

# JOINT VENTURE AGREEMENT

## BETWEEN KOREAN PARTY AND FOREIGN PARTY

THIS AGREEMENT is made the \_\_\_\_ day of \_\_\_\_\_, 19\_\_, between Korean Party, a company organized and existing under the laws of Korea whose registered head office is located at \_\_\_\_\_, Korea(hereinafter referred to as "KP") and Foreign Party, a company organized and existing under the laws of \_\_\_\_\_ whose principal office is located at \_\_\_\_\_(hereinafter referred to as "FP").

WITNESSETH:

WHEREAS, KP manufactures and sells, inter alia, the Products as defined in Paragraph 1.1.1 hereinbelow;

WHEREAS, FP is a company engaged in, inter alia, the manufacture and sale of various kind of products;

WHEREAS, the parties hereto wish to cooperate in the manufacture and sale of the Products so as to take advantage of their respective experience and expertise in accordance with the provisions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, the parties hereby agree as follows:

### Article 1. Definitions

1.1 In this Agreement, the following expressions shall, unless the context otherwise requires, have the following meanings:

1.1.1 "the Products" shall mean the X Products and related products which are further specified in the schedule annexed hereto as Exhibit A.

1.1.2 "the Technical Assistance Agreement" ("TAA") shall mean the technical assistance agreement which will be entered into by and between KP and the JVC and agreed to by FP, in approved terms.

1.1.3 "the Trademark License Agreement ("TMLA")" shall mean the trademark license agreement which will be entered into by and between KP and the JVC and agreed to by FP, in approved terms.

1.1.4 "JVC" shall mean the joint venture company to be formed and incorporated pursuant to provisions of Article 3 hereof.

## Article 2. Purpose

2.1 The purpose of this Agreement is to provide for the establishment, ownership, and operation by the parties of a (type of company) company which will be named in English "\_\_\_\_\_", and in the language of Foreign Country "\_\_\_\_\_" (which company will hereinafter be referred to as the "JVC").

2.2 The purpose of the JVC will be to:

- a) engage in the manufacture, marketing, promotion, sale, export and distribution of the Products, including the leasing of facilities which may be needed to accomplish the foregoing;
- b) engage in any and all acts, things, businesses and activities which are related, incidental or conducive directly or indirectly to the attainment of the foregoing objects.

2.3 FP shall have primary responsibility in taking all steps required under the Foreign Country law to obtain the approvals and validations of the competent government agencies in form and substance acceptable to both parties for the agreements necessary to implement this joint venture.

## Article 3. Establishment of the JVC

3.1 Promptly upon receipt of all necessary government approvals for all agreements necessary to implement this joint venture in form and substance acceptable to both parties, the parties shall cooperate to establish the JVC in accordance with the laws of Foreign Country.

3.2 The JVC's Articles of Incorporation shall be as agreed to by the parties hereto and shall be in conformity with the terms and conditions of this Agreement, in approved terms. If any discrepancy is found between this Agreement and the JVC's Articles of Incorporation, the parties shall amend the Articles of Incorporation in accordance with this Agreement.

## Article 4. Capital Subscription

- 4.1 The total number of shares of common capital stock to be subscribed for by KP and FP when called for by the Board of Directors, but within \_\_\_\_\_ months from receipt of all necessary government approvals, shall be as follows:
- a) KP: \_\_\_\_\_ divided into \_\_\_\_\_ shares at \_\_\_\_\_ per share;
  - b) FP: \_\_\_\_\_ divided into \_\_\_\_\_ shares (including the shares of promoters other than KP and FP) at \_\_\_\_\_ per share.
- 4.2 Unless the parties agree in writing otherwise, KP and FP, and their respective transferees, will, throughout the life of the JVC, hold common shares in the JVC in the following ratio:
- a) KP: \_\_\_\_\_ percent (\_\_\_%);
  - b) FP: \_\_\_\_\_ percent (\_\_\_%).
- 4.3 Any shares of common stock subscribed for and accepted by KP or FP shall be paid in full in cash and/or in kind to the JVC.
- 4.4 Any shares issued by the JVC shall be common stock of one class, in non-bearer form evidenced by share certificates and with the full voting rights.
- 4.5 No additional shares of the JVC may be authorized or issued except upon the prior written agreement of KP and FP unless otherwise required by imperative law or the Articles of Incorporation of the JVC.

## Article 5. Promoters

- 5.1 KP, FP and \_\_\_\_\_ individuals designated by FP shall serve as the promoters of the JVC.
- 5.2 Each individual promoter designated by FP shall accept as nominee shareholder for FP no more than one share each by signing or adding his name and seal to the Articles of Incorporation of the JVC in accordance with applicable laws of Foreign Country.
- 5.3 The shares accepted by the promoters other than KP and FP shall be transferred to and become part of FP's shares immediately after the issuance of the JVC's share certificates.

## Article 6. Transfer of Shares

Neither of the parties shall pledge, sell, transfer, or otherwise encumber or dispose of all or any of its shares in the JVC without the prior written consent of the other party, provided that KP may transfer its shares in the JVC to any third party which controls KP, is controlled by KP, or is under common control with KP, without such consent of FP. For this purpose "control" shall mean the direct or indirect ownership of more than fifty (50) percent of the voting stocks of a corporate entity.

## Article 7. Preemptive Rights

KP and FP shall have preemptive rights in proportion to the number of shares held by each of them with respect to any new issuance of shares of the JVC.

## Articles 8. Meetings and Resolutions of Shareholders

8.1 The Board of Directors shall decide the time and place for convening all meetings of the shareholders except where \_\_\_\_\_ law provides otherwise.

8.2 All general meetings of shareholders shall be conducted both in English and the language of Foreign Country and all minutes of the general meeting of shareholders shall be prepared both in English and the language of Foreign Country. In the event of any conflict between the English and Foreign Country language versions of the minutes, the English language version shall prevail.

8.3 All actions and resolutions of the shareholders shall be adopted by the affirmative vote of a majority of the shares represented at the meeting where more than one-half of the total number of issued and outstanding shares of the JVC are represented unless otherwise required by this agreement or the laws of Foreign Country.

## Articles 9. Board of Directors

9.1 FP and KP will exercise their respective voting rights in the JVC and take such other steps as are necessary to insure:

- a) that the Board of Directors of the JVC shall consist of \_\_\_\_\_ members;
- b) that of such \_\_\_\_\_ members, \_\_\_\_\_ shall be nominated by KP and \_\_\_\_\_ shall be nominated by FP and that each party shall procure the nomination and election of me

members nominated by the other party.

c) that if either party wishes to change its nominated directors with or without cause the other party will vote accordingly; provided, however, that if such dismissal is without cause, the party proposing the dismissal shall indemnify and hold the JVC and the other party harmless from any and all damages and any other expenses that may arise from such action.

9.2 If the position of a director of the JVC becomes vacant for any reason, KP and FP agree to cause their shares to be voted to elect as director a person nominated by the party who nominated the director whose office is vacant.

9.3 The Board of Directors shall elect from its members two Joint Representative Directors of the JVC, one of whom shall be nominated by KP and the other shall be nominated by FP. Each party shall procure the nomination and election of the Joint Representative Director nominated by the other party.

9.4 The Joint Representative Directors shall implement the business policies, plans, budgets and the like of the JVC in accordance with the decision of the Board of Directors and shall be jointly responsible to the Board of Directors and shareholders for performance of their duties and responsibilities. The Joint Representative Director nominated by \_\_\_\_\_ shall also hold the title of President and the Joint Representative Director nominated by \_\_\_\_\_ shall also hold the title of Executive Vice-President.

9.5 The Board of Directors shall appoint such other officers as it considers necessary and appropriate to operate the JVC. Such officers shall report on a regular basis to both of the Joint Representative Directors.

9.6 Meetings of the Board of Directors may be called at the request of either Joint Representative Director when he deems the same to be necessary or advisable, or when any two directors so request.

9.7 Unless otherwise required by law or this Agreement, all actions and resolutions taken by the Board of Directors shall be adopted by a majority of all directors. Meetings of the Board of Directors will be conducted in English and the language of Foreign Country and minutes recorded in English and such Foreign Country language. The English language version shall prevail in the event.

9.8 No member of the Board of Directors, including the chairman of the Board of Directors' meeting, shall have the right to cast a tie-breaking vote and a provision shall be included in the Articles of Incorporation to that effect.

## Articles 10. Basic Corporate and Operating Policies

The parties are in agreement on the following corporate and operating policies. The parties agree to vote their shares and cause their nominated Directors and other representatives to effectuate such policies during the continuance of this Agreement:

10.1 The parties shall own the entire issued capital of the JVC.

10.2 The general policies of the JVC regarding the salaries, bonuses and other emoluments of directors and employees of the JVC shall be reviewed annually by the parties in consultation with the directors of the JVC and general practice current in Foreign Country shall be taken into consideration. Non-standing directors will not receive any remuneration unless otherwise agreed upon. Directors' compensation and severance pay shall be determined in accordance with regulations adopted by the shareholders.

10.3 The annual financial statements of the JVC will be subject to annual audit by the independent public accountants of the JVC selected by mutual agreement of the parties hereto. The JVC will issue to the shareholders on a semi-annual basis and within \_\_\_\_\_ days of the end of the relevant month, financial statements together with a report on operations for the period covered by the financial statements, all of which shall be submitted in both English and the language of Foreign Country at the JVC's expense.

## Articles 11. Accounting and Auditing

1.1 The books and records of the JVC shall be maintained in accordance with generally accepted accounting principles of Foreign Country and KP's administrative guidance and requirements and shall accurately reflect the JVC's financial position. Such records and supporting documents shall be available for inspection by either party, or its designee at all reasonable times. Either party may request an audit of such records by an independent public accountant of their selection, other than the independent public accounting firm used by the JVC for its annual audit, at the expense of the requesting party.

1.2 The parties hereto agree to cause the books and records of the JVC to be audited at the end of each fiscal year during the term of this Agreement by an independent public accounting firm of the JVC. Such firm of accountants shall yearly provide the parties with a financial report in English and the language of Foreign Country in accordance with generally accepted accounting principles of the Foreign Country. Copies of such Annual Audits shall be provided to both parties hereto at the JVC's expense.

Subject to the approval of the meeting of shareholders such Annual Audits shall be final and binding upon the parties as to the revenue, costs, fees, expenses, losses and profits of the JVC, absent manifest error or fraud.

## Article 12. Technical Assistance and Trademarks

12.1 KP shall provide technical assistance and a patent license to the JVC under the terms of the TAA to be agreed to by the parties, subject to appropriate Government approval. KP shall also grant a trademark license to the JVC under the terms of the TMLA to be agreed to by the parties.

12.2 Immediately following incorporation of the JVC, the parties shall cause the JVC to enter into the TAA and TMLA referred to in Paragraph 12.1 hereinabove.

## Article 13. Term

This Agreement shall continue in effect so long as both parties hold any shares in the JVC unless earlier terminated pursuant to Article 14 hereinbelow.

## Article 14. Termination

Notwithstanding the foregoing, this Agreement may be terminated forthwith upon the sending of notice in writing upon the occurrence of one or more of the following events:

- a) by either party, if this Agreement as well as all related agreements have not been approved by the relevant authorities in form and substance acceptable to such party within \_\_\_\_\_ months from the date this Agreement is signed by both parties;
- b) by the other party, if either party shall commit a breach of any of its obligations under this Agreement which it shall fail to remedy within \_\_\_\_\_ days from written notice being given requiring that breach to be remedied;
- c) by the other party, if either party shall be or become incapable for a period of \_\_\_\_\_ days of performing any of its obligations under this Agreement because of any event covered by Article 18 hereof;

- d) by the other party, if either party or its creditors or any other eligible party shall file for that party's dissolution, liquidation, bankruptcy, reorganization or compulsory composition or if that party has entered into dissolution, liquidation, bankruptcy, reorganization or compulsory composition or if that party is unable to pay any debts as they become due, has explicitly or implicitly suspended payment of any debts as they become due (except those debts which are contested in good faith) or has liabilities which exceed its assets, or if the creditors of that party have taken over its management or if the relevant financial institutions have suspended that party's clearing house privileges or if any material or significant part of that party's undertaking, property or assets shall be expropriated or confiscated by action of any government;
- e) by KP, if any agreements entered into for the purpose of implementing this joint venture, including but not limited to the TAA and TMLA, are terminated for any reason other than KP's breach.
- f) by KP, if its common share equity in the JVC falls below \_\_\_\_\_ percent of the issued and outstanding common stock of the JVC for reasons other than KP's voluntary sale or transfer of the shares.

## Article 15. Consequences of Termination

- 15.1 Termination of this Agreement shall be without prejudice to the accrued rights and liabilities of the parties at the date of termination, unless waived in writing by the mutual agreement of the parties.
- 15.2 The parties shall have the option to have their name or names and/or their trademarks or other distinctive designations removed from the name of and from use by the JVC. If either party opts to have its name so removed, the other party shall take all steps necessary to remove the name, trademark or trade name of or any reference to the party so opting, or the language of Foreign Country equivalent of such party's name, as appropriate. FP agrees that upon KP's request, FP shall immediately return to KP the proprietary information which is covered by any of KP's technical know-how, patents or other industrial property rights and reproductions or copies thereof or other written documents relating thereto and retain no reproductions or copies.
- 15.3 If this Agreement is terminated for any reason, the parties may agree in writing to a sale of the shares of one party to the other party or its designee, at the fair market value; however, if the parties do not agree to such an arrangement within \_\_\_\_\_ days of t

he effective date of the termination of this Agreement, the parties shall cause the JVC to be duly dissolved and liquidated.

15.4 "Fair market value" for purposes of this Agreement is defined as the price per share as agreed upon by the parties hereto or in the event the parties are unable to so agree within a period of \_\_\_\_\_ days, the price per share as determined by the independent public accountants of the JVC, which determination shall be final and binding on the parties.

#### Article 16. Non Waiver/Other Remedies

16.1 Failure of either party to insist upon the strict and punctual performance of any provision hereof shall not constitute waiver of or estoppel against asserting the right to require such performance, nor should a waiver or estoppel in one case constitute a waiver or estoppel with respect to a later breach whether of similar nature or otherwise.

16.2 Nothing in this Agreement shall prevent a party from enforcing its rights by such remedies as may be available in lieu of termination.

#### Article 17. Unenforceable Terms

In the event any term or provision of this Agreement shall for any reason be invalid, illegal or unenforceable in any respect such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement and this Agreement shall be interpreted and construed as if such term or provision, to the extent unenforceable, had never been contained in this Agreement.

#### Article 18. Force Majeure

18.1 The failure or delay of either party hereto to perform any obligation under this Agreement solely by reason of acts of God, acts of government (except as otherwise enumerated herein), riots, wars, strikes, lockouts, accidents in transportation or other causes beyond its control shall not be deemed to be a breach of this Agreement; provided, however, that the party so prevented from complying herewith shall continue to take all actions within its power to comply as fully as possible herewith.

18.2 Except where the nature of the event shall prevent it from doing so, the party suffering such force majeure shall notify the other party in writing within \_\_\_\_\_ days after the

occurrence of such force majeure and shall in every instance, to the extent it is capable of doing so, use its best efforts to remove or remedy such cause with all reasonable dispatch.

#### Article 19. Disclaimer of Agency

This Agreement shall not be deemed to constitute either party the agent of the other party hereto, nor shall it constitute the JVC an agent of either party hereto.

#### Article 20. Arbitration

All disputes, controversies, or differences which may arise between the parties, out of or in relation to or in connection with this Agreement, or for the breach hereof, shall be finally settled by arbitration before three (3) arbitrators under the Rules of Commercial Arbitration and Conciliation of the International Chamber of Commerce in \_\_\_\_\_.

Each party shall be entitled to nominate one arbitrator and the arbitrators selected by FP and KP shall mutually agree upon the selection of the third arbitrator. The arbitration proceeding shall be conducted in English. The results of such arbitration shall be conclusive and binding upon the parties, and shall be enforceable in any court having jurisdiction over the party against whom the award was rendered.

#### Article 21. Assignability

This Agreement and each and every covenant, term and condition hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assignees, but neither this Agreement nor any rights or obligations hereunder shall be assignable directly or indirectly by either party hereto without the prior written consent of the other party except for an assignment by KP to its affiliate.

#### Article 22. Expenses

Each party shall bear its own attorney fees and other expenses incurred to obtain approval for the establishment of the JVC, and shall hold the other party harmless for any such charges.

## Article 23. Agreement with JVC

As soon as reasonably possible after the execution of this Agreement, the parties hereto and the JVC shall execute a supplemental agreement whereby the terms and conditions of this Agreement become enforceable by and against the JVC as if it were an original signatory hereto.

## Article 24. Implementation of the Agreement

24.1 Each party undertakes to carry out this Agreement in good faith and to respect the spirit as well as the letter of its provisions.

24.2 Each party warrants and represents to the other party that it has no outstanding commitments or obligations which would impede its ability and right to enter into this Agreement and/or fulfill its obligation hereunder except those which have been disclosed at the time of execution of this Agreement.

24.3 Each party agrees to hold the other party harmless and to indemnify the other party against any and all liabilities, losses, costs, damages, finder's fee, commissions and/or expenses which either of them may sustain by reason of the breach or alleged breach of the foregoing warranty and representation in Paragraph 24.2.

24.4 Each party agrees that neither of them nor their parent companies, subsidiaries or affiliated companies shall undertake any activities, whether pursuant to a joint venture arrangement, technical assistance or otherwise which shall compete directly, in the opinion of the other party, with the activities of the JVC in the Foreign Country.

24.5 The parties agree to enter into and execute any and all such further agreements, documents and the like as may be necessary or beneficial to carry out the purposes of this Agreement.

24.6 All obligations of each party to the JVC under this Agreement shall be deemed to be obligations to the other parties as well.

## Article 25. Enforcement Costs

Each party hereto agrees to pay and discharge all reasonable costs, attorney fees and expenses (including, but not limited to the costs of litigation or arbitration) that are incurred by the

other party in enforcing the terms of this Agreement; provided that such other party shall prevail in such proceedings.

#### Article 26. Notice

26.1 Any notice required or permitted to be given hereunder shall be in writing and may be given by personal service, registered airmail, or by cable or telex if confirmed on the same day in writing by registered airmail, with postage fully prepaid to the following addresses:

To KP at:  
Attention:  
Telex No.:  
Answerback:  
Cable Address:

To FP at:  
Attention:  
Telex No.:  
Answerback:  
Cable Address:

26.2 Any notice so given shall be deemed to be received if by letter: (a) upon receipt, or fourteen (14) days after posting, whichever is less, for airmail sent between Korea and Foreign Country or any other country, or (b) upon receipt or seven (7) days after posting, whichever is less, for mail sent within Korea, Foreign Country or any other country; or if by telex or cable: forty-eight (48) hours after dispatch.

26.3 To prove service of notice, it shall be sufficient to prove that a letter, telex or cable containing the notice was properly addressed and properly dispatched or posted.

#### Article 27. Language

This Agreement is written in the English language and executed in two (2) counterparts, each of which shall be deemed an original. The English language text of this Agreement shall prevail over any translation thereof.

#### Article 28. Governing Law

This Agreement shall be interpreted in accordance with and governed by the substantive laws of \_\_\_\_\_.

#### Article 29. Effective Date

This Agreement shall come into effect upon the date both parties hereto have added their signatures or names and seals.

#### Article 30. Entire Agreement

30.1 This Agreement supersedes all previous representations, understandings or agreements, oral or written, between the parties with respect to the subject matter hereof, and together with the exhibits hereto and the agreements and documents contemplated hereby contains the entire understanding of the parties as to the terms and conditions of their relationship.

30.2 Terms included herein may not be contradicted by evidence of any prior oral or written agreement or of a contemporaneous oral or written agreement.

30.3 No changes, alterations or modifications hereto shall be effective unless in writing and signed by authorized representatives of both parties and, if required, upon approval by competent government authorities of each party.

30.4 Headings of Articles in this Agreement are for convenience only and do not substantively effect the terms of this Agreement.

IN WITNESS WHEREOF, the authorized representative of the parties hereto have set their hands or their names and seals, the day and year first above written.

KOREAN PARTY

By \_\_\_\_\_

Name:

Title:

FOREIGN PARTY

By \_\_\_\_\_

Name:

Title: