



NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**
Division of Health Service Regulation

ROY COOPER • Governor
MANDY COHEN, MD, MPH • Secretary
MARK PAYNE • Director

May 23, 2018

Steven Cavanaugh, Chief Executive Officer
HCR ManorCare
P.O. Box 10086
Toledo OH 43699-0086

No Review

Record #: See Attachment A
Facility Name: See Attachment A
FID #: See Attachment A
Business Name: HCR ManorCare
Business #: 2833
Project Description: Change in ownership structure in parent companies
County: See Attachment A

Dear Mr. Cavanaugh:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) received your letter of May 7, 2018 regarding the above referenced proposal. Based on the CON law **in effect on the date of this response to your request**, the proposal described in your correspondence is not governed by, and therefore, does not currently require a certificate of need. However, please note that if the CON law is subsequently amended such that the above referenced proposal would require a certificate of need, this determination does not authorize you to proceed to develop the above referenced proposal when the new law becomes effective. However, you need to contact the Agency's Acute and Home Care Licensure and Certification and Nursing Home Licensure and Certification Sections to determine if they have any requirements for development of the proposed project.

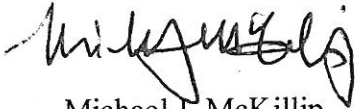
It should be noted that this determination is binding only for the facts represented in your correspondence. Consequently, if changes are made in the project or in the facts provided in your correspondence referenced above, a new determination as to whether a certificate of need is required would need to be made by this office. 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.

Please contact this office if you have any questions. Also, in all future correspondence you should reference the Facility ID # (FID) if the facility is licensed.

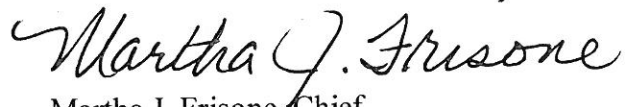
NC DEPARTMENT OF HEALTH AND HUMAN SERVICES • DIVISION OF HEALTH SERVICE REGULATION
HEALTHCARE PLANNING AND CERTIFICATE OF NEED SECTION

LOCATION: 809 Ruggles Drive, Edgerton Building, Raleigh, NC 27603
MAILING ADDRESS: 2704 Mail Service Center, Raleigh, NC 27699-2704
www.ncdhhs.gov/dhsr/ • TEL: 919-855-3873

Sincerely,



Michael J. McKillip
Project Analyst



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

cc: Acute and Home Care Licensure and Certification Section, DHSR
Nursing Home Licensure and Certification Section, DHSR
Amy Craddock, Assistant Chief, Healthcare Planning, DHSR



May 7, 2018

Re: HCR ManorCare, Inc. Update to Notice of Pending Transaction

HCR ManorCare, Inc. ("HCR") currently owns, through licensed indirect subsidiary provider entities, skilled nursing facilities ("SNF"), assisted living facilities ("AL"), home health agencies, hospice agencies and rehabilitation agencies. The provider entities in your state are set forth on Attachment A (the "Licensed Providers").

We are writing to notify you that ProMedica Health System, Inc. ("ProMedica") and WellTower Inc. ("WellTower") have announced an agreement under which ProMedica will acquire HCR (the "Proposed Transaction"). In the Proposed Transaction, ProMedica, a non-profit health system, will acquire the operations of HCR, including all of its business lines, such that HCR will become a wholly-owned subsidiary of ProMedica. In addition, a Joint Venture formed by ProMedica and WellTower (the "Joint Venture") will acquire Quality Care Properties, Inc. ("QCP") that currently leases most of the SNF and AL real estate to indirect subsidiaries of HCR which, in turn, sublease those properties to HCR's indirect subsidiary Licensed Providers that operate the SNFs and ALs.¹ When it acquires QCP, the Joint Venture will enter into the same leasing and subleasing arrangement with the Licensed Providers. We anticipate that the Proposed Transaction will close in August 2018.

Importantly, the Proposed Transaction will not result in a direct ownership change of the Licensed Providers. They will still continue to be the licensees and their EINs will not change. Further the Proposed Transaction does not contemplate changes in the administration, staff, management or day-to-day operations of the Licensed Providers, nor changes that would negatively impact the type or quality of services and care the Licensed Providers currently offer their patients. The changes triggered by the Proposed Transaction are occurring above the Licensed Providers, in most cases several levels up the organization chain of ownership.

A simplified version of the current ownership structure is set forth on Attachment B. The new ownership structure following the Proposed Transaction is set forth on Attachment C. While the new ownership structure reflects changes above the HCR Healthcare, LLC level, the ownership structure for HCR Healthcare, LLC and below will remain unchanged from what you currently have on file.

¹ The real estate component of the Proposed Transaction will not apply to non-SNF and non-AL provider entities such as home health and hospice agencies.

333 N. Summit Street
P.O. Box 10086
Toledo, Ohio 43699-0086
419.252.5500

HCR·ManorCare

Separately, we will submit any regulatory filings to Medicare, Medicaid, state licensing and CON agencies that may be required to update this change in indirect owner and, to the extent necessary, change in property owner.

This is a change in what you may have read about in the press or was communicated to you by our letter dated March 2, 2018 about a previously planned transaction with QCP.² We believe the Proposed Transaction with ProMedica will provide us with the resources to grow and continue to deliver the high quality patient-centered care for which we are known as ProMedica and WellTower have expressed a strong desire to make additional investments in our company. We are very excited about partnering with ProMedica and WellTower and the benefits that strategic collaboration will bring to our patients. More information about ProMedica is available at www.promedica.org. More information about WellTower is available at www.welltower.com.

Should you have any questions or need additional information, feel free to contact David Parker, HCR's Chief Operating Officer, at Dparker@HCR-Manorcare.com.

Very truly yours,



Steven Cavanaugh
Chief Executive Officer

Enclosures

² On March 2, 2018, QCP entered into a plan sponsor agreement with HCR and HCP Mezzanine Lender, LP, a wholly owned subsidiary of QCP, contemplating, among other things, a prepackaged plan of re-organization of HCR under Chapter 11 of the United States Bankruptcy Code (the "Plan"). HCR ManorCare, Inc. was the only debtor. None of the indirect subsidiary were subject to the Chapter 11 proceeding. QCP was the only creditor affected by the re-organization. The Plan has been confirmed by the Bankruptcy Court and the Proposed Transaction will be submitted for approval by the Bankruptcy Court through an amended pre-packaged plan of re-organization.

ATTACHMENT A
LICENSED PROVIDERS

North Carolina Licenses

In Home Health, Inc.

~~BAI~~ ~~1011~~ 0300-71
 FID ~~020507~~

2584
 2587

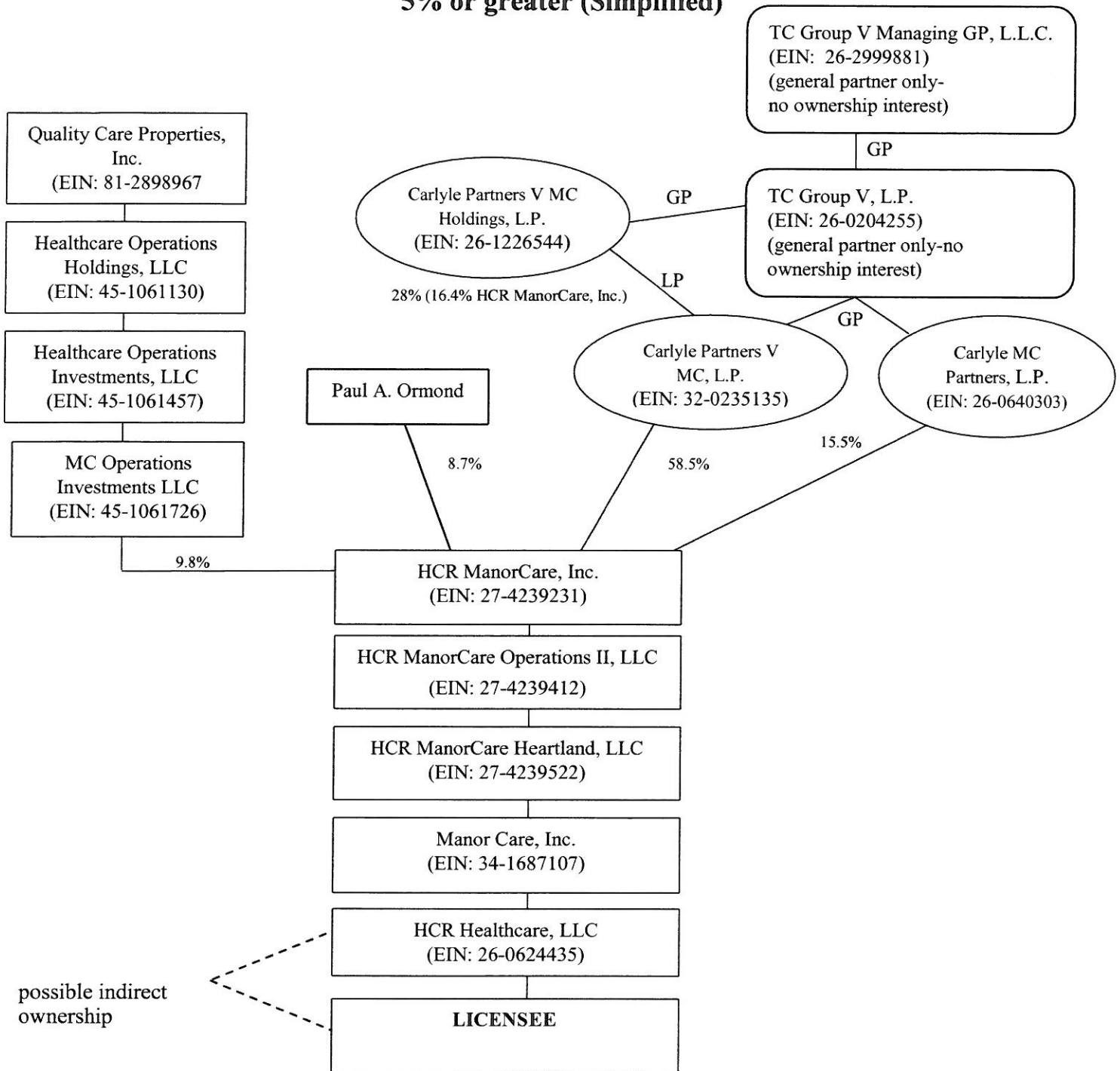
Legal Name	Business Name	Address	Tax ID	Type	License Number
In Home Health, LLC	Heartland Home Health Care and Hospice (Raleigh, NC)	4505 Falls of Neuse Road Suite 650, Wake County, Raleigh, North Carolina 27609-2523	41-1458213	Hospice	HOS2281
Manor Care of Pinehurst NC, LLC	ManorCare Health Services-Pinehurst	205 Rattlesnake Trail, Moore County, Pinehurst, North Carolina 28374-7639	26-0612589	SNF	NH0230

FID 923320

ATTACHMENT B

CURRENT OWNERSHIP STRUCTURE

Current Ownership Structure
5% or greater (Simplified)



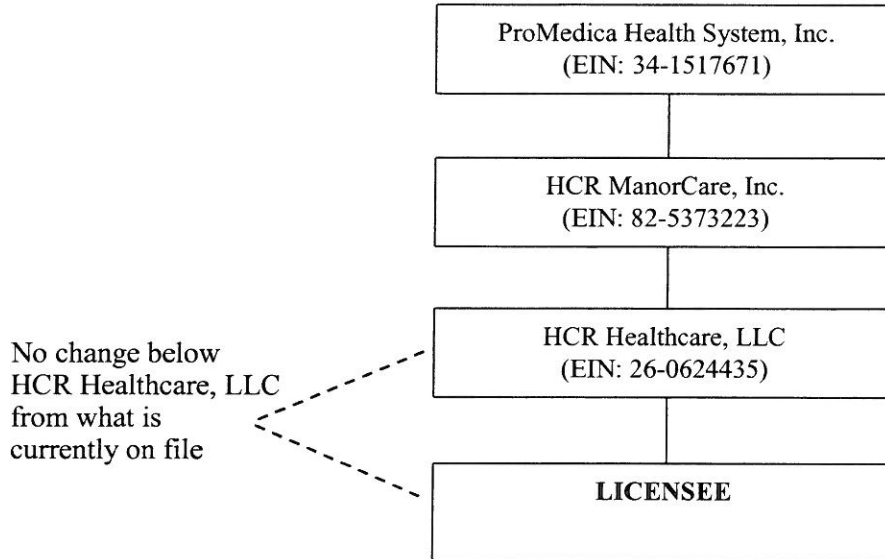
Except as indicated, each entity is owned 100% by the entity listed above it.

Business addresses: (a) Carlyle Partners partnerships - 1001 Pennsylvania Avenue, NW, Suite 220, Washington DC, 20004-2505, Phone number: 202-729-5626; (b) Quality Care Properties entities - 7315 Wisconsin Ave., Suite 550-East, Bethesda, MD 20814, Phone number: 240-223-4680; and (c) HCR ManorCare entities and Paul A. Ormond -333 N. Summit St., Toledo, Ohio, 43604, Phone number: 419-252-5500.

ATTACHMENT C

NEW OWNERSHIP STRUCTURE AFTER PROPOSED TRANSACTION

Post-Closing Ownership Structure
5% or greater (Simplified)
Reflecting changes above HCR Healthcare, LLC*



* While the new ownership structure reflects changes above the HCR Healthcare, LLC level, the ownership structure for HCR Healthcare, LLC and below will remain unchanged from what you currently have on file.

Business addresses: (a) ProMedica Health System, Inc. - MSC-S39938, 100 Madison Ave., Toledo, OH 43604, Phone number: 567.585.3622; and (b) HCR ManorCare entities – 333 N. Summit St., Toledo, Ohio, 43604, Phone number: 419.252.5500.