



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

October 13, 2014

Neil W. Hoffman
Arnall Golden Gregory LLP
171 17th Street NW, Suite 2100
Atlanta, GA 30363-1031

No Review

Facility or Business: See Attachment A

Project Description: Change in indirect investor entities and shareholders

County and FID#: See Attachment A

Dear Mr. Hoffman:

The Certificate of Need Section (CON Section) received your letter of October 7, 2014 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.

Moreover, you need to contact the Nursing Home Licensure and Certification Section and the Adult Care Licensure Section of the Division of Health Service Regulation to determine if they have any requirements for development of the above referenced proposal.

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



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
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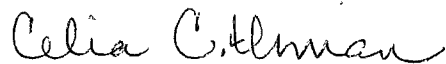


Mr. Hoffman
October 13, 2014
Page 2

referenced above, a new determination as to whether a certificate of need is required would need to be made by the Certificate of Need Section.

Please contact the CON Section if you have any questions. Also, in all future correspondence you should reference the Facility I.D. # (FID) if the facility is licensed.

Sincerely,



Celia C. Inman
Project Analyst



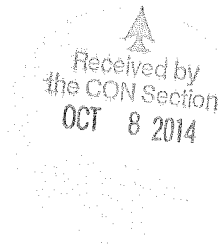
Martha J. Frisone, Interim Chief
Certificate of Need Section

cc: Nursing Home Licensure and Certification Section, DHSR
cc: Adult Care Licensure Section, DHSR

**Attachment A
Genesis HealthCare, Inc.
Indirect Interest Transfers**

<u>Facility Name</u>	<u>FID #</u>	<u>Facility Operator</u>	<u>Facility Type</u>	<u>County</u>
Abbotts Creek Center	923045	SunBridge Regency – North Carolina, Inc.*	Skilled Nursing Facility	Davidson
Alleghany Center	923249	SunBridge Regency – North Carolina, Inc.*	Skilled Nursing Facility / Adult Care Home	Alleghany
Meridian Center	923288	SunBridge Regency – North Carolina, Inc.*	Skilled Nursing Facility	Guilford
Mooresville Center	923353	550 Glenwood Operations LLC	Skilled Nursing Facility / Adult Care Home	Iredell
Mount Olive Center	923344	SunBridge Regency – North Carolina, Inc.*	Skilled Nursing Facility	Wayne
Pembroke Center	923393	SunBridge Retirement Care Associates, LLC	Skilled Nursing Facility	Robeson
Poplar Heights Center	943301	SunBridge Retirement Care Associates, LLC	Skilled Nursing Facility / Adult Care Home	Bladen
Salisbury Center	923354	710 Julian Road Operations LLC	Skilled Nursing Facility / Adult Care Home	Rowan
Siler City Center	923120	SunBridge Regency – North Carolina, Inc.*	Skilled Nursing Facility	Chatham
Woodland Hill Center	923365	SunBridge Regency – North Carolina, Inc.*	Skilled Nursing Facility	Randolph

*Entity will be converted or merged to become a limited liability company; however, the entity's tax identification number will remain the same. Conversion or merger documents will be provided post-closing.



October 7, 2014

VIA FEDERAL EXPRESS

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

Re: North Carolina Facilities / Proposed Indirect Interest Transfers

Dear Mr. Smith:

This letter follows our previous correspondence dated December 6, 2013, and December 16, 2013, regarding the proposed indirect interest transfers involving the facilities listed in Attachment A (the "Facilities"), which will result in certain new indirect investor entities and public shareholders above the operators for the Facilities (the "Interest Transfers"). The Interest Transfers are now scheduled to begin on or about February 1, 2015.

As previously described, the Interest Transfers will take place multiple levels above the Facility operators in the corporate structure, will occur in stages over a period of time, and will result in public shareholders as the indirect owners of the Facilities. We understand based on the enclosed correspondence that we are authorized to proceed with the Interest Transfers.

Please note, however, that the proposed structure for the Interest Transfers will differ slightly from our previous filings. As reflected in the enclosed updated diagram, Attachment B, Genesis Healthcare LLC, an indirect owner of the Facility operators, will now combine with Skilled Healthcare Group, Inc. (to be renamed Genesis HealthCare, Inc.). The initial stage of the Interest Transfers will result in a change of 25.75 percent of the current indirect investors and shareholders. Following the initial stage, there will be subsequent stages, which will result in public shareholders obtaining a greater than 50 percent, and up to 100 percent, indirect ownership interest in the Facility operators. Also, note that certain Facility operators that are corporations will be converted to LLCs. However, all of the Facilities' tax identification numbers will remain the same, including those converting from corporations to LLCs.

The Facility operators will continue to exist (although, as noted above, certain entities will be converted from corporations to LLCs). Regardless of whether the Facility operators are converting from corporations to LLCs, the Facility operators' federal tax identification numbers will not change. In addition, there will be no change to the Facilities' day-to-day operations as a result of the Interest Transfers.

It is our understanding that the proposed changes described above and reflected in the diagram do not require any additional filings prior to these changes taking place, and that we may proceed with consummating the proposed changes. Further, we understand that the transaction does not require certificate of need ("CON") review or approval. We will provide notice to your office once the Interest Transfers have begun. **We respectfully request a letter or email acknowledgment from your office confirming our understanding.**

For your convenience, I have enclosed a stamped, self-addressed envelope and a copy of this letter for your signature in the space provided below indicating confirmation of our understanding as provided above.

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

Sincerely,

ARNALL GOLDEN GREGORY LLP



Neil W. Hoffman

NWH:sjw
Enclosures

cc: Teresa Salamon, Esq.
Hedy S. Rubinger, Esq.

**STATE OF NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF HEALTH SERVICE REGULATION, CERTIFICATE OF NEED SECTION**

Signature: _____

Printed Name: _____

Title: _____

Date: _____

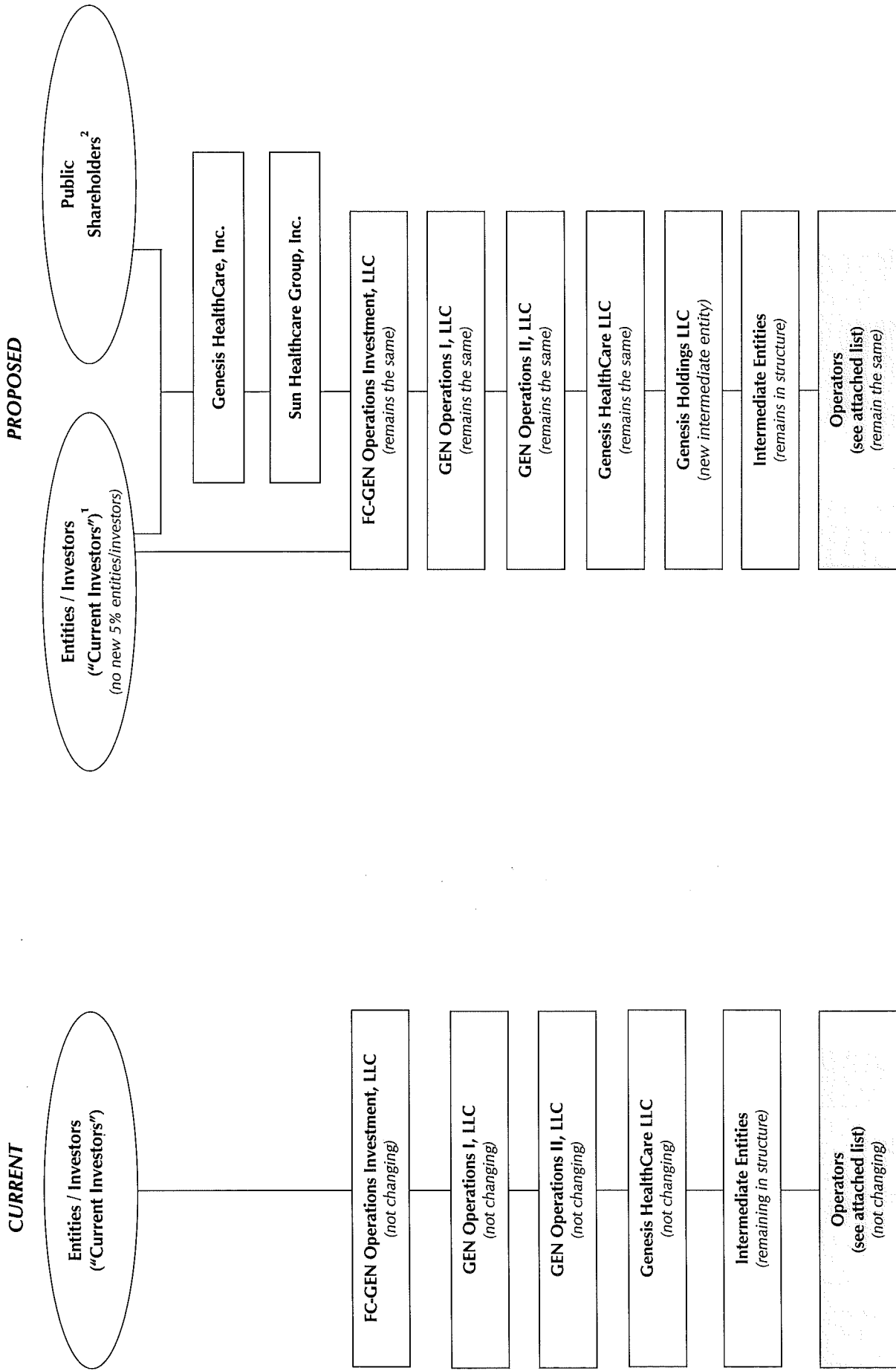
ATTACHMENT A

License Type	Facility Name and Address	Facility Operator
SNF	Abbotts Creek Center 877 Hill Everhart Road Lexington, NC 27295	SunBridge Regency-North Carolina, Inc.*
SNF/ ALF	Alleghany Center 179 Combs Street Sparta, NC 28675	SunBridge Regency-North Carolina, Inc.*
SNF	Meridian Center 707 North Elm Street High Point, NC 27262	SunBridge Regency-North Carolina, Inc.*
SNF/ALF	Mooreville Center 550 Glenwood Drive Mooreville, NC 28115	550 Glenwood Drive Operations LLC
SNF	Mount Olive Center 228 Smith Chapel Road Mount Olive, NC 28365	SunBridge Regency-North Carolina, Inc.*
SNF	Pembroke Center 310 East Wardell Drive Pembroke, NC 28372	SunBridge Retirement Care Associates, LLC
SNF/ ALF	Poplar Heights Center 804 S. Poplar Street Elizabethtown, NC 28337	SunBridge Retirement Care Associates, LLC
SNF/ALF	Salisbury Center 710 Julian Road Salisbury, NC 28147	710 Julian Road Operations LLC
SNF	Siler City Center 900 West Dolphin Street Siler City, NC 27344	SunBridge Regency-North Carolina, Inc.*
SNF	Woodland Hill Center 400 Vision Drive Asheboro, NC 27203	SunBridge Regency-North Carolina, Inc.*

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ATTACHMENT B

Overview of Proposed Indirect Ownership Update



1. Current Investors will have a 74.25% indirect ownership interest in the Operators after the initial stage. This ownership interest will decrease as Current Investors exchange their FC-GEN Operations Investment, LLC interests for public shares of Genesis HealthCare, Inc. (f/k/a Skilled Healthcare Group, Inc.) resulting in Public Shareholders obtaining up to a 100% indirect ownership interest in the Operators.
 2. Public Shareholders will have a 25.75% indirect ownership interest in the Operators after the initial stage. This ownership interest will increase as Current Investors exchange their FC-GEN Operations Investment, LLC interests for public shares of Genesis HealthCare, Inc. (f/k/a Skilled Healthcare Group, Inc.) resulting in Public Shareholders obtaining up to a 100% indirect ownership interest in the Operators.

This diagram presents the ownership interest Transfers in generalized terms. Please let us know if you would like additional information regarding the Interest Transfers.





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Drexdal Pratt
Division Director

December 16, 2013

Neil W. Hoffman
Arnall Golden Gregory LLP
171 17th Street NW, Suite 2100
Atlanta, GA 30363-1031

No Review – Indirect Interest Transfer

Facility or Business: See Attachment A

Project Description: Change in indirect investor entities and shareholders

County and FID#: See Attachment A

Dear Mr. Hoffman:

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Certificate of Need Section

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Mr. Hoffman
December 16, 2013
Page 2

Please contact the CON Section if you have any questions. Also, in all future correspondence you should reference the Facility I.D. # (FID) if the facility is licensed.

Sincerely,



Celia C. Inman
Project Analyst



Craig R. Smith, Chief
Certificate of Need Section

cc: Nursing Home Licensure and Certification Section, DHSR
cc: Adult Care Licensure Section, DHSR