

# LETTER OF INTENT FOR DEVELOPMENT OF MANUFACTURING PLANT

*[on company letterhead]*

[date]

[name of development company]  
[address of development company]

[name of plant owner]  
[address of plant owner]

## *Re: Development of Manufacturing Plant*

Dear Sirs:

This Letter of Intent sets forth the principal terms of a proposed business arrangement between [NAME OF DEVELOPMENT COMPANY] (the "Developer") and [NAME OF PLANT OWNER] (the "Owner") concerning the equipping and operation of a manufacturing plant (the "Plant") to manufacture and distribute products agreed to by the parties (the "Products").

### **Overview:**

- (a) The general structure of the arrangement between the parties with respect to the Plant is that the Developer and the Owner will enter into a joint venture (the "Venture") to manufacture and distribute the Products. The legal form of the joint venture will be a [name of jurisdiction] limited liability company (the "LLC") to be formed between the Owner and the Developer. The Developer will license the use of its proprietary technology (the "Technology") to the LLC to manufacture the Products in exchange for a [##]% royalty on sales of the Products. The business of operating the Plant and manufacturing and distributing the Products will be conducted by the LLC, which in turn will be managed by the Owner.
- (b) The parties' mutual objective is to establish a long-term, profitable relationship that will fairly and adequately compensate each party for its contributions to, and assumptions of risk with respect to, the Venture. In this regard, each party will cooperate with the other, and provide the LLC with such technical assistance as may be required, in order for the LLC to become a commercial success. As further described herein, the Developer will provide the LLC with a viable Technology that consists of patents and other proprietary information, specified product designs, and a list of preferred equipment suppliers and vendors.
- (c) The parties will cooperate with each other and with the LLC and take all commercially reasonable steps to facilitate the realization by the LLC and each party of its economic objectives and, in addition, will administer, implement, and enforce the terms and provisions of the definitive agreements as defined in Section 12 below (the "Definitive Agreements") in a manner that will reasonably:
  - (i) ensure the commercial success of the LLC and the timely fulfillment of all of its obligations under any agreement, contract or other instrument to which it is a party;
  - (ii) maintain and enhance the credibility and reputation of the parties in the business community and consumer public at large;
  - (iii) enable each party to realize its stated economic objectives; and
  - (iv) not unfairly deprive any party of its profit expectations.

## 1. General Structure

1.1 The Developer will license the Technology to the LLC pursuant to a license agreement (the "License Agreement") in consideration for a [##]% royalty on the gross revenue derived by the LLC from the sale of the Products. The License Agreement will grant the LLC a non-exclusive right to manufacture, market, and distribute the Products in a territory to be defined in the Definitive Agreements (the "Territory"). The License Agreement will continue until the expiration of the last patent covering the Technology. The LLC will conduct the business of manufacturing, marketing, and distributing the Products licensed to the LLC. The LLC will be owned by the Owner and the Developer, with the Owner being in charge of the operations.

1.2 Subject to Section 11.2, either party may engage in other business activities outside of the LLC, regardless of whether such activities are competitive with the LLC.

1.3 The LLC will render reports on monthly Product sales within \_\_\_\_ days following the end of each calendar month.

1.4 The Developer will indemnify the LLC and the Owner from any infringement claims made by third parties with respect to the Technology.

1.5 The parties will develop financial projections for the expected revenues and costs associated with the production and sale of the Products, which will include such items as materials, process efficiency (both uptime and throughput rate), facility expenses, staffing requirements, utility usage, packaging costs, overhead and the capitalization and amortization rates for the equipment and the Plant (the "Financial Projection"). The parties will cooperate with one another to develop additional Financial Projections for any other products to be manufactured and distributed by the LLC.

1.6 The Developer will provide the LLC with production specifications (e.g., composition and process) for the Products to be commercialized by the LLC as part of the process in developing the Financial Projections for such Products. The Technology licensed to the LLC will be based, in part, on specific patents (both issued and pending) that will be listed in the License Agreement. The Developer will warrant that, by combining the materials and operating the equipment in accordance with such production specifications, the LLC will possess the technical knowledge to produce Products that are in conformity with prototype samples.

THIS IS A 9-PAGE DOCUMENT.