



North Carolina Department of Health and Human Services
Division of Health Service Regulation

Pat McCrory
Governor

Richard O. Brajer
Secretary DHHS

Drexdal Pratt
Division Director

November 24, 2015

Travis G. Lloyd
1600 Division Street, Suite 700
Nashville, TN 37203

No Review

Record #: See Attachment A
Facility Name: See Attachment A
FID #: See Attachment A
Business Name: Quorum Healthcare Corporation
Business #: 2329
Project Description: Change in corporate level ownership
County: See Attachment A

Dear Mr. Lloyd:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) received your letter of November 2, 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.

However, you need to contact the Acute Care Licensure and Certification Section to determine if it has 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



Healthcare Planning and Certificate of Need Section

www.ncdhhs.gov

Telephone: 919-855-3873 • Fax: 919-715-4413

Location: Edgerton Building • 809 Ruggles Drive • Raleigh, NC 27603

Mailing Address: 2704 Mail Service Center • Raleigh, NC 27699-2704

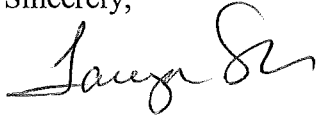
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original cost estimate; (3) modifications in the design of the project; (4) change in location; and (5) any increase in the number of square feet to be constructed.

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

Sincerely,



Tanya S. Rupp
Project Analyst



Martha J. Frisone
Assistant Chief, Certificate of Need

cc: Acute and Home Care Licensure and Certification Section, DHSR
Kelli Fisk, Program Assistant, Healthcare Planning

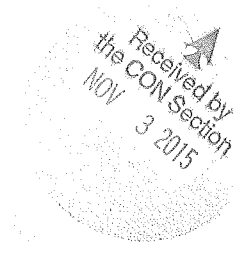
ATTACHMENT A

FACILITY	COUNTY	BUSINESS ID #	FID #	NO REVIEW ID #
Martin General Hospital	Martin	2316	943328	1803
Sandhills Regional Medical Center	Richmond	862	000195	1804

November 2, 2015

VIA FEDERAL EXPRESS

Ms. Marth 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



Re: Notice of Proposed Spin-off Transaction; Request for Determination of Reviewability

Dear Ms. Frisone:

I am writing on behalf of our client, Community Health Systems, Inc. (“CHSI”). The purpose of this letter is to provide notice of a proposed transaction involving CHSI and certain of its subsidiaries, and to request a formal determination regarding whether the proposed transaction is subject to certificate of need (“CON”) review under North Carolina law. As described more fully below, it is our understanding that the proposed transaction will not require CON review.

DESCRIPTION OF PROPOSED SPIN-OFF TRANSACTION

CHSI is a publicly-traded corporation and one of the nation’s leading operators of general acute care hospitals. CHSI’s affiliates currently own, operate, or lease 198 hospitals and various other health care facilities in 29 states, including four hospitals in North Carolina. The proposed transaction will result in the creation of a new independent, publicly-traded company, Quorum Healthcare Corporation (“QHC”), and changes in the ownership structure of various health care facilities owned and operated by subsidiaries of CHSI. More specifically, 38 hospitals and other health care facilities in 16 states currently operated by subsidiaries of CHSI, along with Quorum Health Resources, LLC, a leading hospital management and consulting business, will be spun off and transferred to QHC (the “Proposed Spin-off Transaction”).¹ As a result, at the closing of the Proposed Spin-off Transaction, QHC will become the affected facilities’ ultimate parent company. The Proposed Spin-off Transaction is expected to be completed in the first quarter of 2016, subject to certain customary conditions.

Bus id 2329

Enclosed for your reference as Exhibit A is a listing of all of the CHSI-affiliated facilities holding hospital licenses issued by the North Carolina Department of Health and Human Services (the “Department”) that are intended to be included in the Proposed Spin-off Transaction (each, a “Facility” and collectively, the “Facilities”). In addition, enclosed as Exhibit B are ownership charts showing the ownership structure of each of the Facilities before and after the closing of the Proposed Spin-off

¹ The Proposed Spin-off Transaction is a series of transactions by which CHSI will separate QHC from CHSI’s other assets. To complete the Proposed Spin-off Transaction, CHSI will distribute all of the outstanding QHC common stock to its stockholders, creating two separate, publicly-traded companies.

Ms. Martha Frisone
North Carolina Department of Health and Human Services
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Transaction. As you can see, the Proposed Spin-off Transaction will not result in any change in the direct ownership of the legal entities that own and operate the Facilities. Instead, the Proposed Spin-off Transaction will result in a change in the upstream ownership structure of the legal entities that own and operate the Facilities. In each case, the legal entity that owns and operates the Facility will retain its assets, legal business name, and federal tax identification number. Accordingly, the Proposed Spin-off Transaction will not result in a change of ownership of any of the Facilities for Medicare purposes. In addition, no change in the local governing bodies or day-to-day operations of the Facilities is anticipated as a result of the Proposed Spin-off Transaction.

APPLICABLE LAW

It is our understanding that the Proposed Spin-off Transaction will not require CON review, and that no other filings will be required in connection with the Proposed Spin-off Transaction. Under North Carolina law, a CON is required for the “acquisition by donation, lease, transfer, or comparable arrangement ... if the acquisition would have been a new institutional health service if it had been made by purchase.” N.C. Gen. Stat. § 131E-178(b). The term “new institutional health services” is defined to include “[t]he 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 [N.C. Gen. Stat. § 131E-180].” N.C. Gen. Stat. § 131E-176(16)(l). As reflected in Exhibit B, the Proposed Spin-off Transaction will not result in the purchase, lease, or acquisition of the Facilities, nor will it result in the purchase, lease, or acquisition of a controlling interest in the Facilities. Rather, the legal entities that own and operate the Facilities will remain the same following the closing of the Proposed Spin-off Transaction. However, the Proposed Spin-off Transaction will result in a change in the legal entities that own all of the interests in the legal entities that own and operate the Facilities, and we understand that the Department may interpret the Proposed Spin-off Transaction to constitute an “acquisition.”

Although it is our understanding that the Proposed Spin-off Transaction will not constitute an “acquisition” for purposes of North Carolina 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 N.C. Gen. Stat. § 131E-184(a)(8), provided that prior written notice is provided to the Department. In the event that the Department determines that the Proposed Spin-off Transaction will constitute an acquisition of an existing health service facility, 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 Spin-off Transaction is exempt from CON review.


REQUEST FOR DETERMINATION OF REVIEWABILITY

We respectfully request a determination from your office regarding whether the Proposed Spin-off Transaction is subject to CON review under North Carolina law or will otherwise require action with the Department. 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 tloyd@bab.com.

Ms. Martha Frisone
North Carolina Department of Health and Human Services
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Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

By: 
Travis G. Lloyd

Enclosures

cc: Kevin M. Howard (via email: kevin_howard@chs.net)

EXHIBIT A

**CHSI-AFFILIATED HOSPITALS IN NORTH CAROLINA
INCLUDED IN PROPOSED SPIN-OFF TRANSACTION**

FACILITY NAME	LEGAL ENTITY	LICENSE NO.	LOCATION
Martin General Hospital	Williamston Hospital Corporation	H0078	Williamston, NC
Sandhills Regional Medical Center	Hamlet H.M.A., LLC	H0265	Hamlet, NC

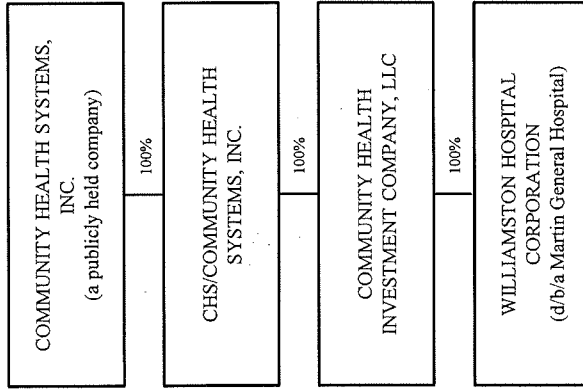
EXHIBIT B

OWNERSHIP STRUCTURE CHARTS

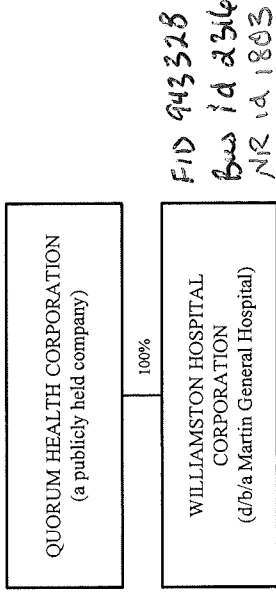
Please see attached.

WILLIAMSTON HOSPITAL CORPORATION
OWNERSHIP STRUCTURE CHART

BEFORE PROPOSED TRANSACTION

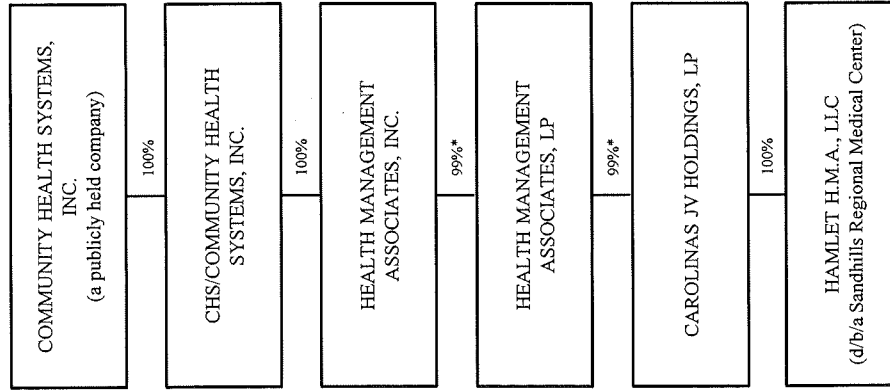


AFTER PROPOSED TRANSACTION

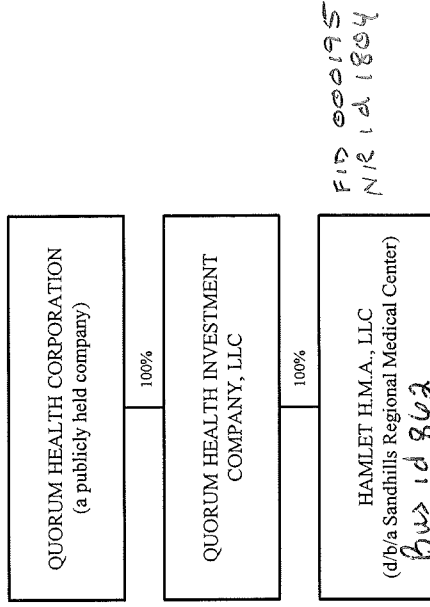


HAMLET H.M.A., LLC
OWNERSHIP STRUCTURE CHART

BEFORE PROPOSED TRANSACTION



AFTER PROPOSED TRANSACTION



NOTE:
* Remaining interests held by affiliated entities under common control.