



NC DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER • Governor
MANDY COHEN, MD, MPH • Secretary
MARK PAYNE • Director, Division of Health Service Regulation

VIA EMAIL ONLY

July 23, 2021

Joy Heath, Williams Mullens
jheath@williamsmullen.com

Exempt from Review – Acquisition of Facility

Record #: 3614
Date of Request: July 12, 2021
Facility Name: Triangle Springs
Type of Facility: MHH
FID #: 150205
Acquisition by: Springstone Triangle Springs Property, LLC
Business #: 3414
County: Wake

Dear Ms. Heath:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) determined that the project described above is exempt from certificate of need (CON) review in accordance with G.S. 131E-184(a)(8). Therefore, the above referenced business may proceed to acquire the health service facility identified above without first obtaining a CON. The Agency’s determination is limited to the question of whether the above referenced business would have to obtain a CON if the current owners of the health service facility do in fact sell it to the business listed above. Note that pursuant to G.S. 131E-181(b): “A recipient of a certificate of need, or any person who may subsequently acquire, in any manner whatsoever permitted by law, the service for which that certificate of need was issued, is required to materially comply with the representations made in its application for that certificate of need.”

If the business listed above does acquire the facility, you should contact the Agency’s Mental Health Licensure Section to obtain instructions for changing ownership of the existing facility.

It should be noted that this Agency's position is based solely on the facts represented by you and that any change in facts as represented would require further consideration by this Agency and a separate determination regarding whether a certificate of need would be required. If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,

[Handwritten signature of Michael J. McKillip]

Michael J. McKillip
Project Analyst

[Handwritten signature of Lisa Pittman]

Lisa Pittman
Assistant Chief, Certificate of Need

cc: Mental Health Licensure Section, DHSR

NC DEPARTMENT OF HEALTH AND HUMAN SERVICES • DIVISION OF HEALTH SERVICE REGULATION
HEALTHCARE PLANNING AND CERTIFICATE OF NEED SECTION

LOCATION: 809 Ruggles Drive, Edgerton Building, Raleigh, NC 27603
MAILING ADDRESS: 809 Ruggles Drive, 2704 Mail Service Center, Raleigh, NC 27699-2704
https://info.ncdhs.gov/dhsr/ • TEL: 919-855-3873

AN EQUAL OPPORTUNITY / AFFIRMATIVE ACTION EMPLOYER

WILLIAMS MULLEN

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July 12, 2021

Via E-Mail Only:

micheala.mitchell@dhhs.nc.gov

Ms. Micheala Mitchell, Chief

mike.mckillip@dhhs.nc.gov

Mr. Michael McKillip, Project Analyst

Healthcare Planning and Certificate of Need Section
North Carolina Department of Health and Human Services
Division of Health Service Regulation
Raleigh, North Carolina

Re: Notice of Exempt Acquisition/No Review/Material Compliance Request
Facility: Triangle Springs
10901 World Trade Blvd
Raleigh, NC 27617
County: Wake
FID #: 150205
Licensee: Triangle Springs
License No: MHH0979

Dear Ms. Mitchell and Mr. McKillip:

Pursuant to N.C. Gen. Stat. § 131E-184(a)(8), I am writing to provide prior written notice of and information on the transaction (the "Transaction") further described below.

The Transaction involves Triangle Springs, LLC ("Triangle Springs") in Wake County, North Carolina. Triangle Springs and Propstone, LLC ("Propstone") were approved in 2015 for Project ID # J-11036-15 to develop a new psychiatric facility with 43 adult psychiatric beds pursuant to the need determination in the 2015 State Medical Facilities Plan ("SMFP"). Later that same year, Triangle Springs and Propstone were approved for Project ID # J-11049-15 to add 12 adult chemical dependency treatment beds to the previously approved facility pursuant to the need determination in the 2015 SMFP. Thereafter, in 2016, Triangle Springs and Propstone received approval for Project ID # J-11129-16 to develop 22 additional adult chemical dependency treatment beds at the previously approved facility pursuant to the need determination in the 2016 SMFP for a total of 34 chemical dependency beds upon completion of the project, together with Project ID # J-11049-

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15. In 2018, Propstone transferred its interest in the real estate of the facility to Triangle Springs following receipt of a letter confirming the transfer was exempt from certificate of need (“CON”) review. Pursuant to these approvals, Triangle Springs now operates and is licensed for 43 adult psychiatric beds and 34 chemical dependency treatment beds in Wake County, FID # 150205.

The Transaction will involve several steps. First, MPT Springstone REIT, Inc., (the “Purchaser”) a newly formed company and indirect subsidiary of Medical Properties Trust, Inc., will acquire 100% of the stock of Springstone Holdings, Inc. (“Holdings”), the grandparent of Triangle Springs, from Springstone, LLC. Immediately following Purchaser’s acquisition of Holdings, Holdings will cause Triangle Springs (i) to transfer all of its real estate assets, including the health service facility FID # 150205, to a new indirect wholly-owned subsidiary of Holdings, Springstone Triangle Springs Property, LLC, and (ii) thereafter, to convert Springstone, Inc., a wholly-owned subsidiary of Holdings and the direct parent company of Triangle Springs into a limited liability company (“Springstone OpCo”), with 49% of the limited liability company owned by Holdings and 51% by a new management company (“New ManCo, LP”) formed and owned by Triangle Springs’ existing senior management team (“Springstone Management”). Finally, New ManCo, LP will enter into a management agreement with Springstone OpCo that will provide for, among other things, Springstone Management to exclusively manage the operations of Triangle Springs. The Transaction is expected to close in the fourth quarter of 2021.¹

As noted above, the Transaction will result in certain changes relating to the management agreement, although the management entity will continue to be majority-owned by Triangle Springs’ existing senior management team. It is our understanding these changes are not subject to CON review and are in material compliance with the CON approvals for the development of Triangle Springs.

As part of the Transaction described above, Springstone Triangle Springs Property, LLC will acquire the real estate assets of Triangle Springs. In that regard, we ask that you accept this letter as prior written notice of the proposed acquisition of Triangle Springs, an existing health service facility, including equipment owned by the health service facility at the time of acquisition. As you know, N.C. Gen. Stat.

¹ Note, New ManCo, LP has not yet been formed and the name is simply a placeholder and may change.

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§ 131E-184(a)(8) provides that upon prior written notice, the Department shall exempt from CON review such acquisitions upon provision of notice containing an explanation of why the new institutional health service is needed. "Health service facility" includes psychiatric and chemical dependency treatment facilities. *See* N.C. Gen. Stat. § 131E-176(9b). The acceptance of this exemption notification will allow Triangle Springs to continue to serve patients at its existing location.

After the Transaction, the parties expect Triangle Springs to remain the licensed, Medicare-certified provider with the same legal name, EIN/tax ID and organizing documents as existed prior to the Transaction. As we expect to close this Transaction later this year, we would appreciate your response to this letter, confirming that the ownership and management agreement changes described above are not subject to CON review, are in material compliance with the CON approvals as referenced, and that the acquisition of Triangle Springs is exempt from CON review such that no CON is required for the Transaction. Please let me know if you have any questions or need any additional information.

Sincerely,

Joy Heath

Joy Heath

