



September 27, 2010

Attorney General Mike Cox
Office of the Attorney General
Charitable Trust Division
G Mennen Williams State Office Building
Lansing, MI 48909

Dear General Cox,

We write to encourage the Office of the Attorney General to review carefully the proposed sale of the non-profit Detroit Medical Center ("DMC") to for-profit Vanguard Health Systems ("Vanguard"). Such review is fully authorized, and indeed mandated, under Michigan law.

SEIU has several concerns about the DMC-Vanguard transaction. While the transaction may offer significant benefits to Vanguard, we believe it will burden the State of Michigan with a number of unreasonable tradeoffs. First, as demonstrated below, we believe Vanguard's cash purchase price of \$417 million is too low considering other comparable transactions. We also have concerns about the lack of process in and transparency about how Vanguard came to be selected as the buyer for DMC.

SEIU believes that the proposed DMC-Vanguard transaction may involve a number of violations of the duties by DMC's directors. First, the directors likely violated their duty of obedience to DMC's charitable purposes by approving a transfer of DMC's assets to Vanguard for less than the fair market value of those assets. If the transaction is permitted to go forward, DMC's directors would in essence be gifting at least some of DMC's assets to Vanguard, thereby "us[ing], convey[ing] or distribut[ing]" the nonprofit corporation's assets for noncharitable purposes, in violation of Mich. Comp. L. §450.2301(5).

In addition, the directors likely violated their duty of care to DMC by failing to solicit alternative bids for DMC's assets and by failing to consider alternatives other than the for-profit conversion of DMC hospital. Finally, although the potential conflict of interest posed by the post-conversion employment by Vanguard of DMC's officers and directors may not, in and of itself, violate the directors' or officers' duty of loyalty to DMC, this conflict should further raises questions about the insufficient procedures through which the DMC-Vanguard transaction was negotiated. These procedures were unreasonable and, we believe, resulted in an artificially low price for the hospital. This, coupled with unusual tax benefits provided to Vanguard by the State and local government, will significantly deprive the Michigan public of the full value of the transaction.

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AUTHORITY OF THE ATTORNEY GENERAL

The State Attorney General has broad authority to supervise the operation of nonprofit hospitals and to take action to prevent transactions that are inconsistent with the nonprofit hospitals' charitable purposes. Nonprofit charitable institutions are bound by a social contract to the local community, and, through their trustees and management, have a fiduciary duty to preserve and to protect their charitable assets and to ensure that those assets are used for purposes consistent with their charitable missions. To ensure that the nonprofit corporations' purposes are served, the law imposes a number of distinct duties on the directors of nonprofit corporations. Mich. Comp. L. §2301(5) (providing that nonprofit corporations act "shall not be deemed to permit assets held by a corporation for charitable purposes to be used, conveyed or distributed for noncharitable purposes.")

Nonprofit directors also owe a fiduciary duty of care to the nonprofit corporation. Under Michigan law, a director or officer must "discharge the duties of that position in good faith and with the degree of diligence, care, and skill that an ordinarily prudent person would exercise under similar circumstances in a like position." Mich. Comp. L. §450.2541. The duty of care has both procedural and substantive components. The procedural aspect of the duty involves the processes by which the trustee directors reach their decisions. Rather than limiting his review only to the question of the fair market value of the DMC-Vanguard transaction, the Attorney General can, and we would argue should, consider whether the trustees have complied with all of their duties as nonprofit directors in approving the transaction.

Such intervention is not unprecedented. Most notably, in 1996 the Michigan Attorney General brought suit to prevent Columbia/HCA, a for-profit healthcare organization, from entering into a joint venture with the nonprofit Michigan Affiliated Healthcare System, Inc. ("MASHI"), which operated the Michigan Capitol Medical Center in Lansing. The Attorney General argued, *inter alia*, that the joint venture exceeded the hospital's corporate charter and was thus *ultra vires*, amounted to a breach of the hospital trustees' fiduciary duties, and involved the impermissible use of charitable assets for a noncharitable purpose, and that MASHI had failed to disclose documents to the public or hold a public forum.¹

The trial court granted the AG's motion for summary judgment on the *ultra vires* count, determining that the joint venture would necessarily require that assets held by MASHI for charitable purposes be used for noncharitable purposes, in violation of Mich. Comp. L. §450.2301(5), which bars such a use or transfer of charitable assets. *Id.* at 2-3.2

Other state Attorneys General have also challenged similar transactions:

- In *Manhattan Eye, Ear & Throat Hosp. v. Spitzer*, 715 N.Y.S.2d 575, 592 (N.Y. Sup. Ct. 1999) ("MEETH"). The New York Attorney General successfully opposed a petition to sell part of nonprofit hospital to another hospital and while other part was sold to developer.

¹ See generally Office of the Attorney General, "Attorney General Frank Kelley's Summary of the Case," Columbia Joint Venture Stopped in Michigan, at 2, available at http://www.michigan.gov/documents/ag/Columbia_Healthcare_Summary_sm_320474_7.pdf.

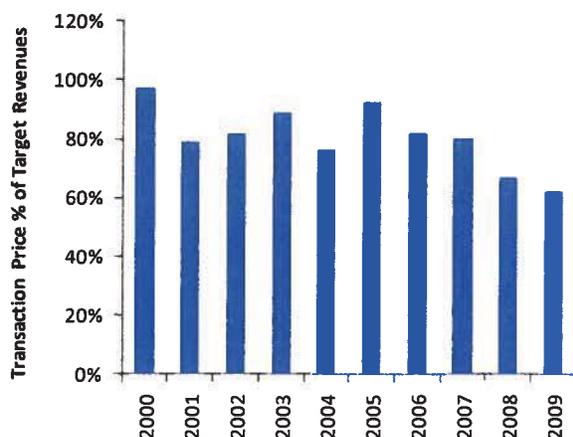
² In a legal opinion solicited by DMC in April, former AG Kelley concluded that the decision in the MASHI/Columbia matter does not render the DMC transaction invalid because Vanguard proposes to acquire *all* of DMC's assets, rather than to establish a joint venture with DMC. See Apr. 21, 2010 Letter from Frank Kelley to Charles N. Raimi, Deputy General Counsel, Detroit Medical Center, available at http://www.michigan.gov/documents/ag/Kelley_Cawthorne_Legal_Opinion_4.21.2010_319289_7.pdf. That opinion concludes that the DMC-Vanguard transaction "comports with Michigan law," assuming the DMC-Vanguard transaction reflects the fair market value of DMC's assets. However, the opinion considers only the limited question whether the transaction violates Michigan's prohibition on using charitable assets for noncharitable purposes, and does not consider other legal limitations on nonprofit hospitals. Furthermore, as we note, there is a significant question whether the transaction reflects DMC's fair market value.

- In *Queen of Angels Hospital v. Younger*, 66 Cal.App.3d 359 (1977), the California Attorney General successfully challenged nonprofit hospital's plan to lease its hospital facilities to another corporation.
- The New Hampshire Attorney General raised significant questions about the merger of two nonprofit hospitals in a report published by his office. New Hampshire Attorney General's Report on Optima Health, Mar. 10, 1998, available at <http://www.state.nh.us/nhdoj/CHARITABLE/optima1.html>.

SEVERAL FACTORS LEAD US TO CONCLUDE THAT DMC MAY NOT BE RECEIVING FAIR VALUE

PURCHASE PRICE IS TOO LOW. A common method of valuing a company is to divide the price paid for similar businesses by some measure of earnings such as revenue or earnings before interest, taxes, depreciation and amortization ("EBITDA") of those businesses. This "multiple" is then applied to the earnings of the company to be acquired to produce its value.

According to Kemp Dolliver, a for-profit hospital analyst at Avondale Partners who regularly tracks



acquisitions in the hospital sector, recent deals have been priced at approximately 60 percent of revenue.³

Vanguard's cash offer of \$417 million for Detroit Medical Center, an eight-hospital system that generated over \$2 billion in revenue in 2009, is extremely low at only 20 percent of revenue.

Applying the multiple of 60 percent to DMC's \$2.1 billion in revenue produces a value of \$1.2 billion. Even using a multiple at the low end of comparable transactions (30 percent) yields a value of \$627 million.

There have been many reports on the recent pace of acquisitions in the hospital sector, primarily for-profit hospitals acquiring nonprofit or government owned hospitals. Two landmark deals this year as reported by analysts include the sale of Caritas Christi Health Care in Boston and that of Detroit Medical Center.

Cerberus Capital Management, a private equity firm in New York is about to acquire Caritas Christi Health Care, a 6-hospital system in Boston that generated \$1.3 billion in revenue in 2009. Cerberus will infuse \$430 - \$450 million in cash immediately to extinguish Caritas' debt, finance renovation, provide working capital and assume the system's pension liability.⁴ This amount translates into nearly 35 percent of Caritas' 2009 revenue.

³ Dolliver, Kemp. Avondale Partners LLC. "Hospitals - Moving Targets #3 -Update on Acquisition Candidates" January 19, 2010. Data for the chart is on the bottom of p1. Multiples appear to be based on transactions by CYH, HMA, LPNT, THC, and UHS ,which is Avondale's coverage universe.

⁴ Weisman, Robert. Boston Globe. "Equity firm set to buy Caritas. Catholic identity will be retained Hospitals to shift to for-profit status" March 25, 2010. Retrieved from: http://www.boston.com/business/healthcare/articles/2010/03/25/equity_firm_set_to_buy_caritas?mode=PF

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Both systems were profitable in 2009 -- both Caritas and DMC generated 6 percent in earnings before interest, depreciation and amortization ("EBIDA") margins. However, DMC has had a longer history of solid financial performance, whereas Caritas generated negative operating income in 2008. Additionally, Caritas has reportedly been "struggling with serious financial problems"⁵ -- two of Caritas' six hospitals are on the brink of closure unless the deal with Cerberus closes. Surely, DMC, a system that has "operated in the black since 2004"⁶ according to CEO Michael Duggan, warrants a higher transaction value.

LACK OF TRANSPARENCY IN HOW VANGUARD WAS SELECTED. A Tennessean article reported that DMC "initiated the deal by approaching Vanguard last fall."⁷ The Detroit Free Press and USA Today added that Mr. Duggan visited Vanguard in October, where "A one-hour appointment stretched into 3 1/2 hours, and soon the DMC and Vanguard were courting."⁸

No other information about how Vanguard was selected to acquire DMC has been made public. Crain's Detroit Business reported that the DMC Board of Trustees created a committee "to find a solution to secure the future of a profitable DMC" and considered suggestions by consultants "to seek investment from for-profit health systems."⁹ Yet, there has been no disclosure regarding what these solutions entailed nor were there reports that DMC solicited or received offers from other buyers. Even Michigan health leaders were stunned.¹⁰ Additionally, an industry analyst who routinely monitors hospital acquisition activity was taken by surprise by the announcement, remarking that he was "unaware that it was for sale."¹¹

This level of secrecy is highly unusual and would not be tolerated if the acquisition target were a publicly traded entity. For example, for-profit behavioral health company Psychiatric Solutions Inc. entered into an agreement to be acquired by another for-profit hospital company Universal Health Systems ("UHS") in May. Although there was a highly competitive bidding process, Psychiatric Solutions shareholders were unhappy with the lack of clarity surrounding how UHS won the bid and successfully sued the company for more detailed disclosure before voting on the acquisition.

The New Hampshire Attorney General argued in his report on the Manchester hospitals' merger that the directors of a nonprofit corporation owe a "duty of candor and inclusion" to the community that the corporation serves. "[A]s public charities," nonprofit hospitals "must deal with [their] community honestly and [are] required to fully and completely disclose facts relevant to [their] charitable mission[s]."¹² Similarly, in the case of DMC, the Attorney General has the responsibility to protect the public interest and ensure that Vanguard was properly vetted as a suitable owner. We respectfully urge the Attorney General to demand more transparency about the selection of Vanguard as the acquirer.

⁵ Syre, Steven. The Boston Globe. "Making the Most of a Bad Economy" July 9, 2010.

⁶ Gold, Jenny. Kaiser Health News, reported in USA Today. "Mergers of for-profit, non-profit hospitals: Who does it help?" July 13, 2010. Retrieved from: http://www.usatoday.com/money/industries/health/2010-07-13-hospitalmergers13_CV_N.htm

⁷ Wadhvani, Anita. The Tennessean. "2010 may be record year for hospital acquisitions" July 18, 2010. Retrieved from: <http://www.tennessean.com/article/20100718/BUSINESS01/7180331/0/tunein/Vanguard-picks-good-time-to-buy>

⁸ Walsh Tom. Detroit Free Press. "DMC deal allows it to thrive, grow" March 21, 2010

⁹ Beene, Ryan. Crain's Detroit Business. "Long road to deal began at bond market's closed door" March 22, 2010.

¹⁰ Anstett, Patricia. Detroit Free Press. "DMC leaders see rosier future with investment" March 20, 2010.

¹¹ Dolliver, Kemp. Avondale Partners, LLC. "Hospitals - A "Moving Targets" Update: Michigan Opens for Business" March 19, 2010. p.1

¹² New Hampshire Attorney General's Report on Optima Health.

COMPETITIVE BIDDING WOULD ENSURE DMC RECEIVES FAIR MARKET VALUE. The process by which the DMC-Vanguard transaction was negotiated raises serious concerns. As one treatise instructs nonprofit directors, “[T]he surest way to secure fair market value for your assets is to sell them on the open market, where they are exposed to as many willing and able buyers as possible.” Schwartz & Horn, *Health Care Alliances and Conversions: A Handbook for Nonprofit Trustees* 56.

As stated earlier, hospital acquisition activity is high and many bidders could be available. USA Today recently reported that at least 50 hospitals are involved in transactions in the first half of this year, and it is likely that the total number of transaction will exceed the 80 deals in 2009.¹³

The Tennessean reported that ten years ago there were only 15 to 20 private equity groups interested in health care. In contrast, there are currently between 125 and 150 firms, many of them newcomers to the hospital business.¹⁴ There appears to be no shortage of suitors, and ensuring healthy competition would likely provide DMC with many attractive options, as was the case with these hospitals.

- (1) In May, RegionalCare Hospital Partners, a private for-profit operator, bid the highest among four other competitors for county-owned Clinton Memorial Hospital in Ohio. In addition to paying \$82 million or 78 percent of CMH’s revenue, RegionalCare’s offer included a \$60 million capital spending pledge, payment of property taxes, and donations to community development and other area nonprofits.¹⁵
- (2) In June, the Board of Trustees at Brown County General Hospital advertised for request for proposals over the course of four weeks and received two offers from private equity companies to purchase the community hospital.¹⁶ In July, consultants retained to advise Beaufort Regional Health System in Florida sent requests for proposals to fourteen potential suitors.¹⁷
- (3) In August, just hours after Ohio Attorney General Richard Cordray approved the sale of bankrupt Forum Health to for-profit Ardent Health Services for \$69.8 million, another for-profit chain, Community Health Systems (“CHS”), stepped in with a bid of \$100 million. The bidding process culminated with a final price of \$120 million from CHS, almost twice what Ardent initially offered for the 3-hospital system. The offer also included a commitment to invest at least \$80 million over the next five years for capital improvements and to maintain a charity care policy.¹⁸

INSIDERS WHO DROVE THE NEGOTIATION MAY HAVE A CONFLICT OF INTEREST. Vanguard’s Chairman and CEO reportedly told employees that “DMC management and board sought us out.”¹⁹ DMC CEO Michael Duggan himself reportedly approached Vanguard in October about buying the nonprofit

¹³ Gold, Jenny. Kaiser Health News, reported in USA Today. “Mergers of for-profit, non-profit hospitals: Who does it help?” July 13, 2010.

¹⁴ Wadhvani, Anita. The Tennessean. “Vanguard picks good time to buy” July 18, 2010. Retrieved from:

¹⁵ Cooper, Rose. Wilmington News Journal. “RegionalCare to purchase Clinton Memorial Hospital” May 19, 2010.
<http://www.wnewsj.com/main.asp?SectionID=49&SubSectionID=156&ArticleID=184148>

¹⁶ Maynard, Misty. The Ledger Independent. “New buyer selected for Brown County General Hospital” July 7, 2010. Retrieved from:
http://www.maysville-online.com/news/local/article_61644588-8a3d-11df-93c6-001cc4c03286.html

¹⁷ Mitchell Gray, Betty. Washington Daily News. “Suitors Sent RPSs” July 25, 2010. Retrieved from:
<http://wdnweb.com/articles/2010/07/25/news/doc4c4b79d6c301e749738079.txt>

¹⁸ Lawley, Erin. Nashville Post. “CHS wins Forum Health for \$120M” August 5, 2010. Retrieved from:
http://www.nashvillepost.com/news/2010/8/5/chs_wins_forum_health_deal_with_120m_bid

¹⁹ Lawley, Erin. Nashville Post. “Vanguard to Buy Eight Detroit Hospitals” March 19, 2010. Retrieved from:
http://www.nashvillepost.com/news/2010/3/19/vanguard_to_buy_eight_detroit_hospitals

system.²⁰ The Purchase and Sale Agreement guarantees employment to DMC's six executive managers and presidents of each DMC hospital.²¹ We are concerned that management may have had an improper incentive to safeguard their employment with Vanguard.

Vanguard currently has six named executives and several executive officers who all receive performance-based cash bonuses and long-term equity based incentives, including restricted stock units and stock options, in addition to a base salary. One of Vanguard's executive officers, Chief Development Officer Trip Pilgrim, was the former CEO of Baptist Health Services, a 5-hospital system that Vanguard acquired in 2003.²² We urge the Attorney General to seek more information regarding the employment contracts between Vanguard and DMC's executive managers, particularly with respect to equity based compensation. Insiders who own Vanguard stock stand to reap significant amounts if Vanguard were to pursue an initial public offering.

BOARD MEMBERS SHOULD HAVE ADVOCATED FOR A BETTER DEAL. DMC's Board of Trustees has a fiduciary duty to obtain the best offer in the sale of charitable assets. Michigan law requires directors to exercise their responsibilities "in good faith and with the degree of diligence, care, and skill that an ordinarily prudent person would exercise *under similar circumstances in a like position.*" Mich. Comp. L. §450.2541(1). This standard permits consideration of a particular director's background and qualifications in determining whether that director has acted reasonably.²³

Accordingly, the failure of any of DMC's directors to use the knowledge they have acquired through their for-profit business experience in negotiating the DMC-Vanguard transaction could violate their duty of care under Michigan law. Some members of DMC's board of directors have significant experience in the for-profit business world, and we believe would not have used a process like that used to sell DMC to sell the assets of their for-profit businesses.

DMC Board Chairman Steve D'Arcy and Roger Penske, who were credited as "being critical to the deal,"²⁴ both hold high level executive management positions at PricewaterhouseCoopers LLP and Penske Corporation respectively.

PricewaterhouseCoopers is one of the Big "Four" accounting firms that specializes in mergers, acquisitions and valuation advice according to its website. We query why Mr. D'Arcy would allow DMC to be valued far below comparable transactions.

Roger Penske founded Penske Corporation in 1969 and serves as the CEO and Board Chair of Penske Automotive Group, a publicly traded entity worth over \$1.1 billion. His firm outbid other companies in 2009, including a private equity company, to acquire Saturn Corporation from General Motors. Auto analysts had high hopes in Penske turning around Saturn's operations because of his reputation as a

²⁰ Gold, Jenny. Kaiser Health News, reported in USA Today. "Mergers of for-profit, non-profit hospitals: Who does it help?" July 13, 2010. Retrieved from: http://www.usatoday.com/money/industries/health/2010-07-13-hospitalmergers13_CV_N.htm

²¹ Vanguard Health Systems. Form 8-k filing. Purchase and Sale Agreement. June 15, 2010. p.52.

²² San Antonio HCB Magazine. "Baptist Health System Announces Leadership Changes" June 30, 2009. Retrieved from: http://www.hcbmagazine.com/home/article_display.php?aID=336

²³ See Revised Model Business Corporation Act § 8.30, Official Comment ("The combined phrase 'in a like position . . . under similar circumstances' is intended to recognize that . . . the special background, qualifications, and management responsibilities of a particular director may be relevant in evaluating that director's compliance with the standard of care.")

²⁴ Beene, Ryan. Crain's Detroit Business. "Long road to deal began at bond market's closed door" March 22, 2010.

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"one of the savviest businessmen in the industry, and a specialist in turning around troubled automotive operations."²⁵

Mr. Penske has led his company through several transactions and given his expertise, we question why he did not advocate for a competitive process to secure the highest value for DMC. We doubt he would have followed the same process if he were to put his company up for sale, rather than a charitable trust of which he sits on the Board.

Finally, we query why Mr. Penske and Mr. D'Arcy allowed a "No Shop" provision in the contract, which prohibits DMC from soliciting other offers and also from considering unsolicited offers.²⁶ This condition is especially problematic because of the lack of a transparent bidding process, the low offer for DMC and the involvement of management in the transaction.

THE TRANSACTION WILL BE DETRIMENTAL TO THE PUBLIC

TAX BREAKS ARE NOT TYPICAL IN THESE TYPES OF TRANSACTIONS. Vanguard is estimated to receive \$183 million in tax breaks over 15 years²⁷ as a result of a renaissance zone, "which, under state law, eliminates state, county and municipal taxes for 12 years and then provides discounts of 75%, 50% and 25% in the next three years before the businesses fully go on the tax rolls."²⁸

Obtaining such generous tax breaks as part of a transaction is unusual even for Vanguard. Two hospitals the company purchased in June this year from nonprofit system Resurrection Healthcare in Chicago will become tax-paying entities once the deal is closed.²⁹

Similarly, Caritas will become a tax-paying immediately upon being acquired by Cerberus -- Caritas CEO Ralph de la Torre estimated that over \$100 million in state and local taxes would be generated in the next five years for the state of Massachusetts.³⁰

NEITHER DETROIT NOR THE STATE WILL BENEFIT IF VANGUARD QUICKLY PURSUES AN INITIAL PUBLIC OFFERING ("IPO"). A clause in the purchase agreement prohibits Cerberus from taking Caritas public for three years. The DMC-Vanguard transaction contains no such guarantee, despite predictions from healthcare analysts at Goldman Sachs and CRT Capital that Vanguard is positioning itself to go public within a short time after the transaction.³¹ To protect the public interest in this asset, we respectfully suggest that the Attorney General demand that the purchase agreement include a provision that recoups a meaningful amount for the State of Michigan in the event Vanguard goes public within three years of the transaction.

CAPITAL SPENDING PLEDGE IS BELOW AVERAGE. Vanguard has pledged to spend \$850 million over five years in capital improvements which translates to an average of \$170 million per year and represents

²⁵ Bunkley, Nick and Vlasic, Bill. New York Times. "G.M. to Close Saturn After Deal Fails" September 30, 2009. Retrieved from: <http://www.nytimes.com/2009/10/01/business/01auto.html>

²⁶ Vanguard Health Systems. Form 8-k filing. Purchase and Sale Agreement. June 15, 2010. p.39.

²⁷ Chambers, Jennifer. The Detroit News. "Patterson: It may be too late for Detroit" May 4, 2010.

²⁸ Galloro, Vince. Modern Healthcare. "On to the Rust Belt" March 22, 2010.

²⁹ Japsen, Bruce. Chicago Tribune. "Resurrection to sell pair of hospitals in suburbs; For-profit Vanguard to buy Westlake, West Suburban" November 25, 2009.

³⁰ Weisman, Robert. Boston Globe. "Equity firm set to buy Caritas. Catholic identity will be retained Hospitals to shift to for-profit status" March 25, 2010. Retrieved from: http://www.boston.com/business/healthcare/articles/2010/03/25/equity_firm_set_to_buy_caritas?mode=PF

³¹ Bloom, Erin. Goldman Sachs. November 25, 2009.

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8.1 percent of DMC's 2009 revenue. While higher than what DMC spent in 2009, this is lower than the 9.2 percent weighted average of what Michigan's nonprofit hospitals spent as a percent of net revenue in last year.³² Trinity Health System, based in Michigan spent \$610.9 million in 2009 or 9.7 percent of net revenue. Spectrum Health System & Affiliates, another Michigan based health system similar in size to DMC, spent almost \$220 million in 2009 or 8.3 percent of net revenue.

Additionally, Vanguard has made clear its intention to spend most of the funds, \$500 million of the total \$850 million, to increase market share.³³ Prioritizing market share investments essentially implies that Vanguard plans to invest in profitable lines of service. Therefore, benefits of Vanguard's capital expenditures will accrue primarily to Vanguard itself, since Vanguard will own DMC.

Although nonprofit corporations are in form similar to for-profit corporations, the legal regime used to ensure proper governance of for-profit corporations – primarily shareholder review – is “incapable of providing effective internal mechanisms to guard against directors’ improvident use of charitable assets” because “a nonprofit corporation has no ‘owners’ or private parties with a pecuniary stake to monitor and scrutinize actions by the directors.” *MEETH*, 715 N.Y.S.2d at 592. “Since there is usually no one willing to assume the burdens of a legal action, or who could properly represent the interests of the trust or the public, the Attorney General has been empowered to oversee charities as the representative of the public . . .” *Holt v. College of Osteopathic Physicians & Surgeons*, 61 Cal. 2d 750, 754 (1964). By supervising the governance of nonprofit corporations, the state attorney general must “ensure that the interests of the ultimate beneficiaries of the corporation, the public, are adequately represented and protected from improvident transactions.” *MEETH*, 715 N.Y.S.2d at 592. In exercising his authority to review such transactions, the Attorney General can – and indeed should – consider and enforce all of the limitations and duties imposed upon a nonprofit corporation or charitable trust by the common law or by statute.

For the foregoing reasons, SEIU believes the proposed DMC-Vanguard transaction is contrary to the DMC directors’ duty of obedience to DMC’s charitable purposes, as well as to their fiduciary duty of care. We encourage the Office of the Attorney General to employ its authority to enforce those duties.

Sincerely,



Nicole Berner
Associate General Counsel
Service Employees International Union

CC: Tracy A. Sonneborn, Assistant Attorney General
Michigan Attorney General's Office, Consumer Protection and Charitable Trusts

Marge Faville, RN President SEIU Healthcare Michigan

³² Data retrieved from CreditScope and represents a universe of 14 hospitals, including Trinity Health. Average is weighted by net revenue.

³³ Detroit Medical Center press release. “Vanguard, DMC announce Letter of Intent: DMC to join Vanguard Health System” March 19, 2010. Retrieved from <http://www.dmc.org/news/?sid=1&nid=164>