



Dear Sirs

The new local regulation in Libya now dictate that all foreign companies must be associated with Libyan Business Partner(s) in order to conduct any form of business in Libya. Such an association may be achieved under various legal formats, however, it is necessary and essential so as to allow any foreign company to conduct business in Libya.

This was therefore the guiding principle in establishing Kemma Holdings Corporation "KHC", a private Holdings Company. Under KHC's Memorandum of Association the founding shareholders retained the 49% of the shares and the remaining 51% were released in a public offering.

A broad definition of a " Holding Company "

A HOLDING COMPANY, is a legal entity which owns enough voting stock in another corporation, either by buying shares of an exiting company or by establishing a new one, so as to influence the decision of the board of directors and therefore to control its policies and management. A holding company needs neither to own a majority of the shares of the controlled companies nor to be engaged in similar activities. However, the holding company can benefit from tax consolidation, such as tax-free dividends to the holding company as well as the ability to group operating losses from the comprising entities.

Also, the holding company is characterized by its ownership of securities (generally common stock) of other companies for the purpose of influencing the management of those subsidiary companies, rather than for investment or other purposes.

Some holding companies, often called "pure" holding companies, confine their operations to owning and managing other firms, whereas other holding companies are themselves operating companies.

The holding company, depending upon certain circumstances, offers financial, administrative, and legal advantages over other forms of business organizations. It usually has better access to securities markets than do the comprising operating companies individually, making it easier to secure the capital necessary to conduct large-scale operations.



Pyramiding—the use of a number of holding companies placed on top of each other—especially when combined with a heavy reliance on borrowed funds at each level, permits business organizers to acquire control of a large volume of assets with relatively little investment.

Why Holding Company

The reason that we opted for a Holdings Company is that this is the type of company that under Libyan law can establish other subsidiary companies (foreign or domestically based) whose shareholders can be either local and/or foreign partners (individuals or companies).

Furthermore, our past experience indicated that the cost which foreign companies must incur so as to open their own branch in Libya, is relatively high, while the venture is not secured since no business contract may be signed until the foreign company's local branch office is legally established. The above amount represents only the cost of the company's legal existence and registered office establishing and excludes any mobilization costs. It should furthermore be taken into consideration that operating expenses for a foreign company branch will be more than \$50,000 a monthly (inclusive of office rental, salary of foreign staff and other operation expense items). To these costs, one should add the local taxes.

However, by establishing a Joint Venture Company the cost is minor and also NO LARGE MONETARY INVESTMENT IS REQUIRED UNTIL THE BUISNESS CONTRACT IS SIGNED. Furthermore, the rights of the foreign company are wholly protected by Libyan law.

Business Opportunities

Current market indications predict that the Libyan Oil Sector will exhibit an impressive expansion growth with enormous business opportunities in the near future. We strongly believe that KHC in association with a reliable foreign partner company can acquire a sizable share of this sector. KHC therefore maintains the most stringent evaluation processes before accepting a foreign partner's application for partnership.

An initial level of evaluation of, “+++++++”, is positive and we concur to initiate with them a Memorandum of Understanding (MOA), which is a principal agreement of association. Furthermore, we will continue our investigation for the most cost effective method to establish a Joint Venture Company with them.

**Sincerely
KHC Management**



OUTLINES OF ACTIONS For Establishing Joint Venture Company

Required documents from the Partner

Concerned partner must provide initially the following documents:

1. Company profile in English with a cover letter clearly stating its willing to enter into joined venture business with Kemma Holding Corporation in Libya.

Upon receipt of the above, KHC will examine the received documents, evaluate the suitability of the endeavor in accordance with local laws and regulations and inform applicant/Partner if qualified for the establishment of a Joint Venture Company. Upon positive evaluation both KHC and partner will proceed with

2. Foreign Partner (Company) sends Hard copy of same Company Profile translated to Arabic, and stamped by the Libyan Peoples Bureau in the Partner's Country.
3. Foreign Partner (Company) and KHC signs a Memorandum of Understanding (MOU). The MOU is a legally bounding document whose intention is to protect the rights of both parties, in case either decides not to proceed with the establishment of the joined venture Company. Strict penalty clauses will stipulate the financial compensation of the injured party.

Upon completion of the above MOU, both KHC and the Foreign Partner (Company) will proceed for discussing and signing the Draft Agreement; then

KHC will proceed with:

1. Process the paperwork for establishing the new JV/Company (Name and Logo to be agreed upon, in due course, by both KHC and its partner).

Then KHC will

- a- Obtain the temporary JV/Company license
- b- Open a banks account under the name of the newly temporarily licensed company with two signatures KHC and FP/C



Estimated Cost \$XX,000 to \$XX,000 (FP/C is to pay its share only amount to be transferred to KHC account after signing the MOA

Upon Completion of (1) above, Then KHC will

- 2. Establish the new company working Office**
Estimated Cost
 - a. Alternative A- Rental \$X,000 to \$X,000 Monthly (\$X,000 to \$XX,000/Y)
 - b. Alternative B- Owning \$XXX,000 to \$XXX,000 (Recoverable, no risk)
- 3. Office Operating expenses per year \$XX,000 inclusive of Offices rental**

Upon Completion of (2) and (3) above, Then

- 4. Business Contracts**
KHC in association with the newly established JV/Company will source the business opportunities in the local market and assist to secure such contracts

KHC and FP/C Risk areas are:

- 1. The approx \$XX,000 to \$50,000 for establishing the JV/Company item (1)**
- 2. The approx \$XX,000 Office Operating Expenses Item (3) for the first year**

If owning the operating office is the choice, then no risk is involved regarding the \$XXX,000 to \$XXX,000 as the money is recoverable.

Real costs are always subject of the nature of business

Sincerely

KHC Management