



SAMPLE LETTER OF INTENT

STRICTLY PRIVATE & CONFIDENTIAL

•, 20•

• Inc.

•

Attention: •

Dear •:

Re: Proposed Acquisition of • Inc. (the “Corporation”)

• Inc. (the “**Purchaser**”) would like to detail in this letter of intent (the “**LOI**”) our mutual understanding regarding the terms and conditions of the proposed purchase by the Purchaser of all of the issued and outstanding securities of the Corporation (collectively, the “**Purchased Shares**”), which we understand are held by • and • (collectively, the “**Vendors**”).

The foregoing transactions are referred to below as the “**Proposed Transaction**”.

Purchase and Sale Transaction

on the Closing Date (as defined below), the Purchaser will purchase all of the Purchased Shares from the Vendors

Purchase Price for Purchased Shares

the purchase price for the Purchased Shares shall be equal to \$•

Allocation of Purchase Price

- **THE PURCHASE PRICE SHALL BE ALLOCATED AMONG THE PURCHASED SHARES IN THE DISCRETION OF THE VENDORS, ACTING REASONABLY**

Payment of Purchase Price/Security Arrangements

UPON EXECUTION OF THIS LOI, THE PURCHASER SHALL DELIVER TO THE VENDORS' COUNSEL IN TRUST A DEPOSIT EQUAL TO THE SUM OF CDN.\$• TO BE CREDITED (TOGETHER WITH ANY INTEREST THEREON) AGAINST THE CLOSING CASH PORTION PAYABLE BY THE PURCHASER TO THE VENDORS ON COMPLETION OF THE TRANSACTIONS CONTEMPLATED HEREIN ON THE CLOSING DATE (THE "DEPOSIT"); THE DEPOSIT (TOGETHER WITH ANY INTEREST THEREON) SHALL NOT BE REFUNDABLE TO THE PURCHASER EXCEPT IF THE PARTIES SHALL FAIL TO COMPLETE THE TRANSACTIONS CONTEMPLATED HEREIN ON OR BEFORE •, 200• UPON ALL OF THE VENDORS' CONDITIONS, IF ANY, HAVING BEEN SATISFIED OR WAIVED OR, IF UNSATISFIED, SUCH CONDITIONS WERE NEVERTHELESS REASONABLY CAPABLE OF BEING SATISFIED BY THE VENDORS

- upon completion of the transactions contemplated in the Purchase Agreement on the Closing Date, the Purchaser shall pay to the Vendors, or as they may direct, in the agreed upon allocation, the aggregate sum of Cdn\$• (subject to full credit for the Deposit) via certified cheque or bank draft (the "**Closing Cash Portion**")
- the Cdn\$• balance of the Purchase Price will be payable by delivery by the Purchaser to the Vendors (or either of them) on the Closing Date of a promissory note (the "**Note**") in such amount bearing interest at the annual rate of •% **CALCULATED AND PAYABLE QUARTERLY**, not in advance, and due to the Vendors in • (•) equal [**annual**] instalments of Cdn.\$• on each of •, • and •; the Purchaser will have full rights to pay all principal/accrued interest under the Note at any time without notice, bonus or penalty
- **THE NOTE WILL BE SECURED BY THE GRANTING TO THE VENDORS BY THE PURCHASER OF A GENERAL SECURITY INTEREST OVER ALL OF ITS ASSETS (SUBJECT TO ALL EXISTING SECURITY INTERESTS PREVIOUSLY GRANTED BY THE PURCHASER IN FAVOUR OF ITS PRINCIPAL LENDERS) PURSUANT TO THE TERMS OF A GENERAL SECURITY AGREEMENT (THE "SECURITY AGREEMENT"); THE SECURITY AGREEMENT SHALL INCLUDE SUCH TERMS AND CONDITIONS (INCLUDING COVENANTS, EVENTS OF DEFAULT AND REMEDIES) AS AGREED UPON BY THE PURCHASER AND THE VENDORS AND WILL INCLUDE, AMONG OTHER THINGS, (A) USUAL FINANCIAL AND OTHER COVENANTS OF THE PURCHASER AS WOULD BE PROVIDED TO ANY PRINCIPAL OPERATING LENDER AND (B) A COVENANT OF THE VENDORS TO POSTPONE AND SUBORDINATE THEIR SECURITY INTERESTS GRANTED UNDER THE SECURITY AGREEMENT IN FAVOUR OF ANY FUTURE SECURITY INTERESTS GRANTED BY THE PURCHASER TO ANY NEW OR EXISTING PRINCIPAL LENDERS**

Timetable

- **THE PURCHASER, THE VENDORS AND THEIR ADVISORS WILL USE THEIR REASONABLE BEST EFFORTS TO PREPARE, NEGOTIATE AND SIGN A DEFINITIVE PURCHASE AGREEMENT (THE "PURCHASE AGREEMENT") REFLECTING THE PROVISIONS OF THIS LOI ON OR BEFORE •, 200• (THE "INTERIM DATE") AND USE THEIR REASONABLE BEST EFFORTS TO COMPLETE THE TRANSACTIONS CONTEMPLATED BY THE PURCHASE AGREEMENT AS SOON AS POSSIBLE BUT, IN ANY EVENT, NOT LATER THAN •, 200• (THE "CLOSING DATE"), IN ALL CASES SUBJECT TO EXTENSION TO THE EXTENT NECESSARY TO SATISFY ALL OF THE CONDITIONS TO THE PROPOSED TRANSACTION AS CONTEMPLATED HEREIN**

Purchase Agreement

- **THE PURCHASE AGREEMENT WILL CONTAIN SUCH REPRESENTATIONS, WARRANTIES, COVENANTS, CONDITIONS, INDEMNITIES (INCLUDING THOSE DETAILED BELOW) AND OTHER TERMS (INCLUDING MATTERS RELATING TO NON-COMPETITION AND NON-SOLICITATION) AS WOULD NORMALLY BE ASSOCIATED WITH A SHARE SALE TRANSACTION OF THE TYPE AND NATURE DESCRIBED ABOVE AND WILL BE SUBJECT IN ALL RESPECTS TO THE MUTUAL APPROVAL OF THE PARTIES AND THEIR RESPECTIVE LEGAL COUNSEL**

Ancillary Transactions

- immediately following the completion of the purchase and sale of the Purchased Shares on the Closing Date, the Purchaser will cause the Corporation to enter into an employment agreement with • (the "**Employment Agreement**"), on terms satisfactory to the Purchaser, the Corporation, • and their respective counsel, providing for, among other things, particulars relating to salary/compensation, termination compensation and other usual matters

- **THE PURCHASER AGREES TO REPAY, ON THE CLOSING DATE, ALL LOANS OF THE CORPORATION OWING TO THE VENDORS**
- **ON OR PRIOR TO THE CLOSING DATE, THE PURCHASER AGREES TO PROCURE, FOR THE BENEFIT OF •, A RELEASE OF ANY PERSONAL GUARANTEES PROVIDED BY • TO ANY 3RD PARTIES TO SECURE THE PERFORMANCE OF THE CORPORATION'S OBLIGATIONS TO SUCH 3RD PARTIES**
- **ON OR PRIOR TO THE CLOSING DATE, THE PARTIES AGREE TO CAUSE THE CORPORATION TO EFFECT A TRANSFER TO • OF ANY LIFE INSURANCE OWNED BY THE CORPORATION IN RESPECT OF THE LIFE OF •**
- **ON OR PRIOR TO THE CLOSING DATE, THE PARTIES AGREE TO ENTER INTO A NEW COMMERCIAL LEASE PROVIDING FOR THE OCCUPANCY BY THE PURCHASER OF THE PREMISES CURRENTLY USED BY CORPORATION AS OWNED BY • REALTY HOLDINGS INC.**

Interim Period and Access to Information

- during the period from and including the date hereof to and including the Closing Date, the Vendors will act reasonably to cause the business and affairs of the Corporation to be carried on in the ordinary course and agree not to effect any material changes in the business and affairs of the Corporation without the prior consent of the Purchasers, acting reasonably
- to assist with all required due diligence investigations, the Vendors will, following the execution of this LOI, co-operate fully and permit and make available to the Purchaser and their advisors full access to all agreements, contracts, minute books, books, records and other documents of the Corporation in order to complete the transactions contemplated herein (all such documentation and any written information provided by the Vendors are collectively referred to herein as the “**Confidential Information**”); all Confidential Information shall be promptly returned to the Vendors by the Purchasers and its advisors, or otherwise destroyed, if the Proposed Transaction is not completed for any reason

Confidentiality

- **THE PARTIES AND THEIR ADVISORS ACKNOWLEDGE AND AGREE THAT THE CONFIDENTIAL INFORMATION AND ALL MATTERS RELATING TO THE TRANSACTIONS DESCRIBED IN THIS LOI (AND ALL NEGOTIATIONS RELATING TO SAME) SHALL BE HELD IN STRICT CONFIDENCE BY ALL PARTIES AND SHALL NOT BE DISCLOSED TO ANY OTHER PERSON (EXCEPT THEIR PROFESSIONAL ADVISORS WHO REQUIRE SUCH INFORMATION) AT ANY TIME PRIOR TO THE CLOSING DATE WITHOUT THE PRIOR WRITTEN CONSENT OF THE OTHER PARTIES AND, IF THE PROPOSED TRANSACTION IS NOT COMPLETED FOR ANY REASON, ALL CONFIDENTIAL INFORMATION SHALL CONTINUE TO BE KEPT IN CONFIDENCE BY THE PURCHASER AND ITS ADVISORS AND NOT DISCLOSED TO ANY OTHER PARTY WITHOUT THE PRIOR CONSENT OF THE VENDORS, EXCEPT INFORMATION WHICH BECOMES PART OF THE PUBLIC DOMAIN THROUGH NO ACT OF DEFAULT ON THE PART OF THE PURCHASER AND INFORMATION REQUIRED TO BE DISCLOSED BY THE PURCHASER PURSUANT TO ANY COURT ORDER OR OTHER LEGAL PROCESS; THE TERMS OF THE NON-DISCLOSURE AGREEMENT SIGNED BY THE VENDORS, THE CORPORATION AND THE PURCHASER SHALL CONTINUE TO GOVERN THE PARTIES THERETO NOTWITHSTANDING THE FOREGOING**

Exclusivity

- THE VENDORS WILL NOT AT ANY TIME PRIOR TO THE CLOSING DATE, DIRECTLY OR INDIRECTLY, SOLICIT OR ACCEPT ANY OFFER FROM, OR ENTERTAIN OR UNDERTAKE ANY DISCUSSIONS OR NEGOTIATIONS INVOLVING, ANY PERSONS OTHER THAN THE PURCHASER RELATING TO (A) THE SALE OF ANY OF THE PURCHASED SHARES, (B) THE SALE OF ANY ASSETS OF THE CORPORATION (EXCEPT IN THE ORDINARY COURSE OF BUSINESS) OR (C) ANY FORM OF MERGER, AMALGAMATION OR OTHER BUSINESS COMBINATION; NOTWITHSTANDING THE FOREGOING, SHOULD THE PARTIES FAIL TO AUTHORIZE, EXECUTE AND DELIVER THE PURCHASE AGREEMENT ON OR BEFORE •, 200•, THE EXCLUSIVITY OBLIGATIONS OF THE VENDORS SET FORTH IN THIS PARAGRAPH SHALL CONTINUE UNTIL •, 200• AT WHICH POINT SUCH OBLIGATIONS SHALL EXPIRE UNLESS OTHERWISE EXTENDED IN WRITING BY THE PARTIES HERETO**

Expenses and Brokerage Expenses

- each of the Purchaser and the Vendor shall be responsible for their own respective transaction expenses and each party confirms that it has not engaged the services of any broker and that no brokerage fees or commissions are due or payable in connection with the completion of the proposed transaction

Closing Conditions

- the terms of the Purchase Agreement will provide for certain conditions for the sole benefit of the parties, as applicable, including, without limitation, the following:
- **ACCEPTABLE FINANCING ARRANGEMENTS;**
 - **ALL REGULATORY/THIRD PARTY CONTRACTUAL APPROVALS;**
 - **SATISFACTORY RESULTS OF LEGAL/BUSINESS DUE DILIGENCE INVESTIGATIONS;**
 - **SATISFACTORY ARRANGEMENTS WITH KEY SUPPLIERS AND CUSTOMERS;**
 - **THE ABSENCE OF ANY MATERIAL CHANGES RELATING TO THE BUSINESS AND AFFAIRS OF THE CORPORATION;**
 - **SATISFACTORY ARRANGEMENTS WITH REMAINING EMPLOYEES OF THE CORPORATION;**
 - **THE OPINIONS OF COUNSEL TO THE VENDORS AND THE CORPORATION AS TO STANDARD MATTERS;**
 - **REPAYMENT OF ALL VENDOR LOANS;**
 - **RELEASE OF ALL VENDOR GUARANTEES; AND**
 - **TRANSFER OF ALL INSURANCE POLICIES**

Closing Documentation

- in addition to the Purchase Agreement, the parties will authorize, execute and deliver on the Closing Date additional closing documents including, without limitation:
- releases obtained from each of the Vendors in respect of any historical claims they may have against the Corporation (excluding any obligations specifically arising under the Purchase Agreement, the Employment Agreement);
 - resignations of all existing directors and officers of the Corporation;
 - the Employment Agreement;
 - a new commercial lease;
 - all applicable approvals of the directors and/or shareholders of the Corporation;
 - all required regulatory/third party contractual approvals; and
 - such other agreements, documents, certificates, receipts, directions, statutory declarations and other instruments as the parties and their respective counsel shall reasonably request

Non-Binding Nature

- THIS IS A PROPRIETARY DOCUMENT AND IS TO BE TREATED AS HIGHLY CONFIDENTIAL; THE CONTENTS OF THIS LOI ARE NOT TO BE DISCUSSED WITH OR REVEALED TO ANY PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF ALL OF THE PARTIES; WHILE THE FOREGOING PROVISIONS OF THIS LOI MAY CONTAIN ESSENTIAL PARTS OF A DEFINITIVE AGREEMENT OF PURCHASE AND SALE, EACH OF US UNDERSTANDS AND AGREES THAT THE FOREGOING IS A NON-BINDING PROPOSAL ONLY AND, EXCEPT TO THE EXTENT PROVIDED BELOW IN THIS PARAGRAPH, IS NOT INTENDED AS A LEGALLY BINDING AGREEMENT BY ANY PARTY TO ENTER INTO ANY OF THE TRANSACTIONS OR ARRANGEMENTS CONTEMPLATED ABOVE; BY SIGNING THIS LOI, EACH OF US CONFIRMS THAT THE TERMS OF THIS LOI ARE ACCEPTABLE IN PRINCIPLE TO SUCH PARTY AND THAT THE PARTIES WISH TO PROCEED EXPEDITIOUSLY TO NEGOTIATE, EXECUTE AND DELIVER THE PURCHASE AGREEMENT IN ORDER TO GIVE FULL LEGAL EFFECT TO THE PROVISIONS SET FORTH IN THIS LOI; EXCEPT AS PROVIDED BELOW IN THIS PARAGRAPH, NONE OF US SHALL HAVE ANY LEGAL OBLIGATION WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED ABOVE UNLESS AND UNTIL THE PURCHASE AGREEMENT IS EXECUTED AND DELIVERED AND THEN ONLY TO THE EXTENT PROVIDED FOR THEREIN; NOTWITHSTANDING THE FOREGOING, EACH OF US UNDERSTANDS THAT THE OBLIGATIONS SET FORTH IN THIS LOI RELATING TO (A) MATTERS OF CONFIDENTIALITY, (B) MATTERS RELATING TO THE DEPOSIT AND (C) MATTERS OF EXCLUSIVITY SHALL, IN EACH CASE, SURVIVE THE EXECUTION AND DELIVERY OF THIS LOI AND SHALL BE LEGALLY BINDING ON THE PARTIES HERETO REGARDLESS OF WHETHER THE PURCHASE AGREEMENT IS EXECUTED AND DELIVERED AS CONTEMPLATED HEREIN

Amendments, Counterparts and Announcements

- any variation, amendment or alteration of this LOI shall only be made by written instrument signed by each of us
- the parties hereto acknowledge that this LOI may be executed and delivered by original signatures and/or facsimile transmissions in separate counterparts and each such separate counterpart, taken together as a whole, shall constitute one (1) and the same document
- neither party shall make any public announcement of the terms of this LOI without the prior consent of the other

If the above terms and conditions are acceptable to you, kindly confirm same where indicated below **not later than 5:00 p.m. (Toronto time) on •, 20•** so that we may continue with our business and legal due diligence investigations and instruct our legal counsel to prepare the draft Purchase Agreement for our mutual review.

We are looking forward to working with you and your professional advisors to complete the Proposed Transaction based on the above timetable.

Yours truly,

• INC.

Per:

•
VICE-PRESIDENT, BUSINESS DEVELOPMENT

Each of the undersigned confirm, acknowledge and accept each of the provisions of this LOI as of this _____ day of •, 200•.

•
THE • FAMILY TRUST,
by its Trustees:

•
Trustee

•
Trustee

• INC.

Per:

•
PRESIDENT AND CEO