

March 24, 2011

Ms. Annette Tomarazzo, Chair
Hoboken Municipal Hospital Authority
Hoboken City Hall
94 Washington Street
Hoboken, NJ 07030

Re: Proposal for Privatization of Hoboken University Medical Center

Ms. Tomarazzo:

This letter sets forth the general terms and conditions on which Paradigm Physician Partners (“P3” or the “Buyer”) is willing to acquire Hoboken University Medical Center (the “Hospital” or the “HUMC”), from the Hoboken Municipal Hospital Authority (“HMHA” or the “Seller”) for approximately \$60MM – relieving the City of Hoboken of its outstanding bond obligations.

P3 is a management organization which provides capital, operating experience, and a 21st century strategic vision to provide a solution which is best suited for the HMHA, the HUMC physicians, care-givers and staff, and patients in and around the City of Hoboken. This letter provides evidence of and specifics to our willingness to work together in good faith to consummate the transaction that will meet the goals of the HMHA and preserve HUMC’s non-profit, community-centered mission.

The goals expressed by both you and the HMHA describing the desired partner for HUMC were clear and specific, and we are confident that we can fulfill and exceed each and every one of those goals, including:

1. Privatizing the Hospital;
2. Continuing HUMC as an acute-care hospital;
3. Preserving the jobs of HUMC employees;
4. Continuing the working relationship with HUMC’s qualified medical staff; and
5. Relieving the City of Hoboken of its financial obligations with respect to its guaranty of the bond debt.

Based on the information provided to us to date, P3 is interested in acquiring HUMC under the following terms and conditions:

1. Structure of the Transaction. The sale of the Hospital would be structured as a sale of significantly all assets of the Hospital.

2. Purchase Price. Based on the information provided to date, the purchase price will be \$52 - 62MM in order to relieve the City of outstanding bond debt payable at closing on a mutually agreed upon date. Additionally, we will assume all outstanding liabilities directly attributable to HUMC operations.

Our bid also anticipates sufficient capital expenditures for:

- ongoing operations and routine maintenance,
- purchase of new technology and IT infrastructure,
- purchase of new equipment,
- upgrade of operating suites,
- upgrade of the physical plant, and
- build out of the hospital to make it a fully functional, stand-alone (self-sufficient) acute care hospital.

In support of this mission, P3 has allocated approximately \$25MM to update the HUMC facilities.

3. Sources of Financing. Paradigm Physician Partners' principal funding partner is a single source investor specializing in the private placement of investment capital into distressed asset acquisitions. Source and proof of funds, including funding agenda and specifics, will be shared upon signing of a memorandum of understanding (MOU) to conduct due diligence.

Our funding partner will need to conduct confirmatory due diligence prior to closing in order to assess the optimal capital structure for the Hospital and to clarify targets and forecasts and understand risks that may exist.

4. Confirmatory Due Diligence Process. Following the execution of a Memorandum of Understanding (MOU) by you, we will begin our due diligence process which we would expect to complete in 45 days or less. We understand that it may be necessary to take special measures to ensure that this process does not adversely affect the care being provided today at the Hospital. We are willing to work with you to ensure that the due diligence process is conducted in an appropriate and timely manner.
5. Internal Review. Pending the successful completion of our investor's underwriting process and confirmatory due diligence, there are no further internal approvals required to close the transaction.
6. Management and Employees. P3 views the HUMC management team and employees of this organization as a vital component of the organization's ability to offer services to its community. For that reason, P3 pledges to continue the employment of all qualified and competent current employees, and we will work cooperatively with HUMC's collective bargaining agents, JNESO and 1199 and give credit for terms of service and maintain the same benefit plans for existing union and non-union employees. All qualified medical staff in good standing will be welcomed to maintain their status and privileges under the new hospital "model." In addition, all employees and medical staff will be provided the opportunity to participate as investors.

7. Buyer's Acquisition Objectives. P3 is committed to continuing—and improving—the quality health care services to Hoboken and the surrounding communities. HUMC will continue to operate as a non-profit, acute-care hospital with a community and public health based mission. The board of trustees will be reconstituted to reflect 21st century hospital governance principles, accountability and transparency. We also see tremendous opportunity to strengthen the Hospital and work with other health care providers within and around Hudson County as collaborative partners in developing a regional Accountable Care Organization.

The greatest competitive advantage that we offer the hospital—beyond our immediate access to capital, our ability to retire the bonds, our intent to operate the hospital as a nonprofit, and to invest in the hospital—is our deep bench of hospital executives with impeccable business credentials and noteworthy hospital turnaround experience. This, combined with our solid and long standing relationships with world renowned thought leaders on the front edge of the hospital and clinical delivery quality movement, truly sets P3 apart from other investment teams. P3 has the ability to create and sustain fundamental change across all organizational levels.

Simultaneously, P3 is deeply committed to continuing to serve patients within the Hospital's service areas with the appropriate high-quality, access and scope of services in response to their care needs. In addition, we see the potential to increase the services offered to the community by expanding the HUMC campus to potentially include other adaptive, commercial and outpatient facilities, such as senior living, cancer treatment, ambulatory surgery and/or other health related services deemed necessary or complementary to the community.

We will not waver from our commitment to serving the hospital's charitable mission and providing comprehensive and accessible care to the community through the 501(c)(3) certification that we will maintain.

P3 is healthcare-focused, with a rich history of successful hospital organizational re-alignment projects that have helped hospitals in the following areas:

- Strengthen the quality of care by improving performance of care management
- Improve operational performance
- Achieve regulatory understanding and compliance
- Identify and implement patient centric best practices
- Recruit and retain physicians and key medical staff
- Improve financial performance

Ultimately, we will create a collaborative and optimal care environment at HUMC that is built upon open, transparent and accountable governance, and executive leadership engaged in patient-centric compassion with evidence-based best practices built upon sound business principles and clinical case studies.

8. Confidentiality. We acknowledge the sensitive nature of this letter and the acquisition process as a whole, and we are prepared to enter into a mutually binding confidentiality agreement with the Authority.
9. Timing. We are prepared to move very quickly to execute the purchase of the Hospital and we have the necessary resources to conduct our confirmatory due diligence concurrently with the negotiation of the terms and conditions of the purchase agreement. Consequently, we would anticipate that the definitive purchase agreement could be executed on or before July 1, 2011 assuming we begin due diligence by April 15, 2011.
10. Fees and Expenses. We will each bear our own fees and expenses incurred in connection with the proposed transaction, unless otherwise set forth in the definitive agreement between HUMC and The Buyers.
11. Binding Commitment. Except for paragraph 11, this letter does not create a binding commitment, but evidences our mutual willingness to work together in good faith to consummate the transaction.

If the foregoing proposal is acceptable to you, we would like to execute a MOU with the HMHA and initiate our due diligence.

Please feel free to call Geoff Teed at (203) 520-9471 if you have any questions about the terms of this proposal.

Sincerely,

Electronic Signature Provided

Geoffrey Teed
President and Founder

CC: Mayor Dawn Zimmer
Council President Beth Mason and Council Members
Thomas Neff, Chair, Local Finance Board
Honorable Chris Christie, Governor
Dr. Poonam Aligh, Commissioner of NJDHSS
Paula Dow, Attorney General
Jay Ganzman, Deputy Attorney General
William Conroy, Asst Commissioner, Health Care Facility Licensing, NJDHSS
John Calabria, Dir, Health Care Facility Licensing, NJDHSS
Mark E. Hopkins, Executive Director, NJHCFFA

Bradley Cooper, Esq.

Why P3?

Deal Financing	Why P3?		
<ol style="list-style-type: none"> 1. \$52-62 million purchase price = full Bond relief 2. Capital available immediately 3. All assets and entities included in the deal 4. Additional \$25m for hospital improvements 5. A superior operating and capital investment plan to ensure long-term financial success, best in class clinical outcomes and enhanced Hoboken tax revenue 	<ol style="list-style-type: none"> 1. HUMC's non-profit status preserved 2. HUMC's charitable mission advanced 3. Preserves existing hospital jobs 4. HUMC gains world class management & advisors 5. Medical platform for sophisticated services and health-related real-estate development 6. Catalyst for local economic development & new jobs 7. Enable HUMC to take the lead for a regional ACO* (*Accountable Care Organization) 		
P3 Team & Partners	Meeting HUMC/Hoboken Goals		
<table border="0"> <tr> <td> MANAGEMENT <ul style="list-style-type: none"> • Geoff Teed • Bill Bithoney, MD • Nate Tanpiengco, CPA • Matt Calish • Stephen Spear, Ph.D. • Alan Sokolow, MD • Brad Cooper, JD </td> <td> PARTNERS <ul style="list-style-type: none"> • The Dartmouth Institute • Value Capture LLC • BDC Advisors • <u>MedSphere</u> • PICIS • Resilient Futures • Tatum LLC </td> </tr> </table>	MANAGEMENT <ul style="list-style-type: none"> • Geoff Teed • Bill Bithoney, MD • Nate Tanpiengco, CPA • Matt Calish • Stephen Spear, Ph.D. • Alan Sokolow, MD • Brad Cooper, JD 	PARTNERS <ul style="list-style-type: none"> • The Dartmouth Institute • Value Capture LLC • BDC Advisors • <u>MedSphere</u> • PICIS • Resilient Futures • Tatum LLC 	<ol style="list-style-type: none"> 1. Privatize HUMC & improve it's financial and clinical delivery performance 2. Continue HUMC as an acute-care hospital 3. Preserve the jobs of employees and enhance the relationship with qualified medical staff 4. Relieve the City of Hoboken of HUMC's bond debt 5. Maintain access for all Hoboken and Hudson county residents
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