

LETTER OF INTENT FOR OFF-SHORE JOINT VENTURE

(date)

[Name of Joint Venturer(s)]

[Address(es) of Joint Venturer(s)]

PERSONAL & CONFIDENTIAL

Dear _____:

RE: Formation of Joint Venture

This Letter of Intent sets forth the principal terms of a proposed joint venture between [name of party1] and [name of party2], pursuant to which the parties will each acquire 50% of the shares of a newly-formed foreign corporation ("Newco") for the purpose of engaging in [describe the nature of the offshore business] (the "Joint Venture Purpose"). The specific terms of this transaction are as follows:

- 1. Corporation:** Newco will be a corporation incorporated under the laws of _____, and will be organized for the Joint Venture Purpose and for engaging in all activities and transactions which are necessary in furtherance of the Joint Venture Purpose. Newco shall not engage in any other activity except as set forth in this paragraph. The head office of Newco will be located at _____.
- 2. Issue of Common Stock:** [party1] or its nominees/assignees, and [party2] or its nominees/assignees, shall each acquire 50% of the total authorized shares of common stock of Newco. As consideration for its shares, [party1] shall arrange for financing in the sum of CAN \$[amount] for Newco. As consideration for its shares, [party2] shall contribute all of its right, title and interest in and to the assets and licenses to operate the [offshore business]. The funds advanced to Newco will be repaid from Newco's operations based on ___% of net profits from operations until repaid in full. The monies will bear interest at the rate of ___% per annum. The monies advanced shall be secured by the assets of Newco.
- 3. Management:** The Board of Directors of Newco shall consist of ___ directors who are nominees of [name of shareholder] and ___ directors who are nominees of [name of other shareholder]. The parties will execute a Shareholder Agreement setting forth the rights and obligations of the shareholders with respect to election of directors and other management matters.
- 4. Expenses Incidental to the Transaction:** The parties shall each bear their respective expenses, costs and fees incidental to the transaction, including but not limited to attorneys' fees, accounting fees and consultant's fees.
- 5. Negotiations:** The parties agree to use good faith and their best efforts to conclude a binding formal agreement ("Final Agreement") on or before _____. In the event that a Final Agreement is not signed on or before such date for any reason, the parties shall each have the right to terminate the negotiations without liability to the other party. Each of the Co-Venturers agrees with the other Co-Venturer(s) not to negotiate or enter into discussions with any other person or firm, or solicit or encourage, either directly or indirectly, or furnish information to any other person or firm, with respect to a similar business arrangement, until following any such termination.

THIS IS A 2-PAGE FORM.