



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

September 30, 2013

Travis G. Lloyd
Bradley Arant Boult Cummings LLP
1600 Division Street, Suite 700
Nashville, TN 37203

No Review

Facility or Business: Surgical Care Affiliates, LLC
Project Description: Change in Licensee/Name from a limited liability company to a corporation
County: See Attachment A
FID #: See Attachment A

Dear Mr. Lloyd:

The Certificate of Need Section (CON Section) received your letter of September 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.

Moreover, you need to contact the Acute and Home Care Licensure and Certification Section of the Division of Health Service Regulation to determine if they have any requirements for development of the proposed project.

It should be noted that this determination is binding only for the facts represented 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. Lloyd
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Please contact the CON Section if you have any questions. Also, in all future correspondence you should reference the Facility I.D. # (FID) if the facility is licensed.

Sincerely,



Celia C. Inman, Project Analyst



Craig R. Smith, Chief
Certificate of Need Section

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

Attachment A
Surgical Care Affiliates, LLC
Change in Provider Name from LLC to Corporation

Current Name: Surgical Care Affiliates, LLC

Proposed Name: Surgical Care Affiliates, Inc.

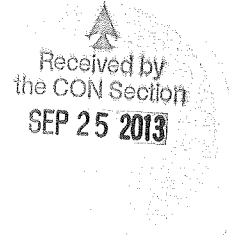
Entities to which the name change applies:

<u>Name</u>	<u>License #</u>	<u>FID #</u>	<u>County</u>
Blue Ridge Day Surgery Center, L.P. d/b/a Blue Ridge Surgery Center	AS0029	922977	Wake
Charlotte Surgery Center, Limited Partnership d/b/a Charlotte Surgery Center	AS0026	943093	Mecklenburg
Fayetteville Ambulatory Surgery Center, L.P. d/b/a Fayetteville Ambulatory Surgery Center	AS0006	943168	Cumberland
Greensboro Specialty Surgical Center, LLC d/b/a Greensboro Specialty Surgery Center	AS0009	923202	Guilford
Surgical Center of Greensboro, LLC d/b/a Surgical Center of Greensboro & Orthopaedic Surgical Center	AS0018	943477	Guilford
The Eye Surgery Center of the Carolinas, L.P. d/b/a The Eye Surgery Center of the Carolinas	AS0022	953347	Moore

September 20, 2013

Via Overnight Delivery

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



Re: Notice of Proposed Initial Public Offering; Request for Determination of Reviewability

Dear Mr. Smith:

I am writing on behalf of our client, Surgical Care Affiliates, LLC (“SCA”). By and through its subsidiaries, SCA operates one of the largest networks of outpatient surgery facilities in the United States, which is comprised of approximately 167 ambulatory surgery centers, five surgical hospitals, and one sleep center, including six ambulatory surgery centers located in North Carolina. The purpose of this letter is to notify the North Carolina Department of Health and Human Services, Division of Health Service Regulation, Certificate of Need Section (the “CON Section”) of a proposed transaction involving SCA’s parent company, ASC Acquisition LLC (the “SCA Parent Company”), and to request a formal determination regarding whether the proposed transaction is subject to certificate of need (“CON”) review under North Carolina law. As described more fully below, it is our understanding that the proposed transaction will not require CON review.

Description of the Proposed Transaction

Subject to certain regulatory approvals, it is anticipated that the SCA Parent Company will complete an initial public offering (“IPO”), through which shares of the SCA Parent Company’s common stock will be offered and sold to the public. On or prior to the completion of the IPO, the SCA Parent Company will be converted from a Delaware limited liability company into a Delaware corporation named “Surgical Care Affiliates, Inc.” and all of its outstanding membership units will be converted into shares of common stock. Although it is impossible to determine the exact number of shares of common stock that will be sold in advance of the closing of the IPO, it is anticipated that approximately thirty percent (30%) of the equity interests in the SCA Parent Company will be sold, and in no event will the portion of equity interests sold through the IPO equal or exceed fifty percent (50%). In other words, following the completion of the IPO, the current majority owner of the SCA Parent Company will maintain its majority ownership interest in the SCA Parent Company. It is currently anticipated that the IPO

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will occur within 30 to 60 days from the date of this letter; however, the IPO may occur at a later date depending upon the timing of certain necessary regulatory approvals.

Enclosed for your reference as Exhibit A is a listing of all of the facilities located in North Carolina in which SCA has an indirect ownership interest (each, a "Facility" and collectively, the "Facilities"). In addition, enclosed as Exhibit B are ownership charts showing the ownership structure of each of the Facilities before and after the closing of the IPO. As you can see, the IPO will not result in any change in the direct ownership of the legal entities that own and operate the Facilities. Instead, the IPO will result in a change in the ownership structure several levels up the ownership chain, as a portion of the shares of the SCA Parent Company will be offered and sold to the public. In each case, the legal entity that owns and operates the Facility will retain its assets, and there will be no change in the direct ownership of its stock. The legal entities that own and operate the Facilities will also retain their respective legal business names and federal tax identification numbers. The IPO will not result in a change of ownership of any of the Facilities for Medicare purposes. In addition, no change in the local administrative management or day-to-day operations of the Facilities will occur as a result of the IPO. The only change that will occur as a result of the IPO is that approximately thirty percent (30%), and in any event less than fifty percent (50%), of the stock of the SCA Parent Company will be offered and sold to the public.

Applicable Law

It is our understanding that the IPO will not require CON review, and that no other filings will be required in connection with the IPO. Under North Carolina law, a CON is required for the "acquisition by donation, lease, transfer, or comparable arrangement ... if the acquisition would have been a new institutional health service if it had been made by purchase." N.C. Gen. Stat. § 131E-178(b). The term "new institutional health services" is defined to include "[t]he purchase, lease, or acquisition of any health service facility, or portion thereof, or a controlling interest in the health service facility or portion thereof, if the health service facility was developed under a certificate of need issued pursuant to [N.C. Gen. Stat. § 131E-180]." N.C. Gen. Stat. § 131E-176(16)(l). As described herein and as reflected in Exhibit B, the IPO will not result in the purchase, lease, or acquisition of the Facilities, nor will it result in the purchase, lease, or acquisition of a controlling interest in the Facilities. Rather, the legal entities that own and operate the Facilities will remain the same following the closing of the IPO. The transfer of upstream ownership interests contemplated by the IPO will take place several levels above the legal entities that own and operate the Facilities, and the current majority owner of the SCA Parent Company will maintain its majority ownership interest in the SCA Parent Company.

Although it is our understanding that the IPO will not constitute an "acquisition" for purposes of North Carolina CON law, it should be noted that the acquisition of an existing health service facility is, in any event, exempt from CON review pursuant to N.C. Gen. Stat. § 131E-184(a)(8), provided that prior written notice is provided to the North Carolina Department of Health and Human Services. In the event that the CON Section determines that the IPO will constitute an acquisition of an existing health service facility, please allow this letter to serve as

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the notice required under N.C. Gen. Stat. § 131E-184(a) and a request for confirmation that the IPO is exempt from CON review.

Request for Determination

We respectfully request a determination from your office regarding whether the IPO is subject to CON review under North Carolina law. In addition, if any other filings are required in connection with the IPO, we ask that you inform us of the relevant requirements.

Thank you for your consideration of this request. If you have any questions, or if you require any additional information, please do not hesitate to contact me at (615) 252-2306 or tlloyd@babc.com.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

A handwritten signature in black ink, appearing to read "T. Lloyd", written in a cursive style.

By:

Travis G. Lloyd

Enclosures

cc: Dorothy D. Pak, Esq.
Donna M. Hankins

EXHIBIT A

SCA-Affiliated Ambulatory Surgery Centers in North Carolina

1. Blue Ridge Day Surgery Center, L.P. d/b/a Blue Ridge Surgery Center (Raleigh, NC)
2. Charlotte Surgery Center, Limited Partnership d/b/a Charlotte Surgery Center (Charlotte, NC)
3. Fayetteville Ambulatory Surgery Center, L.P. d/b/a Fayetteville Ambulatory Surgery Center (Fayetteville, NC)
4. Greensboro Specialty Surgery Center, LLC d/b/a Greensboro Specialty Surgical Center (Greensboro, NC)
5. Surgical Center of Greensboro, LLC d/b/a Surgical Center of Greensboro & Orthopaedic Surgical Center (Greensboro, NC)
6. The Eye Surgery Center of the Carolinas, L.P. d/b/a The Eye Surgery Center of the Carolinas (Southern Pines, NC)

EXHIBIT B

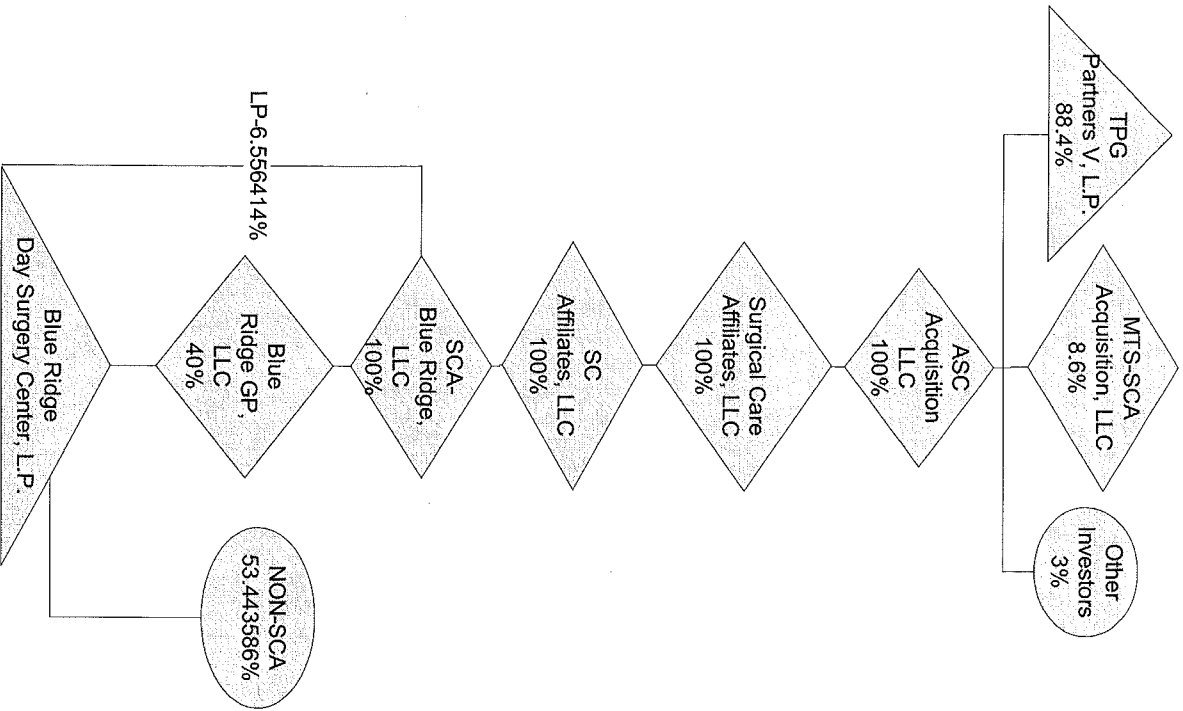
**Ownership Structure Charts for SCA-Affiliated
Ambulatory Surgery Centers in North Carolina**

Please see attached.

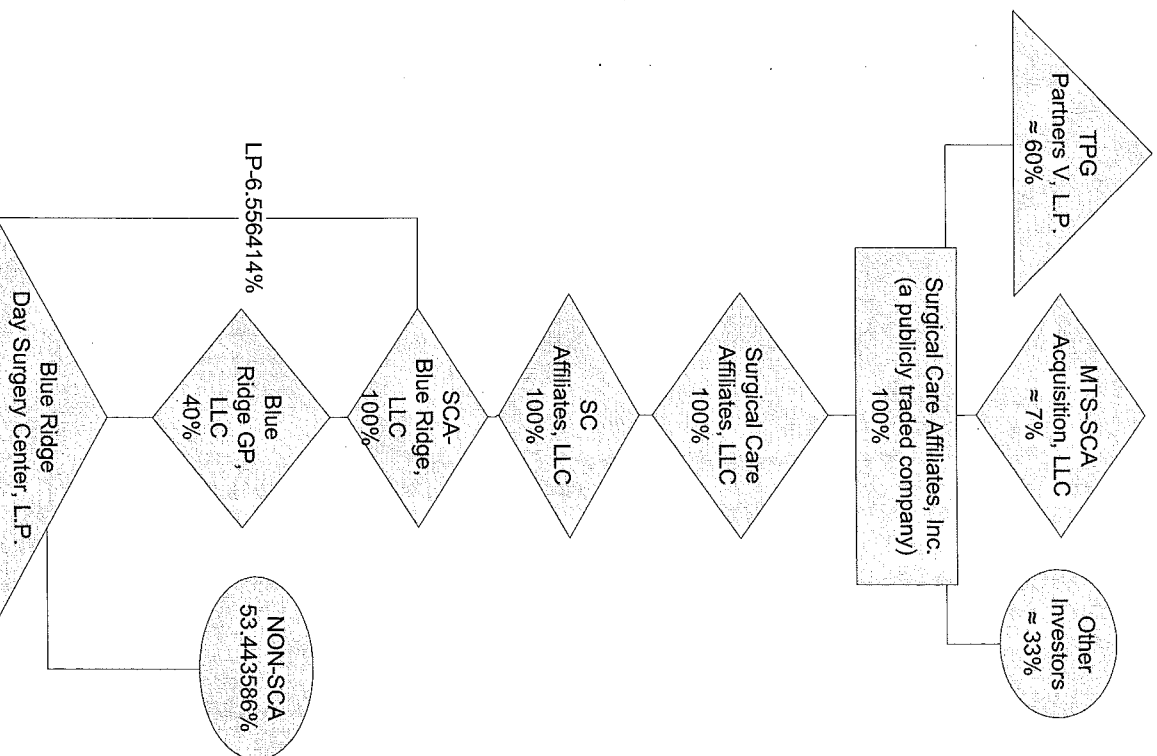
**Blue Ridge Day Surgery Center, L.P.
2308 Wesvill Court, Raleigh, NC 27607**

50120

Pre-Transaction Structure



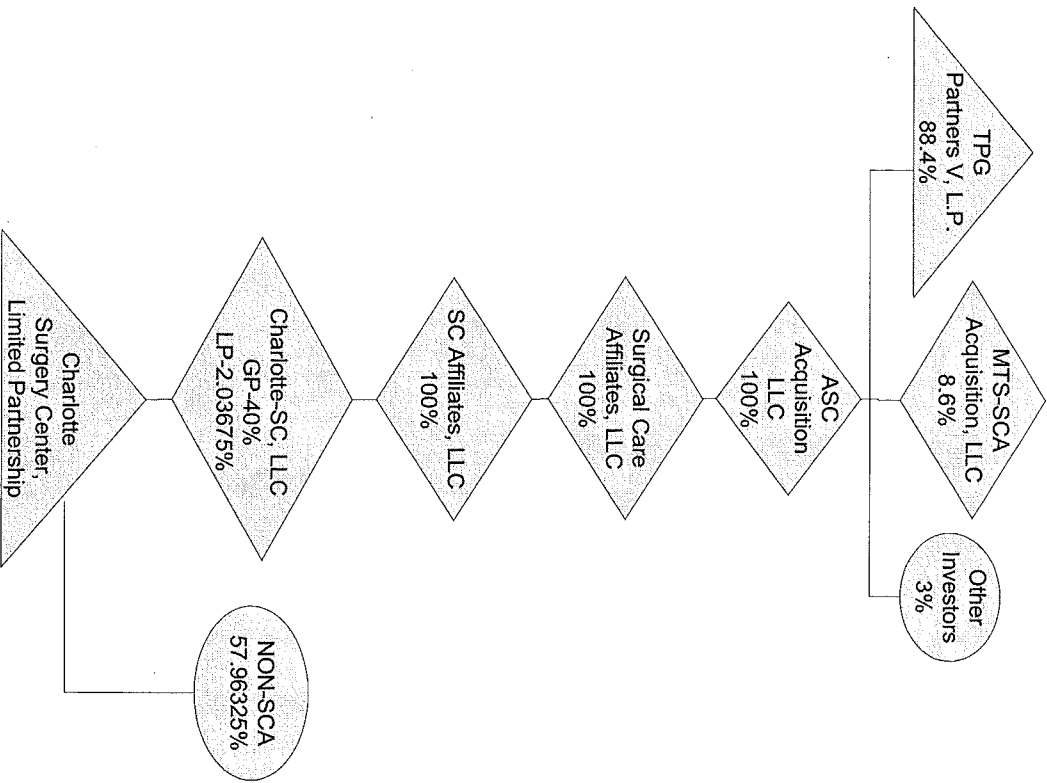
Anticipated Post-Transaction Structure



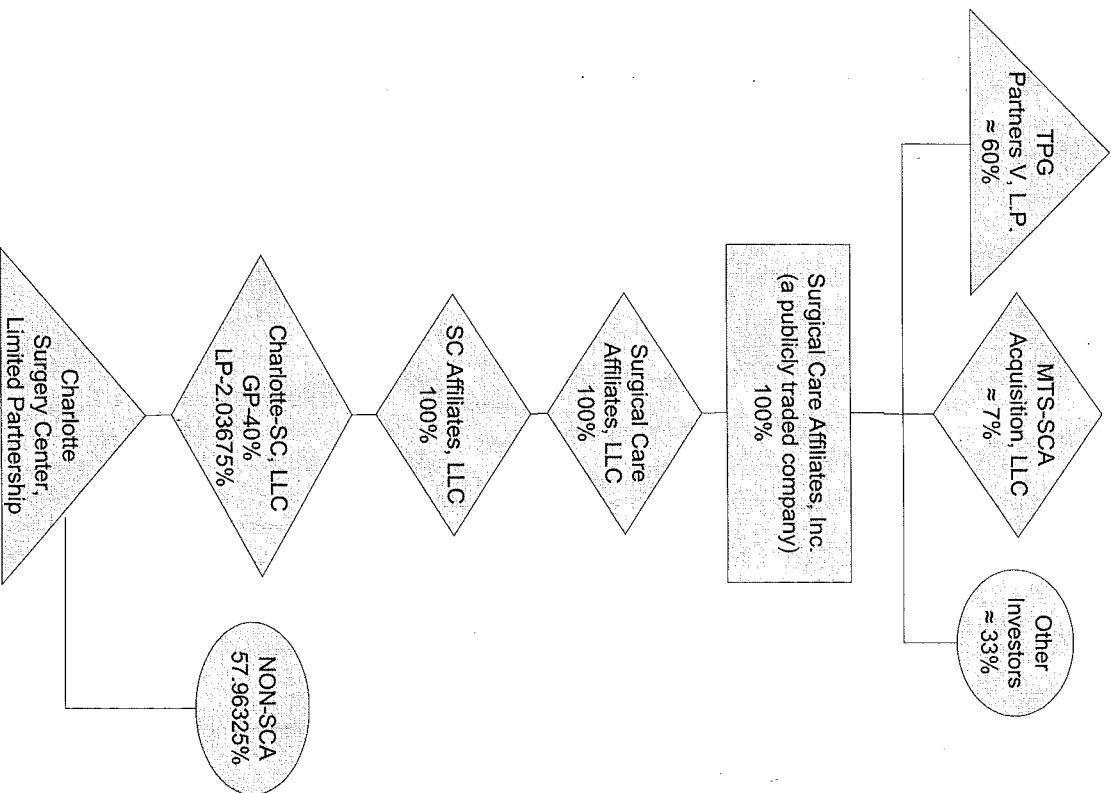
**Charlotte Surgery Center, Limited Partnership
2825 Randolph Road, Charlotte, NC 28211**

50079

Pre-Transaction Structure



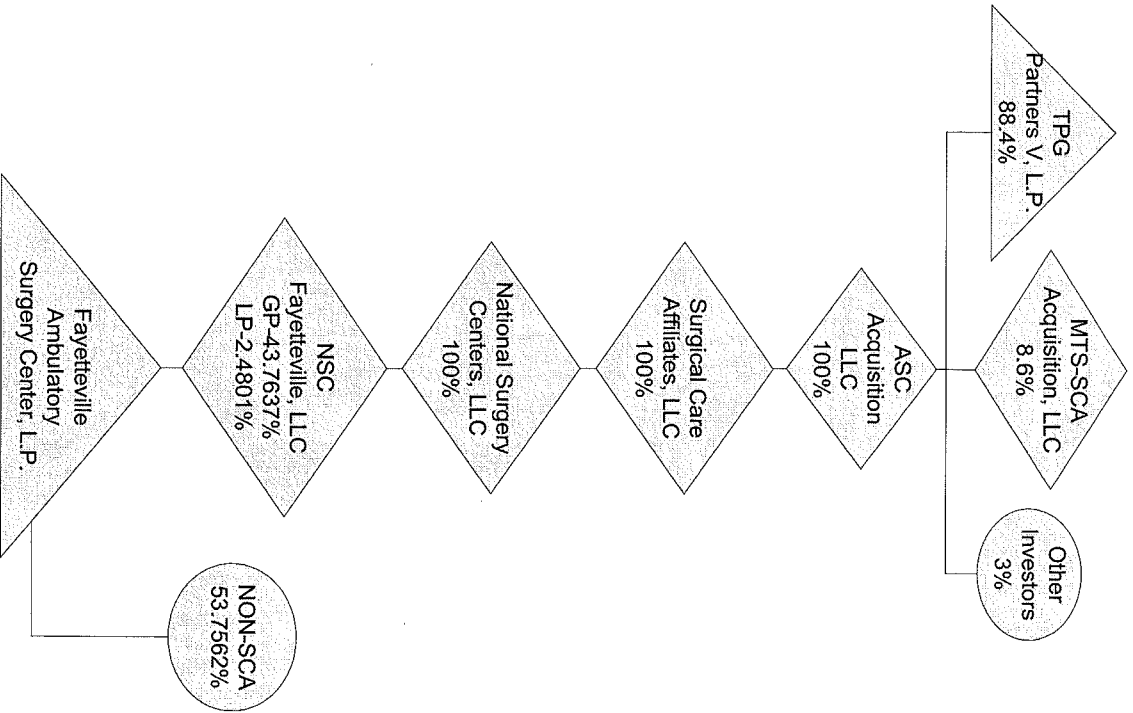
**Anticipated
Post-Transaction Structure**



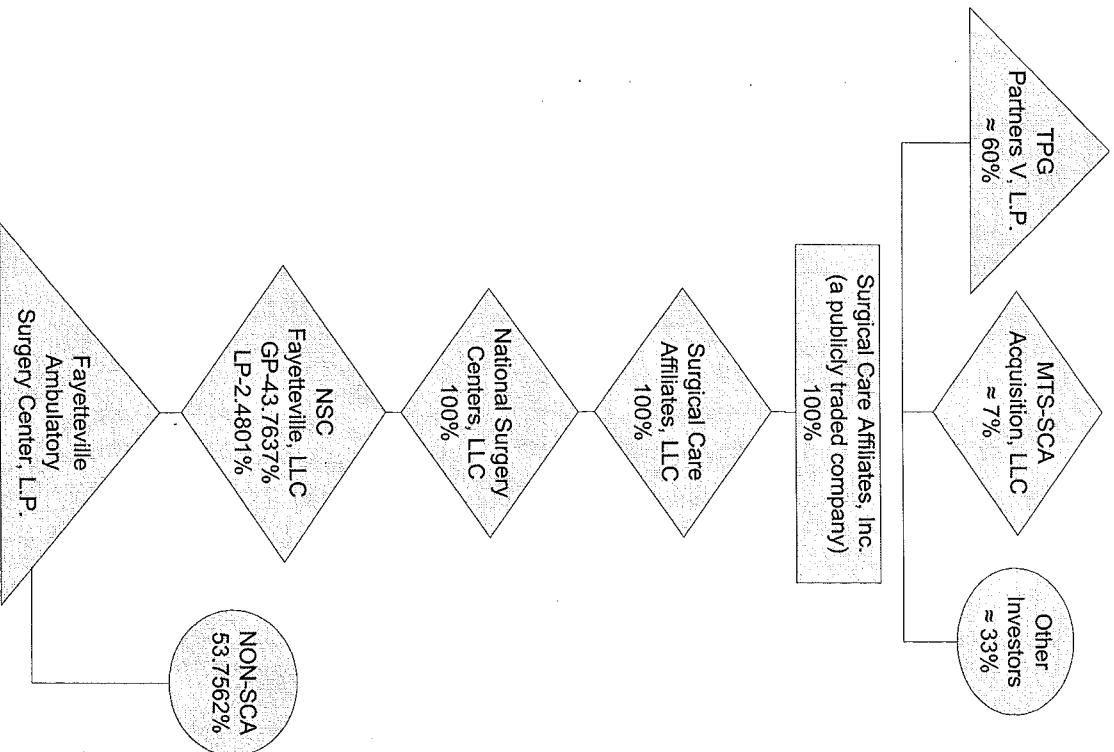
**Fayetteville Ambulatory Surgery Center, L.P.
1781 Metromedical Drive, Fayetteville, NC 28304**

50260

Pre-Transaction Structure



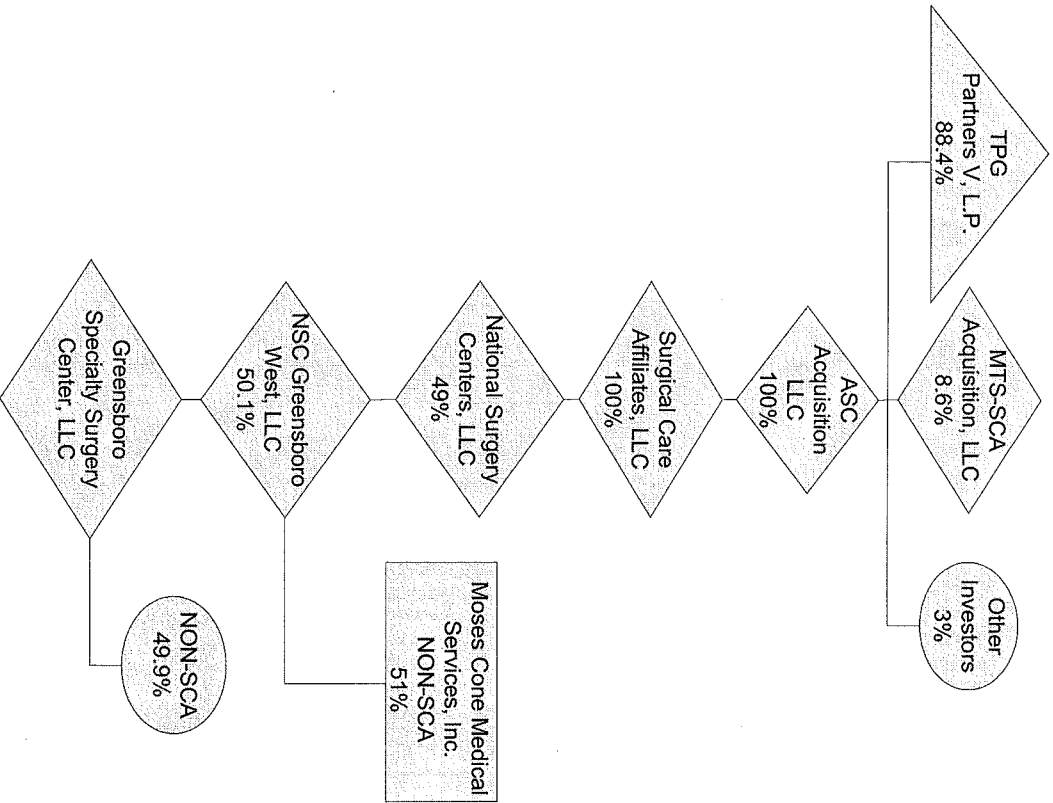
**Anticipated
Post-Transaction Structure**



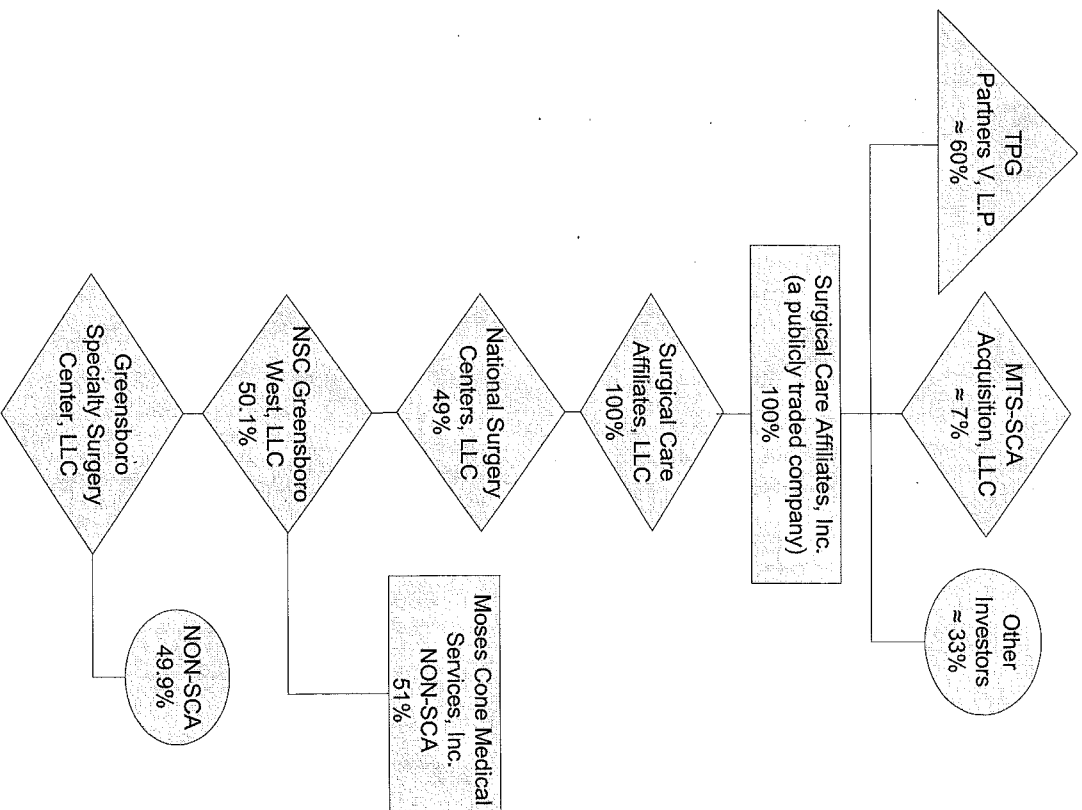
Greensboro Specialty Surgery Center, LLC
3812 North Elm Street, Greensboro, NC 27455

50264

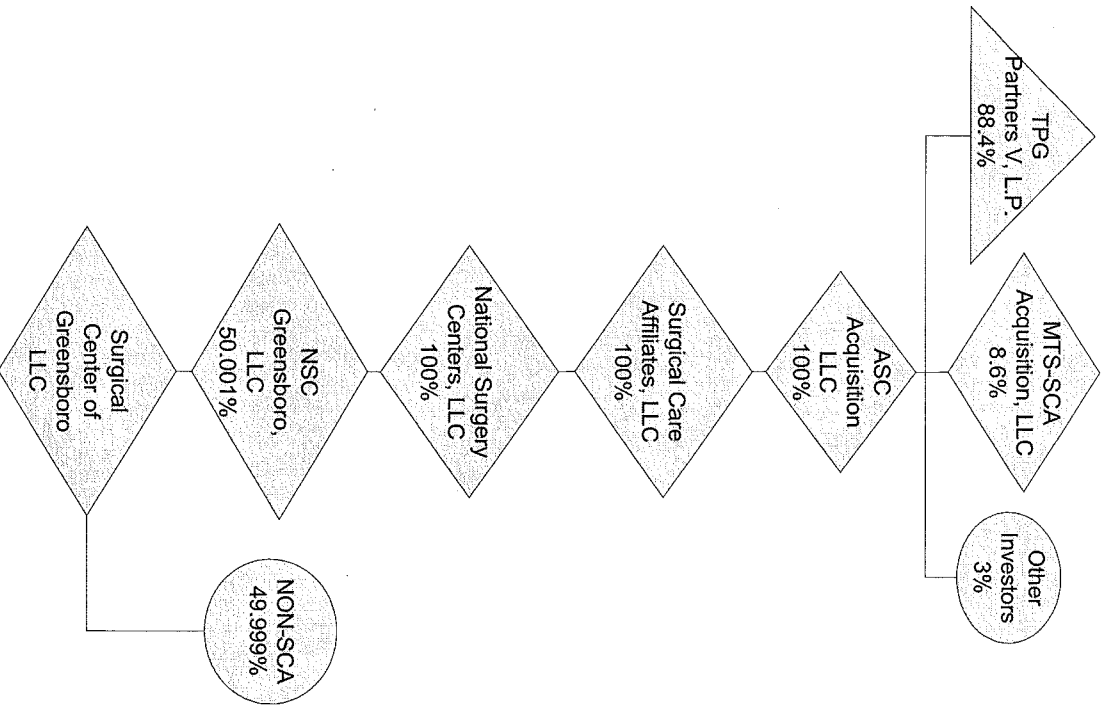
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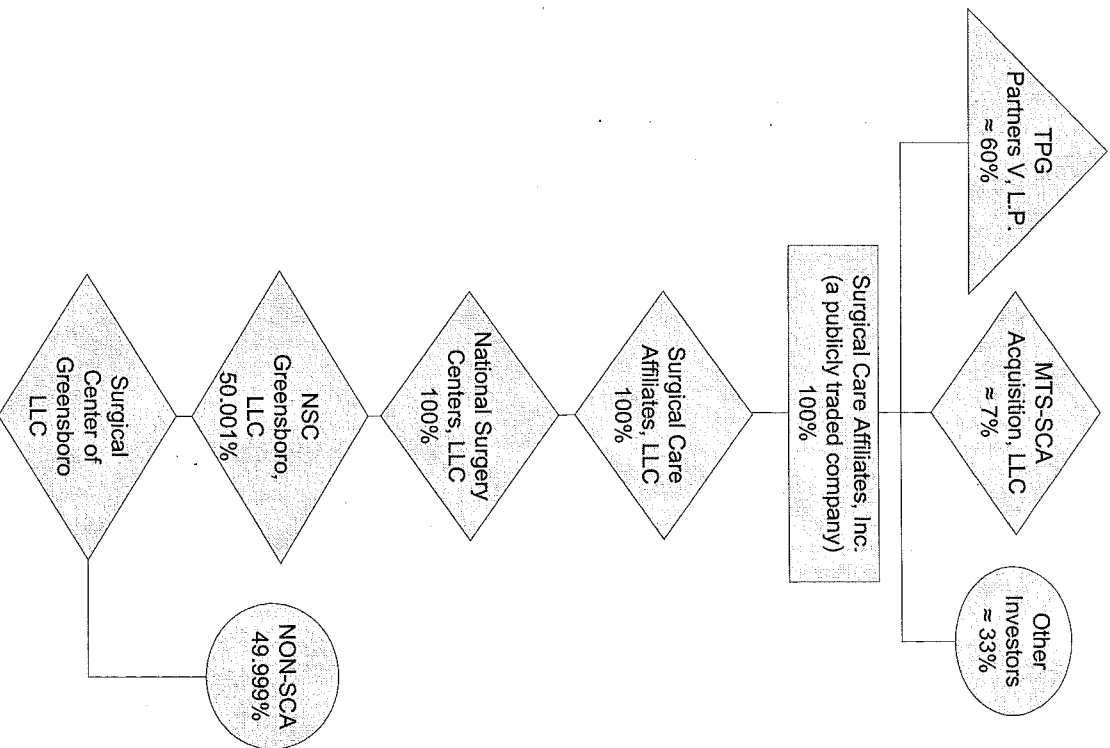
Anticipated Post-Transaction Structure



Pre-Transaction Structure



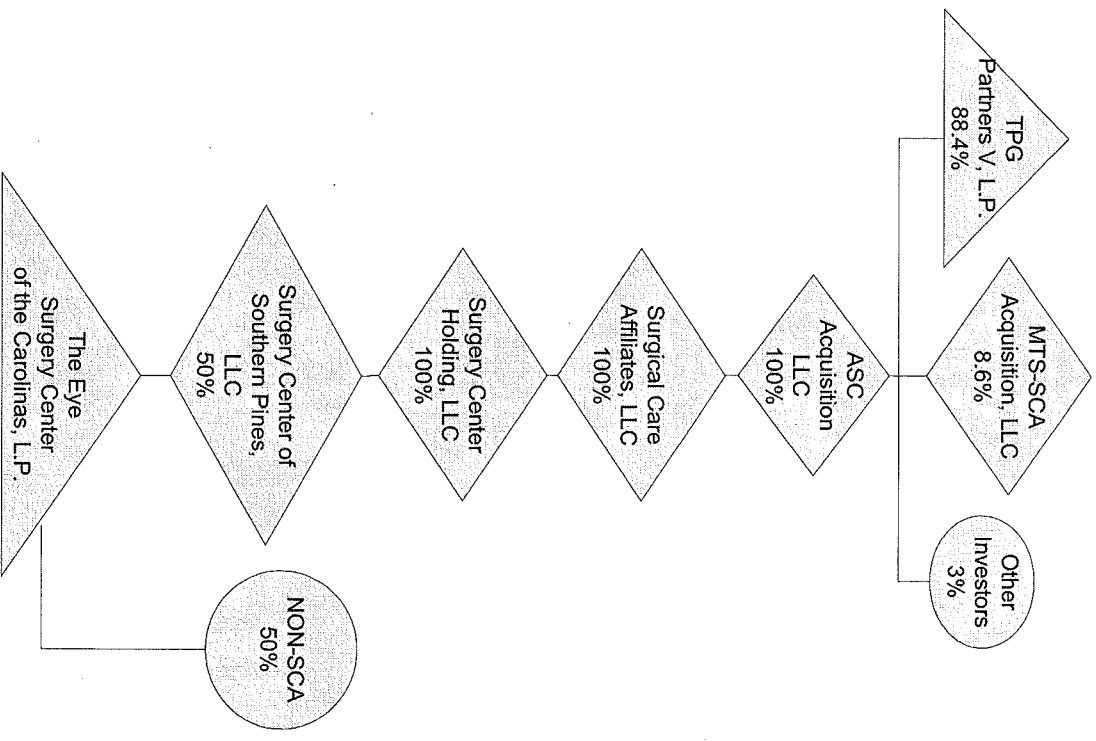
Anticipated Post-Transaction Structure



**The Eye Surgery Center of the Carolinas, L.P.
2170 Midland Road, Southern Pines, NC 28387**

502335

Pre-Transaction Structure



Anticipated Post-Transaction Structure

