

RWJ BARNABAS HEALTH INC.
RUTGERS UNIVERSITY
RUTGERS HEALTH GROUP, INC.

LETTER OF INTENT

Academic Health System Partnership

I. INTRODUCTION

This Letter of Intent (LOI) is effective as of the 30th day of June 2017 (hereinafter referred to as the “Effective Date”) by RWJ Barnabas Health Inc. *dba* RWJBarnabas Health (RWJBH); Rutgers, The State University of New Jersey (Rutgers); and Rutgers Health Group (RHG) (collectively referred to hereinafter as the “Parties”).

This LOI sets forth the Parties’ understanding, terms, and relationships reached to date with respect to the formation of a world-class academic medical center that is nationally recognized for its education, research, clinical care, and commitment to improving access to healthcare and reducing healthcare disparities. Through the structure, arrangements, and commitments (referred to hereinafter as the “Proposed Partnership”) expressed in this LOI, the Parties shall collectively: (1) align their educational and clinical activities and interests under one strategic plan, (2) consolidate the operations of the respective physician practices of the Parties; (3) align the clinical components of the health-related centers/institutes of Rutgers including but not limited to the Rutgers Cancer Institute of New Jersey and the Rutgers Behavioral Health Care Service (together with RWJBH, the “Aligned Clinical Enterprise”) within the management and clinical operations of RWJBH; and (4) provide for coordinated growth and investment in all areas.

This LOI is intended to summarize the Parties’ shared goals and the general framework for the negotiation of the terms and conditions of the Proposed Partnership and is subject to the Parties identifying and agreeing upon an appropriate structural and financial model and other key terms, and entering into mutually agreeable definitive agreements (hereinafter referred to as the “Definitive Agreements”), to define and govern the rights and obligations of the Parties with respect to the Proposed Partnership. Further, because this LOI does not purport to include essential terms of the Proposed Partnership, it is the intention of the Parties that none of them shall be obligated to complete the Proposed Partnership unless the Definitive Agreements are executed and delivered by all Parties and then only in accordance with the terms of the Definitive Agreements.

It is the intent of Parties, expressed through the development of this LOI and to be developed further in the subsequent Definitive Agreements, that the Parties will form a unique partnership and platform to enhance: (1) the clinical delivery of services, managed and led by RWJBH in coordination with Rutgers and RHG; and (2) the academic and research functions of the Parties, managed and led by Rutgers in coordination with RWJBH and RHG. The clinical, teaching, and research missions are seen by the Parties to function and operate most effectively when mutually supported in a collaborative

partnership that aligns the Parties for long-term success as a singularly focused academic health system to deliver on the shared vision of the organizations as outlined within the intent of this LOI.

II. **DEFINITIONS**

A. **Letter of Intent**

This LOI is intended to summarize the Parties' shared goals and the general framework for the negotiation of the terms and conditions of the Proposed Partnership and is subject to the Parties' identifying and agreeing upon an appropriate structural and financial model and other key terms, and entering into mutually agreeable Definitive Agreements, to define and govern the rights and obligations of the Parties with respect to the Proposed Partnership acceptable to the Parties. This LOI does not represent a binding commitment by either party to any particular term or to enter into any transaction, except as specifically set forth in Section X below. Any binding commitment, other than as set forth in Section XII, shall be set forth in the Definitive Agreements.

B. **Definitive Agreements**

For purposes of this LOI and the transactions considered herein to bring the Proposed Partnership to fruition, Definitive Agreements may include, but are not limited to, the following:

1. **Master three-way affiliation agreement** among RWJBH, Rutgers, and RHG which defines their long-term relationship spanning medical education, research, and patient care. This agreement will include such terms as exclusivity to support mutual investments in coordinated operations, cross-representation on governing bodies, and "mission support" payments from RWJBH to Rutgers. All other agreements between the Parties will be subject to the Parties meeting their obligations with respect to the affiliation agreement.
2. **GME consortium agreement** between RWJBH and Rutgers that will define the new structure of how the Parties will oversee GME. This may or may not be a separate agreement from the affiliation agreement.
3. **Clinical operating agreement** and enabling structure between RWJBH and RHG which optimizes operation of the Aligned Clinical Enterprise, and a Professional Services Agreement (PSA) that defines the financial and operating terms for clinical and administrative activities between the Parties. It is the intent of the Parties to agree upon a structure that optimizes performance of the Aligned Clinical Enterprise in the most efficient and effective operating platform to advance clinical, academic and research recruitment, retention and performance, and to complement Rutgers' academic and research missions, and that is organizationally, financially and legally feasible. It is understood that this model must be structured in

such a way that it will be effective for existing RWJBH and Rutgers employed physicians and health professionals as well as any other affiliates or contracted agents of the organizations.

4. **Management and purchased services agreement** among the Parties for the purchase of relevant support services, including arrangements for administrative and clinical support staff.
5. **Master facility lease agreements** between RWJBH and Rutgers for clinical space and related infrastructure.

III. **SHARED GOALS**

- A. The Parties have a shared goal to form and operate a world-class academic health system (AHS) dedicated to high-quality patient care, leading-edge research, and the training of tomorrow's healthcare workforce. Accomplishing this goal would fulfill the Parties' mutual mission.
- B. The underlying mutual goals and objectives of the Parties in developing a co-equal partnership and a world-class, AHS include the following:
 1. The recruitment of leading academic, research and clinical practitioners in their fields of concentration in an efficient and effective platform;
 2. The advancement of health science innovation;
 3. The development of centers of excellence across a wide spectrum of clinical specialties and the alignment and optimization of clinical services across the Parties;
 4. The functional integration of the respective employed practices of the Parties and their affiliates;
 5. The enhancement of the delivery and the accessibility to advanced, evidence-based health care;
 6. The dedication of the Parties' shared resources to educating health professionals, innovating, and delivering patient care to improve health;
 7. The Parties' commitment to investing in innovation in areas that support clinical, academic, and research strategy;
 8. The Parties' commitment to operate in a coordinated manner to the maximum extent possible with meaningful and active participation across entities and fully aligned strategic plans;
 9. The shared commitment to measure performance consistently across all the organizations and across all mission elements; and

10. The shared commitment of the Parties' to health improvement through community and patient outreach and the prevention and treatment of disease, funded through collaborative partnerships and value-based financial mechanisms.

IV. PARTNERSHIP OVERVIEW

RWJBH, Rutgers, and RHG will closely align as entities with a commitment through this Proposed Partnership to align their strategic, operational, and financial interests to sustain the three-part mission of medical education, research, and patient care. Whenever and wherever possible, the organizations will look to develop operating, management, clinical and financial models which better align the Parties to optimize outcomes across the three-part mission and create an efficient and effective delivery platform. The Parties will share their capabilities to develop and sustain a high-performing AHS.

A. Corporate Structures

RWJBH, Rutgers, and RHG will remain separate corporations, each with their own employees as appropriate to deliver the vision of this agreement, but be closely affiliated entities through this Proposed Partnership to align their strategic, operational, and financial interests to sustain the three-part mission of medical education, research, and patient care. The Parties will share their capabilities to develop and sustain a high-performing AHS.

B. Governance

To further the goal of collaboration between the Parties, as outlined herein, it is envisioned that the Parties will take steps to create a meaningful opportunity for each to participate in the governance of the other. RWJBH will designate up to four board seats for Rutgers designees (i.e., two additional seats). Two RWJBH representatives will participate on the Rutgers Health Affairs Committee and, within the scope of its authority and ability under the laws of the State of New Jersey, Rutgers will be supportive of the appointment of one RWJBH representative on the Rutgers Board of Governors.

C. Joint Oversight of Partnership

While the boards of each Party will remain separate, a central feature and commitment of the Proposed Partnership is the formation of the Joint Committee that will in turn advise respective boards of the Parties. The Joint Committee will include equal representation from RWJBH and Rutgers senior executives and will help guide the Parties consistently to adhere to the commitments of the Proposed Partnership across all three mission areas. Among other critical roles, the Joint Committee will direct the development of aligned strategic planning. The Joint Committee will commission a number of subcommittees or task forces to engage in collaborative planning and oversight of key functional areas, including those that are required for academic affiliations (e.g., subcommittees related to ACGME requirements) spanning the equally important missions of patient care, research, and health professional education. The Joint Committee's role and responsibilities

will be described in the affiliation agreement. While the Joint Committee will serve in an oversight role, day-to-day activities of the Parties related to this partnership and operating activities of collaborative operations will be managed through the operating structures to be developed, with clinical delivery of services managed and led by RWJBH in collaboration with Rutgers and RHG, and academic and research functions managed and led by Rutgers in collaboration with RWJBH and RHG.

The Parties recognize that material changes undertaken in each of the teaching, research, and clinical areas, due to their interrelation, can affect the other areas, and that material changes undertaken by any of the Parties can affect each of the other Parties. In the spirit of collaboration espoused by the Proposed Partnership, the Parties will collaborate with each other regarding changes in programs or areas directed by them that may reasonably be expected to result in operational or financial effects material to the other Parties.

D. Branding

The Parties will coordinate branding, communication, and marketing of the Proposed Partnership to support the research, education, and clinical missions of the Proposed Partnership as outlined herein. The Parties will agree on specific branding and use of materials in accordance with a timetable to be established as part of the overall planning of the Proposed Partnership.

E. Primary Roles of Parties

1. As an owner and operator of hospitals, outpatient centers, significant clinical infrastructure, and administrative capabilities, RWJBH will lead the clinical enterprise in collaboration with Rutgers and RHG and in accordance with the Parties' mutual objectives.
2. As a long-standing public university with a vast health sciences center encompassing multiple medical and other health professional schools, as well as major institutes with exclusive rights to provide faculty appointments, Rutgers will lead the academic enterprise, including medical and other health professional education and research, in collaboration with RWJBH and in accordance with the Parties' mutual objectives.
3. Through this Proposed Partnership with bidirectional exclusivity to support mutual investments in coordinated operations (subject to agreements, waivers and exceptions as set forth in the Definitive Agreements), the Parties will strive to function as one AHS to the mutual benefit of the Parties and the communities they both serve. For activities affecting each other's operations, facilities, and licensed or accredited functions, the Parties will collaborate to ensure the policies and procedures of all Parties as well as regulatory and accreditation requirements and standards are adhered to without exception.

Major commitments and notable terms of the Proposed Partnership related to medical education, research, and clinical care are summarized in the subsequent sections and will be codified in the Definitive Agreements.

V. HEALTH PROFESSIONAL EDUCATION

- A. The Parties will increase their collaboration in medical education and in the number of residency and fellowship programs, as well as medical students that are sponsored by Rutgers within the RWJBH teaching hospitals.
- B. As a key component of the Proposed Partnership, Rutgers and RWJBH will establish a more closely aligned structure with respect to GME which is referred to as the “GME Consortium,” and which consists of the following two main elements:
 - 1. For the near term, the Parties will retain their current institutional sponsorships of all GME programs and will work through the new proposed GME Consortium structure to execute a responsible plan to achieve the shared vision of positioning all slots within the new GME Consortium, with Rutgers as the exclusive Institutional Sponsor of all GME programs currently sponsored by New Jersey Medical School (NJMS), Robert Wood Johnson Medical School (RWJMS), Rutgers School of Dental Medicine (RSDM), and RWJ Barnabas Health (RWJBH) Hospitals. This is not meant to preclude any residents from being supported by and rotating through University Hospital in Newark. The Parties will work to ensure the financial impacts of these changes are quantified and any such impacts are agreed to by both Parties. If the Parties are not in agreement to changes in structure, the current structure will remain, although Rutgers agrees to decrease its presence in competing hospitals/health systems and RWJBH agrees to provide to Rutgers comparable GME slots to make up for those reductions.
 - 2. These GME programs will be administratively and financially coordinated through a new aligned oversight structure established by the Parties including the GME Consortium Board and the Graduate Medical Education Committee (GMEC).
- C. All Rutgers health professional programs (including nursing, dental, pharmacy, and other health profession education programs) will be included in the aligned strategic plan in order to create efficiencies and further the objectives of the Proposed Partnership. This will include granting Rutgers the right of first refusal for its other health professional schools at RWJBH facilities.
- D. All RWJBH physicians who meet applicable criteria and Rutgers requirements shall be eligible to receive appropriate Rutgers faculty appointments.

- E. Except where mutually identified and agreed to in the Definitive Agreements or any subsequent agreement operationalizing the Definitive Agreements, with due consideration for the Parties' missions, RWJBH facilities will be the exclusive clinical facilities for all Rutgers medical education programs.
- F. Except where mutually identified and agreed to in the Definitive Agreements, with due consideration for the Parties' missions as mutually determined by the agreement of both Parties, Rutgers will be the exclusive academic affiliate for all RWJBH facilities. RWJBH shall continue to have the right to host the medical students of other medical schools at its facilities outside of the Proposed Partnership, subject to the input of the Joint Committee and GME Consortium Board and approval of the RBHS Chancellor, which shall not be unreasonably withheld, it being understood that approval shall be exercised to ensure the excellence in delivery of a Rutgers medical education process without disruption by other such programs operating in partnership with RWJBH. At no time will Rutgers medical students, however, mix with medical students of other schools, nor be supervised by non-Rutgers residents. Rutgers is aware that RWJBH has significant teaching relationships with at least one other medical school that is integrated with RWJBH and that Rutgers will work with RWJBH to examine the programmatic and economic impact of that relationship to ensure it does not interfere with the academic mission of Rutgers nor dilute the academic excellence of Rutgers educational programs. The Parties also agree that Rutgers current location of students and residents may be impacted by changing environment situations and that RWJBH in consultation with Rutgers and RHG will expedite as necessary and within its control the opportunity to transition students and residents of Rutgers to protect its educational status.
- G. At all times, Rutgers will have complete authority over the curriculum taught in its educational programs. Notwithstanding the foregoing, the consideration as to which GME programs will be offered within the Proposed Partnership will be undertaken by the Joint Committee with recommendations presented by the GME Consortium Board and relevant planning documents the Joint Committee approves. However, if as a result Rutgers has educational needs which cannot be met within the RWJBH system, it is understood that Rutgers may need to go outside RWJBH for clinical training locations.
- H. The Parties will work collaboratively to identify and streamline duplicated GME programs within RWJBH and to improve the overall efficiency and effectiveness of the programs, taking into consideration factors including optimizing overall program costs, improving retention of graduates and fellows, development of highly ranked and competitive programs aligned with strong academic and research programs, as well as assisting in development, delivery of, and improved efficiency, effectiveness, and integration of teaching and education programs of Rutgers in coordination with all physicians at RWJBH facilities.

VI. RESEARCH

- A. The Parties' desire is to grow research activities at Rutgers in order to achieve status as a nationally recognized leader in health science discovery and innovation across a broad spectrum of medical specialties.
- B. With investments from RWJBH, Rutgers will lead an effort to recruit approximately 100 new high-caliber principal investigators over a period of ten (10) years or less, preferably with prior funding from the National Institutes of Health ("NIH"), and to increase grant applications in an effort to double its amount of NIH research grant funding.
- C. The Joint Committee and approved strategic planning documents shall guide this growth in research and identify areas for these new investments, all to be coordinated in order to further the goals of each of the other elements of the Proposed Partnership.
- D. With regard to this initial growth goal, Joint Committee-approved business plans will provide specificity with respect to, among other matters, the following: the number of principal investigators to be recruited per year; specific grants or grant types to be targeted using the funds provided by RWJBH; timelines for the initial planned studies planned by the new recruits; the necessary time commitment of investigators; and streamlining the IRB process. The Parties will also explore other funding sources which can be used in support of these new recruits' research. Funding sought outside of RWJBH will not fall under the direction of RWJBH.
- E. As part of the Proposed Partnership, the Parties desire to consolidate IRB approvals across RWJBH hospitals and the medical schools as well as develop other synergies in conducting and expanding clinical trials across the entities.
- F. Although there will be a high degree of coordination between the Parties consistent with the terms of the Proposed Partnership codified in the Definitive Agreements, the research programs associated with the Proposed Partnership shall, at all times, remain under Rutgers management and financial control.

VII. PATIENT CARE AND CLINICAL PRACTICES

- A. As defined by the terms and conditions of an agreement stipulating the clinical operating structure, while the employed physicians and health professionals and practices of the Parties (hereafter referred to as "Participating Providers") may be organized into 2 or more groups or units, operationally they will conceptually function as a clinically aligned faculty/physician practice executing a single set of strategies mutually supporting the Parties' teaching, research, and clinical missions and supported by a common infrastructure.
- B. A Joint Clinical Management Committee (JCMC), a subcommittee of the Joint Committee co-chaired by the RHG president (or his/her designee) and RWJBH

CEO (or his/her designee) will serve as the planning and oversight body of the clinical practices. Among other key responsibilities of the committee will be aligned strategic planning for clinical initiatives, workforce and recruitment planning, clinical practice cost management, regional strategies, establishing key policies that impact employment models, quality, safety, and access, and assuring that the clinical practices are supportive of teaching and research activities. The respective practices of the Parties will execute and enforce plans and policies that are approved by the JCMC under the direction of an executive director.

- C. An executive director (or mutually agreeable alternative title) will be selected by RWJBH in consultation with Rutgers to manage the operations of all Participating Providers. The executive director, who will be employed by RWJBH or an RWJBH entity, will report to the RWJBH CEO or designee for day-to-day operations and will be held accountable to the strategic direction and policies of the JCMC.
- D. Rutgers will have significant input into the evaluation of the Executive Director's performance and compensation.
- E. Rutgers will maintain exclusive rights to issue faculty appointments to all physicians and other health professionals.
- F. The Parties will have one unified clinical mission that shall complement the high-quality standards of teaching and research excellence.
- G. While the Participating Providers may reside in different practices or operating units for purposes of execution, the JCMC and the executive director will ensure that the clinical enterprise spanning the Parties will function with one clinical mission sustained through a single set of strategic goals and held to the aligned clinical performance standards.
- H. At all times, health professional and staff employment expenses, including but not limited to fringe costs including benefits, internal allocations within Rutgers and other overhead costs that are in excess of RWJBH comparable costs ("Rutgers Non-Incremental Indirect Costs") are the expense and responsibility of Rutgers and/or RHG and shall not directly or indirectly influence the level of payments or funding from RWJBH for activities related to the clinical enterprise. The Definitive Agreements will provide for mechanisms to support Rutgers current costs, subject to due diligence. The JCMC will have the opportunity to provide input into the design and development of the clinical compensation plan for all Participating Providers. Ultimately, each of Rutgers and RWJBH will have sole responsibility for compensation and compensation methodologies affecting their respective personnel with the full understanding that Rutgers Non-Incremental Indirect Costs remain the cost of Rutgers and/or RHG, including for Rutgers, the negotiation with the applicable union for the approval of the compensation plan. It is understood that the recruitment of such Participating Providers will be outlined in the annual plan reviewed by the JCMC which will include agreed upon costs to hire such

individuals and that costs incurred above those as outlined in the plan without agreement by both Parties is the cost of the hiring party and does not incur to the other party.

- I. Furthermore, subject to applicable law, the Parties will agree on a methodology and approach with predefined criteria for determining the most appropriate entity for employment of physicians or health professionals being recruited. The methodology will take into account an array of variables including expected clinical and non-clinical effort/time; compensation; non-compensation costs; primary site of practice; candidate preference and other factors. In no case shall any support of RWJBH in the recruitment, retention and employment of physicians be at a cost to RWJBH for fringe benefits beyond the comparable fringe rate of RWJBH. RWJBH will not provide incremental support for Rutgers Non-Incremental Indirect Costs. RWJBH will support true incremental costs charged through RCM and other vehicles where they are truly incremental as a result of the recruit. Examples include space costs for new approved space. RWJBH will not support indirect RCM allocations that increase purely as a result of algorithms in the RCM model and are not covering incremental costs of the recruitment. It is the intent of the Parties that incremental funds provided by RWJBH to Rutgers for the recruitment retention and employment of physicians, researchers and educators as well as other staff be used for the true incremental cost attributed to the addition of the individual or program and not for non-incremental indirect or allocable costs of Rutgers or RHG or any of its affiliates that are not truly incremental due to this recruitment.
- J. The Parties will develop an agreed-upon approach that ensures the immediate or eventual successful transition into the Aligned Clinical Enterprise of faculty of both Robert Wood Johnson Medical School and New Jersey Medical School as soon as effectively possible. It is understood by both Parties the successful integration of both Rutgers faculty practice plans is critical for the success of the intentions of the LOI.

VIII. FINANCES AND FUNDS FLOW

- A. **Separate Financial Statements.** As separate organizations, Rutgers and RHG, on the one hand, and RWJBH, on the other, will maintain separate financial structures, controls, and statements.
- B. **Financial Integration of Practices.** The Parties will take the necessary steps to achieve financial integration through contractual arrangements between and among all Participating Providers, which will position the Aligned Clinical Enterprise to maximize its revenue potential, engage in innovative payor products, and maintain an efficient operating cost structure. It is understood by the Parties that it is anticipated that all clinical revenue and related costs will be assigned to RWJBH.

C. **Purchase of Professional and Administrative Services.** RWJBH will purchase professional and administrative services from RHG through a performance-based PSA. The PSA will include productivity (e.g., WRVUs, collections), coverage, and non-productivity components. The terms and conditions of the PSA, including specialty-specific pricing, will be negotiated and codified in the PSA as a component of the Clinical Operating Agreement. Payment for such services will be subject to the conditions associated with Rutgers Non-Incremental Indirect Costs as described in Section VII.H of this agreement. It is anticipated the methodology will be reviewed on a periodic basis (within corridors) with true-ups to ensure the successful operation and proper funding of both organizations. The Parties will work in good faith to arrive at equitable PSA terms that provide clinical funding to receive market-competitive payments if they meet or exceed agreed upon performance goals.

D. **Mission Support**

1. RWJBH is committed to providing mission support payments (“Mission Support”) on an annual basis over the course of the affiliation to invest in the academic enterprise. Following the execution of this LOI, the Parties will conduct analyses to determine the most appropriate structure for Mission Support. It is envisioned that Mission Support will include multiple components, including an enhanced level of targeted funding for a specified time period to support the recruitment and start-up of research-intensive faculty.
2. The Parties agree and understand that the financial investment necessary to achieve the intent of this agreement is extensive and must be planned out over an extended period of time in order to for it to be integrated into the financial modeling, funding capabilities and strategies of RWJBH.
3. The Parties further understand that the investment of RWJBH to Rutgers and RHG creates significant risk to the sustainability of RWJBH if it is not well planned, monitored and adapts to market and health system operating activities and outcomes. It is also understood that the financial modeling and planning will take into consideration approved commitments made by Rutgers (e.g., multi-year start-up packages for recruits) to avoid financial risk with respect to funding these commitments.
4. As such, a financial model will be designed which creates multiple layers of commitment for RWJBH to Rutgers and RHG that present reasonable protections for RWJBH and Rutgers and are fiscally responsible to the mutual benefit of the Parties. The layers or tiers will link RWJBH’s financial condition to its ability to invest in Rutgers academic enterprise and the agreed-upon clinical, research and academic growth plans of the Parties. The layered financial model, which will be defined in the Definitive Agreements, will range from a defined condition of financial exigency for RWJBH that would mitigate future new Mission Support obligations to

strong financial performance whereby incremental support would be shared with Rutgers.

5. The model is anticipated to provide layers for continued sustainability of financial performance of the health system as quantified by industry metrics, such as rating agency metrics, funding of strategic initiatives specific to the health system, as well as focused integration of strategic commitments as outlined by the Joint Committee within a sustainable financial performance layer and commitments for additional investments of the strategic plan in an additional layer when funds are such available that allow for sustainable investments, all as to be outlined and agreed upon by the Parties.
6. Rutgers and RHG will use these funds for investments that align with the approved strategic plan. At any time should Rutgers or RHG wish to use these funds for alternative purposes, this would require approval by the Joint Committee. For capital investments as part of the overall variable investment by RWJBH to Rutgers and RHG, the Parties will agree to the investments as part of the strategic plan as approved by the Joint Committee and will also agree to work together to determine the optimal financing methodology but at all times the funding methodology must fit within the RWJBH capital plan which will include liquidity, leverage, and other necessary bond market criteria. It is the intent of this section to ensure the long-term sustainability of the health system, ensure the strategic investments of the health system are completed to ensure its clinical delivery platform, ensure there is no disruption in the delivery of the clinical platform for RWJBH but also to align the Parties to ensure the optimization of clinical revenues and shared earnings of the organization.

- E. **GME Funding.** Consistent with the structure and goals of the GME Consortium, the Parties will agree to a formulaic payment methodology for funding from RWJBH to support the residents' compensation, Rutgers' faculty supervision, and administrative costs consistent with ACGME guidelines and suitable industry benchmarks. This funding, which is separate and distinct from Mission Support, will support an agreed-upon number of residents. As a priority, the Parties will work collaboratively and through the new GME Consortium to reexamine the number of slots and attempt if possible to bring the number of slots more in line with the federally funded cap over a reasonable period of time. In addition to federal funding associated with the cap, other funding sources and mechanisms (e.g., state support, funding from other affiliates) will be sought to fund slots.
- F. **Major Recruitment Packages.** Through the Proposed Partnership, the Parties are fully committed to identifying, recruiting, and retaining high caliber leaders such as department chairs/chiefs and institute/center directors to lead high-performing programs and excellence in medical education, research, and patient care ("Major Recruitment Packages"). With oversight of the Joint Committee, the Parties will work in good faith to develop fiscally responsible yet competitive multi-year Major

Recruitment Packages for mutually acceptable recruits for key leadership positions. Such packages will commonly include a combination of: (1) financial commitments from RWJBH to the relevant program within RWJBH that does not require a payment from RWJBH to Rutgers (e.g., investments in non-physician staffing; technology; space; etc.); and (2) start-up clinical and academic/research funding support of the chair/director's faculty recruitment plan that does require payments from RWJBH to Rutgers (for non-clinical support) and/or RHG (for clinical support). The Parties will begin by focusing on packages related to areas of strategic priority including but not limited to include strategic centers of excellence of cardiac, neurosciences, cancer, internal medicine, surgery, and pediatrics. The component of Mission Support to support recruitment of research-intensive faculty may overlap with the research start-up funding component of Major Recruitment Packages and therefore needs to be reconciled in each instance to avoid duplicative funding commitments. Any overlap does not create excess or "fungible" amounts but rather reduces the overall program budget funded or committed to by RWJBH. Rutgers will make efficient use of this funding while optimizing its extramural federal and industry-sponsored funding opportunities and maintain a cost-efficient research administrative structure in line with relevant academic standards and benchmarks.

- G. **Fundraising/Development.** The Parties will develop a structure to encourage and coordinate charitable giving to the academic health system.

- H. **Financial Investment and Long-Term Sustainability.** The Parties agree and understand that the financial investment necessary to achieve the intent of this LOI is extensive and needs to be planned out over an extended period of time, and, as such, needs to be integrated into the financial modeling of all Parties. The Parties will prioritize the collaborative development of a funding model to support the Proposed Partnership and to enable RWJBH to incorporate its planned contributions into its larger financial model. The financial commitments of RWJBH to Rutgers and RHG will be designed in a manner that acknowledges the need for long-term sustainability of the health system, promotes strategic investments aligned with the Parties' strategic plan, provides sufficient predictability for purposes of budgeting and planning, and supports all of the teaching, research, and clinical missions. Funding will take into account variation that may occur due to changes in RWJBH's financial and/or market position and will incorporate principles that balance predictability for and financial needs of all Parties with concepts of shared growth and long-term viability of the Proposed Partnership. While safeguard mechanisms will be in place to appropriately link RWJBH's financial condition to substantial funding commitments to Rutgers/RHG on a long term basis, multi-year funding commitments made for specific recruitment packages must be honored once activated (i.e., cannot reduce annual support in year two of a five-year package).

IX. TERM

The term of the Master Affiliation Agreement shall be no less than twenty (20) years with auto renewal as well as unwind provisions that are consistent with the Parties' affiliation and relationship. The Master Affiliation Agreement will be coterminous with other major agreements between the Parties including the Clinical Operating Agreement and GME Consortium Agreement.

X. DUE DILIGENCE

Following the execution of this LOI, the Parties will perform necessary due diligence to examine the strategic, operational and financial implications of the concepts and commitments described in this LOI which will ultimately inform the agreed upon terms of the Definitive Agreements. Each party will make every effort to furnish requested information by the other and work collaboratively to conduct necessary analyses to support the development of terms of this significant and long-term commitment of the Parties.

XI. PLANNING PROCESS

Upon execution of this LOI, the Parties will establish a working group to perform those tasks required, and in collaboration with legal counsel, to develop the strategic plan, the business plan(s), and the Definitive Agreements necessary to accomplish the Proposed Partnership as outlined herein, with the expectation that the Parties will complete due diligence and analyses and define key terms on or before December 31, 2017.

XII. BINDING PROVISIONS

The Parties acknowledge and agree that Sections XII through XIX of this LOI are legally binding and enforceable agreements of RWJBH, Rutgers, and RHG.

XIII. EXCLUSIVE DEALING AND STANDSTILL

Each of the Parties acknowledges that substantial expense will be incurred in connection with the legal, accounting, financing, and due diligence work contemplated by this LOI. Accordingly, for the 180-day period immediately following the Effective Date, and any extension of such period upon which the Parties may agree in writing from time to time, except as specified below or otherwise agreed upon by the Parties in writing, none of the Parties shall solicit, continue, or enter into discussions with any other person or entity regarding any new transaction or venture that would prevent the consummation of, or would otherwise materially interfere with the Proposed Partnership.

XIV. EXPIRATION OR TERMINATION

This LOI shall expire on June 30, 2018, or on such later date to which the Parties may mutually agree in writing from time to time, unless it is sooner terminated as provided below. The Parties may terminate this LOI at any time upon mutual written agreement. If the Parties enter into Definitive Agreements, then this LOI shall be deemed to terminate automatically upon the Effective Date of such Definitive Agreements. Any of the Parties may terminate this LOI effective at any time more than 30 days after the date of this LOI, if the terminating party provides the other Parties with written notice of termination at least

30 days in advance of the intended date of termination. Upon termination, the Parties will have no further obligation hereunder, except in accordance with Sections X through XVI.

XV. GOOD FAITH

By signing this LOI, each of the Parties agrees to negotiate in good faith the terms of the Proposed Partnership and the Definitive Agreements, based upon the proposed terms set forth above and consistent with the goals, objectives and concepts expressed in this LOI.

XVI. CONFIDENTIALITY

Except as expressly stated herein, the Parties shall, and shall cause their respective officers, directors, trustees, employees, contractors, outside advisors, and agents, to retain in strict confidence all information and data, including patient information, information relating to another party's business, development plans, programs, documentation, trade secrets, systems, and know how (all such information and data, "Confidential Information"), and shall not, unless otherwise required by law, disclose such Confidential Information to any third party without the other party's prior written consent. Confidential Information shall not include information that: (1) was, is, or becomes known to a party without a duty of confidentiality; (2) is rightfully received by a party from a third party legally entitled to disclose such information; or (3) is required to be disclosed to a third party under all such laws, rules, regulations, and standards, provided that the party to make such disclosures shall first notify the other party as soon as reasonably practicable prior to disclosure (unless to do so would be prohibited by law) with the opportunity to review and approve such Confidential Information before its release.

XVII. ENTIRE AGREEMENT

This LOI constitutes the entire agreement between the Parties and supersedes all prior and contemporaneous oral or written agreements, understandings, negotiations, discussions, representations and warranties and courses of conduct and dealing between the Parties on the subject matter thereof, and there are no representations, warranties, covenants, or other agreements between the Parties in connection with the subject matter hereof except as set forth specifically herein. This LOI may be amended or modified only by a writing executed by each of the Parties.

XVIII. ASSIGNMENT

Neither this LOI nor any of the rights, interests, or obligations hereunder shall be transferred or assigned by any of the Parties without the prior written consent of the other Parties, provided, however, that the Parties may assign this LOI and their rights herein to any of their respective affiliates, as may be appropriate to accomplish the goals of this LOI.

XIX. GOVERNING LAW

This shall be governed by and construed under the laws of the State of New Jersey without regard to conflicts-of-laws principles.


[SIGNATURE PAGE FOLLOWS]

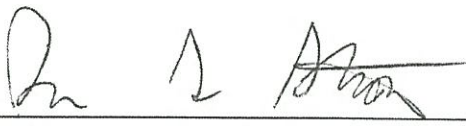
IN WITNESS THEREOF, the Parties have entered into the LOI as of the Effective Date.

RWJ BARNABAS HEALTH INC. dba RWJBARNABAS HEALTH

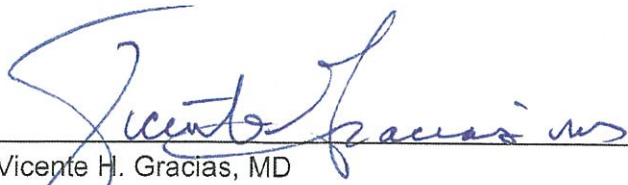
BY: 
Barry H. Ostrowsky
President and Chief Executive Officer

RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY

BY: 
Robert L. Barchi, MD, MS, PhD
President

BY: 
Brian L. Strom, MD, MPH
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RUTGERS HEALTH GROUP

BY: 
Vicente H. Gracias, MD
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