

**CONTRACT BETWEEN  
THE DEPARTMENT OF ATTORNEY GENERAL  
AND  
ALIXPARTNERS, LLP**

The Michigan Department of Attorney General (Department) and AlixPartners, LLP (Contractor), agree that Contractor's designated employee(s) will provide expert services to assist the Department in its review of the proposed sale ("Sale") of substantially all assets of Detroit Medical Center ("DMC") and its affiliates to Vanguard Health System ("VHS") and other related matters as assigned by the Attorney General or his designee under the terms and conditions set forth below.

The Sale is proposed in a Letter of Intent ("LOI") dated March 19, 2010, between DMC and VHS. The LOI calls for DMC and VHS to execute a comprehensive agreement between DMC and VHS ("Definitive Agreement") consistent with the LOI and specifically makes the Department's review and approval a condition of the Sale.

The primary purpose of this Contract is to facilitate the Department in completing a thorough but expeditious review of the anticipated Definitive Agreement and other matters related to the Sale.

It is anticipated that this Contract will facilitate the Department's review in a manner that:

- Minimizes all unnecessary duplication of services among the Experts and otherwise reasonably limits the costs and expenses of the Experts' services under this Contract;
- Minimizes disruption and inconvenience to DMC personnel;
- Avoids unnecessary delay in completing the Department's review.

**1. Issuing Office**

This Contract is issued by the Department, which is the only State office authorized to change the terms and conditions of this Contract.

**2. Description of Services**

Contractor shall perform services as requested by the Department. In particular, Contractor shall assist the Department in reviewing the anticipated Definitive Agreement between Detroit Medical Center (DMC) and Vanguard Health System (VHS). Exhibit A, Statement of Expert Services, is incorporated in this Contract. Exhibit A summarizes anticipated services by Contractor. Contractor agrees that specific direction from the Department, not Exhibit A, shall dictate the nature and extent of Contractor's services.

Contractor agrees to receive direction from the Department regarding its services on a weekly basis.

Contractor agrees to work in coordination with Focus Management Group and the Department and to take reasonable steps in order to: prevent unnecessary duplication of services; minimize any disruption caused by its services; avoid generating unnecessary costs and expenses including delegating tasks, as appropriate, to staff members paid at the lowest rate; and to prevent unnecessary delay in the Department's completion of its review.

Professional, non-clerical services eligible for compensation will be provided exclusively by the following persons, unless otherwise authorized by Department:

Bruce Den Uyl	Managing Director
Marc Brown	Director
Robin Wheeler	Director
Jarod Kimble	Associate

**3. Term of Contract**

This Contract covers services rendered during the period of June 10, 2010, through October 31, 2010. This Contract may be extended only by the written agreement of the parties.

**4. Compensation for Services Provided**

A. Contractor will be compensated *exclusively* by Detroit Medical Center for authorized services rendered in accordance with the following schedule:

Bruce Den Uyl, Managing Director	- \$525/hour
Marc Brown, Director	- \$425/hour
Robin Wheeler, Director	- \$425/hour
Jarod Kimble, Associate	- \$235/hour

Department's contract with DMC shall require DMC to pay Contractor a retainer in the amount of \$25,000 to cover fees and out of pocket expenses of Contractor. The retainer is not a substitute for DMC's timely payment of fees and out of pocket expenses. The retainer shall be paid to Contractor before Contractor is obligated to perform any work in respect of the review. At the completion or earlier termination of the work in respect of the review, without further authorization from Department, Contractor may apply the retainer to any unpaid fees, out of pocket expenses and other charges due Contractor, and any amount of the retainer that is not required to pay Contractor's fees, out of pocket expenses, or other charges will be refunded to DMC at such time. Department acknowledges that: (i) the retainer will not be held in a separate account and may be deposited into Contractor's general operating account and (ii) neither DMC nor Department is entitled to any interest on the retainer.

The cost of secretarial and clerical employees utilized by Contractor is part of Contractor's agreed upon fee and such services will not be separately billed to the Department for payment by the DMC. No other additional compensation shall be allowed except by prior written permission from the Department.

B. Contractor will be compensated by DMC and/or VHS for necessary travel time expended in the performance of the services covered by this Contract. Travel time will be compensated at the hourly rate of \$100.00, *provided* that Contractor may instead bill according to the schedule above for Contract services actually performed while traveling.

C. Contractor understands that an initial budget ceiling of \$200,000 for services provided (not including expenses) has been established, *provided* that due to the nature of the services, the difficulty in estimating actual costs and the demand for services, the initial budget ceiling may be raised by the Department's written authorization. An increase of the budget ceiling shall not affect the established hourly rates. The combined fee for services rendered (not including expenses) for Experts retained by the Department is capped at \$600,000.

## **5. Travel Expenses**

Contractor will be reimbursed by DMC for reasonable and necessary meals, lodging, telephone and travel expenses in accordance with the State of Michigan travel and other expense requirements, which can be found at [http://www.michigan.gov/dmb/0,1607,7-150-9141\\_13132---,00.html](http://www.michigan.gov/dmb/0,1607,7-150-9141_13132---,00.html). The Contractor acknowledges that it has reviewed the State travel rates posted on this website.

Contractor must provide receipts for all permissible reimbursement requests.

## **6. Billings and Payment**

The Department shall enter into a written agreement ("Payment Agreement") with DMC and/or Vanguard for providing payment to Contractor for services and expenses. Under the Payment Agreement, payment will be due to the Contractor within 14 days after review and approval of the billing by the Department. Contractor acknowledges and agrees that the Department shall have no obligation to Contractor for payments for services or expenses. All disputes regarding compensation must be resolved directly with DMC and/or Vanguard.

Contractor shall have no obligation to provide services until it has reviewed and approved terms of the DMC Consultant Payment Agreement between the Department and DMC and/or Vanguard and received an initial retainer payment of \$25,000 from DMC and/or Vanguard. In addition, Contractor shall have no obligation to continue providing services, and may in fact stop providing services, if it is not receiving payment in accordance with this Contract and the Payment Agreement.

Contractor will prepare bi-weekly billing statements for review solely by the Department for payment by DMC on a services-rendered basis and shall include an itemization of the services performed together with dates, times, individual performing the work, and amount for which Contractor requests compensation. Expenses shall be specifically and individually identified at the end of the bill, together with attached receipts and a total cumulative statement. Additional information shall be provided upon request by the Department.

Contractor shall transmit to the Department summary billing invoices containing only the total amount of fees for services, expenses for the billing period, and instructions for payment. This non-itemized statement may be provided directly to DMC as the basis for payment to Contractor.

The Department shall promptly (and in no event more than 7 days from receipt) review Contractor's billing statement and, upon approval, shall transmit a request to DMC for payment.

These documents and any supporting documents shall be maintained by the Contractor for three (3) years after the close of the Contract for audit purposes.

Contractor shall make available to DMC, on request, copies of itemized billing statements, receipts and any additional information after the Department concludes its review and has issued its report.

**7. Notices**

All communications, notices, and invoices concerning this Contract must be addressed to:

For the Department: Tracy A. Sonneborn, Assistant Attorney General AND  
Joseph J. Kylman, Charitable Trust Auditor  
Department of Attorney General  
Consumer Protection Division - Charitable Trust Section  
Williams Bldg.  
525 W. Ottawa – 1st Floor  
Lansing, MI 48909  
517-335-0855  
517-335-1935 (fax)  
[SonnebornT@michigan.gov](mailto:SonnebornT@michigan.gov)  
[KylmanJ@michigan.gov](mailto:KylmanJ@michigan.gov)

For the Contractor: Bruce Den Uyl  
AlixPartners, LLP  
300 N. LaSalle Street  
Suite 1900

Chicago, IL 60654  
312-346-2500  
312-346-2585 (fax)

[bdenuyl@alixpartners.com](mailto:bdenuyl@alixpartners.com)

**8. Time of the Essence**

Contractor understands that the Department anticipates completing its review and issuing a report on the Sale within three (3) months of receiving the Definitive Agreement.

Contractor agrees to conclude its services involving acquisition and review of information from DMC, Vanguard, and other third parties within 60 days of the date of the Department's receipt of the Definitive Agreement.

With regard to services furnished after that date, Contractor agrees to use best efforts to provide all requested services, including but not limited to the preparation of written material, public appearances, meetings with the Department staff, etc., as expeditiously as possible. The Department may designate specific employees to perform specific services.

Contractor agrees that mutually agreed upon deadlines that have been or will be set in this matter are of the essence. Failure of Contractor to comply with such deadlines, unless due to an error or omission of the Department or third party upon whose performance Contractor's services depend, will constitute a breach of this Contract, such breach subjecting the Contractor to pay liquidated damages to the Department in the amount of \$2,500 per day.

Contractor agrees to make reasonable, good faith efforts to arrange for the delivery of services to permit the performance of all requested services within or below the budgeted amount, including delegation of services to the lowest-compensated employee or employees capable of performing such services with expertise.

**9. Termination**

Contractor may terminate this contract for good cause shown upon 30 days written notice or without cause upon sixty (60) days written notice to the Department, *provided* that if requested Contractor shall provide testimony as requested by the Department.

Contractor acknowledges that the Department may at any time decline to authorize additional services or request Contractor to discontinue work in progress, and may do so without consequence to the Department or DMC. The Department shall

review and approve for payment, in accordance with this Contract, compensation for services already performed and reimbursement of expenses already incurred.

**10. Property and Publication Rights**

All property rights, including publication rights of interim, draft, and final reports, documents and machine-readable media produced by the Contractor in connection with the work under this Contract, shall vest in the State. The Contractor shall not publish, whether verbally or in writing, any of the results of the work, nor shall it disclose in any other manner any information it has received from the Department, DMC, or VHS that has not previously been made publicly available, without the written permission of the Department.

**11. Disclosure of Information**

Contractor further acknowledges that all services it provides and all writings, notes, and other communications it produces are specifically authorized under this Contract in anticipation of litigation under the Supervision of Trustees for Charitable Purposes Act, MCL 14.251 *et seq.*, and other applicable Michigan law. Contractor agrees that its reports and conclusions are confidential information of the State and that it will not disclose these conclusions, in whole or in part, to any unauthorized person without the prior written consent of the Department.

DMC may require Contractor to enter into a separate agreement to refrain from duplicating material designated as Confidential. Contractor shall enter into such agreement if requested by the Department or DMC.

**12. Non-Discrimination**

In the performance of this Contract, Contractor agrees not to discriminate against any employee or applicant for employment, with respect to their hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability unrelated to the individual's ability to perform the duties of the particular job or position. This covenant is required pursuant to the Elliott-Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, *et seq.*, and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, *et seq.*, and any breach thereof may be regarded as a material breach of the Contract. In connection with the performance of services under this Contract, the Contractor agrees to comply with the Federal Civil Rights Act of 1964, 42 USC §2000d.

**13. Unfair Labor Practices**

The State shall not award a contract or subcontract to any employer or any subcontractor, manufacturer or supplier of the employer, whose name appears in the current register compiled by the Michigan Department of Energy, Labor, and Economic

Growth. The State may void this Contract, if after the award of the Contract, the name of the Contractor appears in the register. 1980 PA 278, MCL 423.321 *et seq.*

**14. Independent Contractor**

The relationship of Contractor to the Department in this Contract is that of an independent contractor. No liability or benefits, such as workers compensation rights or liabilities, insurance rights or liabilities, or any other provisions or liabilities, arising out of or related to a contract for hire or employer/employee relationship, shall arise, accrue or be implied to either party or either party's agent, subcontractor or employee as a result of the performance of this Contract.

Contractor will be solely and entirely responsible for its acts and the acts of its agents and employees during the performance of this Contract.

Notwithstanding the above, Contractor acknowledges that while compensation will be received from DMC, not the Department, Contractor's services are provided solely for and on behalf of the Department. Contractor and its employees shall at all times act in the best interest of the Department and shall promptly disclose any material facts that may impair their ability to perform services under this Contract free of actual or apparent conflicts between their business or personal interests and those of the Department.

All communications between Contractor and the Department are subject to applicable privileges, including specifically the attorney work-product privilege.

**15. Governing Law and Jurisdiction**

This Contract shall be subject to, applied, and interpreted according to the laws of the State of Michigan. No action shall be commenced against the Department or the Attorney General, his designee, agents or employees for any matter whatsoever arising out of the Contract, in any courts other than a court of competent jurisdiction of the State of Michigan.

**16. Entire Agreement**

This Contract, including attachments, represents the entire agreement between the parties and supersedes all proposals or other prior agreements, oral or written, and all other communications between the parties relating to the Department retaining the Contractor's services.

**17. Authorized Signature**

Contractor agrees that Bruce Den Uyl is authorized to sign on its behalf.

Dated: \_\_\_\_\_  
Bruce Den Uyl, Managing Director, AlixPartners, LLP  
Contractor

Dated: \_\_\_\_\_  
Michael A. Cox, Attorney General, or his  
Designee



EXHIBIT A  
AlixPartners, LLC – Focus Management Group USA, Inc.  
Statement of Expert Services

The Department of Attorney General (“Department”) has advised Focus Management Group USA, Inc. (“Focus”) and AlixPartners, LLP (“AlixPartners”) of its interest in retaining both firms (the “Experts”) to work cooperatively in assisting the Department in its review of the proposed sale (“Sale”) of substantially all assets of Detroit Medical Center and its affiliates (“DMC”) by Vanguard Health Systems (“VHS”).

Focus and AlixPartners have agreed to coordinate their expert services, in consultation with the Department, so as to eliminate any unnecessary duplication of effort, to minimize costs, and to assist the Department in avoiding unnecessary delay in its review of the Sale. The Experts will report to and receive instruction from the Department on a weekly or more frequent basis. In particular, the Department anticipates that the Experts will assist the Department’s review in the following areas:

1. Process Review - Review the process conducted by DMC, including proposal solicitation process, offers received, criteria used to select VHS, and any due diligence material related to the transaction, with attention to any potential conflicts of interest or improper benefits accruing to DMC’s or Vanguard’s officers, directors, employees or others related to the transaction.
2. Transaction Review – Assist in evaluating the business terms of the transaction with particular attention to provisions relating to charity care and core services.
3. DMC Valuation - Perform a valuation analysis of DMC and review any fairness opinions or valuations of DMC utilized by the transacting parties.
4. Vanguard Evaluation- Assess the financial condition of VHS and conduct valuation analysis of any equity based transaction consideration, as necessary; review prior nonprofit hospital acquisitions of VHS; assess and review VHS’s ability to deliver services.
5. Foundation Evaluation – Evaluate DMC’s proposal to convert to a private foundation, with particular attention to issues relating to governance, investment policies, and grant mandates.
6. Other work – Perform other services related to the Department’s review as requested by the Department, including meeting with third parties, attending public forums related to the transaction, discussing and reporting on findings, and providing expert testimony.

The Department anticipates that the Experts will prioritize their efforts as follows:

- Focus - Assessment of financial and operational aspects of DMC and VHS; and
- AlixPartners - Valuation assessment of the transaction including valuation of DMC and consideration offered by VHS.