

Duke LIFEPOINT
HEALTHCARE

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Dept. of Attorney General
Estates Section

February 14, 2018

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

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, 2017 and December 31, 2017.

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, 2017 and December 31, 2017:

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 \$133,323,346 during 2017 and \$237,497,903 since September 2012 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 \$183,750,000 of capital expenditures were made prior to December 31, 2017. We anticipate spending another \$149,250,000 and completing the project by early 2019.

Pursuant to Section 9.10 of the Purchase Agreement, DLP agreed to spend at least \$180,000,000 within the five year period immediately following September 2012. DLP spent \$169,803,814 during the five year period ended August 31, 2017. While this commitment was not met specifically during the five year period, please be aware DLP spent an additional \$67,694,089 during the four month period ended December 31, 2017 thus ensuring DLP is on track to meet the ten-year obligation.

3. **Physician Recruitment Commitment.** Pursuant to Section 9.11 of the Purchase Agreement, DLP has expended \$7,415,368 during Calendar Year 2017 and \$30,489,108 since September 2012 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.

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”).

Please be advised that on April 1, 2017, the assets of UP Health System Home Care and Hospice were contributed to 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). DLP will continue to provide home health and hospice services to the community through the Joint Venture.

In response to a letter dated July 28, 2016 from Daniel Arnold, M.D., President, Superior Health Foundation (“SHF”) to Jeffrey Mordaunt, Managing Director at the Monitor, DLP’s management team and the SHF Board have worked to address certain matters outlined in the letter. As a result of those meetings and subject to the process for Attorney General approval pursuant to Section 7 of the MCE Agreement, DLP and SHF are currently working on an amendment that will delete and replace Sections 9.11 (Physician Recruitment Commitment) and 9.15 (Continuation of Services) of the Purchase Agreement. Based on the current draft of the amendment, DLP and SHF will conduct annual Strategic Plan review meetings and, as needed, will hold additional meetings throughout the year to monitor progress of the Strategic Plan. The Strategic Plan will address physician recruiting and service line development plans to better serve the needs of the community and the changing healthcare environment. See Exhibit C for a current draft of the 2018 Strategic Plan.

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 15,
2018.

DLP MARQUETTE HOLDING COMPANY, LLC



By: _____
Name: Brian Sinotte
Title: Chief Executive Officer

Exhibit A
UP Health System - Marquette
Capital Expenditures
Dec 2013-Dec 2017

		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	
Linear Accelerator final payment	\$ 1,930,908	
Equipment operating leases	\$ 4,543,454	
Equipment purchased for Escanaba Doctors Park	\$ 1,898,932	
Total Schedule 9.10 Offset Amount	\$	19,311,367
<i>Schedule 2.1(b) Tentative Shortfall to Meet Foundation Guarantee</i>		
<i>Commitment not reduced - \$9,792,000</i>		
September 1- December 31, 2012		
FF&E	\$ 3,218,780	
2012 Capital Expenditures	\$	3,218,780
Calendar Year 2013		
FF&E	\$ 11,948,068	
Plans and Construction	unknown	
<i>Schedule 2.1(b) Final Shortfall w/Plante Moran review</i>		
<i>Commitment not reduced - \$28,282,000</i>		
2013 Capital Expenditures	\$	11,948,068
Calendar Year 2014		
FF&E	\$ 8,584,852	
Plans and Construction	\$ 1,397,826	
2014 Capital Expenditures	\$	9,982,678
Calendar Year 2015		
FF&E	\$ 7,805,001	
Plans and Construction	\$ 7,502,817	
2015 Capital Expenditures	\$	15,307,818
Calendar Year 2016		
FF&E	\$ 11,804,028	
Plans and Construction	\$ 32,601,818	
Reduction in CapEx pursuant to APA		
2016 Capital Expenditures	\$	44,405,846
January 1-August 31, 2017		
FF&E	\$ 3,474,543	
Plans and Construction	\$ 62,154,715	
January 1-August 31, 2017 Total	<u>\$ 65,629,258</u>	
First 5 Years Capital Expenditures-\$180,000,000 Required		\$ 169,803,814
September 1-December 31, 2017		
FF&E	\$ 5,922,836	
Plans and Construction	\$ 61,771,253	
September 1-December 31, 2017 Total	<u>\$ 67,694,089</u>	
2017 Capital Expenditures	\$	133,323,346
Calendar Year 2018		

FF&E			
Reduction in CapEx pursuant to APA			
2018 Capital Expenditures	\$	-	
Calendar Year 2019			
FF&E			
Reduction in CapEx pursuant to APA			
2019 Capital Expenditures	\$	-	
Calendar Year 2020			
FF&E			
Reduction in CapEx pursuant to APA			
2020 Capital Expenditures	\$	-	
Calendar Year 2021			
FF&E			
Reduction in CapEx pursuant to APA			
2021 Capital Expenditures	\$	-	
January 1-August 31, 2022			
FF&E			
Reduction in CapEx pursuant to APA			
January 1-August 31, 2022 Capital Expenditures	\$	-	
Capital Expenditures through December 31, 2017	\$	237,497,903	
Capital Expenditure Commitment Remaining		\$	62,502,097

Exhibit B
UP Health System - Marquette
Physician Recruiting Expenditures
Dec 2013-Dec 2017

\$50,000,000.00
pending adjustment

Asset Purchase Agreement Commitment

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
		101,359	1,056,295

Calendar Year 2013

Department expenses	629,185	Net Rev - 2013	
New Physician Costs	4,524,388	-	
Recruitment Agreements/Private Practice	190,173	2,788,056	
Contractual payments for Physician Service	2,061,883	-	
Personnel for Purchased Physician Practice	-	1,049,807	
Reduction in Commitment pursuant to APA	unknown	-	
2013 Phys Recruitment Expenditures	7,405,629	3,837,863	Net Exp. - 2013
			3,567,766

Calendar Year 2014

Department expenses	558,069	Net Rev - 2014	
New Physician Costs	8,172,680	-	
Recruitment Agreements/Private Practice	105,690	5,634,130	
Contractual payments for Physician Service	924,747	-	
Personnel for Purchased Physician Practice	-	385,239	
	-	-	
2014 Phys Recruitment Expenditures	9,761,186	6,019,368	Net Exp. - 2014
			3,741,818

Calendar Year 2015

Department expenses	588,117	Net Rev - 2015	
New Physician Costs	7,080,161	-	
Recruitment Agreements/Private Practice	356,902	4,779,960	
Contractual payments for Physician Service	4,904,604	-	
Personnel for Purchased Physician Practice	-	1,332,249	
	-	-	
2015 Phys Recruitment Expenditures	12,929,784	6,112,209	Net Exp. - 2015
			6,817,575

Calendar Year 2016

Department expenses	640,768	Net Rev - 2016	
New Physician Costs	7,521,871	-	
Recruitment Agreements/Private Practice	48,317	4,773,442	
Contractual payments for Physician Service	6,163,623	-	
Personnel for Purchased Physician Practice	-	1,710,852	
	-	-	
2016 Phys Recruitment Expenditures	14,374,579	6,484,293	Net Exp. - 2016
			7,890,286

Calendar Year 2017

Department expenses	414,442	Net Rev - 2017	
New Physician Costs	10,204,113	-	
Recruitment Agreements/Private Practice	50,000	6,395,054	
Contractual payments for Physician Service	5,295,893	-	
Personnel for Purchased Physician Practice	-	2,154,026	
	-	-	
2017 Phys Recruitment Expenditures	15,964,448	8,549,080	Net Exp. - 2017
			7,415,368

Calendar Year 2018

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 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 Paid through December 31, 2017
Physician Recruitment Expenditure Remaining as of December 31, 2017

-\$30,489,107.80
\$19,510,892.20