

Duke LIFEPOINT
HEALTHCARE

February 14, 2017

Attorney General
525 W. Ottawa Street, 7th Floor
Lansing, Michigan 48909

Department of Attorney General
Corporate Oversight Division
Charitable Trust Section attorney - Time Sensitive
525 W. Ottawa Street, 6th Floor
Lansing, Michigan 48909

Dept. of
Attorney General
FEB 15 2017
Charitable Trust Section
Received


Dear Mr. Attorney General:

Pursuant to the Monitoring, Compliance and Enforcement Agreement (the "MCE Agreement"), dated as of September 25, 2014, by and among the Michigan Department of Attorney General, MGH Wind Down, Inc. f/k/a Marquette General Hospital, Inc., DLP Marquette Holding Company, LLC ("DLP"), LifePoint Health, Inc. f/k/a LifePoint Hospitals, Inc., Superior Health Foundation, and Stout Risius Ross, Inc. ("Monitor"), please find enclosed a Certificate of Compliance, satisfying the requirement for an Annual Report (as defined in the MCE Agreement) for the period between January 1, 2016 and December 31, 2016.

Concurrent with the submission of the enclosed Certificate of Compliance, pursuant the MCE Agreement, DLP is submitting the Required Documents (as defined in the MCE Agreement) to Monitor.

Please feel free to contact me if you have any questions.

Sincerely,



330 Seven Springs Way, Brentwood, Tennessee 37027
Phone 615.920.7000

DUKELIFEPOINTHEALTHCARE.COM

DLP MARQUETTE HOLDING COMPANY, LLC

CERTIFICATE OF COMPLIANCE

Pursuant to that certain Monitoring, Compliance and Enforcement Agreement (the "MCE Agreement"), dated as of September 25, 2014, by and among the Michigan Department of Attorney General, MGH Wind Down, Inc. f/k/a Marquette General Hospital, Inc. ("MGH"), DLP Marquette Holding Company, LLC ("DLP"), LifePoint Health, Inc. f/k/a LifePoint Hospitals, Inc., Superior Health Foundation, and Stout Risius Ross, Inc. ("Monitor"), I, Brian Sinotte, do hereby certify that I am the duly elected, qualified and acting officer of DLP, and further certify that during the period between January 1, 2016 and December 31, 2016:

1. **Indigent Care.** Pursuant to Section 9.9 of the Purchase Agreement, DLP has caused the Hospital to maintain and adhere to MGH's policies for the treatment of indigent patients prior to Closing (as defined in the Purchase Agreement), subject to any changes necessary to comply with applicable Legal Requirements (as defined in the Purchase Agreement) and the implications of healthcare reform legislation.
2. **Capital Commitment.** Pursuant to Section 9.10 of the Purchase Agreement, DLP has expended \$44,405,846 in capital expenditures as part of its Capital Commitment in compliance with the Capital Plan (as defined in the Purchase Agreement). For clarification purposes, pursuant to Section 9.10 of the Purchase Agreement and Section 2(I) of the MCE Agreement, DLP's compliance with the Capital Commitment does not require that the aggregate commitment be fulfilled on a pro-rated basis during the Commitment Period (as defined in the Purchase Agreement).

With respect to the Capital Plan, DLP began construction of a new 265 bed hospital and medical office complex in Marquette, Michigan during the spring of 2016 at an estimated cost of \$333,000,000 of which \$53,000,000 of capital expenditures were made prior to December 31, 2016. We anticipate spending another \$280,000,000 and complete the project by 2018.

3. **Physician Recruitment Commitment.** Pursuant to Section 9.11 of the Purchase Agreement, DLP has expended \$7,891,182 to recruit and support new physicians in connection with the business or operations of the Hospital Facilities (as defined in the Purchase Agreement) in accordance with the Physician Recruitment Commitment Methodologies attached as Appendix 4 to the MCE Agreement.

As reflected on the Estimated Foundation Proceeds Certificate at the Closing (as defined in the Purchase Agreement), the aggregate amount of the Capital Commitment and the Physician Recruitment Commitment was reduced to \$321,718,000 as a result of the offsets pursuant to Sections 9.18 and 10.7 of the Purchase Agreement.

In addition, we anticipate that the Hospital's Self Disclosure (the "Self Disclosure") pending before the Centers for Medicare & Medicaid Services will be settled during the second quarter of 2017. To the extent MGH or the Foundation is not able to satisfy its cash indemnification obligations under the Purchase Agreement with respect to settlement of the Self Disclosure, DLP reserves its right to reduce, dollar-for-dollar, the Capital Commitment or Physician Recruitment Commitment.

4. **Continuation of Services.** Pursuant to Section 9.15 of the Purchase Agreement, DLP continued to provide, in all material respects, and enhanced important healthcare services and programs described in Schedule 9.15 to the Purchase Agreement (the “Core Services”).

In addition, please be advised that DLP will provide the home health and hospice services that are currently provided by UP Health System Home Care and Hospice through a joint venture (the “Joint Venture”) between LHCG Partner, LLC (which is an affiliate of LHC Group, Inc. with expertise in the provision of home health and hospice services) and Home Health Partner, LLC (which is an affiliate of DLP). UP Health System Home Care and Hospice’s assets are currently scheduled to be transferred to the Joint Venture effective April 1, 2017, at which time DLP will continue the provision of home health and hospice services through the Joint Venture.


5. **Restriction on Sale of the Hospital.** Pursuant to Section 9.17 of the Purchase Agreement, DLP has not sold the assets of the Hospital to a third party.
6. **Amendment to the Purchase Agreement.** The Purchase Agreement and its schedules and exhibits, including DLP’s post-Closing commitments therein, have not been amended.
7. **Required Documents.** Pursuant to Section 2(A)(iii) of the MCE Agreement, DLP has submitted the Required Documents to the Monitor.

Capitalized terms used herein but not otherwise defined have the same meanings ascribed to such terms in the MCE Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of 2/13, 2017.

DLP MARQUETTE HOLDING COMPANY, LLC

By: 
Name: BRIAN SINOTTE
Title: CEO

**Exhibit A
UP Health System - Marquette
Capital Expenditures
Dec 2013-Dec 2016**

		Running Total
Asset Purchase Agreement Commitment		\$ 300,000,000
<i>Amounts to be offset pursuant to Schedule 9.10:</i>		
Payments for Escanaba Doctors Park operating lease	\$ 10,938,073.00	
Linear Accelerator final payment	\$ 1,930,908.00	
Equipment operating leases	\$ 4,543,454.00	
Equipment purchased for Escanaba Doctors Park	\$ 1,898,932.00	
Total Schedule 9.10 Offset Amount	\$ 19,311,367.00	
<i>Schedule 2.1(b) Tentative Shortfall to Meet Foundation Guarantee Commitment not reduced - \$9,792,000</i>		
September 1- December 31, 2012		
FF&E	\$3,218,780.00	
2012 Capital Expenditures		\$3,218,780.00
Calendar Year 2013		
FF&E	\$11,948,067.87	
Plans and Construction	unknown	
<i>Schedule 2.1(b) Final Shortfall w/Plante Moran review Commitment not reduced - \$28,282,000</i>		
2013 Capital Expenditures		\$11,948,067.87
Calendar Year 2014		
FF&E	\$8,584,851.61	
Plans and Construction	\$1,397,826.00	
2014 Capital Expenditures		\$9,982,677.61
Calendar Year 2015		
FF&E	\$7,805,001.45	
Plans and Construction	\$7,502,817.01	
Reduction in CapEx pursuant to APA	\$0.00	
2015 Capital Expenditures		\$15,307,818.46
Calendar Year 2016		
FF&E	\$11,804,027.60	
Plans and Construction	\$32,601,817.91	
Reduction in CapEx pursuant to APA		
2016 Capital Expenditures		\$44,405,845.51
January 1-August 31, 2017		
FF&E		
Plans and Construction		
Reduction in CapEx pursuant to APA		
<i>First 5 Years Capital Expenditures-\$180,000,000 Required</i>		\$104,174,556.45
September 1-December 31, 2017		
FF&E		
Reduction in CapEx pursuant to APA		
2017 Capital Expenditures		\$0.00
Calendar Year 2018		
FF&E		
Reduction in CapEx pursuant to APA		
2018 Capital Expenditures		\$0.00
Calendar Year 2019		
FF&E		
Reduction in CapEx pursuant to APA		
2019 Capital Expenditures		\$0.00
Calendar Year 2020		
FF&E		
Reduction in CapEx pursuant to APA		
2020 Capital Expenditures		\$0.00
Calendar Year 2021		
FF&E		
Reduction in CapEx pursuant to APA		
2021 Capital Expenditures		\$0.00
January 1-August 31, 2022		
FF&E		
Reduction in CapEx pursuant to APA		
January 1-August 31, 2022 Capital Expenditures		\$0.00
Capital Expenditure Commitment Remaining		\$195,825,443.55

**Exhibit B
UP Health System - Marquette
Physician Recruiting Expenditures
Dec 2013-Dec 2016**

Asset Purchase Agreement Commitment				\$50,000,000.00
				pending adjustment
September 1-December 31, 2012				
Department expenses	128,242			
New Physician Costs	329,574			
Recruitment Agreements/Private Practice	-			
Contractual payments for Physician Service	699,839			
Personnel for Purchased Physician Practice	-			
2012 Phys Recruitment Expenditures	1,157,655		Net Rev - 9/2012 - 12/2012	Net Exp. - 09/12 - 12/12
			101,859	1,056,295
Calendar Year 2013				
			Net Rev - 2013	
Department expenses	629,185			
New Physician Costs	4,574,388		2,788,056	
Recruitment Agreements/Private Practice	190,173			
Contractual payments for Physician Service	2,061,883		1,049,807	
Personnel for Purchased Physician Practice	-			
Reduction in Commitment pursuant to APA	unknown			
2013 Phys Recruitment Expenditures	7,605,629		3,837,863	Net Exp. - 2013
				3,567,766
Calendar Year 2014				
			Net Rev - 2014	
Department expenses	558,069			
New Physician Costs	8,172,650		5,634,130	
Recruitment Agreements/Private Practice	105,690			
Contractual payments for Physician Service	924,747		385,239	
Personnel for Purchased Physician Practice	-			
Cardiology excluded				
2014 Phys Recruitment Expenditures	9,761,156		6,019,368	Net Exp. - 2014
				3,741,818
Calendar Year 2015				
			Net Rev - 2015	
Department expenses	588,117			
New Physician Costs	7,000,161		4,779,960	
Recruitment Agreements/Private Practice	356,902			
Contractual payments for Physician Service	4,904,604		1,332,249	
Personnel for Purchased Physician Practice	-			
2015 Phys Recruitment Expenditures	12,829,784		6,112,209	Net Exp. - 2015
				6,817,575
Calendar Year 2016				
			Net Rev - 2016	
Department expenses	640,768			
New Physician Costs	7,521,871		4,773,442	
Recruitment Agreements/Private Practice	48,317			
Contractual payments for Physician Service	6,163,623		1,709,955	
Personnel for Purchased Physician Practice	-			
2016 Phys Recruitment Expenditures	14,374,579		6,483,396	Net Exp. - 2016
				7,891,182
January 1-August 31, 2017				
Department expenses				
New Physician Costs				
Recruitment Agreements/Private Practice				
Contractual payments for Physician Service				
Personnel for Purchased Physician Practice				
First 3 Years Capital Expenditures-\$30,000,000 Acquired				
September 1-December 31, 2017				
Department expenses				
New Physician Costs				
Recruitment Agreements/Private Practice				
Contractual payments for Physician Service				
Personnel for Purchased Physician Practice				
2017 Phys Recruitment Expenditures				
Department expenses				
New Physician Costs				
Recruitment Agreements/Private Practice				
Contractual payments for Physician Service				
Personnel for Purchased Physician Practice				
2018 Phys Recruitment Expenditures				
Calendar Year 2019				
Department expenses				
New Physician Costs				
Recruitment Agreements/Private Practice				
Contractual payments for Physician Service				
Personnel for Purchased Physician Practice				
2019 Phys Recruitment Expenditures				
Calendar Year 2020				
Department expenses				
New Physician Costs				
Recruitment Agreements/Private Practice				
Contractual payments for Physician Service				
Personnel for Purchased Physician Practice				
2020 Phys Recruitment Expenditures				
Calendar Year 2021				
Department expenses				
New Physician Costs				
Recruitment Agreements/Private Practice				
Contractual payments for Physician Service				
Personnel for Purchased Physician Practice				
2021 Phys Recruitment Expenditures				
January 1-August 31, 2022				
Department expenses				
New Physician Costs				
Recruitment Agreements/Private Practice				
Contractual payments for Physician Service				
Personnel for Purchased Physician Practice				
Jan 1-Aug 31, 2022 Phys Recruitment Expenditures				
Physician Recruitment Expenditure Remaining				\$26,925,363.56