

March 31, 2010

Mr. I. M. Co-Founder, President
Target Company, Inc.
1234 Garage Court
Palo Alto, CA 94301

Dear Mr. Founder:

This letter (the "Letter of Intent") sets forth the proposed principal terms for the acquisition by Strategic Purchaser, Inc. a Delaware corporation, either directly or indirectly through a subsidiary or an affiliated entity (collectively, the "Buyer"), of the assets of Target Company, Inc., a California corporation (the "Seller"), described in the attached Exhibit A (the "Transaction"). The principal terms are as follows:

- (1) Buyer and Seller will negotiate diligently and in good faith, prepare and execute a mutually acceptable purchase agreement (the "Purchase Agreement") for the Transaction containing, among other things, the terms and conditions summarized in Exhibit A and certain representations, warranties, covenants, indemnities and conditions which are customary for transactions of this kind. Upon its execution, the Purchase Agreement shall supersede and replace this Letter of Intent. The Purchase Agreement shall provide for a closing on or before May 31, 2010, or such other date as shall be mutually acceptable to Buyer and Seller.
- (2) For a 45-day period commencing on the date that this Letter of Intent is countersigned by the Seller, the Seller will deal exclusively with the Buyer in connection with (i) a capital investment whether in the form of a purchase or other acquisition of any capital stock of the Seller or the extension of any loan or other credit facility, (ii) the purchase, exchange, or other acquisition of all or any substantial part of the assets, business or stock of the Seller, or (iii) any proposal for a merger, consolidation or reorganization involving the Seller (collectively, a "Liquidation Transaction"). In furtherance thereof, during such period, the Seller will not, and will not permit any of the Seller's officers, directors, employees or representatives to, directly or indirectly, through any representative or otherwise, solicit or in any manner encourage any proposal from any other person or entity relating to a Liquidating Transaction (other than sales of inventory or purchases of raw materials or other supplies in the ordinary course); and neither Seller nor any of its officers, directors, employees or representatives, directly or indirectly, through any representative or otherwise, will negotiate with or enter into any agreements or understandings with any other person with respect to any such Liquidating Transaction.
- (3) For purposes of permitting Buyer to conduct its due diligence investigation which is customary in transactions of this kind, Seller will afford to Buyer reasonable access to the Seller's business, including its employees, vendors, customers, properties, contracts, books and records and all other documents and data during the 45-day period commencing from the date that this Letter of Intent is countersigned by the Seller. All inquires by Buyer will be done in a reasonably confidential and discreet manner, and Buyer will not contact any employees, vendors or customers of Seller without first obtaining Seller's consent. Buyer may disclose such information only to Buyer's financial, legal and other professional advisors. Subject to the foregoing, except as and to the extent required by law, Buyer will not disclose or use, and will direct its representatives not to disclose or use to the detriment of the Seller, any Confidential Information (as defined bellow) furnished, or to be furnished by the Seller or its representatives to Buyer or its representatives at any time or in any manner other than in connection with its evaluation of the Transaction. For purposes of this Paragraph, "Confidential Information" means any information about the Seller's business, operations and plans except for such information that is already known to Buyer or its representatives or such information that becomes publicly available through no fault of Buyer or its representatives. Upon written request of Seller, Buyer will

promptly return to Seller or destroy all Confidential Information in its possession and certify in writing to Seller that it has done so.

- (4) Neither party has employed a broker or finder in connection with the Transaction and no broker's or finder's fee is or will be payable by either party with respect thereto.
- (5) This letter is intended to be a guide in the preparation the Purchase Agreement. This letter does not preclude other mutually satisfactory provisions from being included in the Purchase Agreement. Seller and Buyer agree to negotiate in good faith, to respond promptly in such negotiations, and to use their commercially reasonable efforts to prepare and execute the Purchase Agreement and to obtain necessary governmental or third party approvals as soon thereafter as possible.
- (6) This letter and any amendments to it may be executed and delivered electronically via facsimile or in PDF via the internet. This letter of intent will become effective upon execution by all the parties.
- (7) Either party may terminate this Letter of Intent by written notice to the other if the Purchase Agreement shall not have been executed and delivered by May 1, 2010, and provided further that such party is not in default or otherwise in breach of any of its obligations under this Letter of Intent.
- (8) Although the parties intend to negotiate diligently and in good faith additional terms and conditions for the Transaction, this Letter of Intent does not constitute and will not give rise to any legally binding obligation on the part of the parties hereto to complete the Transaction unless and to the extent expressly provided in the Purchase Agreement if executed by the parties; provided, however, paragraphs (2) through (8), which are intended to be binding upon the parties. Moreover, except as expressly provided in the foregoing binding paragraphs, no past, or future action, course of conduct or failure to act relating to the Transaction, or relating to the negotiation thereof or of the Purchase Agreement, will give rise to or serve as a basis for any obligation or other liability on the part of Buyer or Seller, or their respective officers, directors, shareholders, partners, employees, agents or representatives, to the other party.

Yours very truly,

_____, Inc.

By: _____
Name: _____
Its: _____

The foregoing is accepted and agreed to in all respects as of April____, 2010. The undersigned represent that he is duly authorized to sign this document on behalf of the entities identified below.

Target Company, Inc.

By: _____
Name: I. M. Co-Founder, President

EXHIBIT A

Letter of Intent from Strategic Purchaser, Inc., to Target Company, Inc., dtd March 31, 2010

Summary of Terms

Assets: Buyer will acquire all the assets used by Seller to conduct the business of the Seller, whether or not those assets are reflected on the books and records of the Seller, excluding cash, cash equivalents (including any amounts earned by Seller through the Closing with respect to vendor/supplier rebate programs).

Liabilities: Buyer will not assume or be responsible for any liabilities of the Seller except for liabilities related to customer contracts that are transferred at the closing of this Transaction.

Purchase Price: Buyer will pay Seller as follows-

Cash at Closing: \$20,000,000.00

Post-closing Adjustment: Plus or minus an adjustment to reflect any increase or decrease in the amounts defined in (4) below.

Buyer to be responsible for any applicable State of California, county or local sales and/or use tax.

Buyers Conditions

To Closing: Subject to the following conditions and any other customary conditions to which the parties mutually agree:

- (1) Seller shall provide Buyer with access to Seller's records and any other pertinent documents related to its business in accordance with paragraph (3) of the Letter of Intent for Buyer to determine, in Buyer's sole discretion, prior to signing the Purchase Agreement, whether to proceed with closing the Transaction or terminate the Transaction.
- (2) There shall have been no material adverse change in accounts receivables, inventories, other current assets and fixed assets, compensation structure, customer contracts or relations, employee relations, operations, prospects or overall financial conditions of Seller until the closing from that reflected in Seller's financial statements and other records that have been provided to Buyer by Seller. Buyer shall be entitled to continue to receive financial information from Seller from the date hereof until the closing.
- (3) Seller shall operate the business in the ordinary course from the date hereof until the closing. Seller will not sell or otherwise dispose of any fixed assets, whether or not written off, or enter into any material contracts without the consent of the Buyer, except for such transactions in the ordinary course of Seller's business.

- (4) The purchase price will be adjusted for the change in assets (consisting of accounts receivable, inventory, other current assets and fixed assets) from the February 28, 2010, amounts as presented on management financial reports compared with the management financial reports as of the closing date. Those management reports will be prepared in accordance with GAAP and in a manner consistent with the Seller's past accounting practices. The parties shall pay any increase or decreases in the purchase price amount as a result of the forgoing adjustment within 10 business days of acceptance by the parties of the closing date management report to be prepared by Buyer and provided to Seller not later than 90 days after the closing of the Transaction.
- (5) Messrs. Co-Founder and Chief Technical Officer each will execute mutually agreeable non-compete agreements prohibiting them from participating in any business that competes with Seller's business. Participation shall be defined as having an equity or debt interest in a competing business or soliciting or accepting business from any current customer of Seller, or any entity that becomes a customer of the Seller's business prior to the closing. The non-compete shall not be construed to prohibit consulting of a technical, non-marketing related nature, or owning less than 1% of the stock of a competing business that is publicly-held.
- (7) Any and all required consents, approvals and waivers required under any material contract which binds the Seller or local, state or federal regulation which materially affects Seller's business shall have been obtained in writing by Seller and furnished to Buyer.
- (8) Seller shall have delivered evidence reasonably satisfactory to Buyer that Seller's assets will be, at closing, free and clear of all liabilities, liens, encumbrances, security interest, or rights of others except those that secure obligations created by Buyer or assumed by Buyer.

Indemnity: For a period commencing with the closing of the Transaction and ending on first anniversary of the closing of the Transaction, the significant shareholders of Seller will indemnify and hold Buyer harmless from any liabilities exceeding \$50,000 in the aggregate, caused by (x) the operation of the business of the Seller prior to closing of the Transaction, or (y) breaches by Seller of covenants or inaccuracies of representations of Seller contained in the Purchase Agreement, provided that the shareholders' maximum liability to Buyer will not exceed 20% of the total consideration received by them under the Transaction, except that the obligation of such shareholders to indemnify Buyer for matters relating to good and marketable title to the assets sold to Seller, collectability of Seller's accounts receivable, income tax related matters, and environmental matters covered under either clauses (x) or (y) or for intentional misrepresentations will not be subject to the foregoing liability limitation. For environmental matters covered under either of those clauses, Buyer and the indemnifying shareholders will negotiate a different liability limitation in connection with the preparation of the Purchase Agreement.

Buyer will indemnify and hold Seller (and its shareholders, directors, officers, employees and representatives) harmless from any liabilities caused by the operation of the business after the closing of the Transaction or breaches by Buyer of covenants or inaccuracies of representations of Buyer contained in the Purchase Agreement.

Employees: Buyer will offer employment to Chief Technical Officer, Vice President of Sales, and General Manager to continue in their current positions, at minimum base salaries equal to their respective last year's total compensation amounts, together with stock options and performance bonus programs, all as to be agreed to by Buyer and each such employee prior to the closing of the Transaction.