



DEPARTMENT OF HEALTH AND HUMAN SERVICES
DIVISION OF HEALTH SERVICE REGULATION

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

MARK PAYNE
DIRECTOR

June 27, 2017

J. Spencer Clark
250 South Wacker Drive, Suite 500
Chicago, Illinois 60606

No Review

Record #: 2303
Facility Name: North Carolina Specialty Hospital
FID #: 943374
Business Name: North Carolina Specialty Hospital, LLC
Business #: 1328
Project Description: Change in indirect ownership
County: Durham

Dear Mr. Clark:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) received your letter of June 12, 2017 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 Agency's 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 in your correspondence. 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 this office. 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.

HEALTHCARE PLANNING AND CERTIFICATE OF NEED SECTION

WWW.NCDHHS.GOV

TELEPHONE 919-855-3873

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

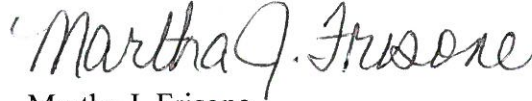


Please contact this office if you have any questions. Also, in all future correspondence you should reference the Facility ID # (FID) if the facility is licensed.

Sincerely,



Bernetta Thorne-Williams
Project Analyst



Martha J. Frisone
Chief, Healthcare Planning and Certificate of Need

cc: Acute and Home Care Licensure and Certification Section, DHSR
Paige Bennett, Assistant Chief, Healthcare Planning, DHSR

250 South Wacker Drive
Suite 500
Chicago, Illinois 60606

312 627 8400 Phone
312 474 1950 Fax

Record# 2303
FID# 943374

June 12, 2017

VIA FEDERAL EXPRESS
Tracking #779367986402



Ms. Bernetta Thorne-Williams
Project Analyst
NC Division on Health Service Regulation
Certificate of Need Section
809 Ruggles Drive
Raleigh, NC 27603

**Re: Notification of Information regarding Ownership of
North Carolina Specialty Hospital, LLC
(CON Project ID# J-6632-02, FID# 943374)**



Dear Ms. Williams:

This letter is being written on behalf of North Carolina Specialty Hospital, LLC (the "Hospital") to provide notification to the Certificate of Need ("CON") Section that NSH Holdco, Inc., the parent company of National Surgical Hospitals, Inc., d/b/a National Surgical Healthcare, has signed a definitive merger agreement with Surgery Partners, Inc. in which NSH Holdco, Inc. will be merging with a wholly-owned subsidiary of Surgery Partners, Inc. with NSH-Holdco, Inc. being the surviving entity, all as more particularly depicted in the Pre and Post-Merger Organizational Charts enclosed herewith. NSH Holdco, Inc. is an indirect owner of the Hospital. The completion of the definitive merger is anticipated to occur in the third quarter of 2017. Upon the successful completion of the aforementioned merger, the day to day operations of the Hospital will continue uninterrupted. It is our understanding that the merger does not require CON review, and that no other filings will be required in connection with the transaction. Per NC G.S. § 131E-178(b), "No person shall make an acquisition by donation, lease, transfer, or comparable arrangement without first obtaining a certificate of need from the Department, if the acquisition would have been a new institutional health service if it had been made by purchaser". The term "new institutional health service" is defined in NC G.S. § 131E-176(16)(1) to include "the 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 G.S. 131E-180".

The merger will result in NSH Holdco, Inc., becoming a wholly owned subsidiary of Surgery Partners, Inc., a publicly traded company, and thus result in Surgery Partners, Inc. becoming the 51% indirect owner in the Hospital as more particularly set forth in the enclosed post-merger organizational chart. However, no direct ownership change of the Hospital will occur, and the Hospital Tax ID, Medicare No., administrator, and operations all remain unchanged. Therefore, the transaction does not result in the purchase, lease, or acquisition of the Hospital, nor will it result in the purchase, lease, or acquisition of a controlling interest of the Hospital.

Although it is our understanding that the merger transaction will not constitute an “acquisition” for purposes of NC 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 G.S. § 131E-184(a)(8), provided that the prior written notice is provided to the Department. In the event that the Department determines that the transaction will constitute an acquisition of an existing health service facility, please allow this letter to serve as the notice required under G.S. § 131E-184(a) and a request for confirmation that the transaction is exempt from CON review.

We respectfully request a determination from your office regarding whether the transaction is subject to CON review under NC law or will otherwise require action with the Department. Thank you in advance for your consideration of this request. Should you have further questions or require additional information, please do not hesitate to contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Spencer Clark". The signature is fluid and cursive, with the first name "J" being particularly prominent.

J Spencer Clark
Senior Associate General Counsel

JSC:sm

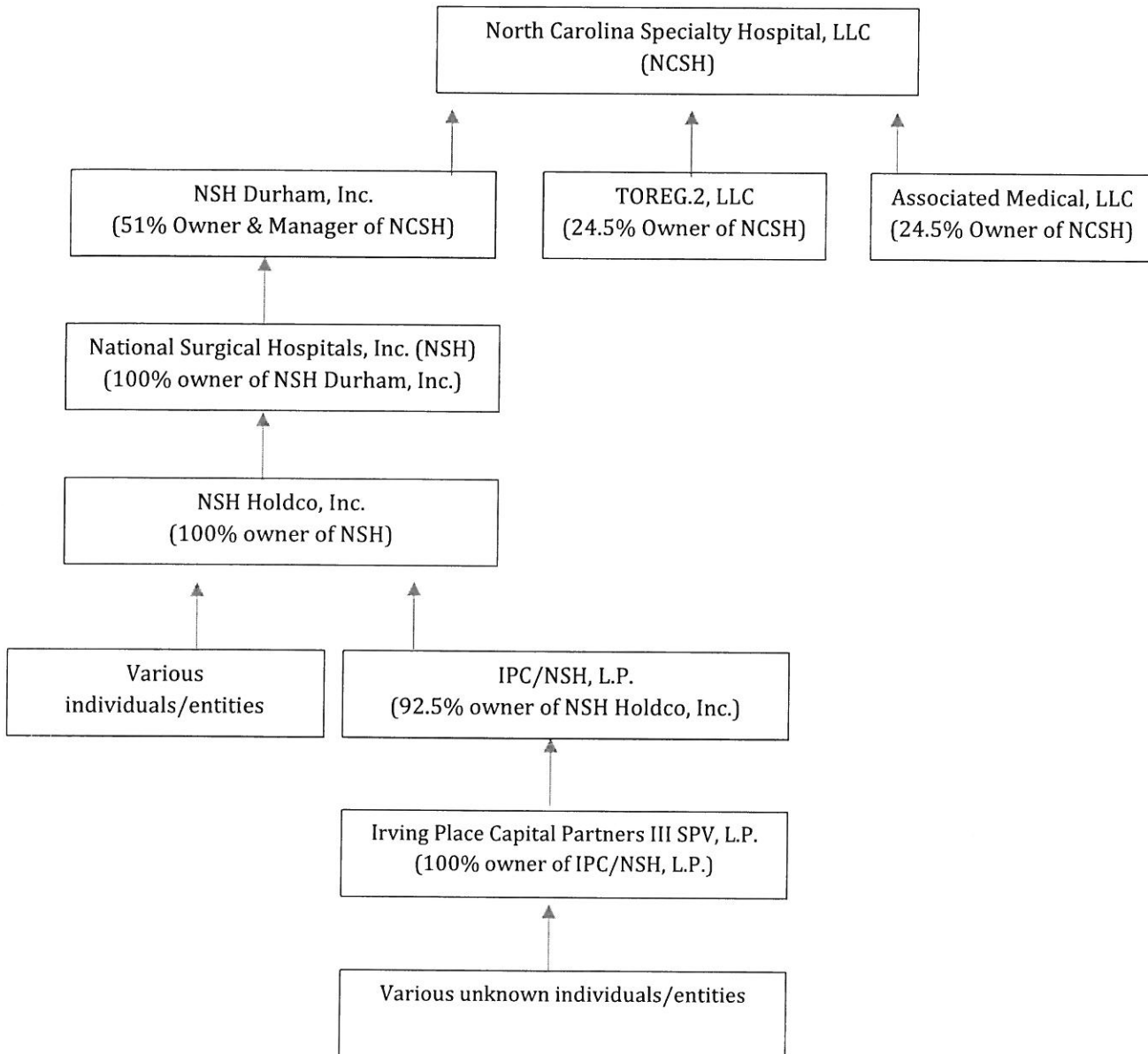
cc: Randi Shults
Enclosures

North Carolina Specialty Hospital, LLC – Transaction Detail

North Carolina Specialty Hospital, LLC is presently owned by those certain parties shown in the PRE-MERGER organizational chart included herewith. As relevant herein, the majority owner and manager of North Carolina Specialty Hospital, LLC is NSH Durham, Inc. NSH Durham, Inc. is owned 100% by National Surgical Hospitals, Inc., which is in turn owned 100% by NSH Holdco, Inc. Upon the successful completion of the announced merger between National Surgical Hospitals, Inc. and Surgery Partners, Inc., the ownership of NSH Holdco, Inc. will change and NSH Holdco, Inc. shall operate as a wholly owned subsidiary of Surgery Partners, Inc., a publicly traded company. The PRE-MERGER and -POST-MERGER organizational charts immediately follow.

[Organizational Charts on Next Pages]

North Carolina Specialty Hospital, LLC - Org. Chart (PRE-MERGER)



North Carolina Specialty Hospital, LLC - Org. Chart (POST-MERGER)

