



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 20, 2014

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

No Review

Facility or Business: Lake Norman Regional Medical Center
Project Description: Change in percent of indirect ownership interest – no change in direct ownership or operator
County: Iredell
FID #: 990475

Dear Mr. Lloyd:

The Certificate of Need Section (CON Section) received your letter of October 24, 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.

Moreover, you need to contact the Acute and Home Care Licensure and Certification Section, 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. Travis G. Lloyd

November 20, 2014

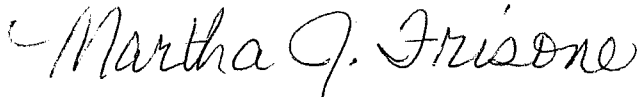
Page 2

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,



Gloria C. Hale, 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

October 24, 2014

Via Overnight Delivery and Email (Martha.Frisone@dhhs.nc.gov)

Ms. Martha J. Frisone
North Carolina Department of Health and Human Services
Division of Health Service Regulation
Certificate of Need Section
809 Ruggles Drive
Raleigh, North Carolina 27603

Received by
the CON Section
OCT 27 2014

Re: Lake Norman Regional Medical Center (License No. H0259); Notice of Proposed Restructuring of Indirect Ownership Interests; Request for "No Review" Determination

Dear Ms. Frisone:

I am writing on behalf of our client, Carolinas JV Holdings, L.P. ("HMA Holdings"), a Delaware limited partnership and affiliate of Health Management Associates, Inc. ("HMA"). 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 restructuring transaction pursuant to which HMA Holdings would acquire an additional ownership interest in Carolinas Holdings, LLC (the "JV Company"), a holding company in which HMA Holdings is already an owner. The JV Company is the sole owner of Mooresville Hospital Management Associates, LLC (the "Hospital Company"), which owns and operates Lake Norman Regional Medical Center in Mooresville, North Carolina (the "Hospital"). The Hospital holds the above-referenced North Carolina hospital license.

As described more fully below, the proposed transaction, if consummated, will not result in any change in the direct ownership of the Hospital, nor will it result in any change in the Hospital's legal business name, federal tax identification number, or Medicare provider number. Further, other than changes resulting in the ordinary course of business, no changes in the day-to-day operations of the Hospital are anticipated as a result of the proposed transaction. Although we believe the proposed transaction falls outside the scope of the North Carolina Certificate of Need Law (N.C. Gen. Stat. § 131E-175 *et seq.*), we are providing this letter to ensure that the Section is provided with notice of the proposed transaction.

Description of the Proposed Transaction

HMA Holdings presently holds a 50% ownership interest in the JV Company, which owns the Hospital Company as well as other health care facilities in North Carolina and South Carolina. The remaining 50% of the JV Company is owned by Foundation Health System Corp. ("Foundation"), an affiliate of Novant Health, Inc. ("Novant"). The parties are currently negotiating a transaction that, if consummated, would reallocate the ownership interests within the JV Company, with the result being that the ownership interest held by HMA Holdings and its affiliates will increase from 50% to 99.6795%, and Foundation's ownership interest will decrease from 50% to 0.3205%. While Foundation will remain a member of the JV Company and retain substantial interests in other health care facilities in which the JV Company has an indirect interest, it will also transfer its current 30% economic interest (i.e., profits,

Ms. Martha J. Frisone
October 24, 2014
Page 2

losses, and cash flow) in the Hospital to HMA Holdings, such that, following the transaction, HMA Holdings and its affiliates will be allocated 100% of the economic interests within the JV Company relating to the Hospital. An affiliate of HMA Holdings will continue to manage the Hospital. While negotiations are ongoing, the proposed transaction may close effective as of **November 1, 2014**. Enclosed for your reference as Exhibit A are ownership charts showing the ownership structure of the Hospital before and after the closing of the proposed transaction.

Notice Requirements

It is our understanding that the proposed transaction falls outside the scope of the North Carolina Certificate of Need Law, as HMA Holdings does not propose to acquire any direct ownership interest in any existing health service facility or "new institutional health service," as defined in N.C. Gen. Stat. § 131E-178(16)(1). HMA Holdings is only acquiring additional ownership interests in the JV Company, and increased interests in the JV Company's profits, losses, and cash flow as they relate to the Hospital. For purposes of analysis under the North Carolina Certificate of Need Law, the proposed transaction is substantially similar to the restructuring of the JV Company that occurred in 2009, when Foundation acquired increased ownership interests in the JV Company, and increased economic interests relating to the Hospital. Enclosed for your reference as Exhibit B is a copy of the notice given by Foundation in connection with the 2009 restructuring transaction, as well as the response of the CON Section to the same. As in the earlier transaction, the direct owner of the Hospital, and the legal entity to which the hospital license is issued, will not change; it will remain the Hospital Company (Mooresville Hospital Management Associates, LLC). Likewise, the sole owner of the Hospital Company will not change; it will remain the JV Company (Carolinas Holdings, LLC). In addition, the Hospital will continue to be managed by an affiliate of HMA Holdings. HMA Holdings and Foundation, the two direct owners of the JV Company, are only adjusting their relative ownership and economic interests in the JV Company.

Notwithstanding the foregoing, in the event that the proposed transaction is determined to constitute a "new institutional health service," please allow this letter to serve as the notice required under N.C. Gen. Stat. § 131E-184(a) and a request for confirmation that the proposed transaction is exempt from certificate of need review. As you know, N.C. Gen. Stat. § 131E-184(a)(8) specifically provides that, upon receiving prior written notice, the CON Section shall exempt from certificate of need review the acquisition of "an existing health services facility, including equipment owned by the health service facility at the time of acquisition." Please note that you will receive notice regarding the other North Carolina hospital involved in the proposed transaction from counsel for Foundation, and that we will also be notifying the Acute and Home Care Licensure and Certification Section of the proposed transaction.

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@babco.com.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

By:


Travis G. Lloyd

Enclosures

Ms. Martha J. Frisone
October 24, 2014
Page 3

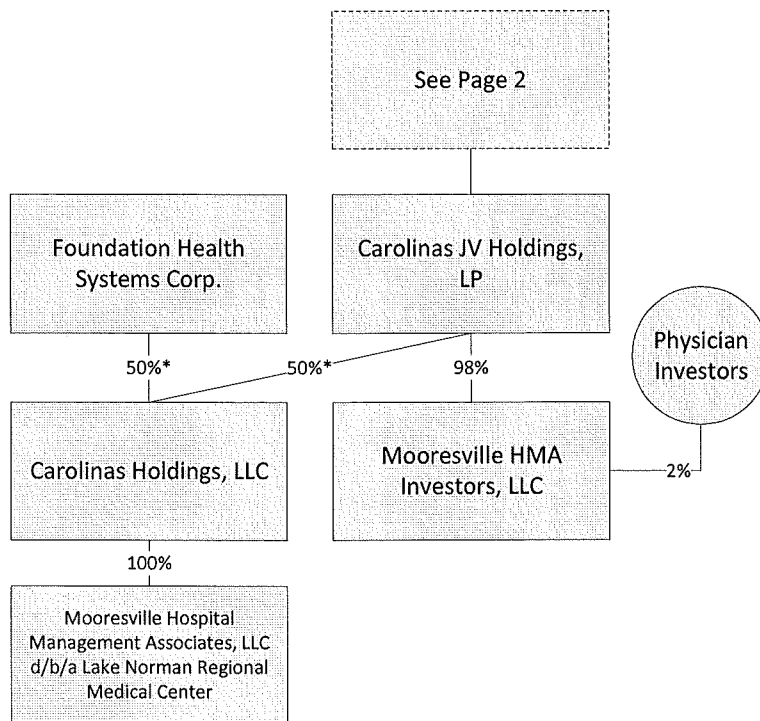
cc: Scott Templeton, Esq. (via email: scott.templeton@nelsonmullins.com)
Deb Cooper, Esq. (via email: deb_cooper@chs.net)

EXHIBIT A

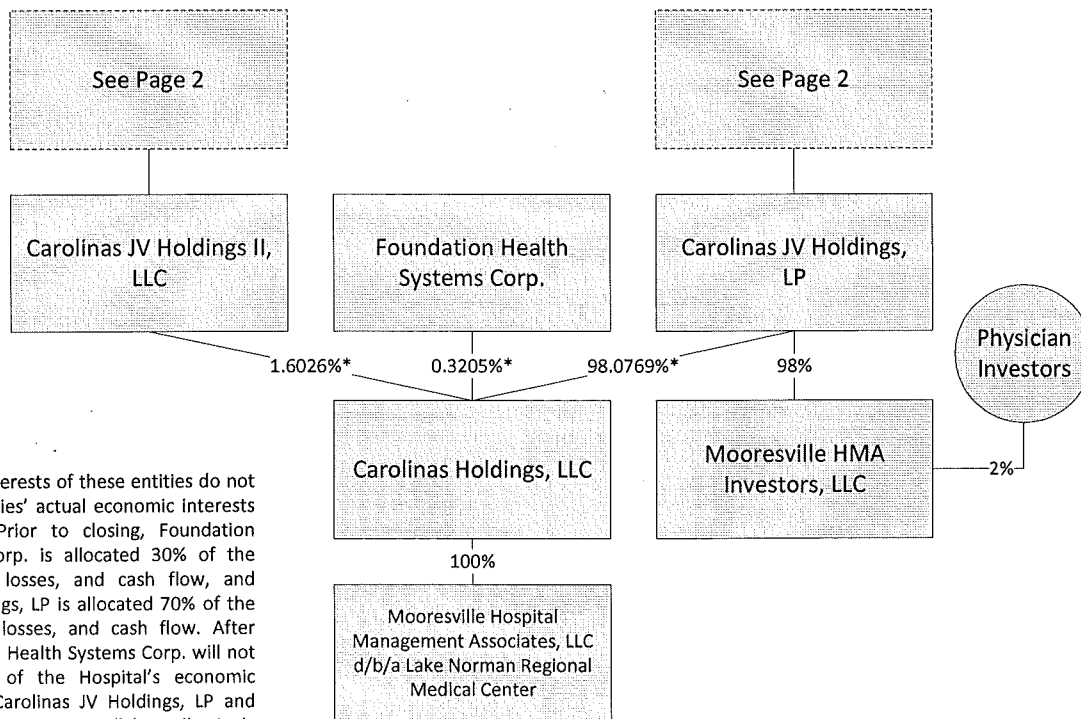
Pre- and Post-Closing Ownership Structure Charts

Please see attached.

Pre-Closing Ownership Structure

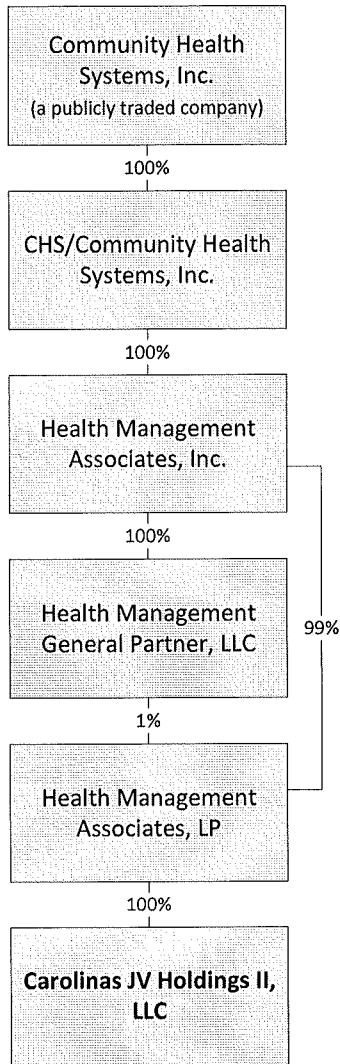


Post-Closing Ownership Structure



*The ownership interests of these entities do not represent the entities' actual economic interests in the Hospital. Prior to closing, Foundation Health Systems Corp. is allocated 30% of the Hospital's profits, losses, and cash flow, and Carolinas JV Holdings, LP is allocated 70% of the Hospital's profits, losses, and cash flow. After closing, Foundation Health Systems Corp. will not be allocated any of the Hospital's economic interests; rather, Carolinas JV Holdings, LP and Carolinas JV Holdings II, LLC will be collectively allocated 100% of the economic interests.

Ownership Structure of Carolinas JV Holdings II, LLC



Ownership Structure of Carolinas JV Holdings, LP

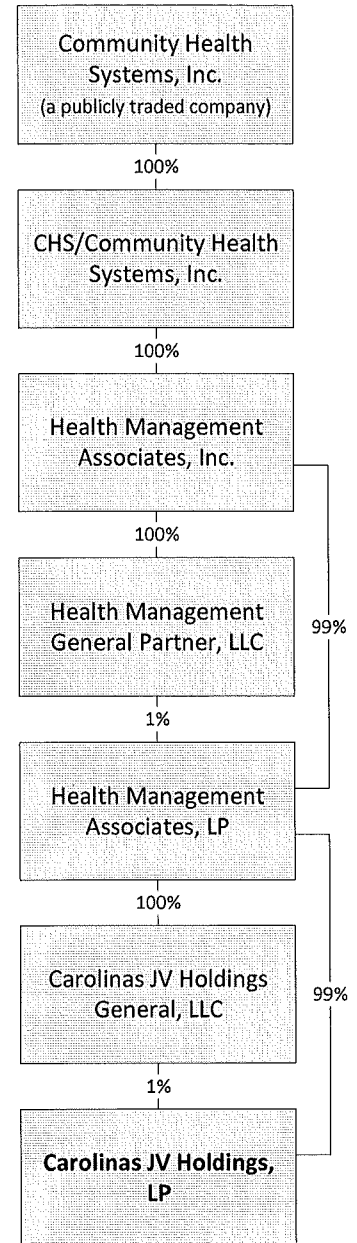


EXHIBIT B

Correspondence Relating to 2009 Restructuring Transaction

Please see attached.



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

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

September 21, 2009

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

RE: No Review/ Mooresville Hospital Management Associates, LLC d/b/a Lake Norman 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%/ Iredell County
FID #: 990475

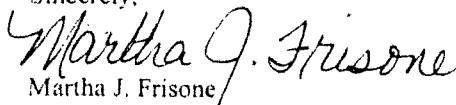
Dear Mr. Templeton:

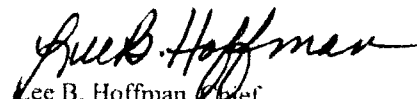
The Certificate of Need Section (CON Section) received your letter of September 18, 2009 regarding the above referenced proposal. Based on the CON law **in effect on the date of this response to your request**, the proposal described in your correspondence is not governed by, and therefore, does not 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
An Equal Opportunity / Affirmative Action Employer



Nelson Mullins

Nelson Mullins Riley & Scarborough LLP
Attorneys and Counselors at Law
380 Knollwood Street / Suite 530 / Winston-Salem, NC 27103
Tel: 336.774.3300 Fax: 336.774.3372
www.NelsonMullins.com

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 Lake Norman 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 Mooresville Hospital Management Associates, LLC, which in turn is the licensee and sole owner of Lake Norman Regional Medical Center in Mooresville. The transaction will also result in Foundation acquiring an increased economic interest in the Company relating to Mooresville Hospital Management Associates, LLC. The transaction is described in further detail below.

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

Lake Norman Regional Medical Center (and related operations)
PO Box 3250
Mooresville, NC 28117 (Iredell County)
Licensee: Mooresville Hospital Management Associates, LLC
License No: H0259

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 Mooresville Hospital Management Associates, LLC. The transaction will result in 30% of the Company's economic interest related to Mooresville Hospital Management Associates, LLC (profits, losses, and cash flow) being allocated to Foundation.

While this letter specifically addresses the effect of the transaction on the Company and Mooresville Hospital Management Associates, 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.¹ 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 Mooresville Hospital Management Associates, LLC will increase from 27% to 30%. Foundation's allocation of the Company's profits, losses, and cash flow related to Louisburg HMA, LLC will increase from 27% to 99%.² 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 Foundation does not propose to acquire a direct ownership interest in any existing health

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

² We are sending you a similar letter this date regarding this transaction and Franklin Regional Medical Center.

Lee B. Hoffman, Chief
September 18, 2009
Page 3

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
by *CTW Merz Jr.*

Franklin Scott Templeton

Enclosure

54221.1

Nelson Mullins

Nelson Mullins Riley & Scarborough LLP
Attorneys and Counselors at Law
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Tel: 336.774.3300 Fax: 336.774.3372
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Franklin Scott Templeton
Tel: 336.774.3329
Fax: 336.774.3377
Scott.Templeton@NelsonMullins.com

March 28, 2008

VIA HAND DELIVERY

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

Received by the
CON Section

28 MAR 2008 03 0154

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
Lake Norman Regional Medical Center;
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 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 licensees in North Carolina. For your convenience, we are providing you with four letters, one relating to each hospital licensee. 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 licensees (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:

Lake Norman Regional Medical Center (and related operations)
PO Box 3250
Mooresville, NC 28117 (Iredell County)
Licensee: Mooresville Hospital Management Associates, Inc.
License No: H0259

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 Nash P. Hoffmann III
Franklin Scott Templeton



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

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

July 13, 2009

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

RE: No Review/ Lake Norman Regional Medical Center/ Acquisition by Foundation Health Systems Corporation (an affiliate of Novant Health, Inc.) of 27% ownership in Carolinas Holdings, LLC, which is sole owner of the hospital/ Iredell County
FID #990475

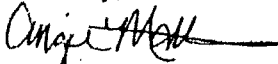
Dear Mr. Templeton:

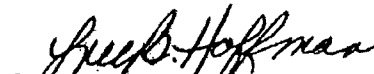
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It should be noted that this determination is binding only for the facts represented by you. Consequently, if changes are made in the project or in the facts provided in your correspondence referenced above, a new determination as to whether a certificate 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.

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,


Angie Matthes,
Project Analyst


Lee B. Hoffman, Chief
Certificate of Need Section

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



Location: 701 Barbour Drive ■ Dorothea Dix Hospital Campus ■ Raleigh, N.C. 27603
An Equal Opportunity / Affirmative Action Employer

