpatient admission and in advance of discharge, and shall coordinate any discharge planning meetings with LME/MCO and the Enrollee's behavioral health provider.
- 2.14 Preservation of DHHS Public Funds. Provider shall demonstrate good faith efforts to seek alternative and/or supplemental sources of financing so as to reduce dependency on government monies.
- 2.15 Coordination of Benefits. Provider agrees to assist in the coordination of each individual's health care benefits so as to avoid undue delay in the provision of service and to ensure that public funds shall be used only if and when other sources of first and third Party payment have been exhausted. Provider shall make every reasonable effort to verify all insurance and other third Party benefit plan details during first contact, so that persons are directed to appropriate Providers, and to comply with North Carolina law. Where available, Provider is required to bill a consumer's private insurance. During an emergency, Provider shall provide the necessary services and then assist to coordinate payment.
- 2.16 Mergers, Name Changes and Acquisitions and Changes in Ownership or Control. The Provider shall notify the LME/MCO in writing regarding any merger, name change, acquisition of another company, change in ownership or control or change in address or site location prior to the effective date of such change. LME/MCO is not required to approve the credentialing or contract with the surviving entity. The surviving entity shall be bound by all the terms and conditions of this Contract.

ARTICLE III MUTUAL RIGHTS AND OBLIGATIONS OF BOTH PARTIES

- 3.0 Health Insurance Portability and Accountability Act (HIPAA). The Parties shall comply with any and all laws relating to privacy and/or security of healthcare information, including but not limited to 42 CFR Part 2 and the Health Insurance Portability and Accountability Act of 1996 (45 CFR Parts 160, 162 & 164), as further expanded by the

Health Information Technology for Economic and Clinical Health Act (HITECH Act), which was adopted as part of the American Recovery and Reinvestment Act of 2009, commonly known as "ARRA" (Public Law 111-5) and any subsequent modifications thereof. Pursuant to 45 C.F.R. § 164.506, the Parties may share an individual's protected health information ("PHI") for the purposes of treatment, payment, or health care operations without the individual's consent unless as otherwise proscribed by Federal law.

- 3.1 Confidentiality. The Parties shall protect the confidentiality of any and all individuals and will not discuss, transmit, or narrate in any form other information, medical or otherwise, received in the course of providing services hereunder, except as authorized by the individual, his legally responsible person, or as otherwise permitted or required by law. The Parties shall, in addition, meet all confidentiality requirements promulgated by any applicable governmental authority.
- 3.2 Compliance with Civil Rights and Disability Law. The Parties shall comply with Title VI and VII of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990 (ADA), the North Carolina Persons with Disabilities Protection Act, and all requirements imposed by Federal and State laws, rules, regulations and guidelines issued pursuant to these laws for both personnel employed and individuals served.
- 3.3 Governing Laws. The laws of the State of North Carolina shall govern the validity and interpretation of the provisions, terms, and conditions of this Contract. Venue for all legal actions upon this Contract shall be in the State Courts of Buncombe County or the U.S. District Court for the Western District of North Carolina, Asheville Division. By signing this Contract, Provider explicitly acknowledges, agrees and understands that disputes based on this Contract are not subject to review by the DMH/DD/SAS Appeals Panel or the NC Office of Administrative Hearings.
- 3.4 Entire Contract. This Contract, along with the Operations Manual and other standards or documents specifically incorporated herein, constitutes the entire understanding of the Parties and this Contract shall not be altered, amended, or modified except by an Amendment in writing, properly executed by the duly authorized officials of both Parties. This contract to provide psychiatric beds to patients referred by the LME/MCO meets the requirements established in N.C.G.S. §131E-184(c)(1) and (2).
- 3.5 Invalid Provisions. If any term, provision, or condition of this Contract is found to be illegal, void, or unenforceable by a court of competent jurisdiction, the rest of this Contract shall remain in full force and effect. The invalidity or unenforceability of any term or provision of this Contract shall in no way affect the validity or enforceability of any other term or provision.
- 3.6 Hold Harmless. The LME/MCO and Provider agree to each be solely responsible for their own acts or omissions in the performance of each of their individual duties hereunder, and shall be financially and legally responsible for all liabilities, costs, damages, expenses and attorney fees resulting from, or attributable to any and all of their individual acts or

omissions. No Party shall have any obligation to indemnify the other, and/or its agents, employees and representatives.

- 3.7 Independent Contractor. This Contract is not intended and shall not be construed to create the relationship of agent, servant, employee, partnership, joint venture, or association between Provider and LME/MCO, their employees, partners, or agents, but rather is a Contract by and among independent contractors. Neither party shall be considered an employee or agent of the other for any purpose including but not limited to, compensation for services, employee welfare and pension benefits, workers' compensation insurance, or any other fringe benefits of employment.
- 3.8 Subcontracting. Provider must obtain written permission from the LME/MCO prior to any subcontract or assignment any of the services contemplated under this Contract. In the event that LME/MCO approves the subcontracting or assignment any of the services contemplated under this Contract, the services shall be subject to all conditions of this Contract. The LME/MCO may assign its rights and obligations under this Contract without approval of providers.
- 3.9 Non-Exclusivity. This Contract is not exclusive. The LME/MCO and Provider have the right to enter into a similar Contract with any other LME/MCO and/or other providers at any time.
- 3.10 Conflict of Interest. Provider and LME/MCO will comply with all applicable laws regarding Conflict of Interest.
- 3.11 No Third Party Contract Rights Conferred: Nothing in this Contract shall be construed as creating or justifying any liability, claim or cause of action, however alleged or arising, by any third party, against LME/MCO or Provider.
- 3.12 Notice. All notices, reports, records, or other communications which are required or permitted to be given to the parties under the terms of this Contract shall be sufficient in all respects if given in writing and delivered in person, by confirmed facsimile transmission, by overnight courier, or by registered or certified mail, postage prepaid, return receipt requested, to the receiving party at the following address:

If to SMC:	Smoky Mountain LME/MCO Office of General Counsel 356 Biltmore Avenue Asheville, NC 28801
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If to Provider:	MBHS OF NORTH CAROLINA, LLC ALEXANDER HOSPITAL INVESTORS, LLC 19821 NW 2nd Avenue Suite 396 Miami Gardens, FL 33169
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Either Party may at any time change its address for notification purposes by mailing a notice to the other Party at the address designated by that Party. The new address shall be effective on the date specified in such notice, or if no date is specified, on the tenth (10th) day following the date such notice is received.

ARTICLE IV TERM AND TERMINATION

- 4.0 Term. The term of this Contract shall commence upon execution by all Parties and shall continue until the effective date of Procurement Contract(s) between the Parties allowing for reimbursement of claims submitted by Contractor to LME/MCO for inpatient psychiatric services. The Parties agree, acknowledge and understand that Contractor shall be required to meet all credentialing criteria required by the Division of Medical Assistance and the LME/MCO accrediting body prior to the execution of a Procurement Contract, and that credentialing approval is contingent upon approval of Contractor's license to operate Alexander Hospital as a psychiatric hospital by the State of North Carolina.
- 4.1 Termination Without Cause. In accordance with 10A NCAC 27A .0106, this contract may be terminated at any time by mutual consent of both parties or 30 days after either Party gives written notice of termination to the other Party.
- 4.2 Availability of Funding. Either party may terminate the Contract if Federal, State or local funds allocated to LME/MCO are revoked or terminated in a manner beyond the control of LME/MCO for any part of the Contract period. The parties explicitly acknowledge, agree and understand that this Contract and any other contractual relationship between the parties is dependent upon and subject to the appropriation, allocation or availability of funds for this purpose by the State of North Carolina to LME/MCO. In the event that LME/MCO, in its sole discretion, determines, in view of its total operations, that available funding is insufficient to continue this Contract, it may choose to terminate the Contract by providing written notice of said termination to CMT, and the Contract shall terminate upon such notice without any further liability to LME/MCO.
- 4.3 Termination for Cause. Either party may terminate the Contract with cause upon thirty (30) days notice to the other party; cause shall be documented in writing detailing the grounds for the termination. Cause for termination of the Contract may include, but is not limited to:
- i. Either party has failed to attain or maintain required facility or professional NC Medicaid enrollment, licensure, accreditation or certification; and/or
 - ii. The conduct of either party or either party's employees or agents or the standard of services provided threatens to place the health or safety of any Enrollee in jeopardy. Conduct of the either party's employee(s) or agent(s) that threatens to place the health or safety of any Enrollee in jeopardy shall not constitute grounds for termination of the entire Contract provided the party takes appropriate action toward said employee(s) or agent(s). Either party maintains its right to terminate this

Contract should the other party fail to take appropriate action toward employees or agents whose conduct threatens to place the health or safety of any Enrollee in jeopardy; and/or

iii. Any other material breach of this Contract.

REQUIRED APPENDICES/ATTACHMENTS:

_____ Appendix A CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION-LOWER TIER COVERED TRANSACTIONS

_____ Appendix B CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS

_____ Appendix C CERTIFICATION REGARDING LOBBYING

_____ Appendix D CERTIFICATION REGARDING ENVIRONMENTAL TOBACCO SMOKE

IN WITNESS WHEREOF:

IN WITNESS WHEREOF, each party has caused this agreement to be executed in multiple copies, each of which shall be deemed an original, as the act of said party. Each individual signing below certifies that he or she has been granted the authority to bind said Party to the terms of this Contract and any Addendums or Attachments thereto.

SMOKY MOUNTAIN LME/MCO

DocuSigned by:
Brian Ingraham
Brian Ingraham
Chief Executive Officer

10/15/2014
Date

ALEXANDER HOSPITAL INVESTORS, LLC

Charles E. Trefzger, Jr.
Charles E. Trefzger, Jr.
Manager

9/29/14
Date

MBHS OF NORTH CAROLINA, LLC

DocuSign Envelope ID: 456175AD-A263-45C7-8A40-029E8944A6BA

DocuSign Envelope ID: 2EE35B9B-983D-4FD7-9006-FEB9B2D495D3

DocuSigned by:



9/23/2014

Date

Webmaster

President

APPENDIX A

CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION-LOWER TIER COVERED TRANSACTIONS (Note: The phrase "prospective lower tier participant" means providers under contract with the Division.)

**Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services**

Instructions for Certification

1. By signing and submitting this Contract, the prospective lower tier participant is providing the certification set out below.
2. The certification in this clause is a material representation of the fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.
3. The prospective lower tier participant will provide immediate written notice to LME/MCO if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
4. The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "person," "primary covered transaction," "principal," "proposal," and "voluntarily excluded," as used in this clause, have the meanings set out in the Definitions and Coverage sections of rules implementing Executive Order 12549, 45 CFR Part 76.
5. The prospective lower tier participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter any lower tier covered transaction with a person who is debarred, suspended, determined ineligible or voluntarily excluded from participation in this covered transaction unless authorized by the department or agency with which this transaction originated.
6. The prospective lower tier participant further agrees by signing this Contract that it will include this clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transaction," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency of which it determines the eligibility of its principals. Each participant may, but is not required to, check the Non procurement List.

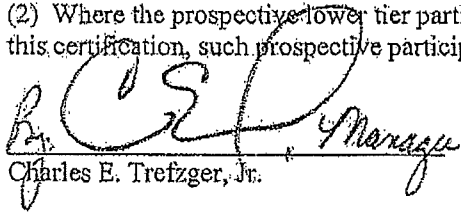
8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

9. Except for transactions authorized in paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension, and/or debarment.

Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions

(1) The prospective lower tier participant certifies, by signing this Contract, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.

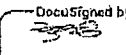
(2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.


Charles E. Tretzger, Jr.

MANAGER
Title

Alexander Hospital Investors, LLC

9/29/14
Date

DocuSigned by:

Wesley...

President
Title

MBHS of North Carolina, LLC

9/23/2014
Date

APPENDIX B

CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS

Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services

- I. By execution of this Agreement the Contractor certifies that it will provide a drug-free workplace by:
 - A. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the Contractor's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
 - B. Establishing a drug-free awareness program to inform employees about:
 - (1) The dangers of drug abuse in the workplace;
 - (2) The Contractor's policy of maintaining a drug-free workplace;
 - (3) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
 - C. Making it a requirement that each employee be engaged in the performance of the agreement be given a copy of the statement required by paragraph A;
 - D. Notifying the employee in the statement required by paragraph A that, as a condition of employment under the agreement, the employee will:
 - (1) Abide by the terms of the statement; and
 - (2) Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five days after such conviction;
 - E. Notifying the Department within ten days after receiving notice under subparagraph D(2) from an employee or otherwise receiving actual notice of such conviction;
 - F. Taking one of the following actions, within 30 days of receiving notice under subparagraph D(2), with respect to any employee who is so convicted:
 - (1) Taking appropriate personnel action against such an employee, up to and including termination; or

(2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency; and

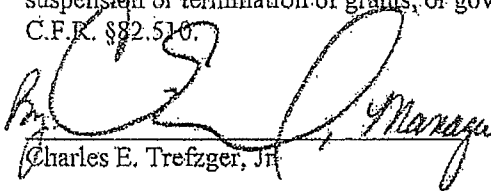
(3) Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs A, B, C, D, E, and F.

II. The site(s) for the performance of work done in connection with the specific agreement is:


Alexander Hospital
326 Third Street SW
Taylorsville, NC 28681

Contractor will seek credentialing for and request written amendment from LME/MCO to add any additional sites for performance of work under this agreement.

False certification or violation of the certification shall be grounds for suspension of payment, suspension or termination of grants, or government-wide Federal suspension or debarment, 45 C.F.R. §82.510.


Charles E. Trefzger, Jr. Manager
Title

Alexander Hospital Investors, LLC 9/29/14
Date

DocuSigned by:

Wes Wilson
President
Title

MBHS of North Carolina, LLC 9/23/2014
Date

APPENDIX C

Certification Regarding Lobbying
Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services

Certification for Contracts, Grants, Loans and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any Federal, state or local government agency, a Member of Congress, a Member of the General Assembly, an officer or employee of Congress, an officer or employee of the General Assembly, an employee of a Member of Congress, or an employee of a Member of the General Assembly in connection with the awarding of any Federal or state contract, the making of any Federal or state grant, the making of any Federal or state loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal or state contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any Federal, state or local government agency, a Member of Congress, a Member of the General Assembly, an officer or employee of Congress, an officer or employee of the General Assembly, an employee of a Member of Congress, or an employee of a Member of the General Assembly in connection with the awarding of any Federal or state contract, the making of any Federal or state grant, the making of any Federal or state loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal or state contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.
- (4) This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Notwithstanding other provisions of federal OMB Circulars A-122 and A-87, costs associated with the following activities are unallowable:

Paragraph A.

- (1) Attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, or similar procedure, through in kind or cash contributions, endorsements, publicity, or similar activity;
- (2) Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections;
- (3) Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation through communication with any

- member or employee of the Congress or State legislature (including efforts to influence State or local officials to engage in similar lobbying activity), or with any Government official or employee in connection with a decision to sign or veto enrolled legislation;
- (4) Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation by preparing, distributing or using publicity or propaganda, or by urging members of the general public or any segment thereof to contribute to or participate in any mass demonstration, march, rally, fundraising drive, lobbying campaign or letter writing or telephone campaign; or
 - (5) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.

The following activities as enumerated in Paragraph B are excepted from the coverage of Paragraph A:

Paragraph B.

- (1) Providing a technical and factual presentation of information on a topic directly related to the performance of a grant, contract or other agreement through hearing testimony, statements or letters to the Congress or a State legislature, or subdivision, member, or cognizant staff member thereof, in response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing) made by the recipient member, legislative body or subdivision, or a cognizant staff member thereof; provided such information is readily obtainable and can be readily put in deliverable form; and further provided that costs under this section for travel, lodging or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearing.
- (2) Any lobbying made unallowable by subparagraph A(3) to influence State legislation in order to directly reduce the cost, or to avoid material impairment of the organization's authority to perform the grant, contract, or other agreement.
- (3) Any activity specifically authorized by statute to be undertaken with funds from the grant, contract, or other agreement.

Paragraph C.

- (1) When an organization seeks reimbursement for indirect costs, total lobbying costs shall be separately identified in the indirect cost rate proposal, and thereafter treated as other unallowable activity costs in accordance with the procedures of subparagraph B(3).
- (2) Organizations shall submit, as part of the annual indirect cost rate proposal, a certification that the requirements and standards of this paragraph have been complied with.
- (3) Organizations shall maintain adequate records to demonstrate that the determination of costs as being allowable or unallowable pursuant to this section complies with the requirements of this Circular.
- (4) Time logs, calendars, or similar records shall not be required to be created for purposes of complying with this paragraph during any particular calendar month when: (i) the employee engages in lobbying (as defined in subparagraphs A & B) 25 percent or less of the employee's compensated hours of employment during that calendar month, and (ii) within the preceding five-year period, the organization has not materially misstated allowable or unallowable costs of any nature, including legislative lobbying costs. When conditions (i) and (ii) are met, organizations are not required to establish records to support the allow ability of claimed costs in addition to records already required or maintained. Also, when conditions (i) and (ii) are met, the absence of

time logs, calendars, or similar records will not serve as a basis for disallowing costs by contesting estimates of lobbying time spent by employees during a calendar month.

- (5) Agencies shall establish procedures for resolving in advance, in consultation with OMB, any significant questions or disagreements concerning the interpretation or application of this section. Any such advance resolution shall be binding in any subsequent settlements, audits or investigations with respect to that grant or contract for purposes of interpretation of this Circular; provided, however, that this shall not be construed to prevent a contractor or grantee from contesting the lawfulness of such a determination.

Paragraph D.

Executive lobbying costs. Costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the Executive Branch of the Federal Government to give consideration or to act regarding a sponsored agreement or a regulatory matter are unallowable. Improper influence means any influence that induces or tends to induce a Federal employee or officer to give consideration or to act regarding a federally sponsored agreement or regulatory matter on any basis other than the merits of the matter.

By: *Charles E. Trefzger, Jr.*
 Charles E. Trefzger, Jr.
 Manager

MANAGER
 Title

Alexander Hospital Investors, LLC

9/24/14
 Date

DocuSigned by:
[Signature]
 Woodman...
 President

PRESIDENT
 Title

MBHS of North Carolina, LLC

9/23/2014
 Date

APPENDIX D

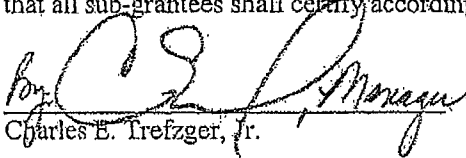
CERTIFICATION REGARDING ENVIRONMENTAL TOBACCO SMOKE

Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services

Certification for Contracts, Grants, Loans and Cooperative Agreements

Public Law 103-227, Part C-Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994 (Act), requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted for by an entity and used routinely or regularly for the provision of health, day care, education, or library services to children under the age of 18, if the services are funded by Federal programs either directly or through State or local governments, by Federal grant, contract, loan, or loan guarantee. The law does not apply to children's services provided in private residences, facilities funded solely by Medicare or Medicaid funds, and portions of facilities used for inpatient drug or alcohol treatment. Failure to comply with the provisions of the law may result in the imposition of a civil monetary penalty of up to \$1,000 per day and/or the imposition of an administrative compliance order on the responsible entity.

By signing and submitting this certification, the Contractor certifies that it will comply with the requirements of the Act. The Contractor further agrees that it will require the language of this certification be included in any sub-awards which contain provisions for children's services and that all sub-grantees shall certify accordingly.


Charles E. Trefzger, Jr.

MANAGER
Title

Alexander Hospital Investors, LLC

9/29/14
Date

Digitally signed by: 
Was not verified by DocuSign

president
Title

MBHS of North Carolina, LLC

9/23/2014
Date



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

January 22, 2015

Susan K. Hackney
PO Box 14210
Research Triangle Park, NC 27709-4210

Exempt from Review

Facility: Alexander Hospital
Project Description: Convert 25 acute care beds to 25 inpatient psychiatric beds pursuant to G.S. 131E-184(c)
County: Alexander
FID #: 932934

Dear Ms. Hackney:

In response to your letter of October 16, 2014, the above referenced proposal is exempt from certificate of need review in accordance with G.S. 131E-184(c). Therefore, your client may proceed to offer, develop or establish the above referenced project without a certificate of need.

However, your client needs to contact the Construction and Acute and Home Care Licensure and Certification Sections of the Division of Health Service Regulation to determine if they have any requirements for development of the proposed project.

It should be noted that this determination is binding only for the facts represented by you. Consequently, if changes are made in the project or in the facts provided in your correspondence referenced above, a new determination as to whether a certificate of need is required would need to be made by the Healthcare Planning and Certificate of Need Section. Changes in a project include, but are not limited to: (1) increases in the capital cost; (2) acquisition of medical equipment not included in the original cost estimate; (3) modifications in the design of the project; (4) change in location; and (5) any increase in the number of square feet to be constructed.

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

Sincerely,

Martha J. Frisone, Assistant Chief, Certificate of Need

cc: Assistant Chief, Healthcare Planning
Construction Section, DHSR
Acute and Home Care Licensure and Certification Section, DHSR



Healthcare Planning and Certificate of Need Section

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

An Equal Opportunity/ Affirmative Action Employer



Exhibit 2

State of North Carolina

Department of Health and Human Services Division of Health Service Regulation

Effective January 01, 2015, this license is issued to

Alexander Hospital Investors, LLC

to operate a hospital known as

Alexander Hospital

located in Taylorsville, North Carolina, Alexander County.

*This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall remain
in effect until amended by the issuing agency.*

Facility ID: 932934

License Number: H0274

Bed Capacity: 25

General Acute 25

Dedicated Inpatient Surgical Operating Rooms: 0

Dedicated Ambulatory Surgical Operating Rooms: 0

Shared Surgical Operating Rooms: 2

Dedicated Endoscopy Rooms: 1

Authorized by:

Aldona His, M.D.

**Secretary, N.C. Department of Health and
Human Services**



Dwight P. ...

Director, Division of Health Service Regulation

Exhibit 3

**CONTRACT BETWEEN
SMOKY MOUNTAIN LOCAL MANAGEMENT ENTITY/ MANAGED CARE
ORGANIZATION ("LME/MCO")
AND
ALEXANDER HOSPITAL INVESTORS, LLC,
AND
MBHS OF NORTH CAROLINA, LLC**

WHEREAS, Alexander Hospital, located at 326 Third Street South West in Taylorsville, Alexander County, has twenty-five existing acute care beds; and

WHEREAS, Alexander Hospital Investors, LLC and MBHS of North Carolina, LLC, a provider of Mental Health, Intellectual/ Developmental Disability, and/or Substance Abuse ("MH/IDD/SA") services, (hereinafter collectively "Provider" or "Contractor") intend to convert the twenty-five licensed acute care beds at Alexander Hospital to inpatient psychiatric beds; and

WHEREAS, Contractor intends to submit an exemption request to the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Certificate of Need Section, pursuant to N.C. Gen. Stat. § 131E-184(c); and

WHEREAS, in order to be eligible for the exemption, Contractor is required to execute a contract with one or more Area Authorities created under Chapter 122C of the N.C. General Statutes to provide psychiatric beds to patients referred by the Area Authority; and

WHEREAS, Smoky Mountain LME/MCO (hereinafter "Smoky" or "LME/MCO") is the Area Authority created under Chapter 122C responsible for a 23-county catchment area that includes Alexander County; and

WHEREAS, the Parties desire to enter into this Contract in order for Contractor to provide up to thirteen (13) psychiatric beds to patients referred by the LME/MCO, for the purpose of providing medically necessary MH/IDD/SA services to the LME/MCO's Enrollee(s).

WHEREAS, this Contract sets forth the requirements under which LME/MCO will make referrals to Alexander Hospital for the provision of such publicly-funded MH/IDD/SA services; and

NOW, THEREFORE, for and in consideration of mutual covenants herein and the mutual benefits to result therefrom, the Parties hereby agree as follows:

DEFINITIONS

- A. "Alexander Hospital" means an inpatient acute care hospital in Alexander County that intends to license and operate twenty-five inpatient psychiatric beds.
- B. "Catchment area" of the Local Management Entity/Managed Care Organization (LME/MCO) means the geographic part of the State served by Smoky.
- C. "Clean Claim" means as defined in 42 C.F.R. § 447.45(b).

- D. "Contract" means this Contract between Contractor and the LME/MCO.
- E. "Contractor" means Alexander Hospital Investors, LLC and MBHS of North Carolina, LLC, including all staff and employees of Contractor.
- F. "Department" means the North Carolina Department of Health and Human Services and its Divisions, including but not limited to the Division of Medical Assistance (DMA), Division of Health Service Regulation (DHSR), and Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH/DD/SAS).
- G. "Emergency services" means as defined in 42 CFR:§422.113 and §438.114.
- H. "Enrollee" means an individual with a Medicaid county of residence located within the LME/MCO catchment area enrolled with LME/MCO.
- I. "Local Management Entity/Managed Care Organization" (LME/MCO) means as defined at N.C. Gen. Stat. § 122C-3(20c). The LME/MCO is responsible for authorizing, managing and reimbursing providers for all Medicaid and State-funded mental health, substance abuse, and developmental disability services pursuant to contracts with the Department for those Enrollees within the LME/MCO's defined catchment area.
- J. "Notice" means a written communication between the parties delivered by trackable mail, electronic means, facsimile or by hand.

ARTICLE I

RIGHTS AND OBLIGATIONS OF THE LOCAL MANAGEMENT ENTITY

- 1.0 Operations Manual. The LME/MCO shall post on its website an "Operations Manual" which is hereby incorporated by reference. If the terms of this Contract conflict with information contained in the Operations Manual, the terms of the Contract shall control. Provider may download and print copies of the manual from the SMC website at: www.smokymountaincenter.com.
- 1.1 Screening, Triage and Referral. LME/MCO agrees to make appropriate referrals of Enrollees to Contractor effective upon execution of a Procurement Contract with LME/MCO for the provision of inpatient services. TTY capability, for persons who have a hearing impairment, and foreign language interpretation will be provided to the person making the referral or to the individual seeking service for the purposes of receipt of appropriate information for referral of services at no cost when necessary.

ARTICLE II

RIGHTS AND OBLIGATIONS OF PROVIDER

- 2.0 Scope of Work. Contractor agrees to make up to thirteen (13) beds of inpatient hospitalization available for referrals of LME/MCO adult enrollees dually diagnosed with IDD and mental health disorders ("dual diagnosed enrollees"). Contractor agrees to make a minimum of twelve (12) beds of facility-based crisis available for referrals of dual diagnosed adult enrollees in a facility separate from the Alexander Hospital facility. The Parties agree that LME/MCO will be intricately involved in the development and implementation of processes and procedures governing the operation of each of the facilities and a best practice clinical model for both identified facilities. LME/MCO must approve the best practice clinical model and policies governing entrance and discharge

criteria, restrictive interventions and other policies and procedures affecting service delivery. Contractor will employ qualified staff to meet the unique needs of the dual diagnosed I/DD population. Acceptance of referrals for inpatient admission is contingent upon the approval and signed order of a physician authorized to admit enrollees to the inpatient unit. Upon acceptance of referrals, all services will be delivered in accordance with all requirements set forth or referenced in Federal and State laws, rules, and regulations, and NCDHHS implementation updates, bulletins, manuals, Clinical Coverage Policies, State Service Definitions, and the Operations Manual and all subsequent revisions.

- 2.1 Maintenance of Facility Licensure, Accreditation and Credentialing. Provider accepting referrals under this Contract shall obtain and maintain in good standing all applicable accreditation(s), licenses and certificates required by DHHS policy or State law, including but not limited to licensure required by all appropriate agencies and/or Boards. The Provider and its agents providing services on the Provider's behalf under this Contract shall continuously, during the term of this Contract, meet all licensure, credentialing and privileging/competency standards as described in this Contract, the Operations Manual or as required by law, policy or regulation. Provider shall meet all Certificate of Need requirements and further agree and understand that rates are based on a midnight census.
- 2.2 Service Record Compliance. Upon acceptance of referrals, Provider shall maintain a Service Record for each individual served in accordance with the standards set forth in Federal and State laws, rules, and regulations, and DHHS implementation updates, bulletins, manuals, Clinical Coverage Policies, and State Service Definitions, including but not limited to the Division of Mental Health, Developmental Disabilities and Substance Abuse Services ("DMH/DD/SAS") Records Management and Documentation Manual - APSM 45-2 (effective April 1, 2009). The original Service Record related to services provided in accordance with this Contract shall be accessible upon request for review for the purpose of Quality Assurance, Utilization Management, monitoring services rendered, financial audits by third party payers and research and evaluation. Service records shall be retained for the duration and the format prescribed by the LME/MCO and by State and Federal law, rules, regulation and policy. Upon request, Provider shall provide data about individuals for the research and study to the LME/MCO as permitted or required by DHHS and applicable Federal law. Contractor shall provide the LME/MCO with all necessary clinical information for the LME/MCO's utilization management process.
- 2.3 Rights of Individuals. Provider shall conduct activities in a manner that shall deter, prevent, and avoid abuse, neglect, and/or exploitation of individuals in its care and to ensure compliance with all DHHS and Federal requirements and in accordance with the policies of the LME/MCO, including but not limited to the DMH/DD/SAS Confidentiality Rules APSM 45-1 (1/05), Treatment of Confidential Information Under N.C.G.S. § 122C (Special Medicaid Bulletin, July 2012), and Client Rights Rules in Community Mental Health, Developmental Disabilities & Substance Abuse Services APSM 95-2 (7/03). The Provider agrees to maintain policies, procedures and monitoring as required in the DHHS Client Right's policy, the Operations Manual and the policies of the LME/MCO. When a restrictive intervention is used, Contractor shall follow all applicable Controlling Authority

governing seclusion and restraint for behavior management, including but not limited to 42 C.F.R. §482.12, N.C. Gen. Stat. §122C-60, and 10A N.C.A.C. 13B .1924.

- 2.4 Adverse Selection. Provider shall be prohibited from arbitrarily declining, refusing to serve or ejecting consumers referred by the LME/MCO under this Agreement except that Provider shall serve only those Enrollees for which it has capacity or staff appropriate to treat the Enrollee at the time the Enrollee presents for treatment. In the event that Provider declines a referral, refuses to serve or ejects a specific consumer, Provider shall provide a detailed written specific reason for the decline, refusal or denial to Smoky via email (Provider.Info@smokymountaincenter.com). In all cases of adverse selection, Provider must provide timely reasons, and where applicable, notice to ensure that continuity of care can be optimized. Refusal to accept a referral based upon the individual's source of reimbursement may constitute adverse selection. The LME/MCO may consider information regarding adverse selection in its evaluation of Provider.
- 2.5 Service Coordination. All individuals referred by LME/MCO shall receive Continuity of care. In an effort to improve the coordination of supports and services within the LME/MCO's community of providers, Provider agrees to use good faith efforts to coordinate supports and services with other Provider participants, Carolina Access and other primary care providers for all individuals served under this Contract. Provider shall coordinate interpretation services as necessary, including but not limited to TTY/TDD or other similar services for the deaf and hard of hearing. Provider shall obtain appropriate client authorizations and consents to release or exchange information. The Provider shall participate in team meetings and/or community collaborations and communicate regularly with other providers regarding mutual cases. A pattern of failure to coordinate services in a timely manner, without demonstrated corrections, may result in contract termination.
- 2.6 Quality Management. Facilities and/or Programs that are accredited by accrediting agencies accepted by the Centers for Medicare and Medicaid Services (CMS) shall be considered in compliance with Quality Assurance/ Quality Improvement requirements. Contractor shall provide a copy of its QA/QI Plan upon written request by the LME/MCO.
- 2.7 Incident Reporting. Provider shall report and respond to all client incidents as required under Federal and State laws, rules, and regulations, and DHHS implementation updates, bulletins, manuals, Clinical Coverage Policies and State Service Definitions. Incidents shall be reported in the manner prescribed and on a form provided by DHHS.
- 2.8 Reports of Regulatory Authorities. Copies of surveys, reviews and/or audits performed by accrediting or regulatory authorities of Provider, including but not limited to the Centers for Medicare & Medicaid Services ("CMS"), DHHS, DMH/DD/SAS, the Division of Medical Assistance ("DMA") and the Division of Health Service Regulation ("DHSR"), shall be provided to the LME/MCO within five (5) business days of receipt by the Provider.
- 2.9 Exclusion, Suspension or Debarment. Provider certifies by signing this Contract that neither it nor its agents have been excluded, suspended or debarred by any applicable

governmental authority from conducting any business or activities contemplated by this Contract whether under current corporate name or any additional name or former name; including the current or former name of a division, department, program or subsidiary.

- 2.10 Insurance. Provider shall purchase and maintain insurance as listed below from a company, or a self insurance program which is licensed and authorized to do business in the State of North Carolina by the North Carolina Department of Insurance. Self insurance policies shall not be eliminated or reduced in coverage or limits below the stated minimums without thirty (30) days prior notice to the LME/MCO. Additional coverage and requirements may apply for approval of credentialing and/or execution of a Procurement Contract.
- a. Professional Liability: Contractor shall purchase and maintain professional liability insurance protecting the Contractor and any employee performing work under the Contract for an amount of not less than \$1,000,000.00 per occurrence and proof of coverage at or exceeding \$3,000,000.00 in the annual aggregate.
 - b. Comprehensive General Liability: Bodily Injury and Property Damage Liability Insurance shall protect the Contractor and any employee performing work under the Contract from claims of Bodily Injury or Property Damage, which may arise from operations under the Contract. The amounts of such insurance shall not be less than \$1,000,000.00 per Occurrence/\$3,000,000.00 per Aggregate/\$1,000,000.00 Personal and Advertising Injury/\$50,000.00 Fire Damage. The insurance shall not include exclusion for contractual liability.
 - c. Automobile Liability: Automobile Bodily Injury and Property Damage Liability Insurance covering all owned, non-owned, and hired automobiles for limits of not less than \$1,000,000.00 each person and \$1,000,000.00 each occurrence of Bodily Injury Liability and \$1,000,000.00 each occurrence of Property Damage Liability. Policies written on a combined single limit basis should have a limit of not less than \$1,000,000.00.
 - d. Workers' Compensation and Occupational Disease Insurance: Insurance Coverage must meet the statutory requirements of the State of North Carolina; and Employer's Liability Insurance for an amount of not less than: Bodily Injury by Accident \$100,000.00 each Accident, Bodily Injury by Disease \$100,000.00 each Employee, and Bodily Injury by Disease \$500,000.00 Policy Limit.
 - e. Certificate of Coverage: Contractor shall permit the LME/MCO to inspect Certificates of Insurance Coverage consistent with the Contract upon advance written request. Notwithstanding anything to the contrary herein, the Contractor shall have the right to self-insure so long as the Contractor's self insurance program is licensed by the Department of Insurance of the State of North Carolina and is actuarially determined sufficient to pay the insurance limits required in this paragraph.
- 2.11 Federal Requirements. Provider by signing this contract agrees to comply with all

governmental requirements applicable to the services being provided and to its operations, including, but not limited to the Certification Regarding Environmental Tobacco Smoke; Certification Regarding Lobbying; Certification Regarding Drug-Free Workplace Requirements; and Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion-Lower Tier Covered Transactions (See Appendices A through D).

- 2.12 Utilization Management Requirements. The LME/MCO can only authorize medically necessary services within available funding. Authorization requests shall comply with established clinical guidelines, evidence based practices where applicable, the Operations Manual, the LME/MCO state funded benefit plan, Federal and State laws, rules, and regulations, and NCDHHS implementation updates, bulletins, manuals, Clinical Coverage Policies and State Service Definitions.
- 2.13 Admission and Discharge Requirements. As shall be more fully described in the Procurement Contract between the Parties, Contractor shall immediately notify LME/MCO electronically upon an Enrollee's inpatient admission and in advance of discharge, and shall coordinate any discharge planning meetings with LME/MCO and the Enrollee's behavioral health provider.
- 2.14 Preservation of DHHS Public Funds. Provider shall demonstrate good faith efforts to seek alternative and/or supplemental sources of financing so as to reduce dependency on government monies.
- 2.15 Coordination of Benefits. Provider agrees to assist in the coordination of each individual's health care benefits so as to avoid undue delay in the provision of service and to ensure that public funds shall be used only if and when other sources of first and third Party payment have been exhausted. Provider shall make every reasonable effort to verify all insurance and other third Party benefit plan details during first contact, so that persons are directed to appropriate Providers, and to comply with North Carolina law. Where available, Provider is required to bill a consumer's private insurance. During an emergency, Provider shall provide the necessary services and then assist to coordinate payment.
- 2.16 Mergers, Name Changes and Acquisitions and Changes in Ownership or Control. The Provider shall notify the LME/MCO in writing regarding any merger, name change, acquisition of another company, change in ownership or control or change in address or site location prior to the effective date of such change. LME/MCO is not required to approve the credentialing or contract with the surviving entity. The surviving entity shall be bound by all the terms and conditions of this Contract.

ARTICLE III MUTUAL RIGHTS AND OBLIGATIONS OF BOTH PARTIES

- 3.0 Health Insurance Portability and Accountability Act (HIPAA). The Parties shall comply with any and all laws relating to privacy and/or security of healthcare information, including but not limited to 42 CFR Part 2 and the Health Insurance Portability and Accountability Act of 1996 (45 CFR Parts 160, 162 & 164), as further expanded by the

Health Information Technology for Economic and Clinical Health Act (HITECH Act), which was adopted as part of the American Recovery and Reinvestment Act of 2009, commonly known as "ARRA" (Public Law 111-5) and any subsequent modifications thereof. Pursuant to 45 C.F.R. § 164.506, the Parties may share an individual's protected health information ("PHI") for the purposes of treatment, payment, or health care operations without the individual's consent unless as otherwise proscribed by Federal law.

- 3.1 Confidentiality. The Parties shall protect the confidentiality of any and all individuals and will not discuss, transmit, or narrate in any form other information, medical or otherwise, received in the course of providing services hereunder, except as authorized by the individual, his legally responsible person, or as otherwise permitted or required by law. The Parties shall, in addition, meet all confidentiality requirements promulgated by any applicable governmental authority.
- 3.2 Compliance with Civil Rights and Disability Law. The Parties shall comply with Title VI and VII of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990 (ADA), the North Carolina Persons with Disabilities Protection Act, and all requirements imposed by Federal and State laws, rules, regulations and guidelines issued pursuant to these laws for both personnel employed and individuals served.
- 3.3 Governing Laws. The laws of the State of North Carolina shall govern the validity and interpretation of the provisions, terms, and conditions of this Contract. Venue for all legal actions upon this Contract shall be in the State Courts of Buncombe County or the U.S. District Court for the Western District of North Carolina, Asheville Division. By signing this Contract, Provider explicitly acknowledges, agrees and understands that disputes based on this Contract are not subject to review by the DMH/DD/SAS Appeals Panel or the NC Office of Administrative Hearings.
- 3.4 Entire Contract. This Contract, along with the Operations Manual and other standards or documents specifically incorporated herein, constitutes the entire understanding of the Parties and this Contract shall not be altered, amended, or modified except by an Amendment in writing, properly executed by the duly authorized officials of both Parties. This contract to provide psychiatric beds to patients referred by the LME/MCO meets the requirements established in N.C.G.S. §131E-184(c)(1) and (2).
- 3.5 Invalid Provisions. If any term, provision, or condition of this Contract is found to be illegal, void, or unenforceable by a court of competent jurisdiction, the rest of this Contract shall remain in full force and effect. The invalidity or unenforceability of any term or provision of this Contract shall in no way affect the validity or enforceability of any other term or provision.
- 3.6 Hold Harmless. The LME/MCO and Provider agree to each be solely responsible for their own acts or omissions in the performance of each of their individual duties hereunder, and shall be financially and legally responsible for all liabilities, costs, damages, expenses and attorney fees resulting from, or attributable to any and all of their individual acts or

Either Party may at any time change its address for notification purposes by mailing a notice to the other Party at the address designated by that Party. The new address shall be effective on the date specified in such notice, or if no date is specified, on the tenth (10th) day following the date such notice is received.

ARTICLE IV TERM AND TERMINATION

- 4.0 Term. The term of this Contract shall commence upon execution by all Parties and shall continue until the effective date of Procurement Contract(s) between the Parties allowing for reimbursement of claims submitted by Contractor to LME/MCO for inpatient psychiatric services. The Parties agree, acknowledge and understand that Contractor shall be required to meet all credentialing criteria required by the Division of Medical Assistance and the LME/MCO accrediting body prior to the execution of a Procurement Contract, and that credentialing approval is contingent upon approval of Contractor's license to operate Alexander Hospital as a psychiatric hospital by the State of North Carolina.
- 4.1 Termination Without Cause. In accordance with 10A NCAC 27A .0106, this contract may be terminated at any time by mutual consent of both parties or 30 days after either Party gives written notice of termination to the other Party.
- 4.2 Availability of Funding. Either party may terminate the Contract if Federal, State or local funds allocated to LME/MCO are revoked or terminated in a manner beyond the control of LME/MCO for any part of the Contract period. The parties explicitly acknowledge, agree and understand that this Contract and any other contractual relationship between the parties is dependent upon and subject to the appropriation, allocation or availability of funds for this purpose by the State of North Carolina to LME/MCO. In the event that LME/MCO, in its sole discretion, determines, in view of its total operations, that available funding is insufficient to continue this Contract, it may choose to terminate the Contract by providing written notice of said termination to CMT, and the Contract shall terminate upon such notice without any further liability to LME/MCO.
- 4.3 Termination for Cause. Either party may terminate the Contract with cause upon thirty (30) days notice to the other party; cause shall be documented in writing detailing the grounds for the termination. Cause for termination of the Contract may include, but is not limited to:
- i. Either party has failed to attain or maintain required facility or professional NC Medicaid enrollment, licensure, accreditation or certification; and/or
 - ii. The conduct of either party or either party's employees or agents or the standard of services provided threatens to place the health or safety of any Enrollee in jeopardy. Conduct of the either party's employee(s) or agent(s) that threatens to place the health or safety of any Enrollee in jeopardy shall not constitute grounds for termination of the entire Contract provided the party takes appropriate action toward said employee(s) or agent(s). Either party maintains its right to terminate this

Contract should the other party fail to take appropriate action toward employees or agents whose conduct threatens to place the health or safety of any Enrollee in jeopardy; and/or

iii. Any other material breach of this Contract.

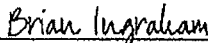
REQUIRED APPENDICES/ATTACHMENTS:

- _____ Appendix A CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION-LOWER TIER COVERED TRANSACTIONS
- _____ Appendix B CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS
- _____ Appendix C CERTIFICATION REGARDING LOBBYING
- _____ Appendix D CERTIFICATION REGARDING ENVIRONMENTAL TOBACCO SMOKE

IN WITNESS WHEREOF:

IN WITNESS WHEREOF, each party has caused this agreement to be executed in multiple copies, each of which shall be deemed an original, as the act of said party. Each individual signing below certifies that he or she has been granted the authority to bind said Party to the terms of this Contract and any Addendums or Attachments thereto:

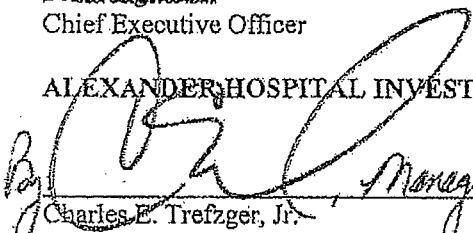
SMOKY MOUNTAIN LME/MCO

DocuSigned by:

 Brian Ingraham
 Chief Executive Officer

10/15/2014

 Date

ALEXANDER HOSPITAL INVESTORS, LLC


 Charles E. Trefzger, Jr.
 Manager

9/29/14

 Date

MBHS OF NORTH CAROLINA, LLC

DocuSign Envelope ID: 456175AD-A263-45C7-8A40-029E8944A6BA

DocuSign Envelope ID: 2EE35B9B-983D-4FD7-9006-FEB9B2D495D3

DocuSigned by:



9/23/2014

Wendy J. ...

Date

President

APPENDIX A

CERTIFICATION REGARDING DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION-LOWER TIER COVERED TRANSACTIONS (Note: The phrase "prospective lower tier participant" means providers under contract with the Division.)

**Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services**

Instructions for Certification

1. By signing and submitting this Contract, the prospective lower tier participant is providing the certification set out below.
2. The certification in this clause is a material representation of the fact upon which reliance was placed when this transaction was entered into. If it is later determined that the prospective lower tier participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension and/or debarment.
3. The prospective lower tier participant will provide immediate written notice to LME/MCO if at any time the prospective lower tier participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
4. The terms "covered transaction," "debarred," "suspended," "ineligible," "lower tier covered transaction," "participant," "person," "primary covered transaction," "principal," "proposal," and "voluntarily excluded," as used in this clause, have the meanings set out in the Definitions and Coverage sections of rules implementing Executive Order 12549, 45 CFR Part 76.
5. The prospective lower tier participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter any lower tier covered transaction with a person who is debarred, suspended, determined ineligible or voluntarily excluded from participation in this covered transaction unless authorized by the department or agency with which this transaction originated.
6. The prospective lower tier participant further agrees by signing this Contract that it will include this clause titled "Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transaction," without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.
7. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not debarred, suspended, ineligible, or voluntarily excluded from covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency of which it determines the eligibility of its principals. Each participant may, but is not required to, check the Non procurement List.

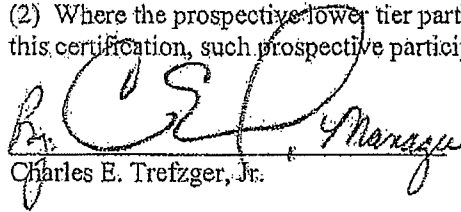
8. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

9. Except for transactions authorized in paragraph 5 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency with which this transaction originated may pursue available remedies, including suspension, and/or debarment.

Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion - Lower Tier Covered Transactions

(1) The prospective lower tier participant certifies, by signing this Contract, that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this transaction by any Federal department or agency.

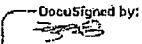
(2) Where the prospective lower tier participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.


Charles E. Trefzger, Jr.

MANAGER
Title

Alexander Hospital Investors, LLC

9/29/14
Date

DocuSigned by:

Wesley...

President
Title

MBHS of North Carolina, LLC

9/23/2014
Date

APPENDIX B

CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS

**Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services**

- I. By execution of this Agreement the Contractor certifies that it will provide a drug-free workplace by:
 - A. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession or use of a controlled substance is prohibited in the Contractor's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
 - B. Establishing a drug-free awareness program to inform employees about:
 - (1) The dangers of drug abuse in the workplace;
 - (2) The Contractor's policy of maintaining a drug-free workplace;
 - (3) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;
 - C. Making it a requirement that each employee be engaged in the performance of the agreement be given a copy of the statement required by paragraph A;
 - D. Notifying the employee in the statement required by paragraph A that, as a condition of employment under the agreement, the employee will:
 - (1) Abide by the terms of the statement; and
 - (2) Notify the employer of any criminal drug statute conviction for a violation occurring in the workplace no later than five days after such conviction;
 - E. Notifying the Department within ten days after receiving notice under subparagraph D(2) from an employee or otherwise receiving actual notice of such conviction;
 - F. Taking one of the following actions, within 30 days of receiving notice under subparagraph D(2), with respect to any employee who is so convicted:
 - (1) Taking appropriate personnel action against such an employee, up to and including termination; or

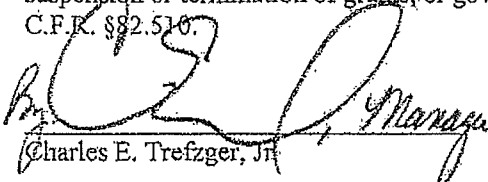
- (2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency; and
- (3) Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs A, B, C, D, E, and F.

II. The site(s) for the performance of work done in connection with the specific agreement is:


Alexander Hospital
326 Third Street SW
Taylorsville, NC 28681

Contractor will seek credentialing for and request written amendment from LME/MCO to add any additional sites for performance of work under this agreement.

False certification or violation of the certification shall be grounds for suspension of payment, suspension or termination of grants, or government-wide Federal suspension or debarment, 45 C.F.R. § 92.510.


 Charles E. Trefzger, Jr. MANAGER
 Title

Alexander Hospital Investors, LLC 9/29/14
 Date

DocuSigned by:

 Wes Mason President
 Title

9/23/2014
 MBHS of North Carolina, LLC Date

APPENDIX C

Certification Regarding Lobbying
Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services

Certification for Contracts, Grants, Loans and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any Federal, state or local government agency, a Member of Congress, a Member of the General Assembly, an officer or employee of Congress, an officer or employee of the General Assembly, an employee of a Member of Congress, or an employee of a Member of the General Assembly in connection with the awarding of any Federal or state contract, the making of any Federal or state grant, the making of any Federal or state loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal or state contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any Federal, state or local government agency, a Member of Congress, a Member of the General Assembly, an officer or employee of Congress, an officer or employee of the General Assembly, an employee of a Member of Congress, or an employee of a Member of the General Assembly in connection with the awarding of any Federal or state contract, the making of any Federal or state grant, the making of any Federal or state loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal or state contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.
- (4) This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Notwithstanding other provisions of federal OMB Circulars A-122 and A-87, costs associated with the following activities are unallowable:

Paragraph A.

- (1) Attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, or similar procedure, through in kind or cash contributions, endorsements, publicity, or similar activity;
- (2) Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections;
- (3) Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation through communication with any

- member or employee of the Congress or State legislature (including efforts to influence State or local officials to engage in similar lobbying activity), or with any Government official or employee in connection with a decision to sign or veto enrolled legislation;
- (4) Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation by preparing, distributing or using publicity or propaganda, or by urging members of the general public or any segment thereof to contribute to or participate in any mass demonstration, march, rally, fundraising drive, lobbying campaign or letter writing or telephone campaign; or
 - (5) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.

The following activities as enumerated in Paragraph B are excepted from the coverage of Paragraph A:

Paragraph B.

- (1) Providing a technical and factual presentation of information on a topic directly related to the performance of a grant, contract or other agreement through hearing testimony, statements or letters to the Congress or a State legislature, or subdivision, member, or cognizant staff member thereof, in response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing) made by the recipient member, legislative body or subdivision, or a cognizant staff member thereof; provided such information is readily obtainable and can be readily put in deliverable form; and further provided that costs under this section for travel, lodging or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearing.
- (2) Any lobbying made unallowable by subparagraph A(3) to influence State legislation in order to directly reduce the cost, or to avoid material impairment of the organization's authority to perform the grant, contract, or other agreement.
- (3) Any activity specifically authorized by statute to be undertaken with funds from the grant, contract, or other agreement.

Paragraph C.

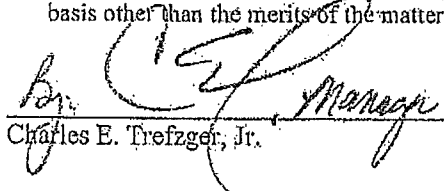
- (1) When an organization seeks reimbursement for indirect costs, total lobbying costs shall be separately identified in the indirect cost rate proposal, and thereafter treated as other unallowable activity costs in accordance with the procedures of subparagraph B(3).
- (2) Organizations shall submit, as part of the annual indirect cost rate proposal, a certification that the requirements and standards of this paragraph have been complied with.
- (3) Organizations shall maintain adequate records to demonstrate that the determination of costs as being allowable or unallowable pursuant to this section complies with the requirements of this Circular.
- (4) Time logs, calendars, or similar records shall not be required to be created for purposes of complying with this paragraph during any particular calendar month when: (i) the employee engages in lobbying (as defined in subparagraphs A & B) 25 percent or less of the employee's compensated hours of employment during that calendar month, and (ii) within the preceding five-year period, the organization has not materially misstated allowable or unallowable costs of any nature, including legislative lobbying costs. When conditions (i) and (ii) are met, organizations are not required to establish records to support the allow ability of claimed costs in addition to records already required or maintained. Also, when conditions (i) and (ii) are met, the absence of

time logs, calendars, or similar records will not serve as a basis for disallowing costs by contesting estimates of lobbying time spent by employees during a calendar month.

- (5) Agencies shall establish procedures for resolving in advance, in consultation with OMB, any significant questions or disagreements concerning the interpretation or application of this section. Any such advance resolution shall be binding in any subsequent settlements, audits or investigations with respect to that grant or contract for purposes of interpretation of this Circular; provided, however, that this shall not be construed to prevent a contractor or grantee from contesting the lawfulness of such a determination.

Paragraph D.

Executive lobbying costs. Costs incurred in attempting to improperly influence either directly or indirectly, an employee or officer of the Executive Branch of the Federal Government to give consideration or to act regarding a sponsored agreement or a regulatory matter are unallowable. Improper influence means any influence that induces or tends to induce a Federal employee or officer to give consideration or to act regarding a federally sponsored agreement or regulatory matter on any basis other than the merits of the matter.

By:  Charles E. Trefzger, Jr.

MANAGER
Title

Alexander Hospital Investors, LLC

9/24/14
Date

DocuSigned by:
 Woodbridge

President
Title

MBHS of North Carolina, LLC

9/23/2014
Date

APPENDIX D

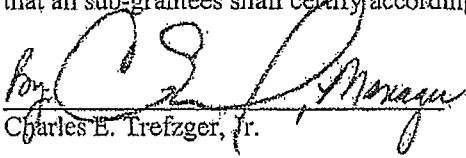
CERTIFICATION REGARDING ENVIRONMENTAL TOBACCO SMOKE

Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services

Certification for Contracts, Grants, Loans and Cooperative Agreements

Public Law 103-227, Part C-Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994 (Act), requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted for by an entity and used routinely or regularly for the provision of health, day care, education, or library services to children under the age of 18, if the services are funded by Federal programs either directly or through State or local governments, by Federal grant, contract, loan, or loan guarantee. The law does not apply to children's services provided in private residences, facilities funded solely by Medicare or Medicaid funds, and portions of facilities used for inpatient drug or alcohol treatment. Failure to comply with the provisions of the law may result in the imposition of a civil monetary penalty of up to \$1,000 per day and/or the imposition of an administrative compliance order on the responsible entity.

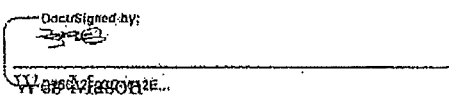
By signing and submitting this certification, the Contractor certifies that it will comply with the requirements of the Act. The Contractor further agrees that it will require the language of this certification be included in any sub-awards which contain provisions for children's services and that all sub-grantees shall certify accordingly.


Charles E. Trefzger, Jr.

MANAGER
Title

Alexander Hospital Investors, LLC

9/29/14
Date

DocuSigned by:

President

President
Title

MBHS of North Carolina, LLC

9/23/2014
Date