

STRICTLY CONFIDENTIAL
VIA FACSIMILE (123) 456-7890

01/11/2011
Mr. Bob Roberts
President and Chief Executive Officer
ABC Company, Inc.
123 Main Street
Anytown, USA 12345

Re: Proposal Regarding Acquisition of Assets of ABC COMPANY, INC.

Dear Mr. Roberts:

Hi-Technology Corporation, a California corporation (“Hi-Tech”), is pleased to submit to you this preliminary, non-binding proposal (the “Proposal”) to acquire all the assets of ABC Company, Inc. (“ABC”), other than actual cash in the company at the date of closing. We have been impressed by the ABC’s technical accomplishments and team, and its strong dedication to success.

We are prepared to explore a potential transaction with ABC. To that end, we have assembled a team of senior management to focus on the successful execution of this process. Moreover, we have a track record of successful acquisitions, having completed numerous strategic acquisitions over the past several years. Although the past is of course no guarantee of the future, we have closed every previous acquisition transaction that reached the stage of a signed definitive agreement.

Our Proposal is as follows:

i. Consideration. Based on the information we have received to date, Hi-Tech’s good faith estimate of the purchase price for the Assets (as defined below) is currently \$ ___ USD. Our preliminary estimate may change if additional diligence provides us with a better understanding of ABC’s technological progress, intellectual property development, and the technical team. We anticipate that the purchase price would be paid in cash, and that the closing of the deal will be conditional upon 90% of ABC employees having accepted Hi-Tech offers of employment and have given no indication of terminating their employment with the company. Post-closing retention mechanisms would be implemented to retain employees.

ii. Acquisition of Assets. Subject to Hi-Tech’s diligence requirements set forth below, Hi-Tech will acquire ABC’s right, title and interest in and to all of ABC’s intellectual property rights and certain tangible and other assets, including, without limitation, prepaid expenses (the “Assets”). ABC will retain all cash in the accounts of the company (the “Retained Assets”) remaining at the closing of Hi-Tech’s Asset acquisition (the “Closing”). Hi-Tech will not assume certain liabilities of ABC including, without limitation, liabilities relating to pre-closing taxes, any transfer and sale taxes in connection with the sale of the Assets, liabilities relating to employees who are

not employed by Hi-Tech following the Closing, and fees and expenses of any attorneys or financial advisors in connection with the transaction.

iii. Representations and Warranties. In the Purchase Agreement (as defined below), ABC will make customary representations and warranties relating to the Assets, including, without limitation, representations with respect to ABC's ownership of the Assets and its right to transfer interests in the Assets free and clear of all liens (subject to the consent of Lighthouse Capital) and undisclosed liabilities.

iv. Representations and Warranties Escrow. 20 percent (20%) of the consideration to be paid in the Acquisition will be escrowed for a period of twenty four (24) months from the Closing as a source of recovery by Hi-Tech with respect to its indemnification rights in the Purchase Agreement. The escrow percentage may be increased to offset any specifically identified contingencies disclosed by ABC or otherwise identified in Hi-Tech's due diligence investigation. Due to the importance placed on the ABC personnel being retained by Hi-Tech subsequent to the closing, there will be an incremental \$500k or 25% of the consideration to be paid in the Acquisition escrowed and tied to ABC employee retention for a period of 12 months. For each employee that departs for reasons other than for "good reason," (as defined in the final documentation) the escrow will be deducted a prespecified amount set forth in the final documentation..

v. Employee Retention. Hi-Tech will work with ABC management during the due diligence process to understand the capabilities of ABC's employees to confirm Hi-Tech's desire to retain all of the technical employees. Typically, Hi-Tech does not enter into employment agreements with its standard employees, unless required by regional or local law; however, we would expect to enter into retention agreements, non-competition agreements and/or other standard industry agreements with certain members of senior management. We also intend to review the capabilities of the remaining ABC employees with a view to determining whether they are appropriate to fill current outstanding openings within Hi-Tech.

vi. Employee No-Hire. For a period of 3 years following the closing of the transaction, ABC management (or future employers) will be restricted from hiring any current or former ABC employees.

vii. Due Diligence Requirements. As a condition to any final proposal, Hi-Tech will need to complete its due diligence process, and this will include further interviews with ABC's employees and further review of ABC's financial statements, corporate records and files, intellectual property portfolio, agreements and licenses, and any litigation materials. We anticipate completing our due diligence within twenty one (21) to days after the date we are provided any materials or access to the employees.

viii. Timing. Subject to ABC executing the Exclusivity Agreement described below, Hi-Tech is prepared to move forward immediately to negotiate a summary of acquisition terms for the Assets ("Term Sheet") and upon successful execution of the

Term Sheet to move to negotiation and execution of a definitive purchase agreement for the Assets (the “Purchase Agreement”).

ix. Exclusivity Agreement. In consideration of the substantial amounts of resources that Hi-Tech will expend in negotiating the Term Sheet and completing its due diligence, and towards definitive agreements regarding the proposed transaction, we are asking ABC to execute the enclosed Exclusivity Agreement.

Other Considerations:

Required Approvals: The Purchase Agreement will require at least the approval of the Hi-Tech CEO, and may also require approval by our Board of Directors. Our Board of Directors meets frequently to review, discuss, consider and approve possible transactions, and therefore we do not anticipate that this approval process will cause delay.

Internal Reviews: This proposal has been reviewed by the senior management of Hi-Tech. There may be a further review upon completion of the negotiation of acquisition terms and due diligence.

Other conditions. The completion of this transaction will be conditioned upon any required U.S. and foreign governmental and regulatory approvals and clearances and other customary and standard conditions to closing. We do not consider these conditions to be obstacles to the timely and successful completion of a transaction.

Confidentiality. The terms of Hi-Tech’s Proposal are strictly confidential and may under no circumstances be disclosed, whether orally, in writing or by any other means, to any third party by ABC or its advisors. Both the existence and contents of this Proposal are the Confidential Information of Hi-Tech and may only be used and stored by you in accordance with the Non-Disclosure Agreement dated XX, XXXX.

Contacts: If you have any questions or wish to discuss this Proposal, please feel free to contact Pete Peters, Vice President, Corporate Development, at (098)-765-4321.

This Proposal does not constitute and will not give rise to any legally binding obligation on the part of Hi-Tech and is intended solely to facilitate negotiation between the parties that may lead to agreement on a potential transaction. Any binding offer from Hi-Tech would be subject to the completion of its due diligence, the negotiation and execution of a definitive acquisition agreement and ancillary agreements, and the absence of any material adverse change in ABC or its business. Neither party will have any liability to the other for discontinuing negotiations (so long as that party has not breached its confidentiality obligations set forth in the NDA). Hi-Tech may vary this proposal, in whole or in part, at any time. Each party shall bear its own expenses in connection with the tenets of this indication of interest and any negotiation or consummation of a proposed acquisition agreement. All information provided by Hi-Tech in connection with this proposal is provided “as is” without any warranty of any kind whatsoever. Any reliance by ABC on such information will be entirely at your own risk and Hi-Tech will have no liability resulting therefrom.

We thank you for the opportunity to participate in this process, and we look forward to your response to our Proposal.

Very truly yours,

Peter Peters
Vice President, Corporate Development,
Hi-Technology Corporation