

Instruction: This is a model letter. Adapt to fit your facts and circumstances.

Date

Name  
Address Line 1  
Address Line 2  
City, State Zip Code

**VIA FACSIMILE**

Re: Property

Dear Name:

As you know, Name and I met with Name ("Name") for several hours yesterday regarding his humate mine in State. After our discussions with Name, I have some questions regarding the transaction and would like to discuss them at length, if possible. However, the bottom line outcome of the meeting with Name is as follows:

1. Name does not own the real property where the humate is located. Name provided me a copy of a Date lease on the property which permits the mining of humate and other minerals for a period of two (2) years. The lease states that it can be renewed for additional periods of two (2) years each upon the satisfaction of certain conditions. A copy of the Lease is attached.
2. Name is willing to sell his lease rights to the property in State where the humate is located for Dollars (\$) cash and a royalty to him of Dollars (\$) per metric ton. He is agreeable to royalty payments being made in the U.S. In addition to the \$ royalty to Name, you would have to pay \$ royalty to Lessors under Lease and assume all of his other obligations under the Lease. This includes the payment of a minimum of \$ per year in royalties to the Lessors to keep the Lease in effect. Although we did not specifically discuss the issue, I assume that Name expects a minimum royalty of \$ per year based on his \$ per ton royalty.
3. Name wants a consulting agreement whereby your company agrees to pay him \$ per month for 10 days of work per month for a period of six (6) months in connection with the mining operation. In addition, he wants you to pay all of his travel expenses, including air travel, hotel, meals, car and cellular phone, while in .
4. Name indicated that he was in a hurry to conclude this transaction and stated that if he did not have something definite by Date he was going to do business with other interested parties. He specifically mentioned Name. I believe he made these statements solely to put pressure on you and Name. However, he may have been

serious and you and Name should weight this possibility in deciding how to proceed.

At the conclusion of the meeting, I informed Name that it was my understanding from Name that you would be interested in doing business on these basic terms. I further told Name that I would prepare a Letter of Intent setting forth the basic terms and conditions of transaction but that the Letter of Intent had to be reviewed and approved by you before I could submit it to him for signature. I told Name that I would prepare the Letter of Intent this morning, fax it to you for approval and have it for him at Time. However, because you were unavailable today, I was not able to meet this time schedule. Name came to my office and requested that I mail a copy of the Letter of Intent today and fax a copy in the morning. I intend to call him in the morning and explain that you were unavailable today.

Further, I told Name during our meeting yesterday that we would need a period of at least 30 days after the Letter of Intent was signed in order to conduct "due diligence" regarding this transaction before a Closing could be scheduled. This "due diligence" will include making sure that the Lessors have the right to lease the property, that Name has a valid lease which can be assigned to your company and that your company can obtain all permits and licenses for the mining of the humate. Obviously, you do not need the property if you cannot mine it.

Although I have prepared a draft of the Letter of Intent, I cannot complete it because I do not know who the "Buyer" is going to be. In order to avoid personal liability, the Letter of Intent and final Purchase Agreement need to in the name of "business". Hence, we are at the point that you and Name need to form some type of business entity and have your "investor" deposit some money in the business.

This money is needed for two purposes. First, Name expects that some amount of deposit will be made when the Letter of Intent is signed. Second, in order for me to proceed with the Letter of Intent and performing the legal work in connection with this transaction my law firm requires a retainer of \$ to cover anticipate legal fees and expenses. We will charge against this retainer at our billable rate of \$ per hour and will bill expenses at cost. If the actual cost of our services are less we will return any unused portion of the retainer. On the other hand, if fees and costs exceed \$ , we will expect to be paid monthly for any additional charges. While I will strive to complete this transaction as economically as possible that is a substantial amount of work to be done and it is likely that at least one trip to will be necessary. While \$ is a substantial sum of money, this is a \$ transaction you should be prepared to spend the necessary amounts to make sure the transaction is handled properly.

Please give these matters your consideration, and let me know how I should proceed regarding the Letter of Intent. I look to hearing from you soon.

Sincerely,

Name

by: Name