

Legacy DMC

April 15, 2013

Ms. Katharyn Barron, Division Chief
Consumer Protection Division and Charitable Trust Section
Department of Attorney General
State of Michigan

Dear Ms. Barron:

The purpose of this letter is to confirm compliance with Article 4 of the Monitoring and Compliance Agreement among the Department of Attorney General, Legacy DMC, VHS of Michigan, Inc. and Vanguard Health Systems, Inc. This agreement supplements the Purchase and Sales Agreement (PSA) and defines various requirements relating to the Post-Closing Covenants contained in the PSA.

ARTICLE 4 – “Legacy DMC Corporate Structure”

This article contains eight specific governance requirements as discussed below:

Items A and C require Legacy DMC to submit its Articles of Incorporation and Bylaws to the Attorney General promptly before closing after making appropriate changes to reflect its obligations under the Monitoring Agreement. Legacy DMC made the necessary modifications, submitted its documents, and received the approval of the Attorney General before closing. A procedural issue associated with the Articles was subsequently identified and the necessary revision submitted for consideration.

Item B requires that Legacy DMC adopt an appropriate conflict of interest policy (CoI). By way of background, Legacy DMC had a comprehensive CoI in place at the time of the Closing. It contained a number of elements relating to hospital operations, which would not be relevant to trustees charged with monitoring VHS of Michigan's compliance with the Post-Closing Covenants in the PSA. An appropriate Conflict of Interest Policy has been adopted.

Item D stipulates that the Attorney General must approve all changes in Legacy DMC's Articles of Incorporation or Bylaws for 10 years after closing. During 2011, Legacy DMC submitted one revision to its Bylaws which was approved by the Attorney General. The revision modified restrictions relating to transfers of the charitable assets to the Children's Foundation of Michigan and the DMC Foundation (Article VII - Section 4). Legacy DMC plans to propose additional changes after the final distribution of the charitable assets.

Item E establishes certain governance criteria, including the number of trustees (at least 11 and not more than 20), provision for appointment of three trustees (one each by the Mayor of the City of Detroit, the Wayne County Executive, and the Attorney General of the State of Michigan), and staggered three-year trustee terms starting in 2017. Legacy DMC presently has 20 trustees (see Attachment) including the appointees representing Detroit (Dr. Herbert Smitherman), Wayne County (Mr. Raymond Byers) and the State (Ms. Candyce Abbatt). Legacy DMC's Nominating Committee will identify candidates who meet the criteria contained in this item to fill open positions, if necessary.

Item F states that the President and Chair of Legacy DMC will oversee Vanguard's capital expenditure and hospital care commitments. Legacy DMC's Chair, Mr. Richard Widgren, and President, Mr. Joe Walsh, provided this oversight. (Mr. Widgren replaced Mr. Keith Crain in February 2012.)

Item G states that, after closing, Legacy DMC shall comply with all charitable trust registration requirements and maintain its solicitation license, if appropriate. The solicitation license requirement is no longer applicable because Legacy DMC does not seek public contributions.

Item H establishes certain requirements relating to Legacy DMC representation on the VHS of Michigan Advisory Board, the individual DMC hospital advisory boards, and the Vanguard Health System, Inc. Board. It also stipulated procedures relating to potential conflict of interest situations and compensation. The status of these matters is as follows:

- i.* At its December 2010 meeting, the DMC Board appointed six representatives to the VHS of Michigan Advisory Board and nominated one representative to the Vanguard Health Systems, Inc. Board. These representatives continue to serve as trustees/directors on these boards and receive no compensation.
- ii.* Legacy DMC has been advised by the Secretary of the VHS of Michigan Board of Trustees that no matters considered by its Board have required a recusal of these members relating to a potential conflict between the interests of Legacy DMC and other entities.
- iii.* Legacy DMC has approved a donation by Vanguard Health Systems, Inc. to the Autism Alliance of Michigan. The amount of the donation is comparable to the value assigned to the board position and duties held by Legacy DMC's nominated representative, who is proscribed from receiving compensation while serving on its board in this role.

Ms. Katharyn Barron

April 15, 2013

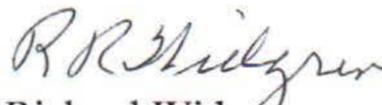
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CONCLUSION

Legacy DMC believes the requirements of Article 4 have been met for 2012, the second year of the Agreement. Subsequent annual reports will provide updates on these requirements.

Sincerely,


Joe Walsh
President


Richard Widgren
Chair

Cc: Mr. Keith Pitts
Mr. Joseph Mullany

Legacy DMC

BOARD ROSTER

Richard Widgren, Chair

Chief Financial Officer
Urban Science

Candyce Abbatt

Fried Saperstein Abbatt P.C.

John M. Barnwell M.D.

Chief of Surgery and Surgical Services
Sinai – Grace Hospital

Terrence Berg

U.S. District Court Judge

Raymond L. Byers

Chief Development Officer
Wayne County Economic Development
Growth Engine (EDGE)

Cynthia Ford

Vice Chair
Children's Hospital of Michigan Foundation

Anthony Frabotta (Treasurer)

Co-CEO
UHY Advisors

Matt Friedman

Tanner Friedman Strategic Communications

Mike Garavaglia

Capitol Relations

Eugene Gargaro

Manoogian Foundation

Ambassador Yousif Ghafari

CEO
Ghafari Associates

Honorable Lisa Gorcyca

Circuit Court Judge

Yale Levin

Executive Vice President
Soave Enterprises

David Nicholson

PVS Chemicals

Gloria Robinson

Retired CEO
Heritage Vision Plans Inc.

Alan Schwartz (Vice Chair)

Vice Chair
Honigman Miller Schwartz and Cohn LLP

Herbert C. Smitherman, Jr., M.D.

Asstant Dean and Professor
Wayne State University School of Medicine

President and CEO

Health Centers Detroit Foundation

Mary Stephens – Ferris (Secretary)

Retired President
Detroit Community Health Center

Lorna Thomas M.D.

Chair
DMC Foundation

Rhonda Welburn

Dickinson Wright, PLLC