

Legacy DMC

May 29, 2012

Ms. Katharyn Barron, Division Chief
Consumer Protection Division and
Charitable Trust Section
Department of Attorney General
Lansing, 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 required Legacy DMC to submit its Articles of Incorporation and Bylaws to the Attorney General 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 has been submitted for consideration.

Item B requires that Legacy DMC adopt an appropriate conflict of interest policy (COI). By way of background, Legacy DMC has a comprehensive COI in place; however, it contains a number of elements relating to hospital operations, which are not relevant to monitoring VHS of Michigan's compliance with the Post-Closing Covenants in the PSA. A revised COI is being reviewed by the Trustees.

Item D stipulates that the Attorney General must approve all changes in Legacy DMC's Articles of Incorporation or Bylaws for ten years after closing. During 2011, two revisions to Legacy DMC's Bylaws were approved by the Attorney General. In February, the organization's name was changed to Legacy DMC. In August, restrictions relating to the transfer of the charitable assets to the Childrens Foundation of Michigan and the Health and Wellness Foundation (Article VII - Section 4) were modified.

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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 17 trustees (see Attachment) including the appointees representing Detroit, Wayne County and the State. Legacy DMC's Nominating Committee is charged with identifying potential candidates to fill the three open positions.

Item F states that the President and Chair of Legacy DMC will oversee Vanguard's capital expenditure and hospital care commitments. During 2011, Legacy DMC's Chair, Mr. Keith Crain, and President, Mr. Joe Walsh, provided this oversight. (Mr. Richard Widgren replaced Mr. Crain in February 2012.)

Item G states that Legacy DMC shall comply with all charitable trust registration requirements and maintain its solicitation license, if appropriate. Legacy DMC is in compliance and held a solicitation license in 2011.

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

* In December 2010, the DMC Board appointed five representatives to the VHS of Michigan Advisory Board of Trustees and nominated one representative to the Vanguard Health Systems Inc. Board of Directors. Each of these boards currently has the trustees that were appointed and nominated as members.


* Legacy DMC has been advised by the Secretary of the VHS of Michigan Advisory Board 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.

*In December, Legacy DMC approved a donation by Vanguard Health Systems, Inc. to the Autism Alliance of Michigan. The amount of the donation was comparable to the value assigned to the board position and duties held by Legacy DMC's nominated representative, who is proscribed from accepting compensation while serving on its board. (This action was required to comply with Item H iii.)

CONCLUSION

Legacy DMC will continue provide you with updates on the status of these requirements.

Sincerely,


Joe Walsh
President

Legacy DMC

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