

University of Tennessee College of Law

**Legal Scholarship Repository: A Service of the Joel A. Katz Law
Library**

Transactional Matter Files

Letter of Intent 5-27-10

Follow this and additional works at: https://ir.law.utk.edu/transactionalmatter_files



May 27, 2010

CONFIDENTIAL

iCare Academic LLC
2450 EJ Chapman Dr.
Knoxville, TN 37996
Attention: Harry King

Re: Letter of Intent – iCare

Dear Mr. King:

Wolters Kluwer Health, Inc (“WKH”), on behalf of its Lippincott Williams & Wilkins business (“LWW”), is pleased to submit this letter of intent to enter into negotiations with respect to a possible acquisition (the “Transaction”) of certain assets of iCare Academic LLC (the “Company”). We are confident that our proposed Transaction uniquely meets the needs of the Company, its stockholders and its management, and presents a strategic opportunity for all concerned.

1. Terms. We contemplate that the proposed Transaction would include and be subject to the following terms and conditions:

(a) Transaction.

a. Assets. We are prepared to move forward with respect to the acquisition of substantially all of the intellectual property assets of the Company, including all copyrights, patents, trade secrets, third party license rights, trademarks in and related to the iCare software product, including all associated content therein, which assets will be more specifically identified during the due diligence process (the “iCare Assets”).

b. Purchase Price. In consideration for the acquisition of the iCare Assets, WKH would make the following payments:

i. Reimbursement of Development Costs. Upon closing of Transactions, WKH will reimburse the Company’s development costs to date related to the iCare Assets being acquired by WKH at closing, which amount will not exceed \$300,000 and which expenses will need to be evidenced by the Company by providing WKH with all appropriate invoices for such costs and services.



- ii. Upfront Cash Payment. After closing the Transaction, WKH will pay iCare \$500,000 in January of 2011.
 - iii. Deferred Royalty Payments. Commencing in 2011, WKH will pay iCare a 15% annual royalty on the gross revenues (less bad debt and returns) of the iCare product LWW commercializes (the "iCare Royalty"). In 2012 and 2013, iCare will be guaranteed a minimum annual royalty payment of at least \$250,000 per year (the "Guarantee Amounts"). During the period of time WKH is paying an iCare Royalty, certain persons at iCare will be expected to provide certain specified consulting services (at no additional cost) related to the iCare product and to the extent such persons do not provide such consulting services, the amount of the iCare Royalty will be reduced as to be determined in the final documentation.
- (b) Due Diligence. Our interest in pursuing a possible Transaction is contingent upon our satisfactory completion of customary business, legal, tax, information technology, intellectual property and related due diligence. Given the size of iCare and our discussions to date, we would expect this diligence process to be expedited. Once this letter is executed, we will provide you a diligence request and are prepared to commit the necessary resources, including our external advisors, to expeditiously complete our due diligence review.
- (e) Approvals and Consents. In connection with the proposed Transaction, we assume that, by the closing, the Company will have obtained all third-party consents necessary for the transfer to us, free and clear of all liens and encumbrances, of all iCare Assets. With respect to internal approvals, we have already solicited and received internal corporate approval within WKH to submit this letter of intent and proceed with due diligence in accordance with the proposed terms outlined in this letter. While the definitive agreement terms would remain subject to appropriate internal corporate approvals by LWW and WKH management, once our due diligence review is complete and definitive agreements have been negotiated to our satisfaction, we expect that any such internal approvals would be quickly received.
- (f) Other Material Conditions. Consummation of the proposed Transaction obviously would be subject to negotiation and execution of mutually satisfactory documentation, including a satisfactory asset purchase agreement.
- (g) Management and Employees. WKH would not be taking any employees in this transaction, but would identify consulting services expected of certain existing iCare personnel, which are subsumed in the iCare Royalty.



These services would be set out in the purchase agreement or an associated consulting services agreement.

- (h) Legal Terms of Purchase Agreement and Other Transaction Documents. The terms and conditions of the proposed Transaction would be stated in a definitive written agreement (the "Purchase Agreement") proposed to be negotiated, agreed and signed by the Company, its stockholders and WKH (on behalf of LLW). We would expect the Purchase Agreement to contain customary and appropriate representations, warranties and covenants as well as related post-closing indemnities (subject to mutually agreeable baskets and caps and supported by a right of setoff against the royalty payments, if any, in each case that are within industry norms for transactions of this nature) that would be expected to survive for a mutually agreed period of time after the closing and related protections for the benefit of the purchaser, including, among other things, a covenant by the selling stockholders not to solicit customers or employees of the Company or compete with the Company anywhere in the United States for five years following the closing. Subject to due diligence, our assumption is that the Purchase Agreement would also provide for a simultaneous signing and closing.

2. Exclusive Negotiating Rights. In order to induce WKH to commit the resources, forego other potential opportunities and incur the legal, accounting and incidental expenses necessary to properly evaluate the possibility of entering into the Transaction, and to prepare and negotiate the Purchase Agreement and other definitive Transaction documents, the Company on behalf of itself and its stockholders, directors, officers, employees and representatives shall afford WKH and LLW exclusive due diligence and negotiation rights that shall expire on the earlier of (a) formal notice by WKH of its decision to cease pursuing the Transaction, or (b) July 31, 2010; provided that if the Transaction is not completed as of July 31, 2010, and WKH and the Company are continuing to proceed with the Transaction in good faith and no outstanding business issues remain, such exclusive due diligence and negotiation rights shall, without further action of either party, be extended until August 15, 2010 (the "Exclusivity Period"). That is, at no time prior to expiration of the Exclusivity Period, shall the Company or its stockholders, directors, officers, employees, representatives or other affiliates solicit, initiate, discuss or knowingly encourage offers from, or conduct or participate in any discussions or negotiations with, or otherwise contact or provide any confidential information to, any prospective buyer, other than WKH and LLW, for or in connection with the sale of any equity or a substantial portion of the Company's assets or business, unless WKH formally terminates negotiations at some earlier date. An extension of the Exclusivity Period may be granted by mutual consent of the parties.

3. Expenses. The stockholders of the Company and WKH shall each pay their respective expenses incident to this letter, the Purchase Agreement and other definitive Transaction documents and the proposed Transaction contemplated hereby and thereby. The stockholders of the Company shall be responsible for the expenses of the Company incurred prior to closing incident to this letter, the Purchase Agreement and other definitive Transaction documents and the proposed Transactions contemplated hereby and thereby.



Wolters Kluwer

Health

4. Public Announcements. The existence, contents and term of this letter, and WKH's general interest in the proposed Transaction, shall be kept confidential by all parties involved. Except as and when otherwise required by applicable national, state or local laws in the United States or the Netherlands or the rules of any stock exchange on which Wolters Kluwer is listed, neither the Company nor WKUS shall make any public announcement of the proposed Transaction contemplated by this letter without the prior approval of the other, nor shall the Company or WKUS permit any of their respective stockholders, officers, directors, employees, representatives or other affiliates to do so.

5. Governing Law; Counterparts. This letter shall be governed by the internal laws of the State of Illinois. It may be executed in counterparts, each of which shall be an original and all of which together shall constitute the same document.

6. Effect of this Letter. Except for the provisions of Paragraphs 2 through 6 hereof (which shall constitute binding obligations of the parties hereto), any binding obligation with respect to a proposed Transaction is expressly conditioned on and subject to, and shall exist only upon: (i) the negotiation, execution and delivery by the Company, its stockholders and WKH of a Purchase Agreement and any other contemplated definitive Transaction documentation; (ii) WKH/LWW's completion of and satisfaction (in its sole and absolute discretion) with its due diligence investigation, including a review of all pertinent books and records, verification by WKH to its satisfaction of the business and affairs of the Company; (iii) receipt of any necessary corporate approvals, including those by the management of WKH/LWW, whose review discretion in each case shall not be limited by this letter; (iv) receipt of necessary governmental or third-party approvals or consents; and (v) the absence of any disruption to or substantial adverse changes in or to the assets or business of the Company prior to the closing date.

7. Contact Information. Frank Mortimer will serve as principal contact with respect to this letter. In addition, we are using experienced internal and external M&A counsel on this matter. Contact information for these parties is as follows:

Frank Mortimer
Publisher, Nursing Education
Lippincott, Williams & Wilkins
Two Commerce Square
2001 Market Street
Philadelphia, PA 19103
(215) 521-8949
frank.mortimer@wolterskluwer.com

This proposal is submitted on the understanding that its existence and contents will be held in strict confidence by the Company, its stockholders and their advisors and will not be disclosed without WKH's prior written consent. Except as expressly set forth above, this letter of intent is expressly nonbinding, as any transaction remains subject, among other things, to our satisfactory completion of due diligence and the execution and delivery of mutually agreeable definitive transaction documentation.



Wolters Kluwer

Health

Should you have any questions about this letter of intent, please feel free to contact me. We are excited about the opportunity to make iCare part of the LWW and the Wolters Kluwer family of products, and we look forward to moving to the next phase of the process.

* * * * *



Wolters Kluwer

Health

If this letter sets forth the present intention and understanding of the parties, please so indicate by signing a copy of this letter and returning it to the attention of the undersigned. This letter shall automatically lapse and expire at 5:00 p.m. Central time on June 4, 2010, if not signed and returned by the Company prior to that time.

Sincerely,

Wolters Kluwer Health, Inc.
on Behalf of its Lippincott Williams & Wilkins
Business

By: _____

Robert Becker
President and Chief Executive

ACKNOWLEDGED AND AGREED:

ICARE ACADEMIC LLC

By: _____
Name:
Title: