



NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**

JOSH STEIN • Governor

DEVPUTTA SANGVAI • Secretary

MARK PAYNE • Director, Division of Health Service Regulation

VIA EMAIL ONLY

July 31, 2025

Mr. Gary Qualls

Gary.qualls@klgates.com

No Review

Record #: 4842
Date of Request: July 17, 2025
Facility Name: Cape Fear Valley Health System
FID #: 040147
Business Name: Cumberland County Hospital System, Inc.
Business #: 578
Project Description: Integrate diagnostic center into the hospital
County: Cumberland

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 representation in your request and 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. **As a reminder, it is unlawful to offer or develop a new institutional health service without first obtaining a certificate of need. The Department reserves the right to impose sanctions, including civil penalties and the revocation of a license, upon any entity that offers or develops a new institutional health service without first obtaining a certificate of need.** Please do not hesitate to contact this office if you have any questions.

Sincerely,

Tanya M. Saporito
Project Analyst

Micheala Mitchell, Chief

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

July 17, 2025

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

VIA E-MAIL

Micheala Mitchell, Chief
Tanya M. Saporito, Project Analyst
North Carolina DHHS, Division of Health Service Regulation
Healthcare Planning and Certificate of Need Section
809 Ruggles Drive
Raleigh, North Carolina 27603

Re: No Review Request or Alternative Exemption Notice for Cape Fear Valley Health System's Integration of Valley Radiology Imaging's Diagnostic Center in Cumberland County

Dear Ms. Mitchell and Ms. Saporito:

This letter is to inform you of a proposed transaction (the "Integration Transaction") in which Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System ("Cape Fear") will:

1. acquire the certificate of need ("CON") rights to the existing diagnostic center (the "Diagnostic Center"), which is owned by The Medical Imaging Center, LLC d/b/a Valley Radiology Imaging ("VRI") and currently operated at 3186 Village Dr, Fayetteville (the "Village Drive Building"); and
2. integrate the Diagnostic Center into Cape Fear Valley Medical Center (the "Hospital") without relocating any assets.

As a reminder, VRI is a joint venture entity owned 51% by Valley Radiology, P.A. and 49% by Cape Fear. By an approval dated May 13, 2025, your Agency¹ approved an interim transaction which we referred to as the “Lease Transaction.”

I. The Prior Lease Transaction.

As a reminder, that previously approved Lease Transaction involved the following sale and lease-back:

- Cape Fear acquired ownership from VRI of the vast majority of equipment² that was, and is, operated by the Diagnostic Center; and
- Cape Fear now leases that same Diagnostic Center equipment back to VRI to operate the Diagnostic Center (the “Leased Equipment”), and such Leased Equipment is operated on the First Floor of the Village Drive Building.

See Exhibits 1A and 1B (Lease Transaction Approval [Ex. 1A] and Request [Ex. 1B]).

After that Lease Transaction, the Leased Equipment (as well as VRI’s remaining equipment)³ has still been operated as part of the Diagnostic Center in the Village Drive Building and by the same Diagnostic Center operator, VRI. Thus, the Lease Transaction, on its own, did not make the Leased Equipment part of the Hospital. In that Lease Transaction, Cape Fear simply acquired ownership of the already operational Leased Equipment, and that Leased Equipment continued to operate as part of the Diagnostic Center.

¹ The North Carolina Department of Health and Human Services, Division of Health Service Regulation, Healthcare Planning and Certificate of Need Section.

² As a reminder, that equipment that Cape Fear acquired was comprised of: two (2) MRI scanners; three (3) X-Ray Units; one (1) CT Scanner; four (4) Ultrasound Units; one (1) Bone Densitometry Unit; and one (1) Nuclear Medicine Unit.

³ The units of medical equipment that Cape Fear did not acquire in the Lease Transaction – comprised of two (2) Ultrasound Units and three (3) Mammography Units – remain under VRI’s ownership (and are not leased from Cape Fear). After this Integration Transaction, those units will continue to be operated by VRI as a freestanding imaging center (not part of the Hospital) on the Second Floor of the Village Drive Building, but will not require a diagnostic center CON because the fair market value of such equipment is less than \$350,000, and thus far less than the current \$3,089,400 threshold that would trigger the diagnostic center status. N.C. Gen. Stat. § 131E-176(7a), (9b), and (16)a.

II. The Currently Proposed Integration Transaction

Now, Cape Fear plans to acquire the Diagnostic Center CON rights and integrate the Diagnostic Center into the Hospital's operations. That Diagnostic Center space and equipment on the First Floor of the Village Drive Building will be converted into use as Hospital space and equipment (the "Village Drive Hospital Department"). The Village Drive Hospital Department will operate on the First Floor of the Village Drive Building. The Second Floor of the Village Drive Building will continue to be freestanding VRI imaging space. As underscored in Footnote 3 above, that Second Floor VRI imaging space will not require its own CON because it will simply be an imaging center operating far below the CON statute's Diagnostic Center cost threshold.

III. No Review Request

The proposed integration of a diagnostic center into a hospital is not expressly addressed in N.C. Gen. Stat. § 131E-176(16) and is not 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) 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 situations 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.").

Moreover, because the Hospital is the current owner of the Diagnostic Center's Leased Equipment being absorbed into the Hospital, there is no change in medical equipment ownership proposed by the change in facility status.

We have attached an analogous example where the Agency approved as non-reviewable the integration of a freestanding ambulatory surgical facility -- Chapel Hill Surgical Center -- into an acute care hospital. See Exhibits 2A and 2B (2013 No Review Approval [Ex. 2A] and Request [Ex. 2B] to Integrate Chapel Hill Surgical Center into UNC Hospitals). In the Chapel Hill Surgical Center example, as here, an existing health service facility under the CON statute was integrated into an existing acute care hospital and the Agency deemed such an event to be non-reviewable.

IV. Notice of Cape Fear's Exempt Acquisition of the Diagnostic Center CON Rights.

However, if the Agency treats the Integration Transaction as triggering any of the new institutional health service definitions, this letter serves as an exemption notice of Cape Fear's acquisition of the Diagnostic Center rights, pursuant to N.C. Gen. Stat. § 131E-184(a)(8). In that event, we request that the Agency confirm that this Integration Transaction is exempt from review under the CON law's exemption provisions in 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), the Diagnostic Center constitutes a “health service facility.” Accordingly, given that the Integration Transaction involves only the rights to the Diagnostic Center, which is an existing health service facility, the Integration Transaction is exempt from CON review if even deemed to be a new institutional health service in the first instance.

CONCLUSION

Based upon the foregoing information, we request the Agency’s confirmation that the Integration Transaction:

1. is not CON reviewable because it does not trigger any of the new institutional health service definitions, or (alternatively);
2. is exempt from CON review under N.C. Gen. Stat § 131E-184(a)(8).

The effective Integration Transaction date is currently anticipated to be August 25, 2025. 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

Exhibit

1. May 13, 2025 Lease Transaction No Review Approval and Request
2. April 2013 No Review Request and Approval to Integrate Chapel Hill Surgical Center into UNC Hospitals

Exhibit 1A



NC DEPARTMENT OF
**HEALTH AND
HUMAN SERVICES**

JOSH STEIN • Governor

DEVDUTTA SANGVAI • Secretary

MARK PAYNE • Director, Division of Health Service Regulation



VIA EMAIL ONLY

May 30, 2025

Mr. Gary S. Qualls
Gary.qualls@klgates.com

No Review

Record #: 4793
Date of Request: May 13, 2025
Facility Name: Cape Fear Valley Health System
FID #: 040147
Business Name: Cumberland County Hospital System, Inc.
Business #: 578
Project Description: Sale and lease back of diagnostic equipment at Valley Radiology Imaging
County: Cumberland

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 representation in your request and 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. **As a reminder, it is unlawful to offer or develop a new institutional health service without first obtaining a certificate of need. The Department reserves the right to impose sanctions, including civil penalties and the revocation of a license, upon any entity that offers or develops a new institutional health service without first obtaining a certificate of need.** Please do not hesitate to contact this office if you have any questions.

Sincerely,

Tanya M. Saporito
Project Analyst

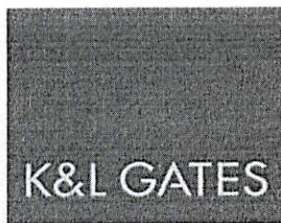
Micheala Mitchell
Chief

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
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AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

Exhibit 1B



May 13, 2025

Gary S. Qualls
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VIA E-MAIL

Micheala Mitchell
Chief, Certificate of Need
North Carolina DHHS, Division of Health Service Regulation
Healthcare Planning and Certificate of Need Section
809 Ruggles Drive
Raleigh, North Carolina 27603

Re: No Review / Exemption Request

Lease Transaction Involving Cape Fear Valley Health System and Valley Radiology
Imaging Regarding Cumberland County Diagnostic Center

Dear Ms. Mitchell:

This letter is to inform you of a proposed transaction (the "Lease Transaction") involving an existing diagnostic center (the "Diagnostic Center") owned by The Medical Imaging Center, LLC d/b/a Valley Radiology Imaging ("VRI") and operated at 3186 Village Dr, Fayetteville. VRI is a joint venture entity owned 51% by Valley Radiology, P.A. and 49% by Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System ("Cape Fear").

The proposed Lease Transaction involves the following sale and lease-back:

- Cape Fear plans to acquire ownership of the vast majority of equipment that is operated by the Diagnostic Center, as described below, from VRI, the joint venture of which Cape Fear is a member as noted above; and
- Cape Fear will then lease that same Diagnostic Center Equipment back to VRI to continue to operate in the same manner as the Diagnostic Center (the "Leased Equipment").

Specifically, Cape Fear plans to acquire ownership of the following equipment:

- two (2) MRI scanners;
- three (3) X-Ray Units;
- one (1) CT Scanner;
- four (4) Ultrasound Units;
- one (1) Bone Densitometry Unit; and
- one (1) Nuclear Medicine Unit.

Any other units of medical equipment (comprised of two (2) Ultrasound Units and three (3) Mammography Units) remaining under VRI's ownership (and not leased from Cape Fear) would not be substantial in capital costs and is projected to have a fair market value of less than \$350,000.

After the Lease Transaction occurs, the Leased Equipment (as well as VRI's remaining equipment) will still all be operated as part of the Diagnostic Center at the same address and by the same Diagnostic Center operator, VRI. Thus, the Leased Equipment will remain part of the Diagnostic Center and will not become part of Cape Fear's hospital as a result of this Lease Transaction. Cape Fear will simply acquire ownership of the already operational equipment.

We request 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 Lease Transaction is either:

1. not reviewable under the North Carolina Certificate of Need ("CON") law because the Lease Transaction is simply a related entity lease where the medical equipment currently operated at and by the Diagnostic Center will not change and thus will still be operated at and by the Diagnostic Center (albeit as equipment leased from Cape Fear);

or (in the alternative);

2. exempt from review under the CON law's exemption provisions in N.C. Gen. Stat. § 131E-184(a)(8).

I. No Review Request

The Lease Transaction is not a CON reviewable event because, even though the ownership of the equipment will change, the Diagnostic Center that is already CON approved will continue to operate with the same CON-approved equipment as before. Thus, no equipment is added to the Diagnostic Center inventory or the Cumberland County inventory and no equipment is being relocated as a result of the Lease Transaction. Additionally, no new health service facility is being created. Moreover, the new equipment lessor, Cape Fear, is a 49% owner in the Diagnostic Center,

Ms. Micheala Mitchell
May 13, 2025
Page 3

and thus the Lease Transaction is entirely intra-organizational in any event. Therefore, we request your confirmation that the Lease Transaction is not subject to CON review.

II. Exemption Notice (If Lease Transaction Deemed CON Reviewable)

However, if the Agency treats the Lease Transaction as the acquisition of the Diagnostic Center (as a health service facility), and thus CON reviewable, this letter serves as an exemption notice of Cape Fear's acquisition of the Diagnostic Center, 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), the Diagnostic Center constitutes a "health service facility."

Accordingly, given that the Lease Transaction involves only the Diagnostic Center, which is an existing health service facility, even if the Agency deems the Lease Transaction to trigger a new institutional health service definition, the Lease Transaction is nevertheless exempt from CON review.

CONCLUSION

Based upon the foregoing information, we hereby request the Agency's confirmation that the Lease Transaction:

1. is not CON reviewable because the equipment being leased by Cape Fear to VRI will continue to operate as part of the same Diagnostic Center in the same location as previously approved;

or (alternatively)

2. is exempt from CON review under N.C. Gen. Stat § 131E-184(a)(8).

The effective Lease Transaction date is currently anticipated to be May 30, 2025. 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,

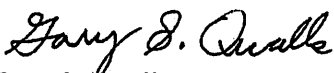

Gary S. Qualls

Exhibit 2A

**EXHIBIT**2A

**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

Gary S. Qualls
430 Davis Drive, Suite 400
Morrisville, NC 27560

No Review

Facility: Chapel Hill Surgical Center, Inc.
Project Description: University of North Carolina Hospitals at Chapel Hill to license the three-operating rooms at Chapel Hill Surgical Center, Inc. under the license UNC Hospitals' Hospital.
County: Orange
FID #: 923089

Mr. Qualls:

The Certificate of Need Section (CON Section) received your letter on April 15, 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 project include, but are not limited to: (1) increase in 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.

In addition, you should contact the Licensure and Certification Section, DHHS to determine if they have any requirements for the proposed project. 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. Thank you for the opportunity to be of assistance.



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



Sincerely,

A handwritten signature in black ink, appearing to read "F. Gene DePorter".

F. Gene DePorter, Project Analyst
Certificate of Need Section

A handwritten signature in black ink, appearing to read "Craig R. Smith".

Craig R. Smith, Chief
Certificate of Need Section

cc: Licensure and Certification Section, DHSR
Medical Facilities Section, DHSR

Exhibit 2B

April 15, 2013



Gary S. Qualls
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gary.qualls@klgates.com

VIA HAND DELIVERY

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

Re: No Review Letter, Alternative Exemption Notice for Chapel Hill Surgical Center, Inc.
License No. AS0010; Facility ID 923089

Dear Mr. Smith:

The purpose of this letter is to provide notice to the North Carolina Department of Health and Human Services, Division of Health Service Regulation ("DHSR"), Certificate of Need Section (the "CON Section") that our client, the University of North Carolina Hospitals at Chapel Hill ("UNC Hospitals"), a North Carolina governmental agency, is planning to absorb the three-operating room multispecialty ambulatory surgical facility known as Chapel Hill Surgical into UNC Hospitals' hospital license.

We are requesting that the Agency confirm that this change in the licensure status of Chapel Hill Surgical is either not reviewable as a new institutional health service under the North Carolina Certificate of Need ("CON") law or (in the alternative) exempt from review under the CON law's exemption provisions in N.C. Gen. Stat. § 131E-184(a)(8).

I. THE TRANSACTION

By letter dated December 21, 2012, the Agency confirmed that UNC Hospitals' proposed acquisition of the existing ambulatory surgical facility known as Chapel Hill Surgical did not require a CON. As evidenced in the prior correspondence regarding UNC's acquisition of Chapel Hill Surgical, Chapel Hill Surgical is a multispecialty ambulatory surgical facility that has three-operating rooms.

On December 21, 2012, UNC Hospitals acquired the multispecialty ambulatory surgical facility, including the three-operating rooms. Also, on December 21, 2012, UNC Hospitals leased back to Chapel Hill Surgical substantially all of the assets of the ambulatory surgical facility. Accordingly, even after the acquisition of the ambulatory surgical facility by UNC

Mr. Craig Smith, Chief
April 15, 2013
Page 2

Hospitals, Chapel Hill Surgical remained the licensed operator. Therefore, the ambulatory surgical facility and its three-operating rooms have remained separately licensed from UNC Hospitals' hospital license.

Effective June 1, 2013, UNC Hospitals proposes to absorb the facility and its three-operating rooms into the hospital license of UNC Hospitals and continue to operate the operating rooms as multispecialty operating rooms at their current location. As detailed below, UNC Hospitals believes that this proposal to change the licensure status from freestanding to hospital-based is either not reviewable because it is not a new institutional health service or, in the alternative, is exempt from review under N.C. Gen. Stat. § 131E-184(a)(8).

II. NO REVIEW REQUEST

The proposed change in the licensure status is not expressly addressed in N.C. Gen. Stat. § 131E-176(16). The absorption of a hospital's operating rooms located in an ambulatory surgical facility into the hospital's license is not 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) 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 situations 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.").

Moreover, as UNC Hospitals is the current owner of the ambulatory surgical facility, including the three-operating rooms, there is no change in ownership proposed by the change in licensure status. Furthermore, no capital expenditures are being incurred to accomplish this change in licensure status.

III. EXEMPTION NOTICE

For the reasons described above, we do not think that notice under N.C. Gen. Stat. § 131E-184(a)(8) is technically required. The change in licensure status does not involve an acquisition under the CON law or otherwise involve a transfer of any assets. However, to the extent that you disagree, please accept this letter as the required notice under N.C. Gen. Stat. § 131E-184(a)(8) for an exemption.

Mr. Craig Smith, Chief
April 15, 2013
Page 3

The General Assembly has chosen to exempt certain otherwise reviewable events from CON review, including the acquisition of an existing health service facility and the equipment owned by the health service facility at the time of the acquisition.¹ Under N.C. Gen. Stat. § 131E-176(9b), an ambulatory surgical facility is a “health service facility.”

Assuming that the proposed change in licensure status is deemed by the Agency to be an acquisition under the CON law, upon the change in the license to the hospital license of UNC Hospitals, UNC Hospitals will be acquiring an existing “health service facility,” including all equipment owned at the time of acquisition. After the change in licensure, UNC Hospitals will keep the operating rooms in their current location and operate them as part of UNC’s acute care hospital (instead of as an ambulatory surgical facility).

Furthermore, should the Agency view the proposed change in licensure status as an acquisition, the change 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 facility. Likewise, the proposal does not include the offering of any *per se* reviewable services except those already offered by the existing health service facility.²

Accordingly, if the Agency views the change in licensure status as an acquisition under the CON law, the proposal is exempt under N.C. Gen. Stat. § 131E-184(a)(8) because it is the acquisition of an existing health service facility.

IV. CONCLUSION

In light of the foregoing, your confirmation in writing is requested confirming that the proposed change in the licensure status of Chapel Hill Surgical and its three-operating rooms from a freestanding ambulatory surgical facility to the hospital license of UNC Hospitals does not require or trigger CON review, or alternatively, is exempt from CON review. UNC Hospitals currently is the owner of Chapel Hill Surgical and its three-operating rooms. This proposal is only to absorb the facility and its three-operating rooms into the hospital license of UNC Hospitals.

¹ See N.C. Gen. Stat. § 131E-184(a)(8).

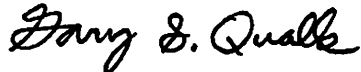
² See N.C. Gen. Stat. § 131E-176(16)(f).

K&L|GATES

Mr. Craig Smith, Chief
April 15, 2013
Page 4

Thank you for your assistance in regard to this matter. If you require additional information, please contact me at the above number as soon as possible.

Sincerely,

A handwritten signature in cursive script that reads "Gary S. Qualls".

Gary S. Qualls