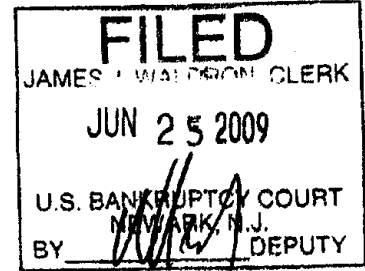


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Debtor and Debtor-in-Possession  
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Michael J. Reynolds (MR 2185)



**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF NEW JERSEY**

In the Matter of:

**ST. MARY'S HOSPITAL, PASSAIC, N.J.**

Debtor-in-Possession.

(Hon. Morris Stern)

Chapter 11

Case No. 09-15619 (MS)

**ORDER PURSUANT TO 11 U.S.C. §§ 105(a) AND 363(b) APPROVING THE  
DEBTOR'S ENTRY INTO EXECUTIVE EMPLOYMENT AGREEMENT WITH  
MICHAEL J. SNIFFEN**

The relief set forth on the following pages numbered two (2) to three (3) is hereby

**ORDERED.**

6/25/09

Debtor: ST. MARY'S HOSPITAL, PASSAIC, N.J.  
Case No. 09-15619 (MS)  
Caption of Order: ORDER AUTHORIZING THE DEBTOR TO ENTER INTO EXECUTIVE EMPLOYMENT AGREEMENT WITH MICHAEL J. SNIFFEN

Upon the motion (the "Motion")<sup>1</sup> of Saint Mary's Hospital, Passaic, N.J., the debtor in possession herein (the "Debtor") seeking an order approving the Debtor's entry into an Executive Employment Agreement with its President and Chief Executive Officer Michael J. Sniffen (the "CEO Agreement"); and the Court having reviewed the Motion; and the Court being satisfied with the representations made in the Motion that the relief requested therein is necessary and in the best interests of the Debtor's estate, creditors, and other parties in interest; it appearing that the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; it appearing that this proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); it appearing that venue of this proceeding and this Motion in this District is proper pursuant to 28 U.S.C. §§ 1408 and 1409; and it appearing that notice of the Application was good and sufficient under the particular circumstances and that no other or further notice need be given; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing, it is

**ORDERED** as follows:

1. The Debtor's entry into the CEO Agreement, substantially in the form attached hereto as Exhibit "A," is hereby approved pursuant to sections 105 and 363 of the Bankruptcy Code. *(See mod. in § 3(b)).*
2. The Debtor is authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.
3. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

<sup>1</sup> Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Motion.

Debtor: ST. MARY'S HOSPITAL, PASSAIC, N.J.  
Case No. 09-15619 (MS)  
Caption of Order: ORDER AUTHORIZING THE DEBTOR TO ENTER INTO EXECUTIVE  
EMPLOYMENT AGREEMENT WITH MICHAEL J. SNIFFEN

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4. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

FP01/6097867.1

**EXECUTIVE EMPLOYMENT AGREEMENT**

THIS **EXECUTIVE EMPLOYMENT AGREEMENT** (the "Agreement") is made as of the \_\_\_\_ (\_\_\_\_) day of June, 2009, by and between **ST. MARY'S HEALTH CORPORATION**, a New Jersey nonprofit corporation having a principal place of business at 350 Boulevard, Passaic, New Jersey 07055 (the "Corporation") and **ST. MARY'S HOSPITAL**, a New Jersey nonprofit corporation, having a principal place of business at 350 Boulevard, Passaic, New Jersey 07055 (the "Hospital") (the Corporation and the Hospital are sometimes collectively referred to herein as "ST. MARY'S"), and **MICHAEL SNIFFEN**, an individual residing at 47 Murray Hill Square, New Providence, New Jersey 07974 (hereinafter referred to as "EXECUTIVE").

**WHEREAS**, the Corporation is a nonprofit corporation organized to provide health care facilities and services for the care and treatment of persons suffering from illness or injury and is the sole member of the Hospital; and

**WHEREAS**, the Hospital is also a nonprofit corporation organized to provide health care facilities and services for the care and treatment of persons suffering from illness or injury, and is organized and licensed to provide general acute care hospital services in Passaic, New Jersey; and

**WHEREAS**, on March 9, 2009, the Hospital filed for bankruptcy pursuant to Chapter 11 of the United States Bankruptcy Code; and

**WHEREAS**, EXECUTIVE has substantial knowledge and experience in the field of healthcare management and in the operation of hospitals and related healthcare facilities; and

**WHEREAS**, ST. MARY'S desires to employ EXECUTIVE as President and Chief Executive Officer of the Hospital, and EXECUTIVE desires to be so employed by ST. MARY'S, upon the terms and conditions hereinafter set forth.

**NOW, THEREFORE**, in consideration of the mutual promises and covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **EMPLOYMENT.** ST. MARY'S hereby employs EXECUTIVE as President and Chief Executive Officer of the Hospital and in such other management capacities and positions for ST. MARY'S and corporations owned or controlled by ST. MARY'S (the "Affiliates") as may be required by ST. MARY'S from time to time, upon the terms and conditions set forth in this Agreement. EXECUTIVE hereby accepts such employment on the terms and conditions set forth in this Agreement. The parties expressly acknowledge and agree that this Agreement is subject to the approval of the United States Bankruptcy Court.

2. **DUTIES; REPRESENTATIONS AND WARRANTIES.**

- (a) EXECUTIVE shall devote his entire professional time, attention and energy exclusively to the performance of any and all duties reasonably required of him, as are set forth in the Bylaws of the Corporation and of the Hospital (the Bylaws of the Corporation and of the Hospital are hereinafter referred to collectively the "Bylaws"), as such Bylaws may be amended from time to time, and any and all other duties reasonably required of him by the Board of Trustees of the Hospital and the Corporation. The Board Chair of the Corporation and the Board Chair of the Hospital, in collaboration with the EXECUTIVE, will develop a detailed job description for the EXECUTIVE.
- (b) EXECUTIVE shall abide by and obey the Bylaws, policies and procedures of the Corporation and the Hospital and shall report to the Board Chair of the Corporation and the Board Chair of the Hospital.
- (c) EXECUTIVE represents and warrants that: (i) he is not currently and has never been suspended from participation in or subjected to any type of criminal or civil sanction, fine, civil money penalty, debarment or other penalty by any public or private health insurance program, including Medicare, Medicaid, Tricor or any other federal or state insurance program and (ii) the execution, delivery and performance of this Agreement does not violate, or conflict with, or constitute a default under any current employment agreement or other agreement, whether oral or written, to which the EXECUTIVE is a party, or by which EXECUTIVE is bound.

3. **COMPENSATION AND BENEFITS.**

- (a) Salary. In consideration of the services rendered and the duties performed by EXECUTIVE under this Agreement, ST. MARY'S shall pay to EXECUTIVE a salary of Four Hundred Thousand Dollars (\$400,000) per annum, subject to withholding for federal, state and local taxes and other required deductions, and payable in accordance with the customary payroll practices of ST. MARY'S with respect to its executive officers.
- (b) Success Fee. EXECUTIVE shall be eligible to receive a success fee in the amount of Fifty Thousand Dollars (\$50,000) (the "Success Fee") upon the confirmation of a plan of reorganization for the Hospital by the United States Bankruptcy Court or upon the closing of a transaction involving the change of ownership or the sale of all or substantially all of the assets of the Hospital to a third party for the continued operation of an acute care hospital in the City of Passaic provided, however, if EXECUTIVE is not offered or does not accept a position with the reorganized Hospital or with the new owner of the Hospital ~~that pays the same or higher compensation as EXECUTIVE receives under this Agreement~~, the Success Fee shall be increased to One Hundred Thousand Dollars (\$100,000). The Success Fee shall be paid within thirty (30) days of the Effective

Date (as defined in the United States Bankruptcy Code) of the confirmation of a plan of reorganization for the Hospital by the United States Bankruptcy Court or within thirty (30) days of the closing of a transaction involving the change of ownership or the sale of all or substantially all of the assets of the Hospital to a third party for the continued operation of an acute care hospital in the City of Passaic.

- (c) Benefits. In further consideration of the services rendered and the duties performed by EXECUTIVE under this Agreement, ST. MARY'S shall provide EXECUTIVE with the following benefits.
- (1) Standard Benefits. EXECUTIVE shall be eligible to participate in, and receive benefits from, the standard and customary benefit plans provided to ST. MARY'S executive employees, as such benefits may be changed from time to time. To the extent any of these standard benefits have waiting periods that are waivable, ST. MARY'S will waive them.
  - (2) Automobile Allowance. EXECUTIVE shall be provided with \$750.00 monthly automobile allowance to cover the payment of all insurance, maintenance and repairs for the use of his automobile for ST. MARY'S business purposes, in accordance with applicable Internal Revenue Service regulations.
  - (3) Life Insurance. EXECUTIVE shall be provided with a life insurance policy in the amount of Three Hundred Fifty Thousand Dollars (\$350,000), which policy shall name a beneficiary to be designated by EXECUTIVE.
  - (4) Vacation. EXECUTIVE shall be entitled to twenty (20) workdays of paid vacation per annum, scheduled with approval of the Chair of the Corporation's Board of Trustees so as not to interfere with EXECUTIVE's duties hereunder or with Hospital operations.
  - (5) Expenses. EXECUTIVE shall be entitled to reimbursement for reasonable and customary expenses incurred by him for appropriate business purposes on behalf of ST. MARY'S. EXECUTIVE shall apply for such reimbursement by submitting vouchers or receipts for any expenses so incurred to ST. MARY'S in accordance with ST. MARY'S expense reimbursement procedures, as may be amended from time to time. If necessary to carry out the Hospital's business, EXECUTIVE shall be provided with a corporate credit card, gasoline business credit card and cell phone plan.
  - (6) Conferences and Seminars. EXECUTIVE shall be entitled to attend and shall be reimbursed for reasonable and documented expenses incurred in attending industry conferences and educational seminars out of the office,

only two of which may be out-of-state unless expressly approved by the Board Chair of the Corporation. EXECUTIVE shall apply for such reimbursement by submitting vouchers or receipts for any expenses so incurred to ST. MARY'S in accordance with ST. MARY'S expense reimbursement procedures, as may be amended from time to time.

- (7) Membership Dues. ST. MARY'S shall pay EXECUTIVE's dues for membership in professional associations and societies related to ST. MARY'S or the healthcare industry.
- (8) Directors' and Officers' Liability Insurance. EXECUTIVE shall be covered under ST. MARY'S Directors' and Officers' liability insurance policy.

#### 4. TERM AND TRANSITION PERIOD.

- (a) Term. This Agreement shall be for a term of one (1) year, commencing on June 19, 2009, and expiring one year later, unless earlier terminated in accordance with the provisions hereof. The parties may agree to renew this Agreement for an additional one-year term by written agreement.
- (b) Transition Period. The time between the execution of this Executive Employment Agreement and the commencement date of June 19, 2009 shall be referred to as the "Transition Period." During this Transition Period, EXECUTIVE will be meeting with Board members, physicians, senior management and other employees and other parties interested in the future of the Hospital. ST. MARY'S shall reimburse EXECUTIVE for all reasonable and necessary expenses incurred by him to attend these meetings, including without limitation, the change fees charged by airlines to rearrange his schedule to attend meetings at the Hospital during this Transition Period and through June 29, 2009.

#### 5. TERMINATION.

- (a) Termination by Mutual Agreement; Termination Without Cause.
  - (1) Mutual Agreement. This Agreement may be terminated by the written agreement of the parties.
  - (2) Without Cause by EXECUTIVE. This Agreement may be terminated by EXECUTIVE at any time, without cause, by providing sixty (60) days' written notice to ST. MARY'S.
  - (3) Without Cause by ST. MARY'S. This Agreement may be terminated by ST. MARY'S at any time, without cause, by providing sixty (60) days' written notice to EXECUTIVE. EXECUTIVE shall receive his regular salary and benefits during the 60-day notice period regardless of whether

ST. MARY'S requires him to continue to perform his duties under this Agreement during the notice period.

- (4) Approval by Bankruptcy Court. This Agreement may be terminated by ST. MARY'S immediately upon written notice to EXECUTIVE if it is not approved in due course by the United States Bankruptcy Court for any reason.
- (b) For Cause Termination. ST. MARY'S may terminate this Agreement for cause immediately upon written notice. "Cause" shall include, but shall not be limited to:
- (1) EXECUTIVE's conviction or plea of guilty or nolo contendere to a felony or any crime or offense involving a breach of professional ethics or moral turpitude;
  - (2) EXECUTIVE's breach of any material term, covenant, or condition of this Agreement; or
  - (3) EXECUTIVE's misconduct in the performance of his duties under this Agreement or conduct that is materially detrimental to the interest of ST. MARY'S.
- (c) Death or Disability.
- (1) Death. In the event of EXECUTIVE's death, EXECUTIVE's employment shall be deemed terminated as of the date of death. All accrued salary and benefits not paid to EXECUTIVE prior to his death shall be payable to EXECUTIVE's estate.
  - (2) Disability. ST. MARY'S, in its sole discretion, may terminate EXECUTIVE's employment upon the Total Disability of EXECUTIVE. For purposes of this Agreement, the term "Total Disability" shall mean any physical or mental illness or impairment that prevents EXECUTIVE from performing his duties under this Agreement for forty-five (45) consecutive calendar days. Total Disability shall be deemed to have occurred on the first business day after the forty-fifth day. The determination of Total Disability shall be made by the ST. MARY'S Board of Trustees or Executive Committee, in its sole discretion. If requested by the Board, EXECUTIVE shall submit to a mental or physical examination by an independent physician reasonably acceptable to EXECUTIVE to assist the Board in its determination of Total Disability. If EXECUTIVE's employment is to be terminated by reason of Total Disability, ST. MARY'S will provide EXECUTIVE forty-five days advance notice. Neither the definition of "Total Disability" in this paragraph nor the occurrence of EXECUTIVE's Total Disability as so

defined, shall, of itself, entitle EXECUTIVE to receipt of any salary continuation or disability benefits from ST. MARY'S. Any such benefits shall only be as provided pursuant to policies of disability or income continuation as may be separately arranged by the EXECUTIVE and/or ST. MARY'S from time to time.

- (d) Accrued Vacation, Holiday and Personal Day Compensation. Upon any termination of this Agreement, except termination by ST. MARY'S for cause, EXECUTIVE shall be entitled to accrued vacation, holiday and personal day compensation in accordance with the then current employment policies of ST. MARY'S.

**6. RESTRICTIVE COVENANTS.**

- (a) Non-Competition. In consideration of his employment by ST. MARY'S, together with all benefits accruing to him under this Agreement, during the term of this Agreement and for a period of one (1) year following the expiration or termination of EXECUTIVE's employment with ST. MARY'S, EXECUTIVE will not directly or indirectly own, manage, operate, join, control, participate in or be connected with any healthcare or hospital system, hospital or healthcare facility or other business, partnership, firm or corporation providing or managing healthcare services or facilities in Passaic or Bergen Counties or at Mountainside Hospital, Clara Maass Medical Center or Meadowlands Hospital, whether as a consultant, partner, associate, executive, contractor, shareholder, member, officer, director or manager. Notwithstanding the above, partners and associates of EXECUTIVE'S management consulting firm (The Manchester Group) shall be permitted to perform services for Englewood Hospital and Medical Center during and after this Agreement, provided that EXECUTIVE shall not personally perform any services for Englewood Hospital and Medical Center during the term of this Agreement.
- (b) Non-Solicitation. During EXECUTIVE's employment with ST. MARY'S and for a period of one (1) year following the termination of such employment, EXECUTIVE will not directly or indirectly recruit or solicit any executives or contractors of ST. MARY'S for purposes of employing or otherwise engaging them or request or induce any executives or contractors of ST. MARY'S to terminate, reduce or alter their relationships with ST. MARY'S.
- (c) Disclosure of Confidential Information. In consideration of his employment by ST. MARY'S, together with all benefits accruing to him under this Agreement, EXECUTIVE agrees that he shall not, during or after the term of this Agreement, in whole or in part, disclose any of the information contained in this Agreement or any of the confidential or secret information that he shall be exposed to or permitted access to concerning the nature and operation of ST. MARY'S or the Affiliates' businesses to any person, firm, hospital, health care facility, or other entity for any reason or purpose whatsoever, unless required to do so by a valid

and appropriate court order, and then, only after written notice to ST. MARY'S. EXECUTIVE further agrees that during or after the term of this Agreement, he shall not make use of any such information for his own purposes, or for the benefit of any person, firm, hospital, health care facility or other entity under any circumstances.

- (d) Reasonableness; Modification. EXECUTIVE acknowledges that he fully understands the nature and scope of the restraints imposed by this Section 6. EXECUTIVE further acknowledges that imposition of these restraints is necessary for the reasonable and adequate protection of the business of ST. MARY'S, and that each and every restraint is reasonable with respect to the subject matter and length of time. If a court of competent jurisdiction should hold that any provision of the restrictive covenants set forth under this Section VI is unreasonable, then to the extent permitted by law, the court may modify the parameters of the period or restricted conduct or such other terms so as to render the covenants of this Section 6 in compliance with the law, and the parties hereto agree to accept and be bound by such determination or determinations subject to their rights of appeal.
- (e) Survival. The provisions of this Section 6 will survive the expiration or termination of this Agreement for any reason.

7. MISCELLANEOUS.

- (a) Entire Agreement. This Agreement, together with all Exhibits referred to herein, contains the entire agreement of the parties and supersedes all other agreements of the parties, both oral and written, if any. It may only be changed by an agreement in writing signed by both parties.
- (b) Governing Law. This Agreement shall be interpreted in accordance with, and the rights of the parties hereto shall be determined by, the laws of the State of New Jersey.
- (c) Benefit, Assignment. The rights and obligations of ST. MARY'S under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of ST. MARY'S. The rights, benefits, duties and obligations of EXECUTIVE under this Agreement are personal to him, and no such right, benefit, duty or obligation shall be subject to voluntary or involuntary alienation, assignment or transfer by EXECUTIVE.
- (d) Waiver. No waiver by either party shall be valid unless in writing and signed by that party.
- (e) Severability. If any provision of this Agreement shall be declared invalid or illegal for any reason whatsoever, then notwithstanding such invalidity or illegality, the remaining terms and provisions of this Agreement shall remain in

full force and effect in the same manner as if the invalid or illegal provisions had not been contained herein.

- (f) Contract Modification for Prospective Legal Events. In the event any provision of this Agreement shall be determined by any judicial decision, regulatory agency or competent legal counsel to be illegal, to jeopardize the license of ST. MARY'S or the tax-exempt status of ST. MARY'S, or subject ST. MARY'S or its respective trustees or officers to intermediate sanctions under the Internal Revenue Code, the parties shall negotiate in good faith to amend this Agreement to modify such provision. If, after negotiating in good faith for a period of sixty (60) days, the parties cannot reach agreement on the amendment, then at the option of ST. MARY'S or EXECUTIVE, this Agreement may be terminated for cause.
- (g) Notices. Notices required or permitted to be given under this Agreement shall be in writing and shall be sent by certified mail, return receipt requested, by hand delivery, or by a nationally-recognized overnight delivery service to the addresses of the parties first written above (provided that notices to ST. MARY'S shall be addressed to the Chairperson of the Board).

**IN WITNESS WHEREOF**, the parties hereto have evidenced their intent to be bound by the terms of this Agreement by executing it on the day and year first written above.

ATTEST: **ST. MARY'S HEALTH CORPORATION**

\_\_\_\_\_

By: \_\_\_\_\_  
 Name: Sister Barbara Aires  
 Title: Chairperson of the Board

ATTEST: **ST. MARY'S HOSPITAL**

\_\_\_\_\_

By: \_\_\_\_\_  
 Name: Sister Ann Michele Texido  
 Title: Chairperson of the Board

WITNESS: **EXECUTIVE**

\_\_\_\_\_

\_\_\_\_\_ Michael Sniffen