

Richard Brockman
rbrockman@burr.com
Direct Dial: (205) 458-5175

September 20, 2018

VIA EMAIL [<SHPDA.ONLINE@SHPDA.ALABAMA.GOV>]

Mr. Alva M. Lambert
Executive Director
State Health Planning and Development Agency
100 North Union Street
Suite 870
Montgomery, AL 36104

Re: CHOW Application – Mount Royal Towers Specialty Care Assisted Living Facility

Dear Mr. Lambert:

On September 11, 2018, the CHOW Application (the "Application") for Mount Royal Towers Specialty Care Assisted Living Facility was filed with your office. By means of this letter we wish to make two updates or revisions, one to the cover letter included with the Application (the "Cover Letter"), and the other to the Application.

First, the Application listed the name "Pinnacle at Brookwood" as the new name for the SCALF. This name has since been changed to "Pinnacle at Shades Mountain Specialty Care Assisted Living Facility." The Assisted Living Facility at the same location is now named "Pinnacle at Shades Mountain."

Second, we communicated in the Cover Letter that Commonwealth Assisted Living, LLC, Series E ("Commonwealth") "or its designated affiliates" would be purchasing the Mount Royal Towers Complex, as that term is defined in the Cover Letter. Now, however, we would like to further clarify the "designated affiliate" which will in fact be purchasing that portion of the Mount Royal Towers Complex corresponding to the specialty care assisted living facility (the "SCALF"). Instead of Commonwealth being described as purchaser and listed as new owner, MCAP Vestavia ALF LLC will be purchasing the SCALF and become the new owner, with MCAP Vestavia Senior LLC being the tenant of the SCALF, and Integral Senior Living Management, LLC becoming the new operator of the SCALF. An updated signature page is attached hereto reflecting this arrangement is enclosed herein.

Please let me know if you have any questions about these two revisions or if you need anything further from us.

Mr. Alva M. Lambert
September 20, 2018
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Thank you for your attention to this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Richard Brockman', with a long horizontal line extending to the right.

Richard Brockman

RJB

Richard J. Brockman
rbrockman@burr.com
Direct Dial: (205) 458-5175
Direct Fax: (205) 458-5100

420 North 20th Street
Suite 3400
Birmingham, AL 35203

Office (205) 251-3000
Fax (205) 458-5100

BURR.COM

September 11, 2018

VIA EMAIL, ORIGINAL TO FOLLOW BY U.S. MAIL

Mr. Alva M. Lambert
Executive Director
State Health Planning and Development Agency
100 North Union Street
Suite 870
Montgomery, AL 36104

Re: Specialty Care Assisted Living Facility ("SCALF") Change of Ownership – Mount Royal Towers Specialty Care Assisted Living Facility

Dear Mr. Lambert:

Pursuant to Chapter 410-1-7-.04, Rules and Regulations of the Alabama Certificate of Need Program (the "**Rules**"), we respectfully submit the attached Notice of Change of Ownership. The Change of Ownership involves the sale and lease of the 113-bed¹ specialty care assisted living facility ("**SCALF**") located in Vestavia Hills, Jefferson County, Alabama, and known as Mount Royal Specialty Care Assisted Living (the "**Facility**" or "**SCALF**"). The SCALF is owned by and licensed to Vestavia Hills, LTD. (the "**Current Owner**") and is part of an 11-story complex that houses the SCALF, a licensed 98-bed Assisted Living Facility (the "**ALF**"), a licensed 143-bed nursing facility (the "**SNF**") and a 147-unit independent living facility (the "**ILF**") (the SCALF, ALF, SNF, and ILF are collectively known as the "**Mount Royal Towers Complex**"). Because the sale and lease of the SCALF is taking place in connection with a number of other transactions involving the Mount Royal Towers Complex and the individual facilities operated therein, we are providing the following by way of context and explanation.

Pursuant to a series of transactions, the Mount Royal Towers Complex is being sold to Commonwealth Assisted Living, LLC, Series E, a Delaware series limited liability company ("**Purchaser**") or its designated affiliates by the Current Owner (the "**Purchase**") and, as a

¹ See discussion in I(5) hereinbelow.

precondition of the Purchase, being converted into a condominium complex with three condominium units (the "**Condominium Property**"). Each condominium unit will be comprised of an operating facility and will be owned by a limited liability company affiliated with Purchaser and unrelated to the Current Owner. The Declaration of Condominium establishing Mount Royal Towers Complex as the Condominium Property (the "**Declaration**," and together with the Purchase, the "**Proposed Transaction**") will take effect immediately prior to the Purchase; it is anticipated that these two transactions will occur on or before November 30, 2018 (the "**Effective Date**").

Under this arrangement, Condominium A will consist of the ILF and will be owned by MCAP Vestavia IL LLC ("**MCAP-IL**"); Condominium B will consist of the ALF and SCALF and will be owned by MCAP Vestavia ALF LLC ("**MCAP-ALF**"); and Condominium C will consist of the SNF and will be owned by MCAP Vestavia Skilled LLC ("**MCAP-Skilled**"). Each of the three condominiums will have an undivided interest in the common elements and common space of the Condominium Property, as described on Exhibit A.

In conjunction with the foregoing transactions, under an operating lease, the SCALF and ALF will be leased by their new owner, MCAP-ALF, to MCAP Vestavia Senior, LLC ("**MCAP-Senior**"). MCAP-Senior will then enter into a full service Management Agreement with Integral Senior Living Management, LLC ("**Integral**") to operate the ALF and SCALF as the respective facilities' licensee. Therefore, the licensee of the SCALF will change from the Current Owner to Integral as of the Effective Date. Immediately after the Purchase, the SCALF will be renamed "Pinnacle at Brookwood."

In addition, under an operating lease, the SNF will be leased back, by its new owner, MCAP-Skilled, to the Current Owner, which will continue to be the SNF's licensee after the Effective Date. Accordingly, although there will be a change in the ownership of the SNF, including ownership of the certificate of need rights associated therewith, there will be no change in SNF's licensee. The ILF will be leased by its new owner, MCAP-IL, to MCAP-Senior and operated by Integral. Following is a summary of the Proposed Transaction:

I. Facts.

The Proposed Transaction, as described herein, will become effective on the Effective Date.

1. On March 29, 2018, Purchaser and Current Owner entered into a Purchase Agreement (as amended, the "**Purchase Agreement**") providing for the purchase by Purchaser of Mount Royal Towers Complex, an 11-story complex located at 300 Royal Tower Drive, Birmingham, Alabama 35209, together with the certificate of need rights associated therewith except for those discussed in Section I(5) hereinbelow.

2. In connection with and anticipation of the Purchase, Current Owner intends to file the Declaration to establish Mount Royal Towers Complex as a three-unit condominium, as of the Effective Date and immediately prior to the closing of the Purchase (the "**Closing**"). Vestavia Hills Condominium Association, Inc., will also be formed as an Alabama non-profit corporation to manage the affairs of the Condominium Property. Each condominium unit (each a "**Unit**") will be owned by a separate owner (each a "**Unit Owner**"), and the ILF, ALF/SCALF, and SNF will each occupy a Unit, with Unit B containing both the ALF and the SCALF.
3. Unit B will be leased by its Unit Owner, MCAP-ALF, to MCAP-Senior pursuant to an operating lease agreement, at a market lease rate, between MCAP-ALF and MCAP-Senior (the "**Unit B Lease**"). MCAP-Senior, as tenant of Unit B, will, contemporaneously with entering into the Unit B Lease, enter into a management agreement with Integral for the management and operation of the ALF and SCALF on MCAP-Senior's behalf (the "**Management Agreement**").
4. Among other actions that will take place in connection with the Purchase and the Closing will, therefore, be the change of the owner and operator of the SCALF from the Current Owner (which is currently both owner and licensed operator of the SCALF) to (i) MCAP-ALF as the new owner, pursuant to the Purchase, and (ii) Integral as the new licensed operator, pursuant to the Management Agreement between it and the tenant of Unit B, namely, MCAP-Senior. MCAP-Senior, while the tenant of Unit B, will be neither the owner nor licensed operator of the SCALF.
5. In a separate transaction prior to the Closing, Current Owner transferred sixteen (16) of the SCALF's currently licensed beds (the "**16 SCALF Beds**") to LP Vestavia, LLC. The CON application related to this transfer was filed on September 1, 2017, and was approved in CON-2812-SCALF (the "**LP Vestavia Transaction**"). It is contemplated that these 16 SCALF Beds subject to CON-2812-SCALF will be located to a new campus and are not a part of the Proposed Transaction. Subsequent to the LP Vestavia Transaction, the SCALF possesses the CON rights to the 113 specialty care beds remaining at Mount Royal Towers Complex (the "**Remaining Beds**"). These Remaining Beds will comprise the SCALF as owned by MCAP-ALF and operated by Integral subsequent to the Effective Date. Accordingly, the licensed capacity of the SCALF will be 113 beds.
6. The resulting "change in control" of the SCALF requires notification to your agency pursuant to ALA. ADMIN. CODE §410-1-7-.04(1).

7. The change in control of the SCALF will be documented by the enclosed executed change of ownership form.

II. Financial Scope of Project.

This transaction does not involve the purchase of any new equipment, new operating costs, or other capital expenditures in excess of the spending thresholds set forth in Section 22-21-263(a)(2) of the Code of Alabama.

III. Services to be Offered.

1. No New Services: The transaction does not involve the offering of any new services by the SCALF.

IV. Beds.

1. New Beds: Other than the previously-reduced license capacity from 129 SCALF beds to 113 SCALF beds, the proposed transaction does not involve any addition or reduction of beds.
2. Conversion of Beds: The proposed transaction does not involve the conversion of beds.

V. Stock and Assets.

Other than as described above, the Proposed Transaction does not involve the acquisition of stock or assets relating to the operation of the SCALF.

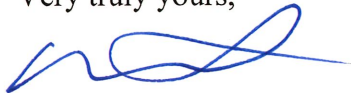
Based on the above showing that there has been no (i) change in health service, (ii) spending in excess of the spending thresholds, (iii) conversion of beds or (iv) increase in bed capacity we respectfully ask that you exercise your authority under Chapter 410-1-7-.04(2) of the Rules and determine that a CON or other action by SHPDA is not required for the consummation of the above-described Proposed Transaction.

In accordance with the Rules, I am enclosing an executed change of ownership form with this cover letter and overnighting a check to your office in the amount of \$2,500.00.

Mr. Alva M. Lambert
September 11, 2018
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Should you have any questions or need further information, please contact me at 205-458-5175.

Very truly yours,



Richard J. Brockman

RJB
Enclosures

NOTICE OF CHANGE OF OWNERSHIP/CONTROL

The following notification of intent is provided pursuant to all applicable provisions of ALA. CODE § 22-21-270 (1975 as amended) and ALA. ADMIN. CODE r. 410-1-7-.04. This notice must be filed at least twenty (20) days prior to the transaction.

Change in Direct Ownership or Control (of a vested Facility; ALA. CODE §§ 22-20-271(d), (e))

Change in Certificate of Need Holder (ALA. CODE § 22-20-271(f))

Change in Facility Management (Facility Operator)

Any transaction other than those above-described requires an application for a Certificate of Need.

Part I: Facility Information

SHPDA ID Number: 073-S3704
(This can be found at www.shpda.alabama.gov, Health Care Data, ID Codes)

Name of Facility/Provider: Mount Royal Towers Specialty Care Assisted Living Facility
(ADPH Licensure Name)

Physical Address: 300 Royal Tower Drive
Birmingham, Alabama 35209

County of Location: Jefferson

Number of Beds/ESRD Stations: 113

CON Authorized Service Area (Home Health and Hospice Providers Only). Attach additional pages if necessary. N/A

Part II: Current Authority (Note: If this transaction will result in a change in direct ownership or control, as defined under ALA. CODE § 22-20-271(e), please attach organizational charts outlining current and proposed structures.)

Owner (Entity Name) of Facility named in Part I: Vestavia Hills, Ltd.

Mailing Address: 300 Royal Tower Drive
Vestavia Hills, Alabama 35209

Operator (Entity Name): Vestavia Hills, Ltd.

Part III: Acquiring Entity Information

Name of Entity: MCAP Vestavia ALF LLC (Owner)

Mailing Address: 300 Royal Tower Drive
Vestavia Hills, Alabama 35209

Name of Entity: MCAP Vestavia Senior LLC (Tenant)

Mailing Address: 300 Royal Tower Drive
Vestavia Hills, Alabama 35209

Operator (Entity Name): Integral Senior Living Management, LLC (as manager and operator for Tenant)

Proposed Date of Transaction is on or after: November 30, 2018

Part IV: Terms of Purchase

Monetary Value of Purchase: \$ See attached letter

Type of Beds: SCALF

Number of Beds/ESRD Stations: 113

Financial Scope: to Include Preliminary Estimate of the Cost Broken Down by Equipment, Construction, and Yearly Operating Cost:

Projected Equipment Cost: \$ See attached letter

Projected Construction Cost: \$ See attached letter

Projected Yearly Operating Cost: \$ See attached letter

Projected Total Cost: \$ See attached letter

On an Attached Sheet Please Address the Following:

- 1.) The services to be offered by the proposal (the applicant will state whether he has previously offered the service, whether the service is an extension of a presently offered service, or whether the service is a new service).
- 2.) Whether the proposal will include the addition of any new beds.
- 3.) Whether the proposal will involve the conversion of beds.
- 4.) Whether the assets and stock (if any) will be acquired.

Part V: Certification of Information

Current Authority Signature(s):

The information contained in this notification is true and correct to the best of my knowledge and belief.

Owner(s): Vestavia Hills, Ltd. _____

Operator(s): Vestavia Hills, Ltd. _____

Title/Date: _____

SWORN to and subscribed before me, this _____ day of _____.

(Seal)

Notary Public

My Commission Expires: _____

Acquiring Authority Signature(s):

I agree to be responsible for reporting of all services provided during the current annual reporting period, as specified in ALA. ADMIN. CODE r. 410-1-3-.12. The information contained in this notification is true and correct to the best of my knowledge and belief.

Purchaser(s): MCAP Vestavia ALF, LLC
(Owner)

X Richard G. Corey, President

Purchaser(s): MCAP Vestavia Senior, LLC
(Tenant)

X Richard G. Corey, President

Operator(s): Integral Senior Living Management, LLC _____

Title/Date: _____

SWORN to and subscribed before me, this 20th day of SEPTEMBER, 2018.

(Seal)

ALICIA CHRISTINE BOS
Notary Public - State of New York
No. 01BO6355551
Qualified in New York County
My Commission Expires 3/13/2021

[Signature]
Notary Public

My Commission Expires: 3/13/2021

Author: Alva M. Lambert

Statutory Authority: § 22-21-271(c), Code of Alabama, 1975

History: New Rule

Part V: Certification of Information

Current Authority Signature(s):

The information contained in this notification is true and correct to the best of my knowledge and belief.

Owner(s): Vestavia Hills, Ltd.

Bleene Barnard

Operator(s): Vestavia Hills, Ltd.

Bleene Barnard

Title/Date: 20 Sept 2018

owner/President

SWORN to and subscribed before me, this 20 day of September, 2018.

(Seal)



Misti Morris
Notary Public

My Commission Expires: 10/27/21

Acquiring Authority Signature(s):

I agree to be responsible for reporting of all services provided during the current annual reporting period, as specified in ALA. ADMIN. CODE r. 410-1-3-.12. The information contained in this notification is true and correct to the best of my knowledge and belief.

Purchaser(s): MCAP Vestavia ALF, LLC
(Owner) _____

Purchaser(s): MCAP Vestavia Senior, LLC
(Tenant) _____

Operator(s): Integral Senior Living Management, LLC _____

Title/Date: _____

SWORN to and subscribed before me, this _____ day of _____, _____.

(Seal)

Notary Public

My Commission Expires: _____

Author: Alva M. Lambert
Statutory Authority: § 22-21-271(c), Code of Alabama, 1975
History: New Rule

Part V: Certification of Information

Current Authority Signature(s):

The information contained in this notification is true and correct to the best of my knowledge and belief.

Owner(s): Vestavia Hills, Ltd. _____

Operator(s): Vestavia Hills, Ltd. _____

Title/Date: _____

SWORN to and subscribed before me, this _____ day of _____, _____.

(Seal)

Notary Public

My Commission Expires: _____

Acquiring Authority Signature(s):

I agree to be responsible for reporting of all services provided during the current annual reporting period, as specified in ALA. ADMIN. CODE r. 410-1-3-.12. The information contained in this notification is true and correct to the best of my knowledge and belief.

Purchaser(s): MCAP Vestavia ALF, LLC _____
(Owner)

Purchaser(s): MCAP Vestavia Senior, LLC _____
(Tenant)

Operator(s): Integral Senior Living Management, LLC *David DeGrunder* _____

Title/Date: 9/18/18 _____ President/CFO _____

SWORN to and subscribed before me, this _____ day of _____, _____.

(Seal)

Notary Public

My Commission Expires: _____

See attached Acknowledgment

Author: Alva M. Lambert

Statutory Authority: § 22-21-271(c), Code of Alabama, 1975

History: New Rule

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of San Diego

On September 18, 2018 before me, Cheryl A. Mast, Notary Public
(insert name and title of the officer)

personally appeared Tracee DeGrande
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Cheryl A. Mast (Seal)

