

Instruction: This is a model letter. Adapt to fit your facts and circumstances.

D A T E

N A M E

A D D R E S S L I N E 1

A D D R E S S L I N E 2

C I T Y , S T A T E Z I P C O D E

Dear :

This will constitute our letter of intent with respect to the proposed purchase by and/or its assigns (" ") and the sale by (" ") of its business inventories (the " ") and fixed assets (the " ")(collectively the " "). For the purpose of determining the purchase price, the value of Inventories shall be stated based on the first-in, first-out (FIFO) cost method, computed in accordance with generally accepted accounting principles ("GAAP"), at the lower of cost or market, and reduced for any inventory which the parties mutually agree to be damaged, unusable or un-sellable in the ordinary course of business, and the value of the Fixed Assets shall be the value set forth on Exhibit A attached hereto and incorporated herein by reference. The Purchased Assets will be transferred "as is", meaning that they are being transferred in whatever condition they exist at the time of the Closing. Excluded from the sale is all of Air Supply's other assets, including, without limitation, cash, cash equivalents, prepaid expenses and accounts receivable.

The purchase price for the Purchased Assets shall be equal to the sum of the values of the Inventories and the Fixed Assets, calculated as set forth above, as of the closing date, plus \$. The purchase price shall be payable as follows:

1. The value of the Inventories and the Fixed Assets shall be paid in cash or same day funds at closing.
2. The balance of the purchase price shall be paid, at the sole option and discretion of Air Supply, either (a) in cash or same day funds at closing or (b) by delivery of a promissory note for the balance of the purchase price, bearing interest at the prime rate as published in the Wall Street Journal plus .5%, (adjusted annually), payable in eight (8) annual installments beginning and secured by a letter of credit or a certificate of deposit from a financial institution acceptable to .

As a condition precedent to the contemplated transaction, agrees to employ , pursuant to a written employment contract to be executed at closing, for a period of four (4) months from the closing date at a salary of \$ per month plus the fringe benefits which normally provides its employees. In addition, will enter into a non-competition agreement with on terms mutually agreeable to the parties.

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This letter of intent is not intended to constitute a legally binding contract, and is merely intended to confirm preliminary negotiations and to serve as a basis for further negotiations, and is subject to (1) the preparation and execution, on or prior to (or such later date mutually agreed to in writing), of a definitive Asset Purchase Agreement, (2) approval by the respective Boards of Directors of the parties and, if required by applicable law, by the stockholders of Air Supply, (3) the completion of a legal and financial due diligence review to 's satisfaction and (4) the completion of a legal and financial due diligence review to Air Supply's satisfaction; provided, however, all agreements regarding confidentiality and exclusive negotiating rights contained herein shall be binding upon and , as the case may be, upon execution and delivery of this letter of intent by both parties and shall survive the termination of negotiations.

The Asset Purchase Agreement will contain: (a) representations and warranties regarding the financial statements of and the title of the Purchased Assets; (b) appropriate warranties and representations from to ; (c) other representations, warranties, covenants, conditions and agreements which are mutually acceptable to all parties; and (d) appropriate provisions regarding the Bulk Sales Act or any other appropriate procedures. In addition, the Asset Purchase Agreement shall provide that consummation of the transaction shall be subject to (1) execution of the Asset Purchase Agreement and other appropriate documents to effectuate the transactions herein contemplated, all of which shall be approved by and , (2) receipt of all material approvals and consents necessary for the consummation of the transaction, (3) release by any present lender of any and all obligations related to the Purchased Assets, and (4) receipt from Air Supply at closing of a certificate representing that there has been no material adverse change in the financial condition or operating results of Air Supply from that represented in the financial statements for the period ending .

During the period from the date of execution by of this letter of intent to the closing, and its representatives shall have full opportunity to review the business, properties, affairs, prospects, books and records of and to obtain information that it deems relevant from the management, bankers, lawyers, accountants and other consultants of Air Supply, stockholders and representatives relating to the business, prospects, and acquisition of the Purchased Assets of . In the event the transactions herein contemplated do not take place, agrees to keep confidential and not to use for any purpose any proprietary confidential information provided to TSSC by Air Supply, excluding any information which is otherwise known by or becomes known to TSSC outside of its due diligence investigation of Air Supply, or is made public.

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During the period from the date of execution by _____ of this letter of intent to the closing, and its representatives shall have full access to all facilities, equipment, buildings, personnel, computers, books and records of _____, and _____ shall furnish to _____ such financial and other data and information as is requested for the completion of _____'s investigation of _____'s ability to perform its obligations in connection with the contemplated transaction. In the event the transactions herein contemplated do not take place, _____ agrees to keep confidential and not to use for any purpose any proprietary confidential information provided to _____ by _____, excluding any information which is otherwise known by or becomes known to _____ outside of its due diligence investigation of _____ or of _____'s business, or is made public.

Fees or expenses of finders, brokers, investment bankers, financial advisors, accountants and attorneys relating to the transaction will be paid by the entity retaining such advisors.

_____ and _____ agree that, unless required by law, prior to the closing date, any public announcement relating to the proposed transaction must be approved by either party prior to release to the public. In addition, _____ agrees that prior to the execution of a definitive Asset Purchase Agreement, neither it, nor any of its employees, agents or representatives, shall disclose the existence of, or any details relating to, the contemplated transaction to any of _____'s employee's or customers, nor to any of _____'s non-managerial employees, this proposed transaction being confidential in nature.

In consideration for the substantial expenditure of time, effort and expense to be undertaken by _____ in connection with the preparation and execution of a definitive Asset Purchase Agreement and due diligence review referred to above, _____ agrees that neither it, nor any of their respective affiliates will enter into or conduct any discussions with any other prospective purchaser of the material assets of _____ from the date hereof until the earlier of the execution and delivery of a definitive Asset Purchase Agreement or the termination of this letter of intent.

Pending execution of a mutually acceptable Asset Purchase Agreement, _____ will conduct its business only in the ordinary course. Either party hereto may, upon prior written notice to the other party, immediately terminate this letter of intent without further liability or obligations to such other parties except with respect to the confidentiality provisions set forth above; provided, however, if an Asset Purchase Agreement shall not be executed on or before _____, 20____ (or such later date mutually agreed to in writing), for any reason whatsoever, this letter of intent shall immediately terminate without any notice whatsoever.

The parties agree that the confidentiality provisions applicable to _____ which are contained herein shall apply with equal force to _____'s parent, _____, and all other related entities.

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Page Four.

If the foregoing reflects the present intention of, and is generally acceptable to, _____, please execute and date the enclosed counterpart signed by _____ and return such executed counterpart to the undersigned.

Very truly yours,

_____, INC.

By: _____
_____, President

AGREED:

_____, INC.

By: _____
_____, President

Date: _____