



BILL SCHUETTE
ATTORNEY GENERAL
STATE OF MICHIGAN

August 8, 2011

Keith Crain, Chairman
Legacy DMC
Orchestra Place
3663 Woodward Ave.
5th Floor, Suite 200
Detroit, MI 48201-2400

RE: Legacy DMC's Request for Consent to Transfer Donor-Restricted Charitable Assets

Dear Mr. *Keith* Crain:

Thank you for your letter dated July 21, 2011, requesting the Attorney General's approval of the transfer of donor-restricted charitable assets by Legacy DMC.

Your letter refers to two resolutions of the Legacy DMC Board of Trustees and three important agreements.

The resolutions include:

1. A resolution of the Board of Trustees of Legacy DMC on June 22, 2011, regarding an amendment to Legacy DMC's Bylaws in connection with the transfer of charitable funds to other charitable organizations, subject to the Attorney General's approval; and
2. A resolution of the Board of Trustees of Legacy DMC on June 22, 2011, authorizing the transfer to Children's Hospital of Michigan Foundation ("CHMF") of approximately \$90,000,000 (subject to retention of \$2,500,000 by Legacy DMC, to be used for its operating expenses, if necessary), subject to the Attorney General's approval of the Charitable Asset Transfer Agreement and resolution regarding Legacy DMC's Bylaws.

The agreements include:

3. The Charitable Asset Transfer Agreement, dated December 17, 2010, between Children's Hospital of Michigan ("CHM"), CHMF, Detroit Community Health Foundation ("DCHF") and the Detroit Medical Center (the former name of Legacy DMC);

4. The Protection of Charitable Assets Agreement, executed on November 17, 2010, between the Department of Attorney General and the Detroit Medical Center (the "Protection Agreement"); and
5. The Monitoring and Compliance Agreement, executed on November 17, 2010, between the Department of Attorney General, the Detroit Medical Center, VHS of Michigan, Inc., and Vanguard Health Systems, Inc. (the "Monitoring Agreement").

The transfer of donor-restricted assets has been under consideration since mid-2010. On July 27, 2010, the Detroit Medical Center Board of Trustees approved the transfer of assets restricted for pediatric uses to the CHMF, subject to the Attorney General's approval. On December 15, 2010, the Board approved transfers of both pediatric and non-pediatric restricted assets to the CHMF and DCHF, respectively, according to the terms of the Charitable Asset Transfer Agreement and subject to the Attorney General's approval.

When Detroit Medical Center executed the Charitable Asset Transfer Agreement in December 2010, it promised CHM, CHMF, and DCHF that it would transfer restricted charitable funds of approximately \$90,000,000 (subject to a retention of \$2,500,000) to CHMF and approximately \$60,000,000 (subject to a retention of \$2,500,000) to DCHF, subject to the completion of the sale of DMC's hospital assets to VHS of Michigan, Inc. and the consent of the Attorney General. The sale has been completed, and the Attorney General's approval is therefore the sole remaining condition of the Charitable Asset Transfer Agreement.

Your letter requests the following actions related to the terms of the Charitable Asset Transfer Agreement:

1. Approval of the Charitable Asset Transfer Agreement;
2. Consent to the execution of the terms of the Charitable Asset Transfer Agreement;
and
3. Consent to the transfer of pediatric donor-restricted assets to CHMF.

Your letter also requests consent to the proposed amendment to Legacy DMC's Bylaws, as contemplated in the Protection and Monitoring Agreements.

In considering your request regarding the transfer of donor-restricted funds held by Legacy DMC as contemplated in the Charitable Asset Transfer Agreement, my office has reviewed the suitability of CHMF and DCHF to receive and administer the subject funds. Members of my office held extensive meetings with many representatives of both foundations in March 2011. Legacy DMC subsequently commissioned two leading consulting firms, Plante & Moran PLLC and Conway Mackenzie, to conduct independent evaluations of the design of governance structure controls and soundness of the financial plans of both organizations. In reviewing the readiness of both foundations to safeguard, manage and distribute the subject funds, my office also considered these firms' favorable analyses.

In response to your request:

1. I approve the Charitable Asset Transfer Agreement;
2. I consent to the execution of the terms of the Charitable Asset Transfer Agreement;
and
3. I consent to the transfer of donor-restricted charitable assets by Legacy DMC in accordance with the provisions of the Charitable Asset Transfer Agreement.

I confirm that Legacy DMC is authorized to transfer donor-restricted assets under the Charitable Asset Transfer Agreement and that it has also satisfied any conditions for the transfer of the charitable funds under the Protection and Monitoring Agreements.

I further confirm that, given my approval of the Charitable Asset Transfer Agreement and consent to the transfer of donor-restricted assets, no additional approvals are necessary for the transfer of donor-restricted assets to CHMF and DCHF.

I would like to thank you once again for your service to Legacy DMC and to the many residents of Detroit and Southeast Michigan who depend on the DMC hospitals for essential health care services. I am hopeful that the transfer of donor-restricted assets to the foundations will allow Legacy DMC to devote its undivided attention to carrying out its important mission of monitoring and overseeing Vanguard's discharge of its commitments to DMC and the Detroit community.

Sincerely,


Bill Schuette
Attorney General

c: Trustees of Legacy DMC
Trustees of the Children's Hospital of Michigan Foundation
Trustees of the Detroit Community Health Foundation

Keith - I look forward to working with you in the months ahead. Hope to see you soon.

Best,

