

August 4, 2022

The Honorable Dana Nessel
Attorney General
State of Michigan
G. Mennen Williams Building
525 W. Ottawa Street
P.O. Box 30212
Lansing, MI 48909

Re: Redevelopment of Marquette General Hospital

Dear Attorney General Nessel,

Our firm represents Veridea Group, LLC and, through WLUC TV6 News and the Marquette Mining Journal, we have become aware of State Representative Sara Cambensy's letters and request for an investigation by your office (collectively the "Request").

The allegations in the Request are without merit and reckless. As you review the Request and the allegations contained therein, there is little doubt in my mind you will conclude all of the allegations are false, no law was broken or avoided and any fiduciary responsibility/obligations of a public official was not breached. It is important to highlight within a day of submitting the July 28, 2022 Request, State Rep. Cambensy retracted portions of the Request as not being truthful or accurate. It would not be surprising for additional retractions to occur as the facts are presented. Should you decide an investigation is warranted, we are prepared to participate in any manner necessary and appropriate.

Unfortunately, the Request is conclusory in nature and provides your office very little background detail in order for your office to determine whether an investigation is warranted. In addition, of the fourteen questions presented to you, many are related to the appropriate tax treatment of hypothetical scenarios – either related to tax deductions or the appropriate activities of a nonprofit charity. This letter will not respond to allegations or accusations more appropriately addressed by those entities. This letter will provide a more detailed historical analysis of the proposed redevelopment, the public-private partnership, and the many factors that determined the outcome selected by the parties – including LifePoint, the City of Marquette, Northern Michigan University, and the NMU Foundation.

MGH Campus Redevelopment Background

When LifePoint constructed their new \$400 million healthcare facility in Marquette, it resulted in the abandonment of their 20+ acre old hospital site (the “MGH Campus”). In anticipation of that, in 2018 LifePoint conducted a nationwide campaign to sell the MGH Campus to a qualified master developer. The campus included 11 buildings ranging in age from over 100 years to 20+ years. LifePoint provided very limited information on the facilities and their condition, and bidders were unable to tour the premises prior to the submittal deadline in March, 2018. Along with several other developers from outside the Upper Peninsula, Veridea Group provided a submittal to acquire the entire campus and following almost 6 months of negotiations with LifePoint, signed a Letter of Intent (“LOI”) in October, 2018 and a purchase-sale-agreement (“PSA”) on November 29, 2018. Veridea’s development plan, which relied on information provided by the seller, envisioned the renovation/reuse of several of the largest buildings, basing this plan on the materials provided by LifePoint. On-site inspections commenced only following signing of the LOI and identified material “miscalculations” or “errant assumptions” concerning building conditions, mechanical systems, and building sizes as it related to leasable square footage. It was determined that all 850,000 square feet and 11 buildings would need to be demolished, more than doubling the demolition expense to roughly \$16 million; thus, making the project financially unfeasible under the terms of sale. When LifePoint elected not to amend the PSA terms, Veridea exercised its option to terminate the agreement on May 7, 2019. Veridea continued to negotiate with LifePoint with no success and on August 1, 2019, issued a press release stating Veridea, as allowed under the agreement, had terminated the PSA. Veridea ceased all discussions with LifePoint; did no further work on the project; and considered the matter to be closed.

In March, 2020, Mr. Gar Atchison, the newly appointed Chief Administrator of LifePoint’s Marquette Hospital (operating as Upper Peninsula Health Systems Marquette or UPHSM) contacted Veridea’s Chief Executive Officer, Mr. Robert Mahaney to ask Veridea to reengage with LifePoint on redevelopment of the MGH Campus. As Veridea was no longer interested in the project owing to the extraordinary large and unfunded demolition costs, Mr. Mahaney introduced Mr. Atchinson to Mr. Brad Canale, CEO of the Northern Michigan University Foundation (“NMUF”), as a potential collaborator to find additional sources of demolition funds and community development. After this introduction, Veridea was no longer involved in any direct discussions between LifePoint and NMUF.

In September, 2021, NMUF asked Veridea if it would provide consulting services and Veridea’s materials and findings from the previous due diligence on the MGH Campus. All materials and hundreds of hours of work were provided *pro bono*. Veridea’s work included creation of a master site plan, deed and title reviews, and financial feasibility analysis and recommendations. This consulting ended in December, 2021.

On September 28, 2021, NMUF and LifePoint signed a PSA. NMUF pursued a public nationwide search for a qualified master developer and released a Request for Qualifications

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(“RFQ”) on March 11, 2022. Veridea did not participate in the crafting of the RFQ and first received the RFQ when it was publicly released on March 11, 2022. On April 8, 2022, Veridea submitted its response to the RFQ. On May 3, 4 and 9, on behalf of NMUF, Design Workshop held two community forums and two “Affinity Group” discussion on the redevelopment of the MGH Campus.¹ On May 13, 2022, NMUF notified Veridea that the NMUF Board selected Veridea to be the Master Developer. On May 31, 2022, the Marquette City Commission held a public hearing and ultimately approved NMUF’s brownfield request in the amount of \$44 million.

Response to Specific Allegations in the Request

I. Conflict of Interest

The Request alleges there is a conflict of interest and a “scheme” by the parties. Mr. Robert Mahaney is the CEO of Veridea Group, LLC and also a gubernatorial appointed member of the Northern Michigan University Board of Trustees. Mr. Mahaney fully complies with the Board of Trustees’ Conflict of Interest Policy and annually submits a conflict of interest statement and regularly discloses any potential conflict of interest discovered between annual submissions. Throughout this process, Mr. Mahaney has regularly provided the NMU Board and its legal counsel with updates on his and Veridea’s involvement in the project. It is our understanding that the Board of Trustees has taken no action regarding the MGH Campus Redevelopment and will not need to do so, as any potential contract will be between Veridea and NMUF. No contracts exist at this time between Veridea and NMUF or NMU. Nevertheless, as has always been the course of practice, Mr. Mahaney will continue to disclose any potential action which may result in a perceived or actual conflict of interest.

II. Misuse of State and Local Funds; Public Funds to the Developer

Without any specific reference, the Request makes general, blanket allegations that there is a misuse of state and local funds. Such a statement and accusation is blatantly false and without merit. All public funds – whether state or local – have been reviewed and approved by public bodies and are subject to public audits and reviews.

Veridea has had no involvement in the procurement of public funding outside of the City of Marquette brownfield request.

Veridea will not receive any public funds. All public funds are being used by the City of Marquette and NMUF to demolish the blighted property.

¹ The Design Workshop report to NMUF is publicly available and can be found at this site:
https://foundation.nmu.edu/sites/foundation.nmu.edu/files/2022-07/NMU%20Foundation%20Community%20Engagement%20Summary_Final_220531%20%281%29.pdf

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III. NMUF Will Transfer the Property for an Undisclosed, Limited Equity Stake

This allegation fails to comprehend the nature of the state and local programs regularly used for brownfield redevelopment. The value will be determined at a future date by an independent appraisal.

IV. Other Developers were Excluded

As the Request notes, there were “180 downloads by interested developers and construction companies.” The allegation of the exclusion of other developers is obviously and patently false. The MGH Campus has sat largely vacated since 2019 when the new hospital opened its doors. LifePoint has undertaken two national sales efforts, led by nationally-recognized firms. There have been 5 years for other developers to acquire, demolish and redevelop the MGH Campus. Based on the blighted nature of the property, this has not occurred. NMUF conducted a thorough public and transparent process to select a master developer for the MGH Campus. Similar processes have been used by universities and university communities.²

Conclusion

The allegations and accusations contained in the Request are meritless. The process undertaken by all parties has been transparent and will continue to be transparent. We are happy to provide any additional information to assist in your review of the Request. Please do not hesitate to contact me directly.

Very truly yours,

HONIGMAN LLP



Peter B. Ruddell

cc: Christini Grossi, Deputy Attorney General
Mitch Albers, Office of Legislative Affairs
Veridea Group, LLC

² For example, Novus Innovation Corridor is a similar public-private partnership at Arizona State University.