

LETTER OF INTENT

[on company letterhead]

[date]

[Name of Recipient]
[Address of Recipient]

Dear _____:

RE: *Proposed Exclusive Supply and Development Agreement*

This Letter of Intent shall confirm our discussions with respect to the following:

- (a) [Name of party which will supply the product] (the "Supplier") has undertaken research and created a product, described as follows (the "Product"): *[describe]*
- (b) [Name of party which will develop the product] (the "Developer") is engaged in the following business activities: *[describe]*
- (c) The Supplier intends to provide the Product to the Developer for exclusive development, testing, production, and commercial distribution;
- (d) The parties wish to formalize their relationship, and to set out the terms and conditions governing (among other things) the ownership, testing, development, production, and commercial distribution of the Product; and
- (e) The Supplier intends to license the patent of the Product and any patents generated therefor, and the Supplier is willing to grant an exclusive worldwide license to sell the Product to the Developer.

This Letter of Intent summarizes the general preliminary understanding of the parties with respect to the terms and conditions upon which they would contemplate entering into a contractual relationship. Upon acceptance of this Letter of Intent by both of the parties, it is anticipated that representatives of the Supplier and the Developer shall promptly enter into good faith negotiations and prepare a definitive Exclusive Supply and Development Agreement (the "Agreement"), embodying the terms, conditions, and provisions set forth herein.

1. Terms for Negotiation

The parties agree to negotiate in good faith with respect to the following terms:

- (a) the Supplier providing, exclusively, to the Developer with a prototype of the Product for development, testing, production, and commercial distribution;
- (b) patent licensing for the Product;
- (c) cost of Product development, testing, production, and commercial distribution;
- (d) worldwide licensing to sell the Product;
- (e) exclusivity and confidentiality; and
- (f) reporting and expenses.

2. Definitive Final Agreement

2.1 The final Agreement shall contain additional terms and conditions appropriate for a contractual relationship of this kind, including but not limited to, representations and warranties by and from the parties; the Supplier's right to the patent license for the Product; royalties payable to the Supplier; Product costs, notices; force majeure; indemnification and liability; confidentiality; termination, and other similar provisions.

2.2 Execution of the final Agreement by each party is subject to all necessary consents and approvals, including but not limited to all required corporate approvals of each party.

3. Product Prototype

The Supplier shall provide exclusively to the Developer, a working prototype of the Product together with any schematics, designs, blueprints, and supporting documentation.

THIS IS A 4-PAGE FORM.