

APPENDIX 1B

LETTER OF INTENT/TERM SHEET

ASSETS TRANSACTION

<Date>

<Seller>

<Address of Seller>

<Shareholder(s) of Seller>

<Address of Shareholder(s) of Seller>

Re: Acquisition of the Business and Assets of Seller

[Gentlemen] [Ladies and Gentlemen] [Dear _____]:

This letter outlines the basic terms and conditions on which <Name of Buyer>, a <State>

corporation, or an affiliate ("Buyer"), would purchase and acquire from <Name of

Seller>, a <State> corporation ("Seller"), all of its assets and business ("Contemplated Transaction").

1. Purchase and Sale of Assets. At the Closing of the Contemplated Transaction, Buyer would purchase, receive and acquire from Seller, and Seller would sell, transfer and assign to Buyer, free and clear of all liens, claims and encumbrances of any nature, all of Seller's business ("Business") and all of its assets ("Acquisition Assets"), including:

- those assets reflected on the <Date> balance sheet of Seller ("Acquisition Balance Sheet"), excluding any disposed of in the ordinary course of business between the date of the Acquisition Balance Sheet and the Closing,
- all cash, cash equivalents and accounts and notes receivable,
- all inventories of raw materials, finished goods and work-in-process,
- all supplies, furniture and fixtures, machinery and equipment,
- all real property and improvements thereon and interests therein,
- all rights under leases, purchase orders and other contracts, and
- all trademarks, trade names, copyrights, know-how, patents, patent applications and other intangible assets,

owned or used by Seller in its business.

2. Purchase Price. The purchase price for the Acquisition Assets would be \$<Amount>

- with \$<Amount> payable in immediately available funds at the Closing, and
- balance payable by Buyer's execution and delivery of its non-negotiable [subordinated] promissory note payable to Seller in the principal amount of \$<Amount>, bearing interest at the rate of __% per annum, with principal payable in __ equal [quarterly, monthly, annual] installments of \$<Amount> each, together with interest on the unpaid principal balance, the first such installment to be payable on the _____ day following the Closing, and the final such installment due on the <Number> anniversary of the Closing. [The promissory note would be subordinate to all other indebtedness of Buyer for borrowed money].

3. Assumption of Certain Liabilities. Effective as of the Closing, Buyer would assume Seller's current liabilities incurred in the ordinary course of business and reflected on the Acquisition Balance Sheet (adjusted to reflect changes therein occurring in the ordinary course of business between the date of the Acquisition Balance Sheet and the Closing), but excluding any tax liabilities, product liabilities, liabilities for breach of contract, liabilities under environmental and similar laws, liabilities for breaches of product warranties or similar liabilities reflected thereon ("Assumed Liabilities"). Buyer would not assume, and Seller would retain, pay, discharge and perform, in full, all other debts, obligations and liabilities of Seller, known or unknown, fixed, contingent or otherwise, arising out of, or resulting from, Seller's ownership or operation of the Business or the Acquisition Assets prior to the Closing, or otherwise.

4. Agreement Not to Compete. Seller [and the shareholder/chief executive officer/other key employees/shareholders] would agree not to compete with Buyer, directly or indirectly, in the Business for a period of <Number of Years> years following the Closing.

5. Definitive Agreement. The legal obligations of the parties with respect to the purchase and sale of the Acquired Assets outlined in this letter would be contained in a definitive assets purchase agreement ("Definitive Agreement") entered into by Buyer, Seller and [all/controlling shareholders] of Seller ("Shareholders"). In addition to the basic terms and conditions outlined in this letter, the Definitive Agreement would contain terms and conditions customary in transactions of the type contemplated herein, including, without limitation:

- full, joint and several representations and warranties by Seller and the Shareholders with respect to the Acquisition Assets, Seller, and Seller's liabilities, financial condition, business operations and prospects, and
- provisions for Seller's and the Shareholder's joint and several indemnification of Buyer from and against any liabilities incurred by Buyer with respect to the breach of any covenant, representation or warranty made by Seller in the Definitive Agreement and Seller's ownership or operation of the Business or Acquisition Assets prior to Closing (except for the Assumed Liabilities).

In addition to the customary conditions to Buyer's obligation to consummate the Contemplated Transaction, the Definitive Agreement would provide that Buyer's obligation is conditional on:

- Buyer obtaining the proceeds of acquisition financing sufficient to effect the contemplated transaction on terms and conditions acceptable to it, and
- Buyer and Seller obtaining all governmental approvals in connection with the Contemplated Transaction, including expiration of the waiting period with respect to a filing by the parties under the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended ("HSR Act Filing"), which would be made by the parties at least <Number of Days> days following the execution of this letter.

6. Closing. Consummation of the Contemplated Transaction ("Closing") would occur on <Date>, but in no event later than <Date> ("Closing Date").

7. Expenses. Each party will pay its own expenses incurred in connection with the Contemplated Transaction, including, without limitation, all expenses incident to the negotiation, preparation and performance of the Definitive Agreement. The HSR Act Filing fee will be paid one-half by Seller and one-half by Buyer, at the time of filing.

8. Access to Information; Buyer's Investigation. From the date hereof through the date of execution of the Definitive Agreement, Seller and the Shareholders will provide Buyer and its attorneys and other representatives with all records and information relating

to the business, assets, and affairs of Seller as may be requested, and will permit Buyer and its attorneys and other representatives access to all properties, premises, books, accounts, records and documents of Seller. Upon Seller's and the Shareholders' execution of this letter, Buyer's representatives will commence a customary purchaser's due diligence investigation of Seller.

9. No Negotiation; No Disclosure. In consideration of the time and effort expended by Buyer in reviewing and considering the possibility of entering into the contemplated transaction, Seller and the Shareholders agree that they will not, individually, or collectively, directly or indirectly, (a) entertain, encourage, solicit or accept offers or proposals by any third party with respect to the purchase, sale or other disposition of the Acquisition Assets or the sale, acquisition, or other disposition of Seller, its assets, business, or subsidiaries, or negotiate or discuss, or enter into any agreements or understandings, or otherwise communicate with any third party regarding any such transaction, for a period of 90 days following Seller's and the Shareholders' execution of this letter, or (b) disclose or otherwise communicate the existence or terms and provisions of this letter, or the existence of discussions or negotiations between Seller, Buyer, and the Shareholders, or the Contemplated Transaction itself, at any time, to any other party, without the prior written consent of Buyer.

10. Confidentiality Obligations. That certain Confidentiality Agreement among the parties dated <Date> ("Confidentiality Agreement") shall continue to be binding upon the parties in accordance with its terms.

The purpose of this letter is to memorialize the parties' expression of interest in the Contemplated Transaction and to outline the basic terms and conditions of such a transaction as proposed at this date, based solely on discussions between the parties and on information provided by them through the date hereof. This letter does not constitute an offer by Buyer, nor is it a binding agreement between the parties except as otherwise expressly set forth herein. The legal obligations of the parties with respect to the Contemplated Transaction will be contained solely in the Definitive Agreement to be negotiated and executed by the parties. However, the parties agree that the provisions of Sections 7, 8, 9 and 10 of this letter shall constitute their valid and binding obligations, and the valid and binding obligations of their respective heirs, successors, assigns, and personal representatives, upon execution of this letter by Seller and the Shareholders.

If the terms and conditions of the Contemplated Transaction outlined in this letter reflect our discussions to date and are acceptable to you, please so indicate by executing and returning the enclosed duplicate original of this letter to Buyer at the address shown hereon, attention <Name and Title> by 5:00 p.m. on <Date>. If the duplicate letter is not fully executed and returned by that time, it, and the proposal contained in it, are void and may not be accepted thereafter.

Very truly yours,

x_Corporation_Name_x

By:

Title:

("x_Defined_name_x")

ACCEPTED AND AGREED:

<Name of Seller>

By: _____

<Name and Title of Executing Agent>

<Shareholder's Name>

<Shareholder's Name>

<Corporate Shareholder's Name>

By: _____

Name and Title of Corporate

Shareholder's Agent

Date: _____