

THE BAYONNE Medical Center has won another reprieve despite a \$33 million deal to purchase it falling through.

# Sealing new deal won't be easy

By PAUL KOEPP  
JOURNAL STAFF WRITER

It sounded too good to be true — because it was. The \$33 million deal to save Bayonne Medical Center was voided yesterday when Urban Suburban Associates failed to come up with the \$2.25 million deposit.

But the BMC won another reprieve when a bankruptcy court judge approved its acquisition by a firm whose previous bid was soundly rejected.

IJKG's latest offer is the same as its first — worth roughly \$18.8 million. The group would assume the hospital's debt, but several hurdles still need to be cleared, Judge Morris Stern said yesterday in federal court in Newark.

The Urban Suburban deal collapsed when it could not secure financial backing. The court was led to believe Fortis Property Group was behind Urban Suburban's offer, but Fortis Group officials said yesterday there was never an agreement.

Under the terms of the deal, IJKG would assume \$17.5 million of BMC's \$18.8 million debt and pay off the remaining \$1.3 million.

Stern ruled that before the court reconvenes Nov. 27 the hospital must add \$8.5 million to its coffers to cover operating expenses until the deal is completed. That money is expected to come from two sources: \$6 million the city and a \$2.5 million loan from the state Health Care Facilities Financing Authority.

Under the agreement with Urban Suburban, Bayonne was to loan the new owner \$6 million to cover operating expenses.

Special city counsel Paul Werther said the city's bond ordinance has passed, but state Local Finance Board requirements make it contingent on the state loan.

Mark Hopkins, an HCFFA official, said the authority is not currently prepared to approve the loan because of "serious concerns" about

## Why \$33M deal didn't fly

When Urban Suburban presented the Bayonne Medical Center and a bankruptcy court judge with its \$33 million offer to buy the hospital, everyone involved was led to believe the Fortis Property Group, a real estate development company, was its chief financial backer.

Not so, a representative for Fortis said yesterday.

There was never an agreement between the two companies, Fortis attorney Anthony Coles said, adding that the two firms were not affiliated. Coles said Fortis was unaware that Urban Suburban had

reached an agreement to buy the hospital.

"At no time has Fortis entered into an agreement, either directly or through an affiliate, to acquire the BMC, finance the acquisition of the BMC or to invest in the BMC," the company stated Tuesday in a news release.

The Urban Suburban deal fell through when the firm failed to make the required \$2.25 million deposit.

In court yesterday Urban Suburban officials cited a "breakdown in our relationship" with Fortis.

— PAUL KOEPP

the level of commitment of IJKG and its lenders. He said he will press the HCFFA board at its Nov. 15 meeting to hold off on its decision, which had been set for Nov. 16.

To secure approval for the HCFFA loan, IJKG will have to present a viable operating plan and a substantial financial commitment. To that end, the firm plans to raise \$10 million through investors and a loan against future BMC revenues, attorney David Stein said.

If the HCFFA is not satisfied and rejects the \$2.5 loan request, an emergency bankruptcy court session will be called to decide the next step, said Stern, who added that meeting all of the deal's conditions will not be easy.

"The question is whether this deal is something that is a mirage or reality," he said. "We already had one deal that looked like Santa Claus had come to Bayonne, and it fell flat on its face."

Stern conceded that it's unfair to the hospital's creditors that there isn't a resolution to the matter as

BMC continues to lose more than \$600,000 a week, but he said the arguments of hospital board chairwoman Ruth Dugan that Bayonne needs its hospital were "very persuasive."

The principal of IJKG, Vivek Garipalli, said after the ruling that the firm, whose initial \$18.8 million bid was rejected by the judge in September, would start immediately today looking for "immediate savings" at BMC through "easy fixes," such as ending its use of staffing agencies.

"We thought last week we were done. This allows us now to focus on business," Garipalli said.

Mayor Terrence Malloy said he was satisfied with the judge's decision.

"We're glad the judge has given us a couple more weeks for the state to become satisfied that the bid on the table is valid and to bring us to a successful closing on the transaction," he said.

Hospital president and CEO Daniel Kane said he was pleased with the outcome and would work closely with IJKG.