



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

April 30, 2015

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

**No Review**

Facility: Franklin Medical Center  
Project Description: Change in ownership interests of the parent corporation  
County: Franklin  
FID #: 943178

Dear Mr. Templeton:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) received your letter April 24, 2015 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 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.

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.

**Healthcare Planning and 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

An Equal Opportunity/ Affirmative Action Employer

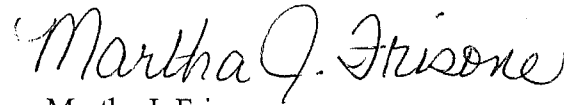


Mr. Templeton  
April 30, 2015  
Page 2

Sincerely,



Michael J. McKillip  
Project Analyst



Martha J. Frisone  
Assistant Chief, Certificate of Need

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

# 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: 336.774.3378  
www.nelsonmullins.com

Franklin Scott Templeton  
Tel: 336.774.3329  
Fax: 336.774.3378  
Scott.Templeton@nelsonmullins.com

Received by  
the CON Section  
APR 27 2015

April 24, 2105

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

Martha J. Frisone, Assistant Chief  
Healthcare Planning and Certificate of Need Section / DHHS / DHHS  
809 Ruggles Drive  
Raleigh, NC 27603

Re: Novant Health Franklin Medical Center (FID 943178; License H0261)

Notice of Planned Change in Indirect Ownership Interests, and  
Exempt Acquisition of an Existing Health Service Facility

Dear Ms. Frisone:

We are writing on behalf of our client Foundation Health Systems Corp. ("Foundation"), a North Carolina nonprofit corporation and affiliate of Novant Health, Inc. ("Novant"). Foundation is a membership interest owner in Carolinas Holdings, LLC, which is the sole owner of Louisburg/Novant, LLC, which in turn is the sole owner and licensee of Novant Health Franklin Medical Center (the "Hospital"), a licensed hospital located in Louisburg, Franklin County.

We are providing this notice to inform your Section and the Department that Foundation and the other co-owners of Carolinas Holdings (Carolinas JV Holdings II, LLC, and Carolinas JV Holdings, LP (each an indirect, wholly owned affiliate of Health Management Associates, Inc. and its owner Community Health Systems, Inc.); collectively "HMA"), propose to enter into a transaction that will result in Foundation becoming the sole owner (member) of Louisburg/Novant, LLC. Although this proposed transaction appears to fall outside the scope of the CON law, we are providing this letter to ensure that the Section and Department are provided with advance notice of the proposed transaction, as discussed below.

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

Martha J. Frisone, Assistant Chief

April 24, 2105

Page 2

The current status of the parties with respect to the Hospital is as follows:

- The Hospital is managed by Novant.
- The Hospital is owned 100% by Louisburg/Novant, LLC.
- Louisburg/Novant, LLC is owned 100% by Carolinas Holdings, LLC.
- Carolina Holdings, LLC has bifurcated ownership (membership) and economic interests as relate to the Hospital:
  - The *membership* interests in Carolinas Holdings are 99.6795% to the HMA members (98.0769% Carolinas JV Holdings, LP, and 1.6026% Carolinas JV Holdings II, LLC), and 0.3205% to Foundation.
  - The *economic* interests in Carolinas Holdings as relate to the Hospital (i.e., profits, losses, and cash flow) are 1% to the HMA members, and 99% to Foundation.

In the proposed transaction, Carolinas Holdings will transfer its membership interest in Louisburg/Novant, LLC to Foundation, and Foundation will transfer its membership interest in Carolina Holdings to the HMA members. The transaction will not result in any change in the direct ownership of the Hospital, or management 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 expected as a result of this transaction.

The following summary may be helpful:

	<u>Present</u>	<u>Proposed</u>
<b>Hospital Name</b>	Novant Health Franklin Medical Center	No Change.
<b>Hospital Licensee</b>	Louisburg/Novant, LLC	No Change.
<b>Equity Interests in Licensee</b>	100% Carolina Holdings, LLC (0.3205% Foundation; 99.6795% HMA)	100% Foundation
<b>Economic Interests in Licensee</b>	99% Foundation; 1% HMA (via Louisburg/Novant, LLC and Carolinas Holdings, LLC)	100% Foundation (via Louisburg/Novant, LLC)
<b>Hospital Management</b>	Novant	No Change.

A "before and after" diagram relating to the transaction is also enclosed with this letter.

Martha J. Frisone, Assistant Chief  
April 24, 2105  
Page 3

The proposed transaction appears to be beyond the scope of the CON law, because Foundation will not acquire any direct ownership interest in an existing health service facility or new institutional health services. The owner and licensee of the Hospital will not change, it will remain Louisburg/Novant, LLC. We recognize, however, that Foundation's shift from having an indirect ownership interest (via Carolinas Holdings) to being the direct owner of Louisburg/Novant, LLC may arguably appear to fall, indirectly, within the definition of "new institutional health services" at N.C. Gen. Stat. § 131E-176(16). If the proposed transaction should 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 Department 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 the proposed transaction and acquisition of interests in Louisburg/Novant, LLC as described herein, which pursuant to N.C. Gen. Stat. § 131E-184(a)(8) is thereby exempted from CON review.

We are also notifying the Acute and Home Care Licensure and Certification Section of this planned transaction.

While negotiations are ongoing, the proposed transaction may close as soon as May 1, 2015, so please do not hesitate to contact me should you have any questions. We would also appreciate receiving written confirmation that the proposed transaction, as described herein, is not subject to CON review.

Thank you for your consideration.

Sincerely,  
Nelson Mullins Riley & Scarborough LLP

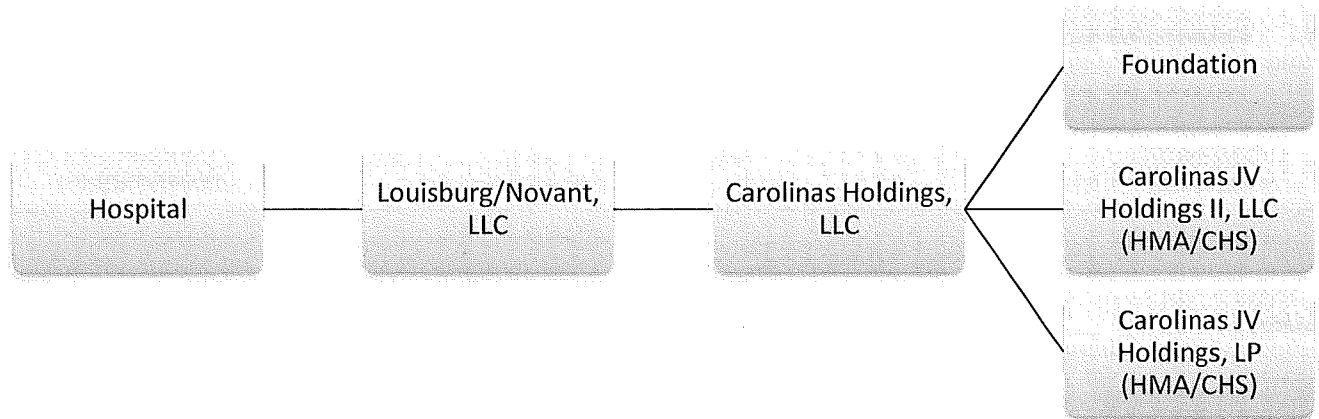


Franklin Scott Templeton

Enclosure

**“Before”**

(current ownership structure; pre-closing)



**“After”**

(proposed ownership structure; post-closing)

