Name of Corporation
(address to be provided)

Dear Sirs:

Proposal to Purchase certain Assets, Business and
Undertaking of ■

The purpose of this letter (the “Letter”) is to set forth certain non-binding understandings and certain binding agreements between ■ (the “Purchaser”), and ■ (the “Vendor”) with respect to the possible acquisition of all of the assets, business and undertaking of the Vendor described herein, on the terms set forth below.

Non-Binding Provisions

The following paragraphs 1 to 12, inclusive, of this Letter, (collectively, the “Non-Binding Provisions”) reflect our mutual understanding of the matters described in them, but each party acknowledges that the Non-Binding Provisions are not intended to create or constitute any legally binding obligation between Purchaser and Vendor and neither the Purchaser nor the Vendor shall have any liability to the other party with respect to the Non-Binding Provisions until a fully integrated, definitive agreement (the “Definitive Agreement”) and other related documents are prepared, authorized, executed and delivered by and between all parties. If the Definitive Agreement is not prepared, authorized, executed or delivered for any reason, no party to this Letter shall have any liability to any other party to this Letter based upon, arising from or relating to the Non-Binding Provisions.

1. **Basic Transaction.** Purchaser will acquire all of the assets of the Seller as a going concern of every nature, kind and description, tangible and intangible, whether or not carried at value on the books of the Seller, including trade accounts receivable, inventories, prepaid expenses, machinery and equipment, mobile equipment, office furniture and equipment and goodwill (the “Purchased Assets”), but not including the Excluded Assets.

2. **Excluded Assets.** The following assets are not included in the Purchased Assets - cash, marketable securities, land and building (the “Excluded Assets”). The parties intend that the closing of the proposed transaction will occur before ■, 1995, (the “Closing”).

3. **Proposed Purchase Price.** Based on the information known to Purchaser on the date hereof, the total consideration for the Purchased Assets will be US$■ (the “Purchase Price”), which will be due and payable as follows:

(a) Upon signing the Definitive Agreement the Purchaser will pay the Vendor a deposit of US$■ which shall be held by the Vendor in trust and applied by it (and any accrued interest) on account of the Purchase Price; and, if Closing does not occur because conditions in the

Definitive Agreement in the Purchaser's favour have not been satisfied or because the results of the due diligence process referred to below are unsatisfactory to the Purchaser acting reasonably, the Vendor, will return the deposit, together with any accrued interest, to the Purchaser. If Closing does not occur for any other reason, the Vendor will pay the deposit plus any accrued interest over to the Vendor as liquidated damages; and

(b) the balance of the Purchase Price shall be paid by certified cheque or bank draft at the time of Closing; provided, that the Purchaser may, with the Vendor's consent, elect to assume certain of the Vendor's liabilities (except Vendor's liabilities to its banker and shareholders) and receive credit against the Purchase Price therefor.

4. **Purchase Price Adjustment.** The Purchase Price will be adjusted (up or down) as follows: ■.

5. **Due Diligence.** The Purchaser and the Purchaser's representatives, for a period of 60 days after the date of execution hereof by the Vendor, shall have unrestricted access during normal business hours, upon reasonable notice, to the Vendor's premises for the purpose of conducting its due diligence investigation of the prospects, business, assets, contracts, rights, liabilities and obligations of the Vendor, including financial, marketing, employee, legal, regulatory and environmental matters.

6. **Proposed Form of Agreement.** The Purchaser and the Vendor intend promptly to begin negotiating to reach a written Definitive Agreement, subject to the approval of the Purchaser's board of directors, containing comprehensive representations, warranties, indemnities, conditions and agreements by the Vendor. Such representations and warranties shall survive closing for seven years for tax matters, three years for all other matters except title to the Purchased Assets which shall survive closing for an unlimited period of time.

7. **Conditions to Proposed Transaction.** The parties do not intend to be bound to the Non-Binding Provisions or any provisions covering the same subject matter until the execution and delivery of the Definitive Agreement, which, if successfully negotiated, will provide that the proposed transaction will be subject to customary terms and conditions, including the following:

(a) receipt of all necessary consents and approvals of governmental bodies, lenders, lessors and other third parties including compliance by the parties with the Hart-Scott-Rodino Anti-Trust Improvements Act (the "HSR Act"), if necessary;

(b) absence of any material adverse change in the Vendor's business, financial condition, prospects, assets or operations since ■, 199■;

(c) absence of pending or threatened litigation regarding the Definitive Agreement or the transactions to be contemplated thereby;

(d) delivery of customary legal opinions, closing certificates and other documentation;

(e) The Purchaser obtaining financing for the acquisition of the Purchased Assets and operation of the Vendor's business after the Closing, satisfactory to Purchaser in its sole discretion; and

(f) satisfactory results of an environmental audit, the costs of which shall be borne by the Purchaser.

8. **Proposed Employment Agreements.** At the Closing, the Purchaser and ■ will enter into a ■ year employment agreement, providing for (him) to be ■ of the Vendor, subject to the authority of its board of directors, at a salary of $■ per year, and containing other customary provisions (including non-competition provisions to extend ■ years following separation from employment).

9. **Proposed Non-Competition Agreement.** At the Closing, Purchaser and **[each of]** Vendor **[and ■]** will enter into a ■ year non-competition agreement, pursuant to which the Vendor will agree that it and its affiliates will not compete with the Purchaser for ■ years after the Closing in ■, and containing confidentiality and other customary provisions. The Purchaser will pay US$■ to ■ for its covenants contained in such agreement, payable as follows: ■.

10. **Proposed Escrow Agreement.** At the Closing, the Purchaser and the Vendor will enter into an escrow agreement which will contain provisions for an escrow of US$■ of the Purchase Price to secure the Purchaser against undisclosed liabilities, misrepresentations and breaches of warranties, covenants and agreements by Vendor.

11. **Proposed Lease.** At the Closing, the Vendor and the Purchaser will enter into a lease of the land and building(s) used by the Vendor to conduct its business, for a term of ■ years, at a rental of US$■ annually, payable in equal monthly instalments, and providing for ■ and containing other customary provisions.

12. **Other Proposed Terms.** The following special provisions shall apply to this transaction:

(a) **Currency -** The Purchase Price of the Purchased Assets shall be paid in U.S. currency.

(b) **Taxes -** Each party shall be responsible for the taxes payable by them in accordance with applicable legislation.

(c) **Litigation -** The Vendor shall be responsible for any lawsuits against it at the time of Closing.

(d) **Employees -** The Purchaser shall offer to employ all of Vendor's employees (salaried and hourly rated) that are still employed on the Closing Date upon terms and conditions of employment substantially equal to those provided by the Vendor and consistent with existing collective agreements (if any) and shall indemnify and hold Vendor harmless against and from any and all claims made against Vendor by any of Vendor's employees including claims for severance payments or payments in lieu of notice.

(e) **[Other Matters - Add other provisions as required.]**

Binding Provisions

Upon execution by the Vendor of this Letter or counterparts thereof, the following paragraphs 13 to 23, inclusive, of this Letter (collectively, the "Binding Provisions") will constitute the legally binding and enforceable agreement of the Purchaser and the Vendor (in recognition of the significant costs to be borne by the Purchaser and the Vendor in pursuing this proposed transaction and further in consideration of their mutual undertakings as to the matters described herein).

13. **Non-Binding Provisions Not Enforceable.** The Non-Binding Provisions do not create or constitute any legally binding obligations between the Purchaser and the Vendor, and neither the Purchaser nor the Vendor shall have any liability to the other party with respect to the Non-Binding Provisions until the Definitive Agreement, if one is successfully negotiated, is executed and delivered by and between all parties. If the Definitive Agreement is not prepared, authorized, executed or delivered for any reason, no party to this Letter shall have any liability to any other party to this Letter based upon, arising from, or relating to the Non-Binding Provisions.

14. **Definitive Agreement.** The Purchaser and its counsel shall be responsible for preparing the initial draft of the Definitive Agreement. Subject to the last sentence in paragraph 15 below, the Purchaser and the Vendor shall negotiate in good faith to arrive at a mutually acceptable Definitive Agreement for approval, execution and delivery at the earliest possible time; provided however, the provisions of this sentence shall not be construed so as to make the Non-Binding provisions binding upon the parties to the Letter.

15. **Access.** The Vendor shall provide Purchaser complete access to its facilities, books and records and shall cause its directors, employees, accountants and other agents and representatives (collectively, "Representatives") to co-operate fully with the Purchaser and the Purchaser's Representatives in connection with the Purchaser's due diligence investigation of the Vendor and the Purchased Assets including, without being limited to, all the Vendor's contracts, liabilities, operations, records and other aspects of its business (as described in paragraph 5 of the Non-Binding Provisions). The Purchaser shall be under no obligation to continue with its due diligence investigation or negotiations regarding the Definitive Agreement if, at any time, the results of its due diligence investigation are not satisfactory to the Purchaser for any reason in its sole discretion.

16. **Exclusive Dealing.** The Vendor shall not directly or indirectly, through any

Representative or otherwise, solicit or entertain offers from, negotiate with or in any manner encourage, discuss, accept or consider any proposal of any other person relating to the acquisition of the Purchased Assets, in whole or in part, whether through direct purchase, merger, consolidation or other business combination (other than sales of inventory in the ordinary course of its business).

17. **Break-up Fee.** In the event that the Vendor breaches paragraph 16 or the Binding Provisions are terminated by Vendor pursuant to subparagraph 23(b) below and, within twelve (12) months after such breach or termination, the Vendor closes a transaction relating to the acquisition of a material portion of the Purchased Assets, in whole or in part, whether through direct purchase, merger, consolidation or other business combination (other than sales of inventory or immaterial portions of the Vendor's assets in the ordinary course of its business), then, immediately upon such closing, the Vendor shall pay to the Purchaser the sum of US$■.

18. **Conduct of Business.** Until the Definitive Agreement has been duly executed and delivered by all of the parties or the Binding Provisions have been terminated pursuant to paragraph 23 below, the Vendor shall conduct its business only in the ordinary course, and not engage in any extraordinary transactions without the Purchaser's prior consent, including:

(a) not disposing of any of its assets, except in the ordinary course of business;

(b) not materially increasing the annual level of compensation of any employee, and not increasing at all the annual level of compensation of any person whose compensation in the last preceding fiscal year exceeded US$•, and not granting any unusual or extraordinary bonuses, benefits or other forms of direct or indirect compensation to any employee, officer, director or consultant, except in amounts in keeping with past practices by formulas or otherwise;

(c) not increasing, terminating, amending or otherwise modifying any plan for the benefit of employees;

(d) not borrowing any funds, under existing credit lines or otherwise, except as reasonably necessary for the ordinary operation of its business in a manner, and in amounts, in keeping with historical practices.

19. **Disclosure.** Except as and to the extent required by law, without the prior written consent of the other party, neither the Purchaser nor the Vendor shall, and each shall direct its Representatives not to, directly or indirectly, make any public comment, statement or communication with respect to, or otherwise disclose or permit the disclosure of the existence of discussions regarding, a possible transaction between the parties or any of the terms, conditions or other aspects of the transaction proposed in this Letter.

20. **Confidentiality.** Except as and to the extent required by law, the Purchaser shall not disclose or use, and it shall cause its Representatives not to disclose or use, any Confidential Information (as defined below) furnished, or to be furnished, by either the Vendor or its Representatives to the Purchaser or its Representatives in connection herewith at any time or in any

manner other than in connection with its evaluation of the transaction proposed in this Letter. For purposes of this paragraph, "Confidential Information" means any information about the Vendor stamped "confidential" or identified in writing as such to the Purchaser by the Vendor, provided that it does not include information which the Purchaser can demonstrate (a) is generally available to or known by the public other than as a result of improper disclosure by the Purchaser or (b) is obtained by the Purchaser from a source other than the Vendor, provided that such source was not bound by a duty of confidentiality to the Vendor or another party with respect to such information. If the Binding Provisions are terminated pursuant to paragraph 23 below, the Purchaser shall promptly return to the Vendor any Confidential Information in its possession.

21. **Costs.** The Purchaser and the Vendor shall each be responsible for and bear all of its own costs and expenses (including any broker's or finder's fees) incurred in connection with the proposed transaction, including expenses of its Representatives, incurred at any time in connection with pursuing or consummating the proposed transaction.

22. **Consents.** The Purchaser and the Vendor shall co-operate with each other and proceed, as promptly as is reasonably practicable, to prepare and file the notifications required by the HSR Act (if any), to seek to obtain all necessary consents and approvals from lenders, landlords and other third parties, and to endeavour to comply with all other legal or contractual requirements for or preconditions to the execution and consummation of the Definitive Agreement.

23. **Termination.** The Binding Provisions may be terminated:

(a) by mutual written consent of the Purchaser and the Vendor; or

(b) upon written notice by any party to the other party if the Definitive Agreement has not been executed by ■, 199■;

provided, however, that the termination of the Binding Provisions shall not affect the liability of a party for breach of any of the Binding Provisions prior to the termination. Upon termination of the Binding Provisions, the parties shall have no further obligations hereunder, except as stated in paragraphs 17, 19, 20 and 21 which shall survive any such termination.

Please sign and date this Letter in the space provided

(The remainder of this page is intentionally blank)

below to confirm the mutual agreements set forth in the Binding Provisions and return a signed copy to the undersigned.

Very truly yours,

■

By:________________________

Name:______________________

Title:_______________________

Date:_______________________

Acknowledged and agreed as to the Binding Provisions.

________________________(Seal)

________________________(Seal)

■

By:________________________

Name:______________________

Title:_______________________

Date:_______________________

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