



State of New Jersey
DEPARTMENT OF HEALTH
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CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

CATHLEEN D. BENNETT
Commissioner

August 29, 2016

VIA UNITED PARCEL SERVICE

R. Steven Hamner
Executive Vice President and Chief Financial Officer
Medical Properties Trust
1000 Urban Center Drive, Suite 501
Birmingham, AL 35242

Re: Partial Transfer of Ownership of
CarePoint Health-Hoboken
University Medical Center
CN# FR 140901-09-01
Acquisition Cost: \$3,351,831.30
Expiration Date: August 29, 2021

Dear Mr. Hamner:

I am approving your certificate of need (CN) application submitted on August 22, 2014, pursuant to N.J.A.C. 8:33-3.1, for the partial transfer of the ownership of CarePoint Health-Hoboken University Medical Center (HUMC or the hospital) from HUMC Holdco, LLC (HUMC Holdco), a New Jersey for-profit limited liability company, to MPT of Hoboken TRS, LLC (MPT of Hoboken or Applicant), a Delaware limited liability company. MPT of Hoboken is wholly owned by MPT Development Services, Inc., a Delaware corporation. MPT Development Services, Inc. is owned 100% by MPT Operating Partnership, LP, a Delaware limited partnership. MPT Operating Partnership, LP is owned by Medical Properties Trust, Inc., a Real Estate Investment Trust (REIT) that is listed on the New York Stock Exchange, and several of the founders of Medical Properties Trust, Inc., none of whom, according to the Applicant, have a 10% or greater membership interest in MPT Operating Partnership, LP. I evaluated this application according to the standards set forth in statute (N.J.S.A. 26:2H-1 et seq.) and by administrative rule (N.J.A.C. 8:33). I am satisfied that the application submitted by MPT of Hoboken is consistent with those requirements. The application is being approved at the acquisition cost noted above.

Historically, on November 4, 2011, the ownership of HUMC transferred from the Hoboken Municipal Hospital Authority, a New Jersey non-profit body, to HUMC Opco. Upon the closing of that transaction, HUMC Holdco became the owner of 100% of the membership interests of HUMC Opco. At that time, HUMC Holdco and Sequoia Healthcare Management, LLC assumed the management of HUMC and HUMC Opco, with HUMC Holdco acting as the General Manager. Neither HUMC Holdco nor Sequoia Healthcare Management, LLC, have any affiliation with MPT of Hoboken or Medical Properties Trust, Inc. Simultaneous with the closing of HUMC Opco's acquisition of HUMC, MPT of Hoboken provided certain financing to HUMC Opco in exchange for a \$10 million Convertible Promissory Note (Convertible Note) which could be converted into a membership interest in HUMC Opco, not to exceed 25%. In March 2012, MPT of Hoboken converted a portion of the principal balance owed under the Convertible Note into a 9.9% membership interest in HUMC Opco. At the same time, MPT of Hoboken and HUMC Holdco entered into an agreement entitled the Limited Liability Company Agreement of HUMC Opco (LLC Agreement), which set forth the parties' respective rights as the members of HUMC Opco. In this application, MPT of Hoboken now seeks to convert the remainder of the amount due under the Convertible Note to increase its membership interest in HUMC Opco to 25%.

This CN approval is limited to the partial transfer of ownership of HUMC, a general acute care hospital with 333 beds. Categorically, the bed composition would continue to reflect 201 Medical/Surgical beds, 16 Adult ICU/CCU beds, 25 OB/GYN beds, 20 Pediatric beds, 16 Comprehensive Rehabilitation beds, 6 Neonatal Intermediate Care bassinets, 30 Adult Acute Psychiatric beds and 19 Child/Adolescent Acute Psychiatric beds. The hospital's service complement would include the existing 8 Inpatient Operating Rooms, 2 Cystoscopy Rooms, 8 Hyperbaric Chambers, 1 fixed MRI unit, 1 fixed CT unit and Acute Hemodialysis services. In addition, HUMC is licensed as a Primary Stroke Center and Community Perinatal Center-Intermediate.

HUMC Holdco and MPT of Hoboken have committed that, upon the transfer of ownership, HUMC will continue to function as a general acute care hospital at the same level of licensed beds and health care services in the community. Additionally, subsequent to the transaction, HUMC Holdco will retain all of the same rights and obligations it currently has as the General Manager of HUMC Opco.

For the reasons that follow I am approving, with conditions, the application submitted for the partial transfer of ownership of HUMC to MPT of Hoboken. My decision to approve this CN application is consistent with the recommendation of the State Health Planning Board (SHPB), which unanimously recommended approval of CN# FR 140901-09-01 at its May 5, 2016 meeting. In reaching this decision, I considered the CN application for the partial transfer of ownership of HUMC, completeness questions and responses, the public hearing transcript, written comments and exhibits, Department of Health (Department) staff recommendations, the SHPB recommendations, and settlement documents submitted by the Applicant in response to

concerns raised by the City of Hoboken. The referenced materials are incorporated and made a part of this final decision.

The REIT

MPT of Hoboken Real Estate, LLC, an indirect wholly owned subsidiary of Medical Properties Trust, Inc., is the owner of the HUMC building and the land on which it is situated. MPT of Hoboken Real Estate, LLC leases the HUMC building and the real property to MPT of Hoboken pursuant to a Master Lease agreement. MPT of Hoboken then subleases the HUMC building and the real property on which it is situated to HUMC Opco pursuant to a Sublease agreement. This Master Lease and Sublease structure is used by Medical Properties Trust, Inc. to comply with the REIT federal income tax regulations.

As a REIT, Medical Properties Trust, Inc. is subject to strict requirements of the Internal Revenue Code relating to the maintenance of REIT federal income tax status including, without limitation, the constitution of its assets and the sources of its income, it being a requirement that the overwhelming portion of its assets and income be related to fee or mortgage interests in real estate. However, according to the Internal Revenue Service (IRS), Medical Properties Trust, Inc. may hold a passive ownership interest in a health care organization that generates non-realty income through what the Internal Revenue Code characterizes as a "taxable REIT subsidiary." According to the Applicant, MPT of Hoboken qualifies as a taxable REIT subsidiary. Under IRS rules, a taxable REIT subsidiary may not be actively involved in the operation or management of a health care organization, including a hospital. MPT of Hoboken and HUMC Holdco have taken steps to ensure compliance with the aforementioned Federal income tax requirements for REITs. In fact, Section 3.15(a) of the LLC Agreement, provides that nothing in the LLC Agreement shall be construed to give MPT of Hoboken "any supervision, control or authority over [HUMC's] day-to-day operations, including any supervision, control or authority relating to employees, patients or any other day-to-day operational matters . . ." LLC Agreement, §3.15(a). Counsel for MPT of Hoboken also stated on the record at the SHPB meeting on May 5, 2016 that the Applicant cannot, and will not, have any involvement in the day-to-day operations of HUMC.

Public Hearing

A public hearing was held on Wednesday, April 6, 2016, from 6:00 pm until 8:00 pm, at the A. J. Demarest Public School, located at 158 Fourth Street in Hoboken. Representatives from the SHPB and the Department along with approximately 12 individuals were in attendance. There were three speakers at the public hearing. One speaker, a Hoboken resident, expressed concern regarding the possibility that the REIT, with the proposed increase in ownership percentage, may evict the hospital in favor of redevelopment. A second speaker, an attorney who resides in Hudson County, felt that REITs were a positive development in health care as a means of providing

additional cash flow for facilities. The last speaker, an attorney speaking on behalf of the Applicant, stated that Medical Properties Trust, Inc. was only interested in hospitals and health care facilities and not in non-healthcare redevelopment. Additionally, he stated that while Medical Properties Trust, Inc. and its affiliates are primarily interested in real estate, the affiliates have acquired ownership interests in other health care facilities.

Concerns Raised by the City of Hoboken

The Department received a letter from the City of Hoboken, dated April 20, 2016, expressing concerns regarding the proposed increase in MPT of Hoboken's ownership interest in HUMC Opco. In particular, the City was concerned that MPT of Hoboken's increase in its ownership interest in HUMC Opco from 9.9% to 25% might negatively impact: (i) the continuity of operations of the hospital and community access to the hospital; and (ii) the maintenance of jobs and the availability of health care in the community. In addition, the City expressed concerns over positions MPT of Hoboken had taken in litigation proceedings in Delaware against HUMC Holdco and HUMC Opco (the Delaware Litigation), which appeared to be inconsistent with the terms of the Department's CN approval letter, dated October 21, 2011, as amended November 2, 2011 (the 2011 CN Approval Letter). The City also expressed concerns regarding whether HUMC Opco had been in recent years, or would be in the coming years, in full compliance with the conditions set forth in the 2011 CN Approval Letter.

Counsel for the City appeared at the SHPB's meeting on May 5, 2016, and reiterated the City's concerns. No one else from the public provided comments. At that meeting, counsel for the City was presented with a copy of the Amendment to the Limited Liability Company Agreement of HUMC Opco, LLC, dated as of August 14, 2015 (Amendment to the LLC Agreement), which arose out of the settlement of the Delaware Litigation. Counsel requested and was granted an opportunity to submit supplemental comments to the Department and, on May 13, 2016, those comments were received by the Department. No other written comments were received from the public.

In its supplemental comments, the City urged the Department to require MPT of Hoboken to provide a copy of the settlement agreement and related documents that were entered into as part of the settlement of the Delaware Litigation to ensure that the terms of the settlement agreement did not impact or alter the parties' membership rights and other issues involving the governance of the hospital. The City also questioned why Department staff amended Condition 3 of the staff recommendations to take out a reference that would have required MPT of Hoboken to notify the Department in writing of any Major Default or Removal Event as those terms are defined in the LLC Agreement. Finally, the City expressed concern over whether MPT of Hoboken is obligated to provide advance notice to the Department before taking any action to remove HUMC Holdco as general manager of HUMC Opco.

After receiving the City's supplemental comments, counsel for MPT of Hoboken voluntarily transmitted a copy of the settlement agreement and related documents to the Department, and those documents are incorporated and made a part of this final decision. I have reviewed those materials, and find that nothing in those documents impacts or alters the parties' membership rights or any other issues involving the governance of the hospital as originally set forth in the LLC Agreement. Nor do I find that any of the terms of those documents will negatively impact the continuity of operations of the hospital, community access to the hospital, the maintenance of jobs, or the availability of health care in the community. I also find that nothing in those documents is inconsistent with the terms of the Department's 2011 CN Approval Letter, or any of the terms in this final decision. I note that representatives of both MPT of Hoboken and HUMC Opco stated on the record at the SHPB meeting on May 5, 2016 that they affirm the obligations set forth in the conditions in the 2011 CN Approval Letter and the staff recommendations.

I have also considered the City's concerns regarding revisions made to Condition 3 of the staff recommendations, and whether MPT of Hoboken is obligated to provide advance notice to the Department before taking any action to remove HUMC Holdco as general manager. I understand that the basis for the change to Condition 3 was a concern by the Applicant that notifying the Department in writing of a Major Default or Removal Event might unnecessarily restrict its ability to resolve disputes with HUMC Holdco prior to taking any Extraordinary Action. I find that Condition 3 of the amended staff recommendations obligates MPT of Hoboken to meet with the Department before taking any Extraordinary Action as defined in the LLC Agreement, and that such an obligation provides sufficient notice to the Department prior to the Applicant taking action to remove the general manager.

Analysis

N.J.S.A. 26:2H-8, as well as N.J.A.C. 8:33-4.9(a), provide for the issuance of a CN only where the action proposed in the application for such certificate is necessary to provide required health care in the area to be served, can be economically accomplished and maintained, will not have an adverse economic or financial impact on the delivery of health services in the region or statewide, and will contribute to the orderly development of adequate and effective health care services. In making such determinations, I must take into consideration: (a) the availability of facilities or services which may serve as alternatives or substitutes; (b) the need for special equipment and services in the area; (c) the possible economies and improvement in services to be anticipated from the operation of joint central services; (d) the adequacy of financial resources and sources of present and future revenues; (e) the availability of sufficient manpower in the several professional disciplines; and (f) such other factors as may be established by regulation.

As to the specifics of this application, N.J.S.A. 26:2H-8(a) requires that I consider the availability of facilities or services which may serve as alternatives or substitutes. The Applicant has indicated that the partial transfer of ownership will not have any impact on the availability of any service currently provided at HUMC in any manner. There are five other hospitals in the county within an eight-mile radius that offer comparable or expanded capabilities to HUMC. These hospitals have co-existed with HUMC. I find that a partial transfer of ownership is the least disruptive option in order to maintain the current level of care and services to the residents in the surrounding communities.

I also find that the requirement at N.J.S.A. 26:2H-8(b) to consider the need for special equipment and services in the area would be met in this case. The Applicant states that no additional equipment or services will be required as a result of this partial transfer of ownership.

With respect to N.J.S.A. 26:2H-8(c) regarding the possible economies and improvement in services to be anticipated from the operation of joint central services, the modification to the ownership structure will not alter the economies and improvement in services already realized by the current management of HUMC.

N.J.S.A. 26:2H-8(d) requires me to examine the adequacy of financial resources and sources of present and future revenues. The modification to the ownership structure will not alter the financial resources needed to insure the long term stability of the hospital. MPT of Hoboken has provided a revolving working capital loan to HUMC Opco in the principal amount of up to \$20 million. In addition, HUMC Holdco and its management have a demonstrated history of helping financially troubled facilities achieve self-sufficiency through a combination of capital investment, medical staff development and management expertise.

With respect to N.J.S.A. 26:2H-8(e), regarding the availability of sufficient manpower in the several professional disciplines, I am satisfied that there will be sufficient qualified personnel. HUMC has approximately 1,040 full-time equivalent employees. Subsequent to the transaction, there will be no change in any services or programs and no changes in professional or non-professional staffing levels. In addition, according to the Applicant, there will be no impact on the number and work status of the current professional and non-professional hospital and clinic employees as a result of this transaction.

N.J.S.A. 26:2H-8(f) requires consideration of such other factors as may be established by regulation. Therefore, I have taken into consideration the applicable administrative rules governing the services subject to full review (i.e., N.J.A.C. 8:33-1.1 et seq.). HUMC is in compliance with the access requirements set forth in N.J.A.C. 8:33-1.1 et seq. and N.J.A.C. 8:33-4.10(a). Specifically, HUMC will continue to maintain its commitment to the community to preserve access to health care for the residents,

including the medically indigent and medically underserved populations. HUMC Opco has previously committed to provide care in accordance with N.J.S.C. 26:2H-18.64 and N.J.A.C. 8:43G-5.2(c) regarding the provision of healthcare services regardless of the patient's ability to pay or payment source.

N.J.A.C. 8:33-4.9(a) requires a demonstration by the applicant that this partial transfer of ownership shall not have an adverse impact on the population being served in regards to access and quality of care. MPT of Hoboken has committed that, upon the transfer of ownership, HUMC will continue to function as a general acute care hospital at the same level of licensed beds and health care services in the community. Therefore, the increase in MPT of Hoboken's ownership interest in HUMC Opco is not expected to have a negative impact on the continuity of operations of HUMC or on community access to the hospital.

I find that Applicant has provided an appropriate project description, information as to the financial impact of the partial transfer of ownership, including operating costs and revenues, services affected, equipment involved, source of funds, utilization statistics, and justification for the proposed project (N.J.A.C. 8:33-4.10(b)), assurance that all residents of the area, particularly the medically underserved, will have access to services (N.J.A.C. 8:33-4.10(a)), and assurance that it will meet appropriate licensing and construction standards N.J.A.C. 8:43G-1.1 et seq. and N.J.A.C. 8:33-4.10(d).

In accordance with factors set forth at N.J.A.C. 8:33-4.10, the Department analyzed the track record of MPT Development Services, Inc., an affiliate of Medical Properties Trust, Inc., in 17 states including Arizona, California, Colorado, Idaho, Indiana, Louisiana, Montana, New Jersey, New Mexico, Oklahoma, Oregon, South Carolina, Texas, Utah, Washington, West Virginia and Wyoming. According to the Applicant, MPT Development Services, Inc. is the only affiliate of Medical Properties Trust, Inc. that owns hospitals in multiple states. Track record information was provided for 37 hospitals owned by MPT Development Services, Inc. Hospital regulators in ten states provided track record information for each of those hospitals in their respective states. In addition, in response to a completeness question, the Applicant provided a written attestation, dated November 12, 2015, stating that no hospitals owned (directly or indirectly), operated or managed, in whole or in part, by Medical Properties Trust, Inc., MPT Operating Partnership, LP or MPT Development Services, Inc. have been subject to any track record violations set forth in N.J.A.C. 8:33-4.10(d)4 or 5, with the exception of three facilities, one each in Arizona, Oklahoma and Washington. After the SHPB meeting, Applicant submitted details regarding those three track record violations, which Department staff reviewed. The deficiencies involved environment of care, infection control, physical environment, patient rights, nursing services and discharge planning issues. The cited deficiencies were corrected in each of these facilities, and did not jeopardize the facilities' CMS certification. Therefore, the Department staff identified no track record violations to warrant denial of the application.

Approval With Conditions

Based on the foregoing, I am approving the application for the partial transfer of ownership of HUMC to MPT of Hoboken. My decision to allow this partial transfer of ownership is based on the fact that the increase in MPT of Hoboken's ownership interest in HUMC Opco is not expected to have a negative impact on the continuity of operations of HUMC or on community access to the hospital. In addition, the Applicant has confirmed that there will be no impact on the number and work status of the current professional and non-professional hospital and clinic employees as a result of this transaction. This is consistent with the terms of the LLC Agreement, as amended, which provide that nothing in the LLC Agreement shall be construed to give MPT of Hoboken "any supervision, control or authority over [HUMC's] day-to-day operations, including any supervision, control or authority relating to employees, patients or any other day-to-day operational matters" LLC Agreement, §3.15(a). Thus, there is no indication that the increase in MPT of Hoboken's ownership interest in HUMC Opco will have any impact on the maintenance of jobs and the availability of health care in the community. Moreover, nothing in the LLC Agreement or any of the settlement documents excuses HUMC Opco, HUMC Holdco or MPT of Hoboken from full compliance with the conditions in the 2011 CN Approval Letter, or the conditions set forth herein. Nor can any of the provisions of the LLC Agreement be construed to permit MPT of Hoboken or HUMC Holdco to circumvent the CN requirements. Before HUMC Opco can transfer ownership in HUMC, or terminate any services that required a CN to open, it must first submit a CN application, in accordance with N.J.S.A. 26:2H-5.8 and 26:2H-10 and N.J.A.C. 8:33-4.1 et seq., and obtain CN approval from the Department.

According to the Applicant, the Convertible Promissory Note and Agreement, dated November 4, 2011 (Convertible Note), entitles MPT of Hoboken to exchange all or a portion of the principal amount due under the Convertible Note for a membership interest in HUMC Opco, not to exceed 25% of the membership interest (a Full Conversion). The MPT of Hoboken conversion from 9.9% to 25% will not alter the fact that it has no authority or rights to manage, supervise or control HUMC or the day-to-day operations of HUMC. Subsequent to the Full Conversion, HUMC Holdco will retain all of the same rights and obligations it currently has as the General Manager of HUMC Opco, as governed by the terms of the LLC Agreement. As General Manager, HUMC Holdco has the power and authority to manage the business and operations of HUMC Opco and HUMC.

As defined in the LLC Agreement, upon conversion, MPT of Hoboken, as the Special Manager, has certain limited approval and governance rights which are triggered upon the occurrence of specified Major Defaults by HUMC Holdco. Upon the occurrence of a Major Default, MPT of Hoboken may take certain Extraordinary Actions, as defined in the LLC Agreement, including the removal and replacement of HUMC

Holdco and any other management company. However, as Section 3.15(a) of the LLC Agreement makes clear, "in no event shall the authority granted to the Special Manager with respect to the Extraordinary Actions, or the exercise of any right within the Special Manager's Jurisdiction, be construed to grant the Special Manager any supervision, control or authority over the [hospital's] day-to-day operations, including any supervision, control or authority relating to employees, patients or any other day-to-day operational matters" According to the Applicant, the Extraordinary Actions are intended to protect MPT of Hoboken's rights as an investor in HUMC Opco, and MPT of Hoboken Real Estate, LLC's rights as the Master Landlord and creditor to HUMC Opco.

To further reinforce the prohibition on MPT of Hoboken of exercising any operational or management control over HUMC Opco or HUMC, the REIT federal income tax regulations require that HUMC Opco and HUMC be managed by an "eligible independent contractor." According to the Applicant, HUMC Opco and HUMC are managed by HUMC Holdco and Sequoia Healthcare Management, LLC, both of which are unaffiliated with MPT of Hoboken and Medical Properties Trust, Inc.

For the reasons set forth in this letter and noting the recommendations of the SHPB, I am approving MPT of Hoboken's application for the partial transfer of ownership of HUMC subject to the following conditions:

1. HUMC Opco shall file a licensing application with the Department's Division of Certificate of Need and Licensing (Division) to execute the proposed partial transfer of ownership of HUMC Opco to MPT of Hoboken.
2. In accordance with N.J.A.C. 8:33-3.3(h)(1) through (4) and (6), HUMC Holdco and MPT of Hoboken shall provide at least 30 days prior notification, in writing, to the Division of any change in their respective ownership interests in HUMC Opco.
3. MPT of Hoboken must meet with the Department to discuss its plans before taking any Extraordinary Action, as defined in Section 3.14(a) of the LLC Agreement.
4. Before MPT of Hoboken takes any Extraordinary Action identified in Section 3.14(a)(iii), (iv) or (vii) (except with respect to the marketing of HUMC Opco for sale), it shall submit an application for a CN to the Division, in accordance with N.J.S.A. 26:2H-5.8 and 26:2H-10 and N.J.A.C. 8:33-4.1 et seq., and obtain CN approval from the Department.
5. For the initial five years following the transfer of ownership, the following reports shall be submitted:

- a. HUMC Opco shall submit annual reports to the Division detailing:
 - i. an annual accounting of any long- or short- term debt or other liabilities incurred on the hospital's behalf and reflected on HUMC Opco's balance sheet; and
 - ii. a list of completed capital projects itemized to reflect both the project and its expenditure.
 - b. The members of HUMC Opco shall submit reports to the extent such member has made an investment in HUMC during the previous year.
6. HUMC Opco's annual audited financial statements shall be posted on the hospital's website within 180 days of the close of the hospital's fiscal year, and shall ensure that the hospital's quarterly unaudited financial statements are posted on the website within 60 days of the close of the hospital's fiscal quarter. All annual and quarterly statements shall be prepared in accordance with Generally Accepted Accounting Principles. With respect to the posting of quarterly unaudited financial statements, HUMC Opco may include disclaimer language regarding the unaudited nature of the Quarterly Financial Statements on its website where such statements are posted.
7. Within 60 days of posting its Audited Annual Financial Statements to its website, HUMC Opco shall hold an Annual Public Meeting in New Jersey, pursuant to N.J.S.A. 26:2H-12.50, and shall make copies of those audited annual financial statements available at the Annual Public Meeting. HUMC Opco shall develop mechanisms for the meeting that address the following:
- a. An explanation, in layperson's terms, of the audited annual financial statement;
 - b. An opportunity for members of the local community to present their concerns to HUMC Opco regarding local health care needs and hospital operations;
 - c. A method for HUMC Opco to publicly respond, in layperson's terms, to the concerns expressed by community members at the Annual Public Meeting; and
 - d. HUMC Opco shall develop these methods (a through c above) within 90 days of the date of this approval letter and provide them to the Division.

8. HUMC Opco shall maintain compliance with the United States Department of Health and Human Services Standards for Culturally and Linguistically Appropriate Services in Health and Healthcare. Compliance shall be documented and filed with the Division with annual licensing renewal.
9. Contracts with insurers:
 - a. HUMC Opco shall post on its website the status of all insurance contracts related to patient care between the hospital and insurance plans. HUMC Opco shall provide notices to patients concerning pricing and charges related to coverage during termination of plans.
 - b. HUMC Opco shall notify the Department, within 48 hours, of the status of notices to terminate any HMO or commercial insurance contract that will expand out-of-network service coverage. HUMC Opco shall meet with representatives from the Department and DOBI to discuss the intent to terminate such contract, willingness to enter into mediation, and shall document how it will provide notice to patients and providers, as well as the impact that such action is reasonably expected to have on access to health care.
10. HUMC Opco shall remain obligated to comply with all conditions contained in the Department's 2011 CN Approval Letter.
11. All of these conditions shall apply to any successor organization to HUMC Opco who acquires HUMC within five years from the date of this CN approval.
12. MPT of Hoboken shall not interfere with HUMC Opco's compliance with the preceding conditions, as well as any conditions contained in the Department's 2011 CN Approval Letter, to the extent as a member MPT has any power to do so.
13. HUMC Opco shall identify a single point of contact to report to the Division concerning the status of all of the conditions referenced within the time frames noted in these conditions.

Failure to satisfy any of the aforementioned conditions of approval may result in sanctions, including license suspension, monetary penalties and other sanctions in accordance with N.J.S.A. 26:2H-1 et seq. and all other applicable requirements. Acceptance of these conditions will be presumed unless written objections are submitted to the Department within 30 days of receipt of this letter. Upon receipt of such objections, this approval will be deemed suspended and the project shall be re-examined in light of the objections. We look forward to working with you and helping you to provide a high quality of care to the patients of HUMC. If you have any questions

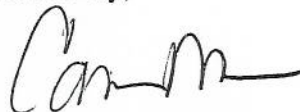
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concerning this Certificate of Need, please do not hesitate to contact John Calabria,
Director, at (609) 292-8773.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cathleen D. Bennett', with a long horizontal flourish extending to the right.

Cathleen D. Bennett
Commissioner

c: John A. Calabria, DOH