



NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**

ROY COOPER • Governor

MANDY COHEN, MD, MPH • Secretary

MARK PAYNE • Director, Division of Health Service Regulation

VIA EMAIL ONLY

May 5, 2021

Susan K. Hackney

Susan.Hackney@klgates.com

No Review

Record #: 3553

Date of Request: April 27, 2021

Facility Name: Harnett Health System Affiliates, See Attachment A

FID #: See Attachment A

Business Name: Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System

Business #: 335

Project Description: Cape Fear Valley Health System to become the sole member of Harnett Health System, Inc., thereby the indirect owner of Betsy Johnson Hospital and Central Harnett Hospital

County: Harnett

Dear Ms. Hackney:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) received your correspondence regarding the project described above. Based on the CON law **in effect on the date of this response to your request**, the project as described is not governed by, and therefore, does not currently require a certificate of need. 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.

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

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: 809 Ruggles Drive, 2704 Mail Service Center, Raleigh, NC 27699-2704

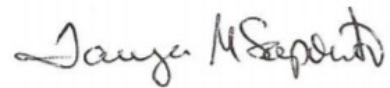
<https://info.ncdhhs.gov/dhsr/> • TEL: 919-855-3873

AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

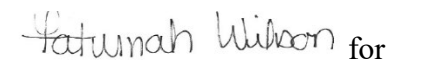
Susan K. Hackney
May 5, 2021
Page 2

Please do not hesitate to contact this office if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Tanya M. Saporito".

Tanya M. Saporito
Project Analyst

A handwritten signature in cursive script that reads "Tatumah Wilson".
for
Lisa Pittman
Acting Chief, Certificate of Need

cc: Acute and Home Care Licensure and Certification Section, DHSR

April 27, 2021

Susan K. Hackney
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VIA EMAIL

Lisa Pittman
Assistant Chief, Certificate of Need
Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation
North Carolina Department of Health & Human Services
809 Ruggles Drive
Raleigh, NC 27603
lisa.pittman@dhhs.nc.gov

Re: Affiliation of Cape Fear Valley Health System and Harnett Health System and its Controlled Affiliates

No Review Letter, Alternative Exemption Notice and Good Cause Transfer Request

Dear Ms. Pittman:

The purpose of this letter is to apprise you of a proposed transaction (the “Cape Fear Transaction”) involving a change in control of Harnett Health System, Inc. d/b/a Harnett Health System (“HHS”) and its controlled affiliates. Effective on or about June 30, 2021, pursuant to a Membership Substitution Agreement, Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System (“Cape Fear”) will become the sole corporate member of HHS. The Cape Fear Transaction will not involve any transfer of assets, merger, or assignment of responsibilities.

HHS owns and operates two hospitals regulated under the Certificate of Need (“CON”) Law: (1) Betsy Johnson Hospital in Dunn, Harnett County (FID No. 92269); and (2) Central Harnett Hospital in Lillington, Harnett County (FID No. 050926). These two hospitals are licensed to HHS under the same License Number (H0224).¹ To our knowledge, HHS does

¹ Hereafter, Betsy Johnson Hospital and Central Harnett Hospital will be collectively referred to as the “HHS Facilities.”
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not own or operate any other health service facilities subject to CON-regulation. Notably, the Cape Fear Transaction does not change the ownership of HHS's assets or change the operator, provider, or licensee of any services at either of the HHS Facilities referenced above.

We are requesting that the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Healthcare Planning and Certificate of Need Section (the "Agency") confirm that the Cape Fear Transaction is either:

- (1) not reviewable as new institutional health services under the CON Law because the Cape Fear Transaction is simply a member substitution above any operating entity level; or
- (2) in the alternative, exempt from review under the CON Law's exemption provisions at N.C. Gen. Stat. §§ 131E-184(a)(8)-(9).

Additionally, if the Agency deems the Cape Fear Transaction to constitute a transfer of the CON-approved, but not fully developed project and/or the CON project currently under review (each of which is described in Part III below), we request approval of a good cause transfer of those CON projects under development/review. Those good cause transfers are only necessary if the Cape Fear Transaction is deemed an exempt transaction under N.C. Gen. Stat. § 131E-184(a)(8). No such good cause transfers are necessary if this is deemed a non-reviewable transaction, as we propose.

I. NO-REVIEW REQUEST FOR THE CAPE FEAR TRANSACTION

As referenced above, pursuant to a Membership Substitution Agreement, Cape Fear will become the sole corporate member of HHS. The Cape Fear Transaction will not involve any transfer of assets, merger, or assignment of responsibilities.

Thus, the Cape Fear Transaction is a non-CON-reviewable event. Cape Fear becoming the sole corporate member of HHS is not a CON reviewable event because such an event is not expressly addressed in any of the new institutional health service "CON triggers" in N.C. Gen. Stat. § 131E-176(16). Neither a change in the sole member of an existing health care facility nor a change in control above the operator of a health service facility is included in

the list of activities that constitute the development of a new institutional health service, requiring a CON.

Pursuant to the maxim of statutory construction *expressio unius est exclusio alterius*, those transactions not included in N.C. Gen. Stat. § 131E-176(16) -- such as this Cape Fear Transaction -- do not require a CON. *See, e.g., In re Miller*, 357 N.C. 316, 325, 584 S.E.2d 772, 780 (2003) (stating that “[u]nder the doctrine of *expressio unius est exclusio alterius*, when a statute lists the situation to which it applies, it implies the exclusion of situations not contained in the list”); *see also Jackson v. A Woman’s Choice, Inc.*, 130 N.C. App. 590, 594, 503 S.E.2d 422, 425 (1998) (“[W]here a statute is explicit on its face, the courts have no authority to impose restrictions that the statute does not expressly contain.”) (internal citations omitted).

This transaction is very similar to a recently approved no-review request by Sentara Healthcare, which -- as here -- involved a member substitution above the regulated facility level. *See Exhibit 1*. Therefore, we request that you confirm that the Cape Fear Transaction is not subject to CON review. If you so find, Parts II and III below are superfluous.

II. NOTICE OF EXEMPTION FOR THE CAPE FEAR TRANSACTION (IF DEEMED CON-REVIEWABLE)

However, if the Agency treats the Cape Fear Transaction as the acquisition of the HHS Facilities (as health service facilities), and thus CON-reviewable, please consider this letter a notice of exemption for Cape Fear’s acquisition of such HHS Facilities pursuant to N.C. Gen. Stat. §§ 131E-184(a)(8)-(9).

The General Assembly has chosen to exempt certain, otherwise reviewable events from CON review, including the acquisition of existing health service facilities and the equipment owned by such health service facilities at the time of acquisition. *See id.* at § 131E-184(a)(8). Under N.C. Gen. Stat. § 131E-176(9b), each of the HHS Facilities constitutes a “health service facility.” Acquisition of physician office buildings is likewise exempt. *See id.* at § 131E-184(a)(9).

Furthermore, the proposed Cape Fear Transaction does not entail the acquisition of any major medical equipment or any *per se* reviewable equipment as defined in N.C. Gen. Stat. §§ 131E-176(14)(o) and -176(16)(f1), except in conjunction with the acquisition of the HHS Facilities in their entirety, each of which constitutes a “health service facility.” Likewise, the Cape Fear Transaction does not include the offering of any *per se* reviewable services, except those already offered by the existing HHS Facilities. *See id.* at § 131E-176(16)(f).

Accordingly, given that the Cape Fear Transaction involves only the HHS Facilities, which are existing health service facilities, even if the Agency deems the Cape Fear Transaction to constitute a new institutional health service, the Cape Fear Transaction is exempt from CON review. The acquisition of the previously exempted HHS physician office buildings is likewise exempt.

III. GOOD CAUSE TRANSFER REQUEST FOR UNDEVELOPED/UNDER REVIEW CON PROJECTS

It is our understanding that there is one CON project that is currently under development at an existing HHS Facility, and one CON project that is currently under review by the Agency:

Project I.D.	Facility	FID and Status	Project Description
M-11062-15	Central Harnett Hospital	050926 Under development ²	Acquire one linear accelerator and one CT Simulator to develop a comprehensive cancer center
M-12017-21	Betsy Johnson Hospital	922969 Under review	Develop inpatient dialysis services

² The CON for Project I.D. No. M-11062-15 is attached as **Exhibit 2**.

To the extent the Cape Fear Transaction is considered to be a transfer of the above-listed projects, we request approval for a “good cause” transfer of these CONs under development/review pursuant to N.C. Gen. Stat. § 131E-189. We believe that good cause exists for such a transfer.

Good cause exists for these projects to be transferred because the larger purposes of the Cape Fear Transaction are wholly unrelated to these pending/under review projects. Rather, these project transfers are merely a byproduct of the larger Cape Fear Transaction, pursuant to which Cape Fear will become the sole member of HHS. The larger purposes of the Cape Fear Transaction include:

- Maintaining the viability of HHS and its affiliates as robust providers in their respective service areas (the “HHS Service Areas”);
- Continuing to provide quality, cost-efficient, and innovative health care services to residents of the HHS Service Areas, while maintaining the accessibility and familiarity of local health care providers;
- Ensuring that patients receive the best medical care in the most appropriate service setting by providing access to a comprehensive health care provider operating through multiple medical facilities within North Carolina and beyond.

Moreover, nothing about this Cape Fear Transaction will affect the ability of the HHS Facilities to materially comply with any representations in CON applications or the CON conditions placed on the projects. In all material respects, the operations and development of these projects will be the same as represented in the CON applications and in compliance with the issued CONs. In addition, HHS and its affiliates will remain going concerns, and will remain the holder of the CONs (though the HHS Facilities’ assumed names will change as a result of the Cape Fear Transaction).

CONCLUSION

Based on the foregoing, we hereby request that the Agency:

Lisa Pittman
April 27, 2021
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1. confirm in writing that the Cape Fear Transaction: (1) does not require CON review; or alternatively, (2) is exempt from CON review pursuant to N.C. Gen. Stat. §§ 131E-184(a)(8)-(9); and,
2. if the Agency determines that the Cape Fear Transaction constitutes an exempt transfer of the HHS Facilities (as opposed to non-reviewable), approve good cause transfers for the outstanding CONs under development/review.

Because the parties currently anticipate executing the Member Substitution Agreement on or about April 30, 2021, we respectfully request a review before that date. Thank you for your assistance in regard to this matter.

Please feel free to contact me at the number above if you have any questions or need further information.

Sincerely,

Susan K. Hackney

Susan K. Hackney

Lisa Pittman
April 27, 2021
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Exhibits

1. No-review approval for Sentara HealthCare dated April 14, 2021 and associated March 26, 2021 request
2. Certificate of Need for Project I.D. No. M-11062-15

EXHIBIT 1



NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**

ROY COOPER • Governor

MANDY COHEN, MD, MPH • Secretary

MARK PAYNE • Director, Division of Health Service Regulation

VIA EMAIL ONLY

April 14, 2021

Gary S. Qualls
gary.qualls@klgates.com

No Review

Record #: 3527
Date of Request: March 26, 2021
Date of Receipt: April 13, 2021
Facility Name: Cone Health Affiliates, See Attachment A
FID #: See Attachment A
Business Name: Sentara HealthCare
Business #: 1527
Project Description: Sentara HealthCare will become the sole member of The Moses H. Cone Memorial Hospital, thereby, the indirect owner of Cone Health subsidiaries and affiliates
Counties: See Attachment A

Dear Mr. Qualls:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) received your correspondence regarding the project described above. Based on the CON law **in effect on the date of this response to your request**, the project as described is not governed by, and therefore, does not currently require a certificate of need. 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.

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

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

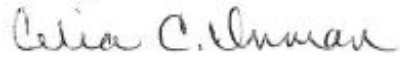
LOCATION: 809 Ruggles Drive, Edgerton Building, Raleigh, NC 27603
MAILING ADDRESS: 809 Ruggles Drive, 2704 Mail Service Center, Raleigh, NC 27699-2704
<https://info.ncdhhs.gov/dhsr/> • TEL: 919-855-3873

AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

Mr. Qualls
April 14, 2021
Page 2

Please do not hesitate to contact this office if you have any questions.

Sincerely,



Celia C. Inman
Project Analyst

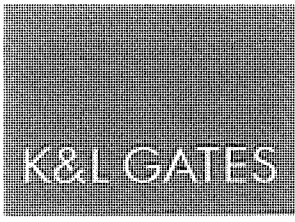


for
Lisa Pittman
Acting Chief, Certificate of Need

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

**Attachment A
 Facilities**

Facility Name	Type	FID	License	Address	County
Cone Health – Moses H. Cone Memorial Hospital	Hospital	943494	H0159	1200 N. Elm St., Greensboro	Guilford
LeBauer Endoscopy Center	ASC	923200	AS0052	520 N. Elam Ave., Greensboro	Guilford
Greensboro Specialty Surgery Center	ASC	923202	AS0009	3812 N. Elm St., Greensboro	Guilford
Adams Farm Living & Rehabilitation	NF	923541	NH0581	5100 Mackay Road, Jamestown	Guilford
Heartland Living & Rehab @ The Moses H. Cone Memorial Hospital	NF	020032	NH0601	1131 N. Church St., Greensboro	Guilford
Greensboro Imaging	DXCTR			1635 NC Hwy. 66, Kernersville	Guilford
Greensboro Imaging	DXCTR			315 West Wendover Ave., Greensboro	Guilford
LeBauer HealthCare	DXCTR	050269		1126 N. Church St., Greensboro	Guilford
Cone Health owned MOB				709 Green Valley Road, Greensboro	Guilford
Cone Health owned MOB				930 Third St., Greensboro	Guilford
Cone Health owned MOB				3516 Drawbridge Parkway, Greensboro	Guilford
Alamance Regional Medical Center, including mobile MRI (G-7053-04)	Hospital	954565	H0272	1240 Huffman Mill Road, Burlington	Alamance
Edgewood Place at the Village at Brookwood	NF	001655	NH0596	1820 Brookwood Ave., Burlington	Alamance
Annie Penn Hospital	Hospital	932940	H0023	618 S. Main St., Reidsville	Rockingham
Penn Nursing Center	NF	000187	NH0614	618-A S. Main St., Reidsville	Rockingham



March 26, 2021

Gary S. Qualls
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gary.qualls@klgates.com

VIA E-MAIL DELIVERY

Lisa Pittman
Assistant Chief, Certificate of Need
Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation
North Carolina Department of Health & Human Services
809 Ruggles Drive
Raleigh, NC 27603

Re: Affiliation of Sentara HealthCare and Moses H. Cone Memorial Hospital and its Controlled Affiliates

No Review Letter, Alternative Exemption Notice and Good Cause Transfer Request

Dear Ms. Pittman:

The purpose of this letter is to inform you of a proposed transaction (the “Sentara Transaction”) involving a change in control of Moses H. Cone Memorial Hospital d/b/a Cone Health (“Cone Health”) and its controlled affiliates. Effective on or about April 15, 2021, pursuant to a membership substitution transaction, Sentara HealthCare will become the sole member of The Moses H. Cone Memorial Hospital, and thereby, an indirect owner of Cone Health subsidiaries and affiliates. There are no assets being transferred, no merger is occurring, and no assignment of responsibilities is occurring. A proposed post-transaction organizational chart is attached as Exhibit 1 showing the entities owning CON rights to the facilities and projects discussed herein.

Cone Health and its controlled affiliates are the owners and, where relevant, licensed operators of the following health service facilities regulated under the Certificate of Need (“CON”) Law:

Guilford County

1. A hospital licensed to Moses H. Cone Memorial Hospital Operating Corp. and known as Cone Health in Greensboro, Guilford County (“Cone Health”) -- License No. H0159, Facility ID No. 943494. See Org Chart Boxes 10 and 11 in Exhibit 1.

2. An Endoscopy Center licensed as Moses Cone Medical Services, Inc. and known as LeBauer Endoscopy Center (a controlled affiliate of Cone Health), in Greensboro, Guilford County (“LeBauer”) -- License No. AS0052. See Org Chart Box 4 in Exhibit 1.
3. Greensboro Specialty Surgery Center -- License No. AS0009 (50.1% Ownership). See Org Chart Box 6 in Exhibit 1.
4. A Nursing Facility licensed to Adams Farm Living & Rehabilitation (CON rights and assets owned by Cone Health), in Guilford County (“Adams Farm”) -- License No. NH0581. See Org Chart Box 2 in Exhibit 1.
5. A Combination Nursing Facility licensed to Heartland Living & Rehab @ The Moses H. Cone Memorial Hospital (CON rights and assets owned by Cone Health), in Guilford County (“Heartland”) -- License No. NH0601. See Org Chart Box 2 in Exhibit 1.
6. Diagnostic Radiology & Imaging, LLC (50% Ownership) has the following diagnostic centers:
 - a. Greensboro Imaging, located at 1635 NC Hwy. 66, Kernersville, 27284.
 - b. Greensboro Imaging with fixed MRI Scanners / Diagnostic Center, located at 315 West Wendover Avenue, Greensboro, 27408.

See Org Chart Box 5 in Exhibit 1.
7. Diagnostic Center owned by Cone Health and Moses Cone Medical Services, Inc. d/b/a LeBauer Health Care, located at 1126 North Church Street, Suite 300, Greensboro, 27401. See Org Chart Box 3 in Exhibit 1.
8. Additionally, Cone Health owns the following physician office buildings:
 - a. A previously exempted physician office building located at 709 Green Valley Road, Greensboro.
 - b. A previously exempted physician office building located at 930 Third Street, Greensboro.
 - c. A previously exempted physician office building located at 3516 Drawbridge Parkway, Greensboro.

Alamance County

9. A hospital licensed to Alamance Regional Medical Center, Inc. and known as Alamance Regional Medical Center in Burlington, Alamance County (“Alamance Regional”) -- License No. H0272, Facility ID No. 954565. See Org Chart Box 8 in Exhibit 1.
10. A Combination Nursing Facility licensed to Edgewood Place at the Village at Brookwood (a controlled affiliate of Cone Health through Alamance Extended Care, Inc.), in Burlington, Alamance County (“Edgewood”) -- License No. NH0596. See Org Chart Box 9 in Exhibit 1.
11. A Mobile MRI Scanner constituting a mobile diagnostic center owned by Alamance Regional Medical Center -- Alamance FID # 954565 (CON Project ID # G-7053-04). See Org Chart Box 8 in Exhibit 1.

Rockingham County

12. A hospital licensed to Moses H. Cone Memorial Hospital Operating Corp. and known as Annie Penn Hospital in Reidsville, Rockingham County, North Carolina (“Annie Penn”) -- License No. H0023, Facility ID No. 932940. See Org Chart Boxes 10 and 11 in Exhibit 1.
13. A Combination Nursing Facility licensed to Penn Nursing Center (a controlled affiliate of Cone Health), in Reidsville, Rockingham County (“Penn Nursing”) -- License No. NH0614. See Org Chart Boxes 10 and 11 in Exhibit 1.

(Collectively, the health service facilities identified above will be called the “Cone Health Facilities”).

This member substitution does not change the ownership of Cone Health’s assets or change the operator, provider, or licensee of any services at any of the Cone Health Facilities listed above.

We are requesting that the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Healthcare Planning and Certificate of Need Section (the “Agency”) confirm that the Sentara Transaction is either:

- (1) not reviewable as new institutional health services under the North Carolina Certificate of Need (“CON”) law because the Transaction is simply a member substitution above any operating entity level; or
- (2) in the alternative, exempt from review under the CON law’s exemption provisions in N.C. Gen. Stat. § 131E-184(a)(8) and (a)(9).

Additionally, if the Agency deems this a transfer of the CON-approved, but not fully developed projects (described in Part III below), we request approval of a good cause transfer of those CON projects under development. Those good cause transfers are only necessary if this is deemed an exempt transaction under N.C. Gen. Stat. § 131E-184(a)(8). No such good cause transfers are necessary if this is deemed a non-reviewable transaction, as we propose.

I. NO REVIEW REQUEST FOR SENTARA TRANSACTION.

As referenced above, via member substitution, Sentara will become the sole member of The Moses H. Cone Memorial Hospital, and thereby, an indirect owner of Cone Health subsidiaries and affiliates. See Exhibit 1. There are no assets being transferred, no merger is occurring, and no assignment of responsibilities is occurring.

Thus, the Sentara Transaction is a non-CON-reviewable event. Sentara becoming the sole corporate member of Cone Health is not a CON reviewable event because such an event is not expressly addressed in any of the new institutional health service “CON triggers” in N.C. Gen. Stat. § 131E-176(16). Neither a change in the sole member of an existing health care facility nor a change in control of an indirect owner of a health service facility is included in the list of activities that constitute the development of a new institutional health service, requiring a CON.

Pursuant to the maxim of statutory construction *expressio unius est exclusio alterius*, those transactions not included in N.C. Gen. Stat. § 131E-176(16) -- such as this Sentara Transaction -- do not require a CON. See e.g., In re Miller, 357 N.C. 316, 325, 584 S.E.2d 772, 780 (2003) (stating that “[u]nder the doctrine of *expressio unius est exclusio alterius*, when a statute lists the situation to which it applies, it implies the exclusion of situations not contained in the list”); see also Jackson v. A Woman’s Choice, Inc., 130 N.C. App. 590, 594, 503 S.E.2d 422, 425 (1998) (internal citations omitted) (“[W]here a statute is explicit on its face, the courts have no authority to impose restrictions that the statute does not expressly contain.”).

This transaction is very similar to a previously approved no review request for Stanly Health Services, Inc., which – as here – involved a member substitution above the regulated facility level. See Exhibit 2 for Four January 14, 2014 Approvals in Response to December 20, 2013 No Review Request. Therefore, we request that you confirm that the Sentara Transaction is not subject to CON review. If you so find, Parts II and III below are superfluous.

II. EXEMPTION NOTICE FOR SENTARA TRANSACTION (IF DEEMED CON REVIEWABLE).

However, if the Agency treats the Sentara Transaction as the acquisition of the Cone Health Facilities (as health service facilities), and thus CON reviewable, this letter serves as

an exemption notice for such Cone Health Facilities and locations affected by the Sentara Transaction, pursuant to N.C. Gen. Stat. §§ 131E-184(a)(8) and (a)(9).

The General Assembly has chosen to exempt certain, otherwise reviewable, events from CON review, including the acquisition of an existing health service facility, including the equipment owned by the health service facility at the time of the acquisition. See N.C. Gen. Stat. § 184(a)(8). Under N.C. Gen. Stat. § 131E-176(9b), each of the Cone Health Facilities constitutes a “health service facility.” Acquisition of physician office buildings is likewise exempt. See N.C. Gen. Stat. § 184(a)(9).

Furthermore, the proposed Sentara Transaction does not entail the acquisition of any major medical equipment or any *per se* reviewable equipment as defined in N.C. Gen. Stat. § 131E-176(14)(o) and (16)(f1), except in conjunction with the acquisition of the entire existing health service facilities. Likewise, the transaction does not include the offering of any *per se* reviewable services except those already offered by the existing health service facilities. See N.C. Gen. Stat. § 131E-176(16)(f).

Accordingly, given that the Sentara Transaction involves only the Cone Health Facilities, which are existing health service facilities, even if the Agency deems the Sentara Transaction to constitute a new institutional health service, the Sentara Transaction is nevertheless exempt from CON review. Acquisition of the previously exempted Cone Health physician office buildings is likewise exempt.

III. GOOD CAUSE TRANSFER FOR UNDEVELOPED CON PROJECTS.

It is our understanding that there are several CON projects currently under development at existing or proposed Cone Health Facilities, identified as follows:

Project ID	Facility	FID And Status	Project Description
G-11104-15	Cone Health	943494 Complete, but pending last progress report.	Relocation of Women's and Infant's Services. This opened February 23, 2020 right before COVID.
G-11467-18	MedCenter Drawbridge	180104 Under development for both	Establish a new ambulatory care center. Under construction.
G-11828-19			Add rehab and medical oncology to a previously approved project. Under construction.

G-11529-18	Wesley Long Hospital	933540 Under development	Imaging Equipment Replacement and Renovations
G-11719-19	Wesley Long Hospital	933540 Complete, but pending last progress report.	Replace one existing linear accelerator
G-11859-20	Cone Health Women's Outpatient Center	200138 Projected opening May 1, 2021	Develop a new off-site hospital-based outpatient campus
G-11959-20	DRI -- The Breast Center of Greensboro Imaging	200745 Under development	Develop a mobile diagnostic program by acquiring one tomosynthesis or 3D mammography system.
G-11895-20	North Elam Ambulatory Surgery Center	200291 Under development	Develop a separately licensed freestanding ASF on Wesley Long campus. Center exists as provider-based and will be converted to an ASC upon project completion.

To the extent that the Sentara Transaction is considered to be a transfer of the above-listed projects, we request approval for a “good cause” transfer of these CONs under N.C. Gen. Stat. § 131E-189. We believe that good cause exists for such a transfer.

Good cause exists for these Projects to be transferred because the larger purposes of the Sentara Transaction are wholly unrelated to these pending projects. Rather, these Project transfers are merely a byproduct of the larger Sentara Transaction of Sentara becoming the sole member of Cone Health. The larger purposes of the Sentara Transaction include:

- Maintaining the viability of Cone Health and its affiliates as robust providers in their respective service areas (the “Cone Health Service Areas”);
- Continuing to provide quality, cost-efficient and innovative health care service to residents of the Cone Health Service Areas, while maintaining the accessibility and familiarity of local health care providers;

- Ensuring that patients receive the best medical care in the most appropriate service setting by providing access to a comprehensive health care provider operating through multiple medical facilities within North Carolina and beyond.

Moreover, nothing about this Sentara Transaction will affect the ability of the Cone Health Facilities to materially comply with any representations in CON applications or the CON conditions placed on the Projects. In all material respects, the operations and development of these Projects will be the same as represented in the Project CON applications and in compliance with the issued CONs. In addition, Cone Health and its affiliates will remain going concerns, and will remain the holder of the CONs.

CONCLUSION

Based upon the foregoing information, we hereby request the Agency's:

1. confirmation that the Sentara Transaction: (1) does not require CON review; or alternatively, (2) is exempt from CON review under N.C. Gen. Stat §§ 131E-184(a)(8) and (a)(9); and
2. approval of a good cause transfer for the outstanding Cone Health Facilities' CONs if the Agency determines that the Sentara Transaction constitutes an exempt transfer.

Because the currently anticipated Sentara Transaction effective date is April 15, 2021, we respectfully request a review before that date. Thank you for your assistance in regard to this matter. Please feel free to contact me at the number above if you have any questions or need further information.

Sincerely,

/s/ Gary S. Qualls

Gary S. Qualls

Exhibits

1. Post-Transaction Organizational Chart of Entities Owning CON Rights to Impacted Facilities.
2. No review approvals for Stanly Health Services, Inc. dated January 14, 2014 and associated December 20, 2013 request.

EXHIBIT 1

Sentara Healthcare
Box 1

The Moses H. Cone Memorial Hospital
Box 2

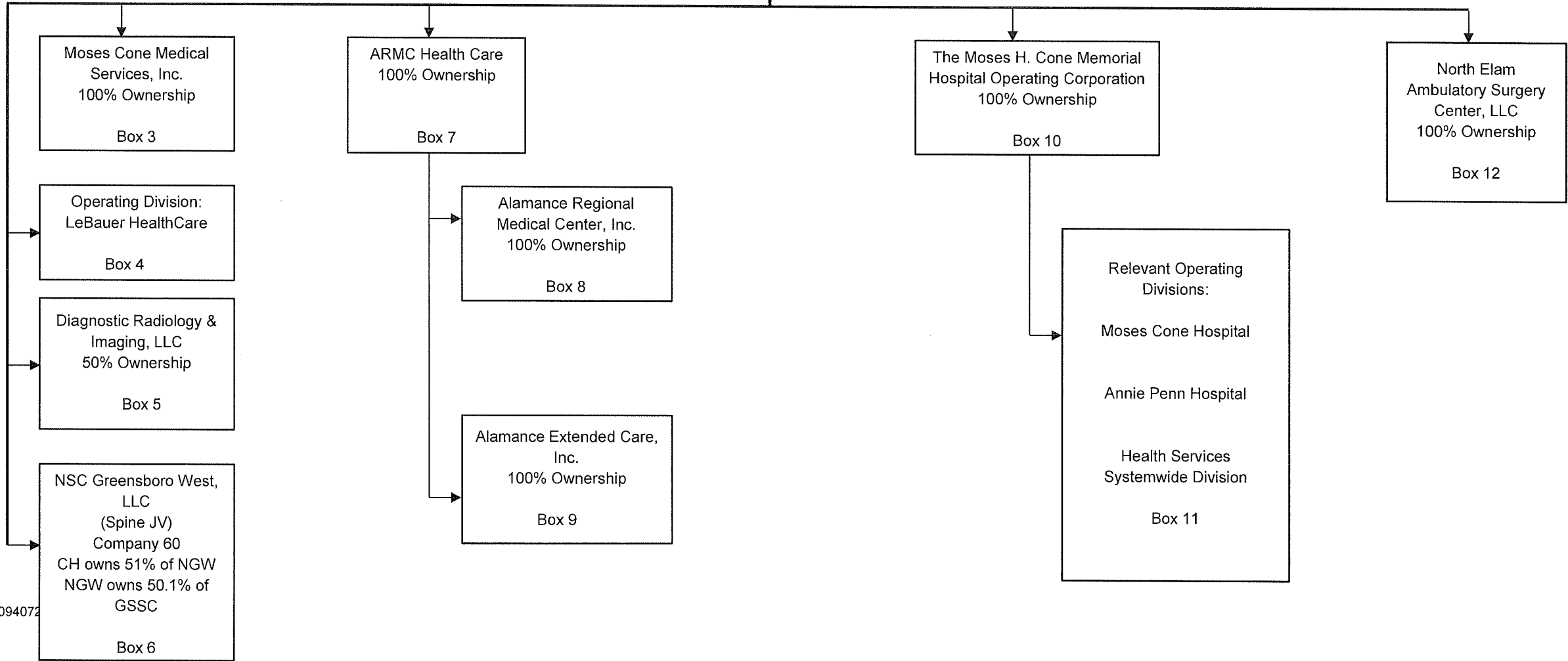


EXHIBIT 2



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 14, 2014

Mr. Gary S. Qualls
K&L Gates
430 Davis Drive, Suite 400
Morrisville, North Carolina 27560

No Review

Facility or Business: Stanly Regional Medical Center
Project Description: The Charlotte-Mecklenburg Hospital Authority will become the sole corporate member of Stanly Health Services, Inc.
County: Stanly
FID #: 953472

Dear Mr. Gary Qualls:

The Certificate of Need Section (CON Section) received your letter of December 20, 2013 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.

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 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.



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. Gary S. Qualls

Page 2

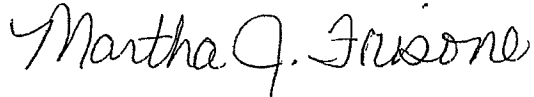
January 14, 2014

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,



Gloria C. Hale, Project Analyst



Martha J. Frisone, Interim Chief
Certificate of Need Section

cc: Medical Facilities Planning Section, DHSR
Acute and Home Care Licensure and Certification Section, DHSR



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 14, 2014

Mr. Gary S. Qualls
K&L Gates
430 Davis Drive, Suite 400
Morrisville, North Carolina 27560

No Review

Facility or Business: Home Care of the Carolinas
Project Description: The Charlotte-Mecklenburg Hospital Authority will become the sole member of Stanly Health Services, Inc.

County: Stanly
FID #: 953825

Dear Mr. Gary Qualls:

The Certificate of Need Section (CON Section) received your letter of December 20, 2013 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.

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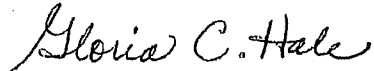
Mr. Gary S. Qualls

Page 2

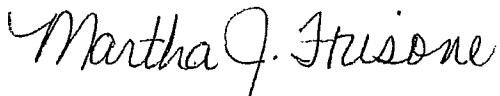
January 14, 2014

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,



Gloria C. Hale, Project Analyst



Martha J. Frisone, Interim Chief
Certificate of Need Section

cc: Medical Facilities Planning Section, DHSR
Acute and Home Care Licensure and Certification Section, DHSR



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

Pat McCrory
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Ambassador (Ret.)
Secretary DHHS

Drexdal Pratt
Division Director

January 14, 2014

Mr. Gary S. Qualls
K&L Gates
430 Davis Drive, Suite 400
Morrisville, North Carolina 27560

No Review

Facility or Business: Stanly Regional Medical Center
Project Description: The Charlotte-Mecklenburg Hospital Authority will become the sole corporate member of Stanly Health Services, Inc.
County: Stanly
FID #: 953472

Dear Mr. Gary Qualls:

The Certificate of Need Section (CON Section) received your letter of December 20, 2013 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.

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Mr. Gary S. Qualls

Page 2

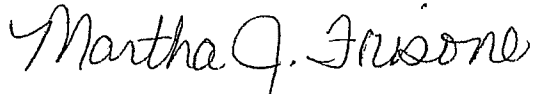
January 14, 2014

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,



Gloria C. Hale, Project Analyst



Martha J. Frisone, Interim Chief
Certificate of Need Section

cc: Medical Facilities Planning Section, DHSR
Acute and Home Care Licensure and Certification Section, DHSR



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 14, 2014

Mr. Gary S. Qualls
K&L Gates
430 Davis Drive, Suite 400
Morrisville, North Carolina 27560

No Review

Facility or Business: Stanly Manor

Project Description: The Charlotte-Mecklenburg Hospital Authority will become the sole member of Stanly Health Services, Inc.

County: Stanly
FID #: 923471

Dear Mr. Gary Qualls:

The Certificate of Need Section (CON Section) received your letter of December 20, 2013 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.

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 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.

Certificate of Need Section

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Mr. Gary S. Qualls

Page 2

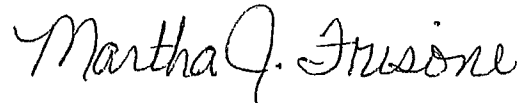
January 14, 2014

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,



Gloria C. Hale, Project Analyst



Martha J. Frisone, Interim Chief
Certificate of Need Section

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

Done

Received by
the CON Section
DEC 20 2013

K&L Gates LLP
Post Office Box 14210
Research Triangle Park, NC 27709-4210
430 Davis Drive, Suite 400
Morrisville, NC 27560
T 919.466.1190 www.klgates.com

December 20, 2013

Gary S. Qualls
D 919.466.1182
F 919.516.2072
gary.qualls@klgates.com

VIA HAND DELIVERY

Mr. Craig R. Smith
Chief, Certificate of Need Section
Division of Health Service Regulation
North Carolina Department of Health & Human Services
809 Ruggles Drive
Raleigh, NC 27603

Re: Affiliation of Charlotte-Mecklenburg Hospital Authority and Stanly Health Services Inc. and its Controlled Affiliates

No Review Letter, Alternative Exemption Notice, and Good Cause Transfer Request

Dear Mr. Smith:

The purpose of this letter is to inform you of a proposed transaction (the "SHS Transaction") involving a change in control of Stanly Health Services, Inc. ("SHS") and its controlled affiliates. Effective on or about January 31, 2014, SHS and its controlled affiliates will become affiliates of The Charlotte-Mecklenburg Hospital Authority ("CMHA"). To accomplish this change in control, on or about January 31, 2014, CMHA will become the sole corporate member of SHS with certain reserve powers and the right to appoint a majority of the SHS board.

SHS and its controlled affiliates are the owners and, where relevant, licensed operators of the following health service facilities regulated under the Certificate of Need ("CON") Law:

1. A hospital licensed to Stanly Regional Medical Center (a controlled affiliate of SHS) and known as Stanly Regional Medical Center in Albemarle, Stanly County, North Carolina (the "Hospital") -- License No. H0008, Facility ID No. 953472 (License attached as Exhibit 1).
2. A Combination Nursing Facility licensed to Stanly Manor, Inc. (a controlled affiliate of SHS), known as Stanly Manor, in Albemarle, Stanly County, North Carolina (the "Nursing Facility") -- License No. NH0464, Facility ID No. 923471 (License attached as Exhibit 2).

Mr. Craig R. Smith
December 20, 2013
Page 2

3. A Medicare-Certified Home Health Agency licensed to Stanlex, Inc. (a controlled affiliate of Stanly Regional Medical Center), known as Home Care of the Carolinas, in Albemarle, Stanly County, North Carolina (the "Albemarle HHA") -- License No. HC0308, Facility ID No. 953825 (License attached as Exhibit 3).
4. A Medicare-Certified Home Health Agency licensed to Stanlex, Inc. (a controlled affiliate of Stanly Regional Medical Center), known as Home Care of the Carolinas, in Troy, Montgomery County, North Carolina (the "Troy HHA") - - License No. HC2404, Facility ID No. 030795 (License attached as Exhibit 4).
5. A Diagnostic Center owned by West Stanly Imaging, LLC, and known as West Stanly Imaging, in Albemarle, Stanly County, which is 51% owned by Stanly Regional Medical Center and 49% owned by CMHA.

(Collectively the foregoing health service facilities will be called the "SHS Facilities").

This member substitution does not change the ownership of SHS's assets or change the operator, provider, or licensee of any services at any of the SHS Facilities. For instance, Stanly Regional Medical Center will remain the provider and licensed operator of the Hospital. Stanly Manor, Inc. will remain the provider and licensed operator of the Nursing Home. Stanlex, Inc. will remain the provider and licensed operator of the Albemarle HHA and the Troy HHA. West Stanly Imaging, LLC will remain the provider at the West Stanly Imaging Diagnostic Center.

We are requesting that the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Certificate of Need Section (the "Agency") confirm that the Transaction is either:

- (1) not reviewable as a new institutional health service under the North Carolina Certificate of Need ("CON") law because it is simply a member substitution; or
- (2) in the alternative, exempt from review under the CON law's exemption provisions in N.C. Gen. Stat. § 131E-184(a)(8).

Additionally, to the extent the Agency deems this a transfer of Stanly Regional Medical Center's approved, but not fully developed emergency department CON (described in Part III below), we are requesting approval of a good cause transfer of that CON project under development.

Mr. Craig R. Smith
December 20, 2013
Page 3

I. NO REVIEW REQUEST FOR SHS TRANSACTION.

CMHA becoming the sole corporate member of SHS is not a CON reviewable event because such an event is not expressly addressed in any of the new institutional health service "CON triggers" in N.C. Gen. Stat. § 131E-176(16). Neither a change in the sole member of an existing health care facility nor a change in control of an indirect owner of a health care facility is included in the list of activities that constitute the development of a new institutional health service, requiring a CON.

Pursuant to the maxim of statutory construction *expressio unius est exclusio alterius*, those transactions not included in N.C. Gen. Stat. § 131E-176(16) -- such as this SHS Transaction -- do not require a CON. See e.g., In re Miller, 357 N.C. 316, 325, 584 S.E.2d 772, 780 (2003) (stating that "[u]nder the doctrine of *expressio unius est exclusio alterius*, when a statute lists the situation to which it applies, it implies the exclusion of situations not contained in the list"); see also Jackson v. A Woman's Choice, Inc., 130 N.C. App. 590, 594, 503 S.E.2d 422, 425 (1998) (internal citations omitted) ("[W]here a statute is explicit on its face, the courts have no authority to impose restrictions that the statute does not expressly contain.").

Therefore, we request that you confirm that the SHS Transaction is not subject to CON review.

II. EXEMPTION NOTICE FOR SHS TRANSACTION (IF DEEMED CON REVIEWABLE).

However, if the Agency treats the SHS Transaction as the acquisition of the SHS Facilities (as health service facilities), and thus CON reviewable, this letter serves as an exemption notice for such SHS Facilities affected by the SHS Transaction, pursuant to N.C. Gen. Stat. § 131E-184(a)(8).

The General Assembly has chosen to exempt certain, otherwise reviewable, events from CON review, including the acquisition of an existing health service facility, including the equipment owned by the health service facility at the time of the acquisition. See N.C. Gen. Stat. § 184(a)(8). Under N.C. Gen. Stat. § 131E-176(9b), each of the SHS Facilities constitutes a "health service facility."

Furthermore, the proposed SHS Transaction does not entail the acquisition of any major medical equipment or any *per se* reviewable equipment as defined in N.C. Gen. Stat. § 131E-176(14)(o) and (16)(f1), except in conjunction with the acquisition of the entire existing health service facilities. Likewise, the transaction does not include the offering of

Mr. Craig R. Smith
December 20, 2013
Page 4

any *per se* reviewable services except those already offered by the existing health service facilities. See N.C. Gen. Stat. § 131E-176(16)(f).

Accordingly, given that the transaction involves only the SHS Facilities, which are existing health service facilities, even if the Agency deems the Transaction to constitute a new institutional health service, the Transaction is nevertheless exempt from CON review.

III. GOOD CAUSE TRANSFER FOR THE UNDEVELOPED STANLY REGIONAL EMERGENCY DEPARTMENT PROJECT CON.

It is our understanding that a CON project at the Hospital is currently under development by Stanly Regional Medical Center, identified as:

F-10072-13 - Stanly Regional Medical Center shall renovate and expand Emergency Department/Stanly County (the "ED Project")

(See CON attached hereto as Exhibit 5)

To the extent that the Transaction is considered to be a transfer of the ED Project CON, we are requesting approval for a "good cause" transfer of this CON under N.C. Gen. Stat. § 131E-189 and 10A N.C.A.C. 14C.0502. We believe that good cause exists for such a transfer.

Good cause exists for the ED Project transfer because the larger purposes of the SHS Transaction are wholly unrelated to the pending ED Project. Rather, the ED Project transfer is merely a byproduct of the larger SHS Transaction of CMHA becoming the sole member of SHS. The larger purposes of the SHS Transaction include:

- Maintaining the viability of SHS and its affiliates as robust providers in their respective service areas (the "SHS Service Areas");
- Continuing to provide quality, cost-efficient and innovative health care service to residents of the SHS Service Areas, while maintaining the accessibility and familiarity of local health care providers;
- Preparing for future reimbursement models that favor shared risk; and

Mr. Craig R. Smith
December 20, 2013
Page 5

- Ensuring that patients receive the best medical care in the most appropriate service setting by providing access to a comprehensive health care provider operating through multiple medical facilities within the State of North Carolina.

Moreover, nothing about this SHS Transaction will affect the ability of Stanly Regional Medical Center to materially comply with any representations in its ED Project CON application or the CON conditions placed on the ED Project. In all material respects, the operations and development of this ED Project will be the same as represented in the ED Project CON application and in compliance with the issued CON. In addition, Stanly Regional Medical Center will remain a going concern, and will remain the holder of the CON.

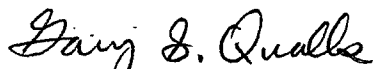
IV. CONCLUSION

Based upon the foregoing information, we hereby request the Agency's:

1. confirmation that the SHS Transaction: (1) does not require CON review; or alternatively, (2) is exempt from CON review under N.C. Gen. Stat § 131E-184(a)(8); and
2. approval of a good cause transfer for the outstanding Stanly Regional Medical Center ED Project CON if the Agency determines that the SHS Transaction constitutes an exempt transfer.

Because the effective Transaction date is currently anticipated to be January 31, 2014, we respectfully request your expedited review. Thank you for your assistance in regard to this matter. Please feel free to contact me at the number above if you have any questions or need further information.

Sincerely,


Gary S. Qualls

Mr. Craig R. Smith
December 20, 2013
Page 6

Exhibits

1. Current Hospital License for Stanly Regional Medical Center
2. Current Nursing Home License for Stanly Manor
3. Current HHA License Home Care of the Carolinas, in Albemarle, Stanly County
4. Current HHA License Home Care of the Carolinas, in Troy, Montgomery County
5. CON for Stanly Regional Medical Center Emergency Department

State of North Carolina

Department of Health and Human Services
Division of Health Service Regulation

Effective October 01, 2013, this license is issued to

Stanly Regional Medical Center

to operate a hospital known as

Stanly Regional Medical Center

located in Albemarle, North Carolina, Stanly 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: 953472

License Number: H0008

Bed Capacity: 109

General Acute 97, Psych 12,

Dedicated Inpatient Surgical Operating Rooms: 1

Dedicated Ambulatory Surgical Operating Rooms: 0

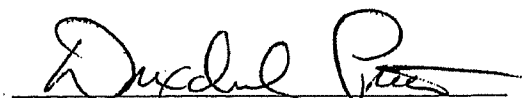
Shared Surgical Operating Rooms: 5

Dedicated Endoscopy Rooms: 2

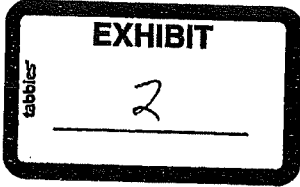
Authorized by:



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



Director, Division of Health Service Regulation



State of North Carolina

Department of Health and Human Services
Division of Health Service Regulation

Effective January 01, 2013, this license is issued to

Stanly Manor Inc

to operate a nursing facility known as

Stanly Manor

located in Albemarle, Stanly County


*This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2013.*

Facility ID: 923471


License Number: NH0464

*Bed Capacity: 100
Nursing Facility Beds 90 / Adult Care Home Beds 10*

Authorized by:


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




Director, Division of Health Service Regulation

State of North Carolina

Department of Health and Human Services
Division of Health Service Regulation

Effective January 01, 2013, this license is issued to
Stanlex, Inc.

to operate an agency known as
Home Care of the Carolinas.

located at 907 North Second Street
City of Albemarle, North Carolina.

This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2013.

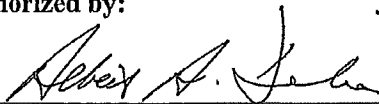
Facility ID: 953825

License Number: **HC0308**

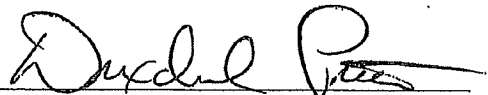
*Home Care Services: Nursing Care, Infusion Nursing, In-home Aide, Medical Social Services, Physical Therapy,
Occupational Therapy, Speech Therapy,*

This agency is authorized to provide Medicare-certified home health services.

Authorized by:



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



Director, Division of Health Service Regulation

EXHIBIT
4

State of North Carolina

Department of Health and Human Services
Division of Health Service Regulation

Effective January 01, 2013, this license is issued to
Stanlex, Inc.

to operate an agency known as
Home Care of the Carolinas

located at 1061 Albenarle Road
City of Troy, North Carolina.

This license is issued subject to the statutes of the
State of North Carolina, is not transferable and shall expire
midnight December 31, 2013.

Facility ID: 030795

License Number: **HC2404**

Home Care Services: Nursing Care, Infusion Nursing, In-home Aide, Medical Social Services, Physical Therapy,
Occupational Therapy, Speech Therapy,

This agency is authorized to provide Medicare-certified home health services.

Authorized by:

Aldona M. ... M.D.

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



Dwight ...

Director, Division of Health Service Regulation

EXHIBIT
5

STATE OF NORTH CAROLINA

*Department of Health and Human Services
Division of Health Service Regulation*

CERTIFICATE OF NEED

for

Project Identification Number #F-10072-13

FID #953472

**ISSUED TO: Stanly Regional Medical Center
301 Yadkin Street
Albemarle, NC 28001**

Pursuant to N.C. Gen. Stat. § 131E-175, et. seq., the North Carolina Department of Health and Human Services hereby authorizes the person or persons named above (the "certificate holder") to develop the certificate of need project identified above. The certificate holder shall develop the project in a manner consistent with the representations in the project application and with the conditions contained herein and shall make good faith efforts to meet the timetable contained herein. The certificate holder shall not exceed the maximum capital expenditure amount specified herein during the development of this project, except as provided by N.C. Gen. Stat. § 131E-176(16)e. The certificate holder shall not transfer or assign this certificate to any other person except as provided in N.C. Gen. Stat. § 131E-189(c). This certificate is valid only for the scope, physical location, and person(s) described herein. The Department may withdraw this certificate pursuant to N.C. Gen. Stat. § 131E-189 for any of the reasons provided in that law.

SCOPE: Stanly Regional Medical Center shall renovate and expand Emergency Department/ Stanly County

CONDITIONS: See Reverse Side

**PHYSICAL LOCATION: Stanly Regional Medical Center
301 Yadkin Street
Albemarle, NC 28001**

MAXIMUM CAPITAL EXPENDITURE: \$8,757,247

TIMETABLE: See Reverse Side

FIRST PROGRESS REPORT DUE: September 30, 2013

This certificate is effective as of the 11th day of May, 2013

Craig R. Smith

Chief, Certificate of Need Section
Division of Health Service Regulation

CONDITIONS:

1. Stanly Regional Medical Center shall materially comply with all representations made in the certificate of need application.
2. Stanly Regional Medical Center shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditure in Section VIII of the application and that would otherwise require a certificate of need.
3. Stanly Regional Medical Center shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representations in the written statement as described in paragraph one of Policy GEN-4.
4. Stanly Regional Medical Center shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.

A letter acknowledging acceptance of and agreeing to comply with all conditions stated in the conditional approval letter was received by the Certificate of Need Section on April 15, 2013.

TIMETABLE:

Contract Award _____	September 15, 2013
50% Completion of Construction _____	April 1, 2014
Completion of Construction _____	September 15, 2014
Occupancy/Offering of Services _____	October 1, 2014

EXHIBIT 2



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

Pat McCrory
Governor

Richard O. Brajer
Secretary DHHS

Drexdal Pratt
Division Director

December 16, 2015

Michael L. Jones
800 Tilghman Drive
Dunn, NC 28334

Transmittal of Certificate of Need

Project ID #: M-11062-15
Facility: Central Harnett Hospital
Project Description: Acquire one linear accelerator and one CT Simulator to develop a comprehensive cancer center
County: Harnett
FID #: 050926

Dear Mr. Jones:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) is happy to transmit your certificate of need for the above referenced project. At this time, you should contact the Agency's Acute and Home Care Licensure and Certification Section and the Construction Section, regarding their procedures and requirements for the development of this project. This office will notify the appropriate Sections that the certificate of need has been issued. However, please note that it is the responsibility of the holder of the certificate of need to contact these Sections concerning the next steps to follow in the development of the approved project.

Please be aware that pursuant to G.S. 131E-181(b), you are required to materially comply with the representations made in your application for a certificate of need, or with any conditions the Agency placed on the certificate of need. **If you subsequently propose to develop the project on a site different from that named on this certificate, you must first seek and obtain approval from the Director of the Division of Health Service Regulation.** If you operate a service which materially differs from the representations made in your application for a certificate of need, or with any conditions the Agency placed on the certificate of need, including any increase in per diem reimbursement rates/charges, the Agency may bring remedial action against the holder of the certificate of need pursuant to G.S. 131E-189 and 131E-190.

The holder of a certificate of need is obligated to submit progress reports to this office as required by 10A NCAC 14C .0209. The applicant shall notify this office of any variations



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

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from the schedule or the projected capital cost of the project. During the development of the project, this office may request any additional information pertinent to the project, including additional progress reports, to determine:

- 1) If the timetable specified on the certificate is being met;
- 2) If the amount of the capital expenditure for the development of the project is expected to exceed the maximum amount under the certificate;
- 3) If the terms and conditions of the approval are being met; and
- 4) If the project is progressing as proposed in the application.

The first progress report on this project is due January 1, 2017. Forms for the submittal of these reports are enclosed. Failure to submit any scheduled or requested progress report in a timely manner may result in the Agency withdrawing the certificate pursuant to G.S. 131E-189. If after reviewing the status of the project, the Agency determines that the holder of the certificate is not meeting the timetable and is not making a good faith effort to meet it, the Agency may withdraw the certificate in accordance with G.S. 131E-189.

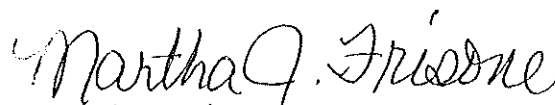
Moreover, please be advised that this Agency may assess a civil penalty not to exceed \$20,000 against any person who violates the terms of a certificate of need which has been issued each time the service provided is in violation of this provision (G.S. 131E-190(f)). If for some reason, the holder of a certificate of need determines it necessary to request an increase in a per diem charge or reimbursement rate over that which was stated in the application for the certificate of need, then the holder must first contact the Agency to obtain proper instructions for initiating such a request. The request for the increase will be considered by the Agency pursuant to G.S. 131E-181(b).

Please keep us informed of the progress in the development of this project. In the future, address your Progress Reports to Tanya S. Rupp, the Project Analyst for your county. Please refer to the Project ID # and Facility ID # (FID) in all correspondence.

Sincerely,



Celia C. Inman
Project Analyst



Martha J. Frisone
Assistant Chief, Certificate of Need

CCI:MJF:mw

Enclosures

cc: Construction Section, DHSR
Acute and Home Care Licensure and Certification Section, DHSR
Kelli Fisk, Program Assistant, Healthcare Planning

STATE OF NORTH CAROLINA

*Department of Health and Human Services
Division of Health Service Regulation*

CERTIFICATE OF NEED

for

Project ID #: M-11062-15

FID #: 050926

ISSUED TO: Harnett Health System, Inc.
800 Tilghman Drive
Dunn, NC 28334

Pursuant to G.S. 131E-175, the North Carolina Department of Health and Human Services hereby authorizes the person or persons named above (the "certificate holder") to develop the certificate of need project identified above. The certificate holder shall develop the project in a manner consistent with the representations in the project application and with the conditions contained herein and shall make good faith efforts to meet the timetable contained herein, as documented by the periodic progress reports required by 10A NCAC 14C .0209. The certificate holder shall not exceed the maximum capital expenditure amount specified herein during the development of this project, except as provided by G.S. 131E-176(16)e. The certificate holder shall not transfer or assign this certificate to any other person except as provided in G.S. 131E-189(c). This certificate is valid only for the scope, physical location, and person(s) described herein. The Department may withdraw this certificate pursuant to G.S. 131E-189 for any of the reasons provided in that law.

SCOPE: Acquire one linear accelerator and one CT simulator to develop a comprehensive cancer center/ Harnett County

CONDITIONS: See Reverse Side

PHYSICAL LOCATION: Central Harnett Hospital
215 Brightwater Drive
Lillington, NC 27546

MAXIMUM CAPITAL EXPENDITURE: \$11,999,000

TIMETABLE: See Reverse Side

FIRST PROGRESS REPORT DUE: January 1, 2017

This certificate is effective as of the 15th day of December, 2015

Martha G. Frisone for
Shelley Carraway, Chief

CONDITIONS:

1. Harnett Health System, Inc. shall materially comply with all representations made in the certificate of need application.
2. Harnett Health System, Inc. shall acquire no more than one linear accelerator and one CT simulator as part of this project.
3. Harnett Health System, Inc. shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditures in Section VII of the application and that would otherwise require a certificate of need.
4. Harnett Health System, Inc. shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representations in the written statement as described in paragraph one of Policy GEN-4.
5. Harnett Health System, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.

A letter acknowledging acceptance of and agreeing to comply with all conditions stated in the conditional approval letter was received by the Agency on December 1, 2015.

TIMETABLE:

Approval of Final Drawings by the Construction Section, DHSR	_____	July 1, 2017
25% Completion of Construction	_____	October 1, 2017
50% Completion of Construction	_____	February 1, 2018
75% Completion of Construction	_____	May 1, 2018
Completion of Construction	_____	August 1, 2018
Occupancy/Offering of Service/Operation of Equipment	_____	October 1, 2018

ATTACHMENT A
FACILITIES ASSOCIATED WITH HARNETT HEALTH SYSTEM

FACILITY	ADDRESS	LICENSE NUMBER	FID NUMBER
Central Harnett Hospital	215 Brightwater Drive Lillington, NC 27546	HO224	050926
Betsy Johnson Hospital	800 Tilghman Drive Dunn, NC 28334	HO224	922969