



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

November 10, 2014

Franklin Scott Templeton  
Nelson Mullins Riley & Scarborough LLP  
380 Knollwood Street, Suite 530  
Winston-Salem, NC 27103

**No Review**

Facility or Business: Novant Health Franklin Medical Center

Project Description: Restructuring transaction whereby the ownership interest in Carolina Holdings, LLC, the sole owner of Louisburg/Novant, LLC, the sole owner of the hospital, will be reallocated

County: Franklin  
FID #: 943178

Dear Mr. Templeton:

The Certificate of Need Section (CON Section) received your letter of October 27, 2014 regarding the above referenced proposal. Based on the CON law **in effect on the date of this response to your request**, the proposal described in your correspondence is not governed by, and therefore, does not currently require a certificate of need. However, please note that if the CON law is subsequently amended such that the above referenced proposal would require a certificate of need, this determination does not authorize you to proceed to develop the above referenced proposal when the new law becomes effective.

However, you need to contact the Acute and Home Care Licensure and Certification Section 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](http://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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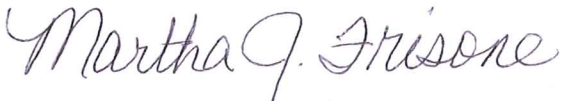
Franklin Scott Templeton  
November 10, 2014  
Page 2

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

Sincerely,



F. Gene DePorter, Project Analyst



Martha J. Frisone, Interim Chief  
Certificate of Need Section

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

# Nelson Mullins

**Nelson Mullins Riley & Scarborough LLP**  
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Scott.Templeton@nelsonmullins.com

Received by  
the CON Section  
OCT 28 2014

October 27, 2014

By Overnight Delivery and Email  
(Delivery Site Phone 919.855.3873)  
(Martha.Frisone@dhhs.nc.gov)

Martha J. Frisone, Interim Section Chief  
Certificate of Need Section / DHSR / DHHS  
809 Ruggles Drive  
Raleigh, NC 27603

Re: Novant Health Franklin Medical Center (FID 943178; License H0261)  
Notice of Exempt Acquisition of an Existing Health Service Facility and Request for a  
No Review Determination, Relating to a Proposed Restructuring of the Existing  
Ownership Interests in Carolinas Holdings, LLC, the Sole Owner of the Hospital.

Dear Ms. Frisone:

We represent Foundation Health Systems Corp. ("Foundation"), a North Carolina nonprofit corporation and affiliate of Novant Health, Inc. ("Novant"), and a 50% membership interest owner in Carolinas Holdings, LLC (the "Company"). The Company is the sole owner of Louisburg/Novant, LLC, which is the sole owner of Novant Health Franklin Medical Center (the "Hospital"), a licensed North Carolina hospital located in Louisburg, Franklin County.

We are providing this notice to inform the CON Section that Foundation and the other 50% owner of the Company, Health Management Associates, Inc. (through its wholly owned affiliate Carolinas JV Holdings, L.P.) (collectively "HMA"), propose to enter into a restructuring transaction that will reallocate their respective ownership (membership) interests within the Company. Although it appears that the proposed transaction falls outside the scope of the CON law, we are providing this letter to ensure that the Section is provided with advance notice of the proposed transaction, as described below.

*With offices in the District of Columbia, Florida, Georgia, Massachusetts, North Carolina, South Carolina, Tennessee and West Virginia*

Foundation and HMA are each presently a 50% membership interest owner in the Company, which owns the Hospital as well as other hospitals in North Carolina and South Carolina. The parties are presently negotiating a transaction that will reallocate the existing ownership interests in the Company, with HMA's ownership interests increasing from 50% to 99.6795% of the Company following the transaction, and Foundation's ownership interests decreasing from 50% to 0.3205% of the Company following the transaction. Foundation will remain an owner of the Company, and will retain its present 99% allocation of the economic interests (profits, losses, and cash flow) in the Company relating to the Hospital. Novant will continue to manage the Hospital. The proposed transaction will not result in any change in the direct ownership of the Hospital, or the manager of the Hospital, or any change in the Hospital's name, tax identification number, or Medicare provider number. No changes in the day-to-day operations of the Hospital are anticipated as a result of the proposed transaction.

It appears that the proposed transaction is beyond the scope of the CON law, because HMA does not propose to acquire any direct ownership interest in any existing health service facility or any new institutional health services. As relates to the Hospital, HMA is only acquiring additional ownership interests in the Company. For purposes of CON analysis, the proposed transaction is substantially similar to the restructuring of the Company that occurred in 2009, when Foundation acquired increased ownership interests in the Company. For your convenience, our correspondences relating to that 2009 transaction are enclosed. As with the 2009 transaction, the owner and licensee of the Hospital will not change, it will remain Louisburg/Novant, LLC (*f/k/a Louisburg H.M.A., LLC*). The owner of the licensee will not change, it will remain the Company. Novant's current management of the Hospital will not change, nor will Foundation's 99% allocation of the economic interests in the Company relating to the Hospital. As relates to the Hospital, the two owners of the Company are only adjusting their relative ownership interests inside the Company.


We recognize, however, that HMA's proposed capital expenditure in the proposed transaction (in excess of \$2,000,000), and its acquisition of additional membership interests in the Company (from Foundation), may arguably appear to fall (albeit indirectly) within the definition of "new institutional health services" at N.C. Gen. Stat. § 131E-176(16). If the proposed acquisition should in fact come within the definition of new institutional health services, then N.C. Gen. Stat. § 131E-184(a)(8) provides that, upon receiving prior written notice, the CON Section shall exempt from CON review the acquisition of "an existing health service facility, including equipment owned by the health service facility at the time of acquisition." From an abundance of caution, therefore, we are providing you with this prior written notice of the proposed restructuring and acquisition of interests in the Company as described herein, which pursuant to N.C. Gen. Stat. § 131E-184(a)(8) is thereby exempted from CON review.

Martha J. Frisone, Interim Section Chief  
October 27, 2014  
Page 3

Please note that I believe you have recently received, from HMA counsel, a similar letter regarding the other North Carolina hospital involved in the proposed transaction. We are also notifying the Acute and Home Care Licensure and Certification Section of the proposed transaction.

While negotiations are ongoing, the proposed transaction may close effective as of November 1, 2014. We would appreciate receiving written confirmation that the proposed acquisition, as described herein, is exempt from CON review. Thank you for your consideration of our request, and feel free to contact me if you have any questions.

Sincerely,  
Nelson Mullins Riley & Scarborough LLP



Franklin Scott Templeton

Enclosures



North Carolina Department of Health and Human Services  
Division of Health Service Regulation  
Certificate of Need Section

2704 Mail Service Center ■ Raleigh, North Carolina 27699-2704

Beverly Eaves Perdue, Governor  
Lanier M. Cansler, Secretary

[www.ncdhhs.gov/dhsr](http://www.ncdhhs.gov/dhsr)

Lee Hoffman, Section Chief  
Phone: 919-855-3873  
Fax: 919-733-8139

September 21, 2009

Franklin Scott Templeton  
Nelson Mullins Riley & Scarborough, L.L.P.  
380 Knollwood Street, Suite 530  
Winston-Salem, NC 27103

RE: No Review/ Louisburg HMA, LLC d/b/a Franklin Regional Medical Center/ Acquisition by Foundation Health Systems Corp. (an affiliate of Novant Health, Inc.) of an additional 23% ownership of Carolinas Holdings, LLC (sole owner of the hospital) for a total ownership of 50% and assumption of management of the hospital/ Franklin County  
FID #: 943178

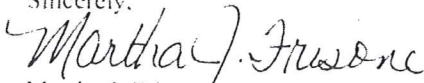
Dear Mr. Templeton:


The Certificate of Need Section (CON Section) received your letter of September 18, 2009 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.

In addition, you should contact the Acute and Home Care Licensure and Certification Section to determine if they have any requirements for development of 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.

Sincerely,

  
Martha J. Frisone  
Team Leader

  
Lee B. Hoffman, Chief  
Certificate of Need Section

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



Location: 701 Barbour Drive ■ Dorothea Dix Hospital Campus ■ Raleigh, N.C. 27603  
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# Nelson Mullins

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Franklin Scott Templeton  
Tel: 336.774.3329  
Fax: 336.774.3377  
Scott.Templeton@NelsonMullins.com

September 18, 2009

## BY HAND DELIVERY

Lee B. Hoffman, Chief  
Certificate of Need Section  
Division of Health Service Regulation  
N.C. Dept. of Health and Human Services  
701 Barbour Drive  
Raleigh, NC 27603

Received by the  
CON Section  
18 SEP 2009 02:02

Re: Foundation Health Systems Corp. (an affiliate of Novant Health, Inc.);  
Proposed acquisition of an additional ownership interest in Carolinas Holdings, LLC,  
the sole owner of Franklin Regional Medical Center;  
and increased economic interest relating to that facility.

Notice of exempt acquisition of an existing health service facility  
pursuant to N.C. Gen. Stat. § 131E-184(a)(8).

Dear Ms. Hoffman:

We represent Foundation Health Systems Corp. ("Foundation"), a North Carolina nonprofit corporation and affiliate of Novant Health, Inc. We are providing this letter (along with a separate letter regarding another facility) to inform the CON Section that Foundation proposes to acquire an additional ownership interest in Carolinas Holdings, LLC (the "Company"), an entity in which Foundation is already a minority owner. The Company is the sole owner of Louisburg HMA, LLC, which in turn is the licensee and sole owner of Franklin Regional Medical Center in Louisburg. The transaction will also result in Foundation acquiring an increased economic interest in the Company relating to Louisburg HMA, LLC, and undertaking management of Franklin Regional. The transaction is described in further detail below.

The hospital and licensee that are the subjects of this letter are:

Franklin Regional Medical Center (and related operations)  
PO Box 609  
Louisburg, NC 27549 (Franklin County)  
Licensee: Louisburg H.M.A., LLC (formerly Louisburg H.M.A., Inc.)  
License No: H0261

Lee B. Hoffman, Chief  
September 18, 2009  
Page 2

You may recall that by my letter of March 28, 2008 (enclosed), we informed the CON Section of Foundation proposing to acquire a 27% ownership interest in the Company, which prior to that transaction was a wholly-owned affiliate of Health Management Associates, Inc. ("HMA"). That proposed acquisition was subsequently concluded, and your reply letter of July 1, 2009 (also enclosed) confirmed that the acquisition was not governed by the CON Law.

The currently proposed transaction will alter the ownership of the Company, with the result being that Foundation's ownership interest will increase from 27% to 50% of the Company following the transaction. In addition to adjusting the ownership interests, the transaction also adjusts economic allocations within the Company with respect to Louisburg HMA, LLC. The transaction will result in 99% of the Company's economic interest related to Louisburg HMA, LLC (profits, losses, and cash flow) being allocated to Foundation. Foundation (or Novant) will also undertake management of Franklin Regional. (We will inform the Acute and Home Care Licensure and Certification Section of the proposed management change by separate communications.)

While this letter specifically addresses the effect of the transaction on the Company and Louisburg HMA, LLC, a brief overview of the entire transaction as it relates to North Carolina may be helpful: The Company currently owns four North Carolina limited liability companies, which each own one North Carolina hospital.<sup>1</sup> The Company also owns other limited liability companies that operate outside of North Carolina. Currently, Foundation owns 27% of the Company, and HMA owns the remaining 73%. Currently, Foundation's and HMA's economic interests in the Company, i.e., their shares in the Company's profits, losses, and cash flow, are the same as their ownership interests (27% / 73%). In the proposed transaction, two of the North Carolina hospitals, Sandhills Regional and Davis Regional (along with other assets outside of North Carolina), will be transferred from the Company to HMA, and Foundation will thereafter have no ownership or operational interest in those two hospitals. Foundation's ownership interest in the Company will be increased from 27% to 50%, with HMA retaining the remaining 50%. Foundation's allocation of the Company's profits, losses, and cash flow related to Louisburg HMA, LLC will increase from 27% to 99%. Foundation's allocation of the Company's profits, losses, and cash flow related to Mooresville Hospital Management Associates, LLC (Lake Norman Regional) will increase from 27% to 30%.<sup>2</sup> Foundation will also undertake management of Franklin Regional, and will receive other assets outside of North Carolina.

Just as with Foundation's initial acquisition of its interest in the Company, it appears that the currently proposed transaction is also beyond the scope of the CON Law, because

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<sup>1</sup> The four hospitals are Franklin Regional Medical Center in Louisburg; Lake Norman Regional Medical Center in Mooresville; Davis Regional Medical Center in Statesville; and Sandhills Regional Medical Center in Hamlet.

<sup>2</sup> We are sending you a similar letter this date regarding this transaction and Lake Norman Regional Medical Center.





North Carolina Department of Health and Human Services  
Division of Health Service Regulation  
Certificate of Need Section  
2704 Mail Service Center ■ Raleigh, North Carolina 27699-2704

Beverly Eaves Perdue, Governor  
Lanier M. Canler, Secretary

[www.ncdhhs.gov/dhsr](http://www.ncdhhs.gov/dhsr)

Lee Hoffman, Section Chief  
Phone: 919-855-3873  
Fax: 919-733-8139

July 1, 2009

Franklin Scott Templeton  
Nelson, Mullins, Riley & Scarborough, LLP  
380 Knollwood Street, Suite 530  
Winston-Salem NC 27103

RE: No Review/Franklin Regional Medical Center/Acquisition by Foundation Health Systems Corporation (an affiliate of Novant Health, Inc.) of 27% ownership interest in Carolina Holdings, LLC, which is the sole owner of the hospital/Franklin County  
FID # 943178

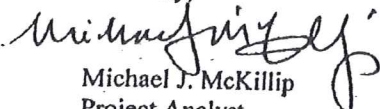
Dear Mr. Templeton:

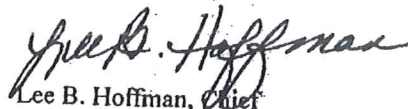
The Certificate of Need (CON) Section received your letter of March 28, 2008 regarding the above referenced proposal. Based on the CON law in effect on the date of this response to your request, the proposal described in your correspondence is not governed by, and therefore, does not currently require 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.

In addition, you should contact the Acute and Home Care Licensure and Certification Section, DHSR to determine if they have any requirements for development of the proposed project. Please contact the CON Section if you have any questions.

Sincerely,

  
Michael J. McKillip  
Project Analyst

  
Lee B. Hoffman, Chief  
Certificate of Need Section

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



Location: 701 Barbour Drive ■ Dorothea Dix Hospital Campus ■ Raleigh, N.C. 27603  
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Lee B. Hoffman, Chief  
September 18, 2009  
Page 3

Foundation does not propose to acquire a direct ownership interest in any existing health service facility or new institutional health services. Foundation is only acquiring an additional ownership interest in the Company, and an increased interest in the Company's profits, losses, and cash flow regarding certain Company assets.

We recognize, however, that Foundation's proposed capital expenditure (in excess of \$2,000,000) and acquisitions in this transaction may arguably appear to fall (albeit indirectly) within the definition of new institutional health services at N.C. Gen. Stat. 131E-176(16). If the proposed acquisition should in fact come within the definition of "new institutional health services," then N.C. Gen. Stat. § 131E-184(a)(8) provides that, upon receiving prior written notice, the CON Section shall exempt from CON review the acquisition of "an existing health service facility, including equipment owned by the health service facility at the time of acquisition." From an abundance of caution, therefore, we are providing this prior written notice of Foundation's proposed acquisition as described herein, which pursuant to N.C. Gen. Stat. 131E-184(a)(8) is thereby exempted from CON review.

The parties contemplate closing this transaction shortly, perhaps by September 30, 2009. We would appreciate receiving written confirmation that the proposed acquisition, as described herein, is exempt from CON review.

Thank you for your consideration of our request, and feel free to contact me if you have any questions.

Sincerely,  
NELSON MULLINS RILEY & SCARBOROUGH LLP

*Franklin Scott Templeton*  
Franklin Scott Templeton *by C. H. Mercer, Jr.*

Enclosures

54220.3

# Nelson Mullins

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March 28, 2008

Received by the  
CON Section

VIA HAND DELIVERY

28 MAR 2008 03 : 54

Lee B. Hoffman, Chief  
Certificate of Need Section  
Division of Health Service Regulation  
N.C. Dept. of Health & Human Services  
701 Barbour Drive  
Raleigh, NC 27603

Re: Foundation Health Systems Corp. (an affiliate of Novant Health, Inc.);  
Proposed acquisition of minority ownership interest in Carolinas Holdings, LLC  
(an affiliate of Health Management Associates, Inc.), the sole owner of  
Franklin Regional Medical Center;  
Notice of exempt acquisition of an existing health service facility  
pursuant to N.C. Gen. Stat. § 131B-184(a)(8).

Dear Ms. Hoffman:

We represent Foundation Health Systems Corp. ("Foundation"), a North Carolina nonprofit corporation and affiliate of Novant Health, Inc. We are providing this letter to inform the CON Section that Foundation proposes to acquire a minority ownership interest in an entity, Carolinas Holdings, LLC, which in turn is the sole owner of four hospital licenses in North Carolina. For your convenience, we are providing you with four letters, one relating to each hospital license. Except for the identity of the hospital and its licensee, however, the proposed transactional details are identical, as are these letters.

As an initial matter, it appears that the proposed transaction is beyond the scope of the Certificate of Need ("CON") law, because Foundation does not propose to acquire a direct ownership interest in any existing health service facility or new institutional health services. Foundation instead proposes to acquire a twenty-seven percent (27%) interest in Carolinas Holdings, LLC, which is the owner of four North Carolina hospital licenses (and other assets

Lee B. Hoffman, Chief  
March 28, 2008  
Page 2

outside North Carolina). We recognize, however, that our client's proposed capital expenditure in this transaction (in excess of two million dollars) may arguably (albeit indirectly) "relate[ ] to the provision of a health service," and thus fall within the definition of new institutional health services at N.C. Gen. Stat. 131E-176(16)(b). From an abundance of caution, therefore, we are providing this prior written notice of the proposed acquisition, which pursuant to N.C. Gen. Stat. 131E-184(a)(8) is thereby exempted from CON review.

The Hospital and Licensee that are the subjects of this letter are:

Franklin Regional Medical Center (and related operations)  
PO Box 609  
Louisburg, NC 27549 (Franklin County)  
Licensee: Louisburg H.M.A., Inc.  
License No: H0261

Prior to the contemplated transaction, the Licensee has been wholly owned by Health Management Associates, Inc. ("HMA"). We understand that in contemplation of the proposed transaction with Foundation, HMA has taken certain preliminary actions:

- HMA has conveyed 100% of its ownership in the Licensee to Carolinas JV Holdings, LP, a limited partnership. Carolinas JV Holdings, LP has two partners, HMA (99% interest) and Carolinas JV Holdings General, LLC (1% interest), the sole member of which is also HMA.
- Carolinas JV Holdings, LP has, in turn, conveyed 100% of its ownership in the Licensee to Carolinas Holdings, LLC, a limited liability company of which Carolinas JV Holdings, LP is the sole member. As such, prior to the proposed transaction, the Licensee remains held by an entity that is ultimately owned in its entirety by HMA.

Foundation Health Systems Corp. now proposes to acquire a twenty-seven percent (27%) ownership interest in Carolinas Holdings, LLC (the sole owner of the Licensee). The parties contemplate closing this transaction in perhaps as little as one day following the date of this letter.

We also note for your information that the Licensee, previously a North Carolina corporation, was converted effective March 20 into a North Carolina limited liability company by filing Articles of Organization including Articles of Conversion with the North Carolina Secretary of State. The name of the Licensee is unchanged, except that the "Inc." suffix has been replaced with "LLC."

If the proposed acquisition should in fact come within the definition of "new institutional health services," then N.C. Gen. Stat. § 131E-184(a)(8) provides that, upon receiving prior written notice, the CON Section shall exempt from CON review the acquisition

Lee B. Hoffman, Chief  
March 28, 2008  
Page 3

of "an existing health service facility, including equipment owned by the health service facility at the time of acquisition." This letter serves as prior written notice that Foundation proposes to acquire a twenty-seven percent (27%) ownership interest in Carolinas Holdings, LLC, which is the sole owner of the Licensee. We would therefore appreciate receiving written confirmation that this proposed acquisition, as described herein, is exempt from CON review.

Thank you for your consideration of our request, and please feel free to contact me if you have any questions.

Sincerely,  
NELSON MULLINS RILEY & SCARBOROUGH LLP  
*Franklin Scott Templeton*  
*by Noel H. Hoffman*  
Franklin Scott Templeton