

**HADLEY CAPITAL**  
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WILMETTE, IL 60091  
—  
TEL: 847.906.5300  
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August 30, 2009

**PERSONAL AND CONFIDENTIAL**

Mr. John Doe  
President and Chief Executive Officer  
ABC Service Company, Inc.  
1200 Oak Street  
Centerville, IL 60098

Dear John:

This binding letter of intent outlines the terms under which Hadley Capital will acquire the assets of ABC Service Company, Inc. (“ABC” or the “Company”). Our transaction structure is meant to meet your personal goals and to provide a solid platform for the continued growth and success of the business.

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**Purchase Consideration:**

Subject to the terms and conditions of this letter of intent, a new corporate entity to be formed by Hadley Capital for the purpose of acquiring ABC (“Newco”) will acquire substantially all of the assets of ABC for \$5.0 million in cash at closing, subject to certain purchase price adjustments described below and a \$500,000 escrow.

In addition, Newco will enter into employment agreements with you that will include contingent bonus payments valued at up to \$1.0 million in total. The annual bonus payments shall be calculated as follows: On an annual basis for the five (5) years following the closing of the transaction, you will receive 50% of Newco’s EBITDA in excess of \$1.0 million. The bonus payments will have an annual cap of \$200,000 and a lifetime cap of \$1.0 million. Payments will be treated as compensation, not purchase price.

Assets Being Purchased:

Newco will acquire all of the assets associated with ABC, including all of its on and off balance sheet assets such as accounts receivable, inventories (including written off inventory), materials, computer hardware and software, intellectual property and know-how (including patents, trademarks, trade names, website URL's, etc.), tooling, prepaid expenses, furniture, fixtures, equipment, leased equipment, formulas, engineering designs and drawings, customer lists, customer contracts, certain employment agreements (if any), agency affiliations, vehicles, buildings, and all other tangible and intangible assets. The only assets Newco will not acquire are ABC's cash, employee advances, past due receivables (that are mutually determined to be uncollectible) and certain other expressly mutually agreed upon items (for example company owned vehicles used for personal use). All assets must be free and clear of any liens or encumbrances.

Liabilities Being Assumed:

Newco will assume only current accounts payable incurred by ABC in the ordinary course of business. Newco will not assume or purchase any other liabilities. All such un-assumed liabilities will be satisfied by you at closing. For example and without limitation, all liabilities associated with income or sales taxes, taxes arising out of the sale of the company (including state sales tax or transfer taxes, if any), accrued expenses, debt of any kind, commissions or bonus payments to employees, accrued liabilities or any liabilities associated with environmental contamination, product liability or warranty issues, litigation of any kind, employee pensions (including contributions owing to employees that accrued prior closing), or any other such liabilities will be satisfied by you at closing or will remain with them after closing.

Purchase Price Adjustments:

The closing purchase price will be adjusted for the following items:

Working Capital Adjustment:

The purchase price will be adjusted upward or downward in an amount equal to the difference between a working capital target of \$1.75 million and the actual working capital delivered at closing. The actual working capital amount shall be calculated as follows per the closing balance sheet: Current accounts receivable (defined as excluding mutually determined uncollectible receivables) plus inventories less accounts payable per the closing balance sheet. The closing balance sheet will be calculated in a manner consistent with historical practices and according to GAAP. Thus, if ABC's actual working capital at closing is greater than \$1.75 million then the cash purchase price will be increased by the difference, and if it is less than \$1.75 million then the cash purchase price will be decreased by the difference.

Net Debt:

The purchase price assumes a debt free balance sheet at closing. In the event any Debt (as defined below) is assumed or satisfied by Newco at Newco's discretion, the closing purchase price will be reduced for any Debt (to include principal, unpaid interest and any unpaid fees or other charges required to satisfy such debt) that is assumed, refinanced, or repaid by Newco at closing.

“Debt” includes outstanding bank debt, customer deposits, capital leases or capital loans, inter-company loans or advances, any shareholder loans, shareholder notes payable, standby letters of credit, any other interest-bearing debt, any accrued incentive compensation or bonuses payable, accrued and unpaid workers compensation payments, accrued and unpaid fees, penalties or interest, any past due trade payables, any unfunded non-operating liabilities, any unpaid or overdue taxes whether reflected on the balance sheet or not, any unfunded or contingent or off balance sheet liabilities, any net billings in excess of costs, dividends payable, any unpaid accrued compensation or employee benefits (including vacation and sick time accrual), that exist at the time of closing.

Cash Proceeds to Sellers:

The cash proceeds to you at closing will be equal to \$5.0 million, plus or minus the purchase price adjustments outlined above, less an escrow of \$500,000.

Capital Structure:

Hadley Capital will finance the purchase of ABC with a combination of equity and debt. The equity capital will be provided by Hadley Capital. Hadley Capital has sufficient equity capital to fund this transaction, and no outside approvals are required for us to make this investment.

Hadley Capital will raise the debt financing from senior and/or subordinated lenders, in amounts to be determined. This debt will be structured in such a way as to enable Newco to operate and grow without undo financial stress. We are confident that we will be able to raise the necessary debt financing to consummate this transaction, as we have done in the past.

Partnership with Management:

We are enthusiastic about the opportunity to work with you to further grow and develop ABC. While we believe that Hadley Capital can add significant value to ABC over time, it is not our intention to run the day-to-day operations of the Company. Therefore, Hadley Capital’s interest in ABC is dependent upon continued involvement of both of you and other members of ABC’s management team. We intend to enter into employment and non-competition agreements with key managers at market wages.

Newco Fees to Hadley Capital:

Newco will pay Hadley Capital a closing fee of \$125,000 and a management fee of \$7,500 per month.

Conditions to Closing:

In addition to the terms described above, there are a number of additional conditions to close, such as:

- A. From the date hereof through the closing, you will operate ABC in the normal course and in a manner consistent with past business practices and

the Company's financial performance and business prospects shall continue to track its recent performance.

- B. Hadley Capital shall be able to perform a thorough due diligence review of ABC, including having access to financial records, key members of the Company's management team, suppliers, customers, outside accountants, former employees, and other parties as appropriate, and having the right to share confidential information with financing sources, auditors, attorneys, consultants, etc.
- C. You and other key employees as designated by Hadley Capital shall enter into employment and non-compete agreements satisfactory to all parties.
- D. Newco shall obtain financing for the transaction on terms and conditions acceptable to Hadley Capital in its sole discretion.
- E. The parties will negotiate a definitive purchase agreement which shall include customary representations, warranties, indemnifications, etc.
- F. The parties will work together, along with an appraisal firm selected and paid for by Newco, to assign a fair market value to the assets being purchased.
- G. Newco shall enter into a market real estate lease with ABC and the rental terms of the lease shall be equal to or less than the current lease.

Exclusivity:

Hadley Capital will expend substantial resources in conducting its due diligence review of ABC, arranging debt financing and negotiating definitive agreements regarding a potential transaction. In consideration thereof, during a period beginning on the date of execution of this letter agreement and ending 120 days thereafter (the "Exclusivity Period"), without Hadley Capital's prior written consent, neither you nor any of your employees, representatives, affiliates, agents, etc. will market ABC, in whole or in part, to any other prospective buyers or negotiate with or enter into any agreements with any other prospective buyers.

Miscellaneous Terms:

If timely executed by the parties hereto, this letter of intent will terminate upon the earlier to occur of (i) execution of a definitive agreement for sale by Newco and ABC, (ii) the mutual agreement of the undersigned, or (iii) the expiration of the Exclusivity Period.

The parties will be responsible for the payment of their respective expenses and professional fees incurred in connection with the negotiation and consummation of the transactions contemplated by this letter of intent.

John, we are very excited about this opportunity. We think ABC is an excellent fit with Hadley Capital. Please let us know if you have any questions or need additional clarification about any of the items contained in this letter. If you are in agreement with the terms of this binding letter of intent, please return an executed copy to me at your earliest convenience. This LOI shall terminate if not executed prior to 5 p.m. on August 26, 2009.

Very truly yours,

**HADLEY CAPITAL**

By: \_\_\_\_\_  
Scott Dickes  
Managing Member

Agreed to and accepted this \_\_\_\_ of August, 2009.

**ABC Service Company, Inc.**

By: \_\_\_\_\_  
Mr. John Doe