

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K/A

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BELL INDUSTRIES INC/DE/

CIK: **314346** | IRS No.: **952039211** | State of Incorpor.: **DE** | Fiscal Year End: **1231**

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SIC: **5065** Electronic parts & equipment, nec

Mailing Address

*11812 SAN VICENTE BLVD
STE 300*

LOS ANGELES CA 90049-5069

Business Address

*11812 SAN VICENTE BLVD
STE 300*

*LOS ANGELES CA 90049-5069
3108262355*

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 8-K/A

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (date of earliest event reported): January 12, 1994

BELL INDUSTRIES, INC.
(Exact name of registrant as specified in charter)

<TABLE>		
<S>	<C>	<C>
Delaware	1-7899	95-2039211
-----	-----	-----
(State of incorporation)	(Commission File Number)	(IRS Identification No.)
</TABLE>		

<TABLE>	
<S>	<C>
11812 San Vicente Blvd., Suite 300 Los Angeles, Calif	90049
-----	-----
(Address of principal executive offices)	(Zip Code)
</TABLE>	

Registrant's telephone number, including area code: (310) 826-2355.

N/A

(Former name or former address, if changed since last report.)

Item 2. Acquisition or Disposition of Assets.

Effective January 12, 1994 (the "Closing Date"), the registrant acquired the business and certain assets, and assumed certain liabilities, of LMB Microcomputers, Inc. , an Indiana corporation ("LMB"), pursuant to an Acquisition Agreement dated November 10, 1993 among the registrant, LMB and LMB's sole shareholder, Larry M. Bradford (the "Agreement"). LMB is engaged in

the business of selling microcomputer hardware and software systems and providing related computer support services. The assets acquired by the registrant included, among other things, LMB's receivables, inventory and fixed assets and its rights under certain franchise and vendor agreements. The registrant intends to use the acquired assets in substantially the same manner as such assets were used prior to the acquisition. The liabilities assumed by the registrant included LMB's obligations for inventory purchases, accrued expenses and obligations under certain maintenance contracts and leases to the extent accruing after the closing date.

The purchase price was determined primarily by reference to net asset values as of the Closing Date and the earnings potential of the underlying LMB business. The net purchase price paid in cash upon the Closing Date was approximately \$5.8 million, which amount is subject to adjustment based on LMB's total equity as of the Closing Date determined in accordance with generally accepted accounting principles. In addition, following the acquisition, LMB is entitled to "earnout" payments equal to an aggregate of 40% of the amount, if any, by which the operating income (as defined in the Agreement) of the registrant's LMB division during the three-year period ending December 31, 1996 exceeds 90% of the registrant's average investment (as defined in the Agreement) in its LMB division during such period. The source of funds for the acquisition is the registrant's working capital.

The foregoing description is qualified in its entirety by reference to the Acquisition Agreement, a copy of which is attached hereto as Exhibit (2).

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Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial statements of business acquired.

Attached as Exhibit (99.1) are the audited financial statements of LMB Microcomputers, Inc. at November 30, 1993 and for the eleven month period then ended.

(b) Pro forma financial information.

Attached as Exhibit (99.2) is unaudited pro forma financial information for the registrant and LMB Microcomputers, Inc.

(c) Exhibits.

<TABLE>

<S> <C>

(2) Acquisition Agreement dated as of November 10, 1993.

(4) Instruments defining the rights of security-holders are incorporated by reference to the registrant's Form 10-K for the fiscal year ended June 30, 1993.

- (99.1) Financial statements of LMB Microcomputers, Inc. at November 30, 1993 and for the eleven month period then ended.
- (99.2) Unaudited pro forma financial information for the registrant and LMB Microcomputers, Inc.
- (99.3) Press release dated January 18, 1994 announcing the acquisition of LMB Microcomputers, Inc.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BELL INDUSTRIES, INC.

Dated: April 15, 1994

By: Tracy A. Edwards

Tracy A. Edwards
Vice President and
Chief Financial Officer

ACQUISITION AGREEMENT

This ACQUISITION AGREEMENT (this "Agreement") is entered into as of this 10th day of November, 1993, by and between BELL INDUSTRIES, INC., a Delaware corporation, with its offices at 11812 San Vicente Boulevard, Los Angeles, California 90049 ("Bell" or "Buyer"), LMB MICROCOMPUTERS, INC., an Indiana corporation, with its offices at 6330 East 75th Street, Indianapolis, Indiana 46250 ("LMB" or "Seller") and LARRY M. BRADFORD, the sole shareholder of Seller ("Shareholder"), with reference to the following facts and circumstances:

A. Seller is engaged in the business of distributing and selling computer products and supplies at its location in Indianapolis, Indiana.

B. Seller and Shareholder desire to sell, and Buyer wishes to acquire, certain of the assets and business of Seller, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of these premises, the mutual agreements and representations contained herein and other good and valuable consideration the receipt and adequacy of which is hereby acknowledged, each party hereto (consisting of Buyer, on the one hand, and Seller and Shareholder, on the other), agrees as follows:

I. TRANSFER OF ASSETS

1.1 TRANSFER AND DELIVERY OF ASSETS. For the consideration and subject to the terms and conditions contained herein, Seller hereby agrees to sell, convey, assign and deliver to Buyer at the Closing (as hereinafter defined), and Buyer hereby agrees to purchase and accept the conveyance, assignment and delivery of, all of Seller's right, title and interest in and to the business and those assets (the "Purchased Assets") of Seller existing on the Closing Date (as hereinafter defined) described as follows, on the terms and conditions set forth herein:

1.1.1 all tangible personal property, including but not limited to all machinery, equipment, maintenance equipment, spare parts, maintenance and operating supplies, chemicals, office supplies, leasehold improvements, furniture, fixtures, computer hardware and software, vehicles, fuel and spare parts for such machinery, equipment, tools and vehicles, located on the premises where Seller conducts its business or used in respect of Seller's business (collectively, the "Equipment");

1.1.2 originals or (in the case of books and records) copies, of all of the files, correspondence, customer lists, vendor

lists, dealer lists, employee lists, books, records, accounts, costs and supply data and other materials

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and information utilized in Seller's business, including but not limited to originals of all documents pertaining to Contracts (as defined in Section 5.13);

1.1.3 all inventories of raw materials, work-in-process and finished products, goods, commodities, spare parts, replacement and component parts and supplies which are assets of Seller (collectively, the "Inventory");

1.1.4 anything of the category falling under the Equipment and Inventory ordered by Seller from various vendors in the ordinary course of business but not yet received by Seller prior to the Closing Date (the "Goods in Transit");

1.1.5 all prepaid expenses of Seller;

1.1.6 all accounts and notes receivable properly accrued on the books of Seller as of the close of business on the day immediately prior to the Closing Date;

1.1.7 subject to Section 1.2.3, all claims of Seller against third parties relating to the Purchased Assets, including but not limited to unliquidated rights under manufacturers' and vendors' warranties;

1.1.8 United States and foreign patents, know-how, trade secrets, trademarks, service marks, trade names, brand names, copyrights, logos, slogans and trade references, in each case whether registered, under application or otherwise, any other intangible property used in connection with the conduct of Seller's business, and the applications therefor and the licenses with respect thereto, together with the goodwill and the business appurtenant thereto (the "Intangible Property"), and any rights, claims or choses in action relating to or deriving from any of the foregoing;

1.1.9 all rights of Seller under the Contracts (as defined in Section 5.13), including but not limited to all rights of Seller under customer contracts, dealer contracts, franchise contracts, vendor contracts, purchase orders for Goods in Transit, maintenance contracts, personal property leases and manufacturer cooperative advertising arrangements or similar arrangements;

1.1.10 all Seller's contracts, agreements, leases and commitments (and all security deposits or prepayments held thereunder) pertaining to Seller's use or occupancy of real property, including but not limited to Seller's facilities, offices and showroom located at 6330 East 75th Street, Indianapolis, Indiana (the "Leasehold Interests");

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1.1.11 all catalogues, brochures, sales literature, promotional material and other selling material relating to the products of Seller;

1.1.12 the bank accounts used by Seller in conducting its business, but only to the extent that the banks at which such accounts are maintained are willing to effect a transfer thereof to Buyer and release Seller from responsibility for the accounts;

1.1.13 the goodwill attributable to Seller or Seller's business;

1.1.14 all certificates of occupancy and other transferrable licenses, permits and authorizations of governmental or quasi-governmental agencies and authorities or private parties relating to the use, operation or enjoyment of the Purchased Assets, including but not limited to all of Seller's rights in all telephone numbers and facsimile numbers servicing all locations from which Seller operates;

1.1.15 all cash on hand and cash equivalents of Seller, including, without limitation, petty cash funds and temporary cash investments; and

1.1.16 all other assets and properties of Seller reflected on its balance sheet dated as of July 31, 1993 and included in Schedule 5.4 hereto after adjustment to remove Retained Assets (as defined in Section 1.2 below) in an amount not exceeding \$25,000 (the "July Balance Sheet"), the Interim Balance Sheet (as defined below) and/or the Final Balance Sheet (as defined below), except such assets so reflected that have been disposed of in the ordinary course of business or as permitted hereunder.

Such right, title and interest in and to the Purchased Assets shall be sold, conveyed, assigned and delivered by Seller to Buyer by appropriate instruments of transfer, bills of sale, endorsements, assignments and deeds, all in form and substance reasonably satisfactory to Buyer and its counsel, and free and clear of any and all liens, claims, liabilities and encumbrances, except for liens, claims, liabilities and encumbrances created by any Contract or Leasehold Interest and liens for taxes not yet due and payable.

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1.2 RETAINED ASSETS. The following assets shall be excepted from the transfer described in Section 1.1 above (the "Retained Assets"):

1.2.1 Office furniture and furnishings, including but not limited to the Apple II display computer and accessories, located in or immediately outside Shareholder's office at Seller's corporate headquarters; computer and printer equipment and accessories located in Shareholder's home office; and all plaques, awards and similar memorabilia in the name of Seller or Shareholder.

1.2.2 Equipment and inventory located on the premises from which Seller conducts its business but not used or usable (as determined by mutual agreement of Seller and Buyer) in Seller's business. Promptly after the Closing, Seller will remove all such equipment and inventory in such a manner that after removal the property on which such equipment and inventory was located will be in reasonably good order.

1.2.3 Claims against third parties for damages suffered in connection with assets retained by Seller pursuant to this Section 1.2 and liabilities not assumed by Buyer.

II. ASSUMPTION OF LIABILITIES

On the Closing Date, Buyer shall assume and agree to pay, perform and discharge when due all liabilities and obligations of Seller ("Assumed Liabilities") arising out of Seller's business, of any kind or nature, whether absolute, contingent or otherwise, which are:

2.1 BALANCE SHEET LIABILITIES. Reflected on the July Balance Sheet or obligations incurred in the ordinary course of business subsequent to the date of the July Balance Sheet and prior to the Closing Date, less any such obligations paid or discharged by Seller between the date of the July Balance Sheet and the Closing Date;

2.2 LIABILITIES FOR POST-CLOSING SHIPMENTS. All liabilities and obligations arising in respect of Goods in Transit or other products shipped or sold on or after the Closing Date;

2.3 LIABILITIES UNDER MAINTENANCE CONTRACTS. All obligations of Seller to provide services under those maintenance contracts listed on Schedule 5.13 hereto; or

2.4 LIABILITIES UNDER LEASES. All liabilities and obligations of Seller under any Leasehold Interest listed in Schedule 5.22 or any Contract pertaining to the leasing of personal property listed on Schedule 5.13.

III. PURCHASE PRICE

3.1 PURCHASE PRICE. At the Closing, Buyer shall pay and deliver for the Purchased Assets a total purchase price (the "Purchase Price"), by certified or bank cashier's check, equal to Seven Million Dollars (\$7,000,000), subject to adjustment pursuant to the terms of Section 3.2 below.

3.2 ADJUSTMENTS TO PURCHASE PRICE. The Purchase Price shall be subject to adjustment in accordance with the following procedures:

3.2.1 INTERIM BALANCE SHEET. Prior to the Closing Date, Seller and Shareholder shall prepare and deliver to Buyer a balance sheet of the Purchased Assets and the Assumed Liabilities (the "Interim Balance Sheet") dated as of the last day of the month immediately preceding the month in which the Closing occurs. The Interim Balance Sheet shall be prepared in accordance with generally accepted accounting principles consistently applied and shall reflect Seller's and Shareholder's good faith and fair estimate of the specified data as of the date indicated.

3.2.2 FINAL BALANCE SHEET. Promptly after the Closing Date, Buyer's accountants, Price Waterhouse, and Seller and Shareholder's accountants, Clark & Lloyd, will prepare and, within 30 days after the Closing Date, deliver to Seller, Shareholder and Buyer a balance sheet of the Purchased Assets and the Assumed Liabilities as of the Closing Date (the "Final Balance Sheet"). Each party shall bear the fees and costs of its respective accountants incurred in connection with the preparation of the Final Balance Sheet. The Final Balance Sheet shall be prepared in accordance with generally accepted accounting principals consistently applied and as though the parties had not consummated the transactions contemplated by this Agreement. Any disagreement between Buyer's accountants and Seller and Shareholder's accountants regarding the Final Balance Sheet shall be settled by a national public accounting firm mutually agreed upon by Buyer's accountants and Seller and Shareholder's accountants. The decision of such accounting firm shall be final with respect to any such disagreement, and each party hereto shall bear one-half of the fees and costs of such accounting firm. The Final Balance Sheet shall be binding on Buyer, Seller and Shareholder for all purposes of this Section 3.2.

3.2.3 PURCHASE PRICE ADJUSTMENT UPON CLOSING. Subject to the conditions set forth in Section 7.1 hereof, the Purchase Price shall be increased or decreased by an amount equal to the increase or decrease between the total equity of Seller reflected on the July Balance Sheet (less Retained Assets in an amount not exceeding \$25,000) as compared with the total equity of Seller reflected on the Interim Balance Sheet. If the total equity of Seller

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reflected on the Interim Balance Sheet equals the total equity of Seller reflected on the July Balance Sheet (less Retained Assets in an amount not exceeding \$25,000), the Purchase Price will remain unchanged.

3.2.4 POST-CLOSING ADJUSTMENT. Following the Closing, either (i) Seller shall pay Buyer an amount equal to the decrease, if any, between the total equity of Seller reflected on the Interim Balance Sheet as compared with the total equity of Seller reflected on the Final Balance Sheet, or (ii) Buyer shall pay Seller an amount equal to the increase, if any, between the total equity of Seller reflected on the Interim Balance Sheet as compared with the total equity of Seller reflected on the Final Balance Sheet. Such payments shall be made by certified or bank cashier's check within two (2) business days of receipt of the Final Balance Sheet. No payment shall be made by either party to the other pursuant to this Section 3.2.4 if the total equity of Seller as reflected on the Interim Balance Sheet is equal to the total equity of Seller as reflected on the Final Balance Sheet.

3.3 EARNOUT PAYMENTS.

3.3.1 CALCULATION OF EARNOUT PAYMENTS. In addition to the Purchase Price payable pursuant to Section 3.1 hereof, Buyer shall pay and deliver for the Purchased Assets the amounts determined as follows (the "Earnout Payments"):

(a) For the twelve-month period ending December 31, 1994, the Operating Income (as defined below) shall be determined and if Operating Income is a positive number, then Seller shall receive an Earnout Payment, subject to paragraph (d) below, equal to forty percent (40%) of the amount by which Operating Income for such twelve-month period exceeds thirty percent (30%) of Buyer's Average Investment (as defined below) in the division of Bell consisting of LMB's business and the Purchased Assets following the consummation of the transactions contemplated hereby (the "LMB Division") during such period.

(b) For the twenty-four month period ending December 31, 1995, the Operating Income shall be determined and if Operating Income is a positive number, then Seller shall receive an Earnout Payment, subject to paragraph (d) below, equal to (i) forty percent (40%) of the amount by which Operating Income for such twenty-four month period exceeds sixty percent (60%) of Buyer's Average Investment in the LMB Division during said period less (ii) the Earnout Payment (if any) earned under paragraph (a) above.

(c) For the thirty-six month period ending December 31, 1996, the Operating Income shall be determined and if Operating Income is a positive number, then Seller shall receive an Earnout Payment, subject to paragraph (d)

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below, equal to (i) forty percent (40%) of the amount by which Operating Income for such thirty-six month period exceeds ninety percent (90%) of Buyer's Average Investment in the LMB Division during said period less (ii)

the Earnout Payments (if any) received under paragraphs (a) and (b) above.

(d) The determination of Earnout Payments payable under this Section 3.3 is to be made on a cumulative basis for the thirty-six month period ending December 31, 1996; thus, in no event shall the aggregate of the Earnout Payments received under paragraphs (a), (b) and (c) above exceed the Earnout Payment that would be payable under paragraph (c) calculated before the deduction for any Earnout Payments payable under paragraphs (a) and (b). In the event the prepayment of Earnout Payments paid to Seller pursuant to Section 3.3.3 exceeds the Earnout Payment that would be payable under paragraph (c) calculated before the deduction for any Earnout Payments payable under paragraphs (a) and (b), Seller shall be obligated to reimburse Buyer the amount of any such excess.

3.3.2 DEFINITIONS. The following definitions shall apply to this Section 3.3:

(a) "Operating Income" for any period shall mean the operating income (loss) of the LMB Division as determined by Buyer in accordance with those generally accepted accounting principles utilized by Buyer from time to time consistently applied as reported on Buyer's normal internal financial statements and shall be such earnings as determined before deduction of federal and state income and franchise taxes, but after deduction of actual expenses and corporate charges for which Bell's divisions are customarily assessed for services rendered to them, including but not limited to computer, accounting and legal services; provided that (i) items of a general nature not now deducted by Buyer in computing the operating income of its divisions for internal bookkeeping purposes will not be deducted as expenses, and (ii) in the event and to the extent the operations of Seller's business are integrated with the operations of Buyer's computer business located in Indianapolis, Indiana, any resulting expenses or reduction in expenses arising from such integration will be allocated equitably between the integrated businesses.

(b) "Average Investment" in the LMB Division during any period shall be the product obtained by (i) adding the monthly amount of Buyer's investment in the LMB Division for each of the months in any respective period as shown on Buyer's normal internal financial statements and indicated as "net investment in division" and (ii) dividing the number derived in clause (i) by the number of months during that period. Buyer's "net investment in division" is generally defined as Buyer's initial investment increased and

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decreased by (a) profits and/or losses from December 1, 1993 and (b) cash received from, or paid to, Buyer. Buyer's initial investment in the Company is \$7,000,000, subject to adjustment pursuant to Section 3.2 hereof. Buyer agrees that none of the costs, including but not limited to legal and

accounting fees, which may be incurred by Buyer in restructuring Seller shall be considered as part of Buyer's investment in Seller for purposes of calculating the Earnout Payments hereunder.

3.3.3 PAYMENTS; REIMBURSEMENTS. Any Earnout Payment payable under paragraphs (a) and (b) of Section 3.3.1 shall be paid within 90 days after the end of the respective period. Within 90 days after December 31, 1996, all Earnout Payments which are payable to Seller pursuant to Section 3.3 that have not theretofore been paid, or any reimbursement payable by Seller to Buyer in respect of overpayment of Earnout Payments pursuant to Section 3.3.1(d) above, shall be paid by Buyer or Seller, as the case may be.

3.3.4 ACCESS TO RECORDS PERTAINING TO EARNOUT CALCULATIONS. For a period of four years commencing on the Closing Date, Buyer shall provide Seller and Shareholder, during ordinary business hours and upon reasonable notice from Seller and Shareholder, with reasonable access to records pertaining to the calculation of Earnout Payments pursuant to this Section 3.3. Within sixty (60) days following each respective payment date set forth in Section 3.3.3 above, Seller shall provide written notice to Buyer of any objection to the calculation of the Earnout Payment or reimbursement obligation paid or owing on such payment date and of Seller's election to arbitrate the dispute pursuant to the provisions set forth in Section 3.3.5 below. The failure of Seller to provide Buyer with the notice specified in the preceding sentence within the allotted time shall constitute a waiver of any objection to the calculation of the respective Earnout Payment or reimbursement obligation then paid or owing.

3.3.5 ARBITRATION. Any dispute regarding the calculation of Earnout Payments or reimbursement obligations pursuant to this Section 3.3 shall be settled by arbitration in accordance with the provisions set forth in this Section 3.3.5 and the Commercial Arbitration Rules of the American Arbitration Association then in effect (except as herein specifically stated). Judgment upon an award rendered by a majority of the arbitrators selected pursuant to the provisions of this Section 3.3.5 may be entered in any court having jurisdiction thereof, and each of Buyer, Seller and Shareholder hereby submits to the in personam jurisdiction of the courts of the State of Indiana for purposes of confirming any such award and entering judgment thereon. Notwithstanding anything to the contrary which may now or hereafter be contained in the Commercial Arbitration Rules of the American

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Arbitration Association, each of Buyer, Seller and Shareholder hereby agrees as follows with respect to any arbitration held pursuant to the provisions of this Section 3.3.5:

(a) LOCATION OF ARBITRATION PROCEEDINGS. Any such arbitration proceedings shall occur in Indianapolis, Indiana, unless otherwise mutually agreed in writing by the parties hereto.

(b) ARBITRATORS; COMPENSATION; EXPENSES. Any such arbitration shall be conducted before three arbitrators who shall be compensated for their services at a rate to be determined by the American Arbitration Association, unless the parties are able to agree upon the rate of compensation. Each party (Seller and Shareholder, on the one hand, and Buyer, on the other) shall bear one-half of the aggregate fees and costs of the three arbitrators and of any expenses incurred in connection with the preparation of transcripts of arbitration proceedings.

(c) APPOINTMENT OF ARBITRATORS. The arbitrators shall be appointed in accordance with the following provisions: (i) Within ten (10) business days of Buyer's receipt of Seller's notice to arbitrate, each party shall appoint one arbitrator, who shall not be an affiliate or relative of such party; and (ii) within ten (10) business days from the date of the appointment of the last-appointed arbitrator, the two arbitrators appointed pursuant to (i) above shall agree upon and appoint a third arbitrator. In the event that either party or the two arbitrators fail to appoint an arbitrator within the time allotted under (i) and (ii) above, such appointment shall be made by the American Arbitration Association.

(d) LIMITATIONS ON POWERS OF ARBITRATORS. The arbitrators appointed in accordance with this Section 3.3.5 shall not have the power to (i) alter, amend or otherwise affect the terms of this Agreement, including but not limited to the arbitration provisions set forth in this Section 3.3.5, or (ii) award any punitive damages.

(e) BINDING ARBITRATION. Any decision and award or order of the majority of the arbitrators selected pursuant to this Section 3.3.5 shall be final and binding between the parties as to the matters submitted to such arbitration.

(f) ATTORNEYS' FEES AND COSTS. Each party shall bear its own attorneys' fees and costs incurred in preparation for and as a result of any arbitration pursuant to this Section 3.3.5.

3.4 SALES AND USE TAXES. Sales and use taxes, if any, imposed upon the transfer of the Purchased Assets shall

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be borne as follows: (i) if arising under Indiana law, by Seller, (ii) if arising under California law, by Buyer, and (iii) if arising under the laws of any jurisdiction other than Indiana or California, by the party against whom such taxes are initially assessed. Buyer shall have no liability for sales, use or similar excise taxes of Seller that have accrued prior to or accrue after the Closing Date other than sales and use taxes included in the Assumed Liabilities. Each party hereto (Seller and Shareholder, on the one hand, and Buyer, on the other) shall indemnify and hold the other party harmless against

any loss, cost or damage, including but not limited to attorney's fees and costs, incurred by the other party related to the failure to pay taxes as required by this Section 3.4.

IV. CLOSING

The closing of the transactions contemplated by the Agreement (the "Closing") shall be held on December 15, 1993 (the "Closing Date"), at the offices of Barnes & Thornburg, Indianapolis, Indiana at 10:00 a.m., subject to postponement or acceleration as agreed upon in writing by Buyer and Seller. The Closing Date may be accelerated at Seller's option if all conditions to Closing are satisfied and shall be extended beyond the above date (but no later than January 31, 1994) to a date when all such conditions are satisfied.

V. REPRESENTATIONS WARRANTIES OF SELLER AND SHAREHOLDER

As an inducement for Buyer entering into this Agreement, each of Seller and Shareholder, jointly and severally, represents and warrants as follows:

5.1 ORGANIZATION. Seller is a corporation duly organized, validly existing and in good standing under the laws of the state of Indiana, and is qualified to transact business as a foreign corporation in the jurisdictions in which Seller transacts business, except where the failure to so qualify will not have a material adverse effect on Seller's business. Seller has all requisite corporate power and authority to own, operate and lease the Purchased Assets and to conduct its business. Seller has all necessary corporate power and authority to enter into, be bound by the terms and conditions of, and perform its obligations under, this Agreement, and to transfer the Purchased Assets to Buyer pursuant hereto.

5.2 AUTHORIZATION; NO CONFLICT. All requisite corporate action on the part of Seller has been taken to authorize and approve the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby. This Agreement has been duly executed and delivered by Seller and Shareholder and constitutes a legal, valid and binding obligation of Seller and Shareholder,

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and each instrument contemplated by this Agreement, when executed and delivered by Seller and/or Shareholder, as the case may be, in accordance with the provisions hereof, will be a legal, valid and binding obligation of Seller and/or Shareholder, in each case enforceable against Seller and/or Shareholder in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws from time to time in effect which affect creditors' rights generally and by legal and equitable limitations on the availability of equitable remedies).

Neither the execution, delivery or performance of this Agreement nor the consummation of the transactions contemplated hereby will (i) conflict with or result in the breach of any provision of the Articles of Incorporation or By-laws of Seller, (ii) constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under the terms, conditions or provisions of any note, bond, mortgage, indenture, license, lease, agreement or other material instrument or obligation to which Seller or Shareholder is a party or by which Seller, Shareholder or the Purchased Assets are bound, (iii) result in the creation of any lien, charge, security interest or other encumbrance upon the Purchased Assets pursuant to the terms of any such note, bond, mortgage, indenture, license, agreement or other material instrument or obligation, or (iv) violate any judgment, order, injunction, decree, statute, rule, law or regulation applicable to Seller, Shareholder or the Purchased Assets.

5.3 GOVERNMENTAL APPROVALS. Schedule 5.3 sets forth all approvals, authorizations, consents or orders or actions of any governmental authority required to be obtained by Seller and/or Shareholder in connection with their execution and delivery of this Agreement and the consummation of the transactions contemplated hereby. Except as set forth on Schedule 5.3, no approval, authorization, consent or order or action of or filing with any court, administrative agency or other governmental authority is required to be obtained by Seller or Shareholder for the execution and delivery by Seller and Shareholder of this Agreement or the consummation of the transactions contemplated hereby.

5.4 FINANCIAL STATEMENTS. Seller has heretofore delivered to Buyer unaudited financial statements of Seller consisting of balance sheets as of December 31, 1990, 1991, 1992 and July 31, 1993 and the related income statements for the years ended December 31, 1990, 1991 and 1992 and the seven-month period ended July 31, 1993 (the "Financial Statements"), all of which are attached as Schedule 5.4. The Financial Statements are in accordance with the books and records of Seller, fairly present the financial position and results of operations of Seller for the periods and as of the dates indicated and have been prepared in accordance with

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generally accepted accounting principles consistently applied except as otherwise set forth on Schedule 5.4.

5.5 LIABILITIES. Except as set forth on Schedule 5.5 hereto or as disclosed on the July Balance Sheet or incurred thereafter in the ordinary course of business, neither Seller nor Shareholder has any liabilities, debts or obligations, whether accrued, absolute, contingent or otherwise, and whether due or to become due, which might subsequent to the Closing in any manner materially adversely affect any material asset included in the Purchased Assets.

5.6 OWNERSHIP OF PURCHASED ASSETS. Except for claims, liens, charges, security interests and encumbrances created by any Contract or Leasehold Interest and liens for taxes not yet due and payable, Seller has (or will obtain prior to the Closing Date) good and marketable title to all of the Purchased Assets free and clear of any claim, lien, charge, security interest or encumbrance, and upon Seller's transfer and sale of such Purchased Assets to Buyer pursuant to this Agreement, Buyer will have good and marketable title to all of such Purchased Assets, free and clear of any claim, lien, charge, security interest or encumbrance. Seller does not hold or use any of the Purchased Assets pursuant to any lease, conditional sales contract, franchise or license, other than any Contract set forth in Schedule 5.13 hereto or any Leasehold Interest set forth in Schedule 5.22 hereto.

5.7 CONDITION OF PURCHASED ASSETS. All of the Purchased Assets are in good operating condition in all material respects, ordinary wear and tear excepted.

5.8 ALL ASSETS. The Purchased Assets being sold, conveyed, assigned and delivered by Seller to Buyer pursuant to this Agreement constitute all Seller's assets and properties used in connection with Seller's business, except for the Retained Assets.

5.9 INVENTORIES. To the best of Seller's knowledge, all inventories of Seller, including but not limited to raw materials, work-in-process and finished products, goods, commodities, spare parts, replacement and component parts and supplies, reflected in the July Balance Sheet and the Interim Balance are useable, rentable and/or saleable in the normal and ordinary course of business, except for damaged or obsolete items, which have been written down to scrap value or for which adequate reserves have been provided; and the value at which inventories are carried in the July Balance Sheet and the Interim Balance Sheet reflects the normal inventory valuation policy of Seller, applied in accordance with generally accepted accounting principles of stating inventory on a first-in, first-out basis at the lower of actual cost or net realizable market value.

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5.10 ACCOUNTS RECEIVABLE. The accounts receivable reflected on the July Balance Sheet, and all accounts receivable arising between the date of such balance sheet and the date hereof, arose from bona fide transactions in the ordinary course of business and all goods required to render such accounts receivable legally valid claims have been sold and delivered to the account obligor or are in transit. No such receivable has been assigned or pledged to any other person, firm or corporation and no defense or setoff to any such receivable has been asserted by the receivable obligor or, to the knowledge of Seller, exists.

5.11 CONFLICTS OF INTEREST. Neither Shareholder, any of Seller's officers or any of their respective family members, in his or her

individual capacity or as an owner, direct or indirect, of any material interest in any corporation, partnership, proprietorship or association: (a) is a competitor, customer or material supplier of Seller, (b) has an existing contractual relationship with Seller, including but not limited to lessors of real or personal property leased to Seller, (c) has any material claim or interest adverse to Seller, (d) is an entity against whom rights or options are exercisable by Seller, or (e) subject to the right to receive dividends as set forth in Section 10.3 hereof, owes any money to or is owed any money by Seller (other than indebtedness for compensation earned or expenses incurred but not yet reimbursed in the ordinary course of business).

5.12 LITIGATION. Except as set forth on Schedule 5.12 hereto, there is no pending or, to the best of Seller's knowledge (as used in this Agreement, the term "Seller's knowledge" includes the knowledge of Seller and Shareholder), threatened judicial, administrative or arbitral action, suit or proceeding against Seller or Shareholder which might materially adversely affect Seller's business or result in any material adverse change in the Assumed Liabilities, or which questions the validity of this Agreement or any action taken or to be taken in connection herewith. None of the actions, suits or proceedings set forth on Schedule 5.12, individually or together with any other, will have a material adverse effect on the use of any of the Purchased Assets following consummation of the transactions contemplated hereby for the purposes for which they have been used by Seller in the conduct of its business.

5.13 CONTRACTS AND AGREEMENTS. Schedule 5.13 hereto sets forth a list of all contracts (except that contracts involving the purchase or sale of inventory or supplies totaling less than \$20,000 are not separately listed) relating to Seller's business and/or the Purchased Assets by which Seller, Shareholder or any of the Purchased Assets is or may become bound, including but not limited to customer contracts, dealer contracts, franchise contracts, vendor

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contracts, maintenance contracts, personal property leases and purchase orders ("Contracts"). Seller has furnished to Buyer complete and correct copies of all Contracts (including all amendments thereto) listed in Schedule 5.13. All Contracts referred to in Schedule 5.13 are valid, binding and in full force and effect and, except as set forth on Schedule 5.13, have not been amended or modified. Seller is not in default and no notice of alleged default has been received by Seller under any of such Contracts and, to the best of Seller's knowledge, (i) no other party thereto is in default or alleged to be in default thereunder, and (ii) there exists no condition or event which, after notice or lapse of time or both, would constitute a default by any party thereto. To the best of Seller's knowledge, there is no cancellation, or threat to cancel or not to renew or extend, any such Contract by any other party thereto. Except as set forth on Schedule 5.13, no Contract is assignable by Seller without the consent of another party thereto. As used in this

Agreement, "Contract" or "Contracts" shall mean any and all contracts, agreements, purchase orders, franchises, commitments, leases, licenses, mortgages, notes, bonds, indentures, loans or other instruments.

5.14 COMPLIANCE WITH LAW; PERMITS. Seller and Shareholder are not in violation in any material respect of (i) any applicable judgment, order, injunction, award or decree relating to Seller's business or (ii) any federal, state or local law, statute, ordinance, code, rule, regulation or any other requirement of any governmental body, court or arbitrator (collectively, "Laws") which is applicable to such business. Except as set forth on Schedule 5.14 hereto, no permits, licenses, certificates of occupancy, orders or approvals of any federal, state, local or foreign governmental or regulatory body (collectively, the "Permits") are material to or necessary in the conduct of Seller's business as presently operated. Seller has furnished to Buyer true and complete copies of all Permits referred to in Schedule 5.14 and all such Permits are in full force and effect, and no material violations are or have been reported in respect of any such Permit, and no proceeding is pending, nor to the knowledge of Seller, threatened to revoke or limit any such Permit. To the best of Seller's knowledge, there are no Permits necessary to the operation of its business which are not transferable to Buyer.

5.15 ABSENCE OF CERTAIN EVENTS. Except as set forth on Schedule 5.15 hereto, since July 31, 1993, there has not been:

5.15.1 any decrease in the total equity of Seller below Five Million Dollars (\$5,000,000);

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5.15.2 any material adverse change in Seller's financial position as a result of its operations as the same relate to the Purchased Assets or Seller's business, or the occurrence of any event particular to the Purchased Assets or Seller's business which has had or will have a material adverse effect on the Purchased Assets or Seller's business;

5.15.3 any illegal payment by Seller to governmental or quasi-governmental officials, or payments to customers or suppliers for rebating of charges, or other reciprocal practices, in connection with Seller's business, other than normal price reductions and/or credits allowed to customers in their ordinary course of business;

5.15.4 any material amendment to or modification of any material Contract relating to the Purchased Assets or Seller's business to which Seller is or was a party or by which Seller is or was bound;

5.15.5 any termination of or failure to renew or extend, or any unwithdrawn threat of any termination or failure to renew or extend, any Contract, including but not limited to customer contracts, dealer

contracts, franchise contracts and vendor contracts, which is or was material to the Purchased Assets or Seller's business;

5.15.6 any damage, destruction or loss (whether or not covered by insurance) materially adversely affecting the Purchased Assets or Seller's business;

5.15.7 any transaction of business by Seller or Shareholder relating to the Purchased Assets or the operation of Seller's business other than in the ordinary course of business which may have a materially adverse effect upon the Purchased Assets and/or Seller's business, including but not limited to (i) any mortgage, pledge or subjection to any lien, security interest or other encumbrance of any of the Purchased Assets, other than mechanic's, materialman's and similar statutory liens or purchase money or other security interests arising in the ordinary course of business or (ii) any transfer, lease or other disposition of any of the Purchased Assets or the acquisition of any assets or properties, except in the ordinary course of business;

5.15.8 any waiver or release of any rights of material value to Seller;

5.15.9 any transfer or grant of any rights (other than licenses granted by Seller in the ordinary course of business) under any intellectual property licenses, patents, inventions, trademarks, trade names, service marks, copyrights, know-how or other Intangible Property transferred hereunder;

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5.15.10 (a) except as required by law, any wage or salary increase applicable generally to any group or classification of Seller's employees (other than in connection with Seller's general salary plan), (b) any entry into any written employment contract with any officer or employee or any loan other than travel advances made to such persons, (c) any adoption of, or increase in, any bonus, incentive, compensation, pension, profit sharing, retirement, insurance, medical reimbursement or other employee benefit plan, except in the ordinary course of business, or (d) any entry into any material transaction of any other nature with any officer or employee;

5.15.11 any labor dispute materially and adversely affecting Seller's business or any commitment (through negotiations or otherwise) or any liability to any labor organization by Seller with respect to Seller's business;

5.15.12 any material change in any accounting principle or method used by Seller for either income tax or financial reporting purposes;

5.15.13 any write-offs or write-downs of inventories or accounts receivable of Seller other than in the ordinary course of business and consistent with prior practice.

5.16 EMPLOYEES AND EMPLOYEE BENEFIT PLANS. Schedule 5.16 hereto sets forth a true and complete list of the names and total compensation, job description and special benefits (if any) of all employees (including salaried employees) who are currently employed by Seller. Except as described on Schedule 5.16, to the best of Seller's knowledge, no employee of Seller has made any threat, or otherwise revealed an intent, to cancel or otherwise terminate his relationship with Seller and, at the Closing Date, all of Seller's employees will be free of all employment obligations to Seller and, to the best of Seller's knowledge, will be free to become the employees of Buyer if Buyer so desires. The consummation of the transactions contemplated by this Agreement will not entitle any current or former employee of Seller to severance payment, unemployment compensation or any similar payment or accelerate the time of payment, or increase the amount of, any compensation due to any current or former employee of Seller. Schedule 5.16 also sets forth a true and complete list of all employment and consulting agreements, executive compensation plans, bonus plans, deferred compensation agreements, employee benefit plans (as defined in Section 3(3) of ERISA), retirement plans, multi-employer plans (as defined in Section 4001(a)(3) of ERISA), employee profit sharing plans, employee stock purchase and stock option plans, group life insurance, hospitalization insurance or other plans or arrangements providing for benefits to employees, whether

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or not subject to the Employee Retirement Income Act of 1974, as amended ("ERISA"). Any and all obligations of Seller to contribute to such plans on behalf of its employees for the calendar years prior to 1993 have been paid, and all obligations of Seller to contribute to such plans on behalf of its employees for the period beginning January 1, 1993 and ending on the Closing Date will be paid by Seller. Except as listed on Schedule 5.16 hereto, Seller does not maintain or sponsor and is not required to make contributions to any pension, profit sharing, thrift, deferred compensation, bonus, incentive, stock purchase, severance, hospitalization, insurance or other similar plan, agreement or arrangement relating to employee benefits for any employees of Seller.

5.17 LABOR MATTERS. Neither Seller nor Shareholder is a party to any collective bargaining agreement or other labor contract applicable to Seller's employees, there are no unfair labor practice or labor arbitration proceedings with respect to Seller's business pending or, to the knowledge of Seller, threatened against Seller, and to Seller's knowledge, there are no organizational efforts presently being made or threatened involving any of Seller's employees. There have been no strikes, slowdowns, stoppages, union disputes or written notice of any Department of Labor violations involving Seller's employees nor, within the two (2) years preceding

the Closing Date, any federal or state claims based on sex, age, disability or race discrimination by any employees of Seller. Seller has not received notice of any claim that, with respect to Seller's business, it has not complied in any material respect with any laws relating to the employment of labor, including any provisions thereof relating to wages, hours, collective bargaining, the payment of social security and similar taxes, equal employment opportunity, employment discrimination and employment safety, or that it is liable for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

5.18 INSURANCE. Seller maintains insurance in such amounts and covering such risks with respect to the Purchased Assets and its business as it deems reasonable. The types and amounts of coverage are as set forth on Schedule 5.18.

5.19 TAXES. Seller has filed all tax returns required to be filed by it as of the date hereof with respect to the Purchased Assets and its business. All taxes due and payable by Seller have been paid by it and any such taxes which are not yet due shall be paid by Seller in full on or before the due date thereof. Seller has provided Buyer with copies of all of the federal and state income tax returns for Seller for the past three fiscal years. Seller's federal income tax returns for the fiscal years set forth in Schedule 5.19 hereto have been challenged as described in Schedule 5.19.

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5.20 INSOLVENCY PROCEEDINGS. Neither Seller nor Shareholder has (a) filed any voluntary petition in bankruptcy or seeking reorganization to effect a plan or other arrangement with creditors or sought any other relief under the United States Bankruptcy Code or under any other state or federal law granting relief to debtors, or (b) made any assignment for the benefit of creditors or consented to the appointment of a receiver, custodian or trustee.

5.21 PATENT AND TRADEMARK CLAIMS. Schedule 5.21 sets forth a complete and accurate list of all trade names, trademarks, trade secrets, service marks, copyrights and patents, whether or not registered, including all contracts, agreements, applications and licenses relating thereto, owned by Seller or Shareholder (or in which it has any rights) and used in Seller's business. To its knowledge, Seller owns or holds adequate licenses or other rights to use all such intellectual property necessary for it to conduct its business as now conducted. To Seller's knowledge, no person has a right to receive a royalty or similar payment in respect of any such intellectual property. Seller has not granted any licenses with respect to any of such intellectual property, other than licenses granted to customers in the ordinary course of business in connection with sales of Seller's products. To the knowledge of Seller, the patents, trademarks and other intellectual property listed on Schedule 5.21 are not infringed upon by any third party. To Seller's knowledge, Seller has not infringed and is not now infringing on any

patent, patent license, trade name, trademark, service mark, copyright, know-how or other proprietary right or trade secret of any third party and no person has made or, to the knowledge of Seller, threatened to make any claims that the operation of Seller's business is in violation or infringement of any patent, patent license, trade name, trademark, service mark, copyright, know-how or other proprietary right or trade secret of any third party.

5.22 USE OF REAL PROPERTY. Schedule 5.22 sets forth all contracts pertaining to Seller's Leasehold Interests, including but not limited to Seller's Leasehold Interest with respect to the facilities, offices and showroom located at 6330 East 75th Street, Indianapolis, Indiana. Each Leasehold Interest of Seller in property used in Seller's business is in full force and effect and, to Seller's knowledge, enforceable against the lessors thereunder, in accordance with its terms (except as the enforceability thereof may be limited by bankruptcy, insolvency, bank moratorium or similar laws affecting creditors' rights generally and laws restricting the availability of equitable remedies). There is no existing material event of default or material breach by Seller or, to Seller's knowledge, by any other party of any of such Leasehold Interests, and Seller has not received any written notice, claim or allegation of default or material breach thereof by Seller (or an event of

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default which with notice or lapse of time or both would constitute a default or an event of default thereunder) that would preclude continuation of use or occupancy of any real property subject to such Leasehold Interests so as to materially disrupt the operation of Seller's business or reasonably be expected to result in a material liability on the part of Seller or otherwise cause material damage to Seller's business. Seller has not received notice of any violation of any applicable zoning or building regulation or ordinance relating to such Leasehold Interests and, to the knowledge of Seller, there is no material violation.

5.23 PRODUCT WARRANTY. Seller has made available to Buyer copies of the product warranties given by Seller in all material Contracts. Schedule 5.23 sets forth the warranty expense incurred by Seller with respect to its business and operations during the year ended December 31, 1992 and the seven months ended July 31, 1993, and a summary description of each warranty claim during that period that resulted in an expense of more than \$5,000.

5.24 ENVIRONMENTAL. To Seller's knowledge, Seller is in compliance with all applicable federal, state and local environmental protection, occupational, health and safety or similar laws, ordinances, restrictions, licenses and regulations, including those relating to pollution or protection of the environment (including ambient air, surface water, ground water, land surface or subsurface strata), and those relating to emissions, discharges or releases of pollutants, contaminants, chemicals or toxic or

hazardous substances or wastes and those relating to the handling, treatment, presence, removal, storage, decontamination, clean-up, transportation or disposal of hazardous materials, including but not limited to the Federal Water Pollution Control Act, Toxic Substances Control Act, Clean Air Act, Comprehensive Environmental Response, Compensation and Liability Act and comparable laws of the State of Indiana, except for possible violations that so far as Seller can reasonably foresee are not likely to have a material adverse effect on the Purchased Assets or Seller's business.

5.25 BANK ACCOUNTS. Schedule 5.25 sets forth a list of all bank accounts used in the operation of Seller's business.

5.26 OPERATING ENTITY. Seller has conducted its business only through LMB and not through any other entity.

5.27 NO OTHER AGREEMENTS TO SELL THE PURCHASED ASSETS OR SELLER'S BUSINESS. Neither Seller nor Shareholder has any legal obligation, absolute or contingent, to any other person or entity to sell the Purchased Assets other than in the ordinary course of business, to sell a majority of the capital stock of Seller or to effect any merger, consolidation

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or other reorganization of Seller or to enter into any agreement with respect to any transaction described in this sentence.

5.28 FULL DISCLOSURE. No representation or warranty by Seller or Shareholder in this Agreement nor any certificate furnished or to be furnished by Seller or Shareholder to Buyer or its representatives pursuant hereto, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements made therein not misleading.

5.29 COUNTIES OF OPERATION. Schedule 5.29 sets forth a list of all counties in the State of Indiana in which Seller and Shareholder currently conduct or, within the two (2) years preceding the date of this Agreement, have conducted Seller's business.

VI. REPRESENTATIONS AND WARRANTIES OF BUYER

As an inducement for Seller and Shareholder to enter into this Agreement, Buyer represents and warrants as follows:

6.1 ORGANIZATION. Buyer is a corporation duly organized, validly existing and in good standing under the laws of Delaware and is duly empowered to enter into this Agreement and perform its obligations as described herein. Buyer has all necessary corporate power and authority to enter into, be bound by the terms and conditions of, and perform its obligations under, this Agreement.

6.2 AUTHORIZATION; NO CONFLICT. All requisite corporate action on the part of Buyer has been duly taken to authorize and approve the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby. This Agreement has been duly executed and delivered by Buyer and constitutes a legal, valid and binding obligation of Buyer, and each instrument contemplated by this Agreement, when executed and delivered by Buyer in accordance with the provisions hereof, will be a legal, valid and binding obligation of Buyer, in each case enforceable against Buyer in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws from time to time in effect which affect creditors' rights generally and by legal and equitable limitations on the availability of equitable remedies). Neither the execution, delivery and performance of this Agreement nor the consummation of the transactions contemplated hereby will (i) conflict with or result in the breach of any provision of the Certificate of Incorporation or By-laws of Buyer or any mortgage, bond, indenture, agreement, franchise or other instrument or obligation to which Buyer is a party or by which Buyer is bound, (ii) violate any judgment, order, injunction,

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decree or award of any court, administrative agency or governmental body against, or binding upon, Buyer, or (iii) constitute a violation by Buyer of any law or regulation of any jurisdiction as such law or regulation relates to Buyer or the property or business of Buyer.

VII. CONDITIONS TO OBLIGATIONS OF BUYER

The obligations of Buyer hereunder are subject, at its election, to the satisfaction, at or prior to the Closing Date, of the following conditions:

7.1 NO MATERIAL CHANGE. Since July 31, 1993, Seller's business shall have been conducted only in the ordinary and usual course and there shall have been no material adverse change to the business, results of operation, financial condition or prospects of Seller as reflected in the July Balance Sheet. Specifically, without limitation of the foregoing, unless otherwise agreed to in writing by Buyer, (i) the total equity of Seller reflected on the Interim Balance Sheet shall not be less than Five Million Dollars (\$5,000,000), (ii) the amount of "inventory" reflected on the Interim Balance Sheet shall not be greater than 110% of the amount of "inventory" reflected on the July Balance Sheet, (iii) the amount of "fixed assets" reflected on the Interim Balance Sheet shall not be greater than 112% of the amount of "fixed assets" reflected on the July Balance Sheet, and (iv) the amount of "cash" reflected on the Interim Balance Sheet shall not be less than 90% of the amount of "cash" reflected on the July Balance Sheet.

7.2 ACCURACY OF FINANCIAL STATEMENTS. Buyer shall not have obtained, as a result of the Businessman's Review of Price Waterhouse

referred to in Section 7.7 hereof or from other sources deemed by Buyer to be reliable, any information which Buyer reasonably interprets, in good faith, as (i) casting doubt in a material respect upon the accuracy and fairness of presentation of the Financial Statements included in Schedule 5.4 hereto or the Interim Balance Sheet, (ii) indicating the occurrence of a material adverse change since July 31, 1993 in the business, results of operation, financial condition or prospects of Seller, or (iii) indicating a significant adverse variance since July 31, 1993 from previous trends or conditions in the period ended that date as to costs (of labor or other services, materials or sales), backlog, sales volume, sales mix, sales pricing, profit margins, products and rights to sell products, customers, continuing ability to effect sales as in the past or any other significant aspect of Seller's business.

7.3 SCHEDULES. Buyer shall have received each of the schedules referred to in this Agreement together with copies of any and all documents or instruments identified in such schedules. Buyer shall be satisfied, in its sole and

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absolute discretion, that nothing contained or referred to in such schedules or the documents or instruments identified therein would increase the Assumed Liabilities, adversely affect the Purchased Assets or otherwise decrease, impair or negatively impact the consideration to be received by Buyer pursuant to this Agreement.

7.4 GOVERNMENTAL CONSENTS. There shall have been obtained all requisite consents of governmental or other regulatory agencies, foreign or domestic, required to be received by or on the part of Buyer, Seller or Shareholder in connection with the consummation of the transactions contemplated hereby.

7.5 OTHER CONSENTS. All other consents and approvals required for the execution, delivery and performance of this Agreement, including but not limited to any and all consents or approvals of Intelligent Electronics, shall have been obtained or, alternatively, assurances, reasonable under the circumstances, that such consents and approvals will be obtained shall have been received, except where the failure to obtain such consents or approvals would not, in the aggregate, have a material adverse effect on Seller's business.

7.6 REPRESENTATIONS AND WARRANTIES. Seller's and Shareholder's representations and warranties contained herein (which shall be read for purposes of this Section 7.6 without any limitation as to the knowledge of Seller) shall be true and correct in all material respects, on and as of the Closing Date as though made on and as of the Closing Date.

7.7 ACCOUNTANTS' REVIEW. Seller shall have given to Buyer's accountants, Price Waterhouse, full access to its books and records for

the purpose of conducting a Businessman's Review of Seller's business as of November 30, 1993. Such Businessman's Review conducted by Price Waterhouse (i) shall not reveal any information which questions the accuracy, in any material respect, of the financial statements included in Schedule 5.4 hereto or the Interim Balance Sheet, and (ii) shall enable Price Waterhouse to conclude, based on the sufficiency of the books, records and other financial data maintained by Seller with respect to Seller's business, that Price Waterhouse will be in a position, subsequent to the Closing Date, to prepare and deliver to Buyer audited financial statements of LMB for the years ended December 31, 1991, 1992 and 1993.

7.8 COMPLIANCE. Seller and Shareholder shall have performed and complied with all agreements, covenants and conditions required by this Agreement to be performed or complied with by them prior to the Closing Date.

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7.9 SUITS, PROCEEDINGS, INVESTIGATIONS. No suit, action or other proceeding shall be pending or, to the knowledge of Seller or Buyer, threatened, before any court or governmental agency wherein an unfavorable judgment, decree or order would prevent the carrying out of this Agreement or any of the transactions or events contemplated hereby, or declare unlawful the transactions or events contemplated by this Agreement or cause such transactions to be rescinded, or would otherwise have a material adverse effect on the Purchased Assets and/or Seller's business and/or the transactions contemplated hereby.

7.10 APPROVAL OF COUNSEL TO BUYER. All actions, proceedings, consents, instruments and documents required to be delivered by Seller and Shareholder hereunder or incident to the performance hereof, and all other related matters, shall have been approved as to form and substance by Buyer's counsel, which approval shall not be unreasonably withheld.

7.11 OPINION OF COUNSEL TO SELLER AND SHAREHOLDER. Seller and Shareholder shall have delivered to Buyer an opinion of counsel for Seller and Shareholder, dated the Closing Date, in the form attached hereto as Exhibit A.

7.12 OTHER DOCUMENTS. Seller and Shareholder shall have delivered all such certified resolutions, certificates, documents and instruments with respect to Seller as Buyer's counsel may reasonably request prior to the Closing Date to carry out the intent and purpose of this Agreement and the form of all such documents shall be satisfactory in all reasonable respects to Buyer and its counsel.

7.13 INSTRUMENTS OF CONVEYANCE. Seller shall have executed and delivered, or caused to be executed and delivered, to Buyer the instruments of conveyance contemplated by Section 1.1 and executed copies of

all consents, if any, of third parties which may be required for any assignment, transfer or recording contemplated hereby (the failure to obtain which would have a material adverse effect on the Purchased Assets and/or Seller's business), including but not limited to consents to assignments of Seller's Contracts, which instruments and consents shall be in form and substance reasonably satisfactory to Buyer and its counsel.

7.14 SHAREHOLDER AGREEMENTS. Shareholder shall have entered into an employment agreement substantially in the form attached hereto as Exhibit B and a covenant not-to-compete substantially in the form of Exhibit C attached hereto.

7.15 OFFICERS' CERTIFICATE. Buyer shall have been furnished with a certificate executed on behalf of Seller by Shareholder, dated the Closing Date, representing and certifying, in such detail as Buyer may reasonably request,

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that the conditions set forth in this Section 7 have been fulfilled at or prior to the Closing Date and that Seller is not in default under any provision of this Agreement.

VIII. CONDITIONS TO OBLIGATIONS OF SELLER

The obligations of Seller hereunder are subject, at its election, to the satisfaction, at or prior to the Closing Date, of the following conditions:

8.1 GOVERNMENTAL CONSENTS. There shall have been obtained all requisite consents of governmental or other regulatory agencies, foreign or domestic, required to be received by or on the part of Seller in connection with the consummation of the transactions contemplated hereby.

8.2 OTHER CONSENTS. All other consents and approvals required for the execution, delivery and performance of this Agreement shall have been obtained or, alternatively, assurances, reasonable under the circumstances, that such consents and approvals will be obtained shall have been received, except where the failure to obtain such consents or approvals would not, in the aggregate, have a material adverse effect on Seller's business.

8.3 REPRESENTATIONS AND WARRANTIES. Buyer's representations and warranties contained herein shall be true and correct in all material respects on and as of the Closing Date as though made on and as of the Closing Date.

8.4 COMPLIANCE. Buyer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to the Closing Date.

8.5 SUITS, PROCEEDINGS, INVESTIGATIONS. No suit, action or other proceeding shall be pending or, to the knowledge of Seller or Buyer, threatened, before any court or governmental agency wherein an unfavorable judgment, decree or order would prevent the carrying out of this Agreement or any of the transactions or events contemplated hereby, or declare unlawful the transactions or events contemplated by this Agreement or cause such transactions to be rescinded.

8.6 APPROVAL OF COUNSEL TO SELLER. All actions, proceedings, consents, instruments and documents required to be delivered by Buyer hereunder or incident to the performance hereof, and all other related matters, shall have been approved as to form and substance by Seller's counsel, which approval shall not be unreasonably withheld.

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8.7 OPINION OF COUNSEL TO BUYER. Buyer shall have delivered to Seller an opinion of counsel for Buyer, dated the Closing Date, in the form attached hereto as Exhibit D.

8.8 OTHER DOCUMENTS. Buyer shall have delivered all such certificates, documents or instruments with respect to Buyer as Seller's counsel may reasonably request prior to the Closing Date to carry out the intent and purpose of this Agreement and the form of all such documents shall be satisfactory in all reasonable respects to Seller and its counsel.

IX. COVENANTS OF SELLER AND SHAREHOLDER

9.1 CONDUCT OF DIVISION. During the period from the date hereof until the Closing, unless Buyer consents otherwise in writing, Seller and Shareholder shall use their reasonable efforts to:

9.1.1 conduct Seller's business only in the ordinary course, consistent with past practices, except as contemplated by this Agreement;

9.1.2 preserve their business relationships and goodwill with Seller's suppliers, customers and distributors and continue their advertising and promotional activities substantially in accordance with past practice;

9.1.3 notify Buyer of any action, suit, proceeding, claim or investigation which is threatened or commenced against Seller or Shareholder, or against any officer, employee, agent, consultant or director of Seller, which may relate to or affect the Purchased Assets, Seller's business or this Agreement or the transactions contemplated hereby;

9.1.4 maintain any insurance coverage existing as

of the date hereof against loss or damage to the Purchased Assets;

9.1.5 keep available the services of its present officers and employees and, except as required by law, not enter into any employment contract with any employee or materially increase any employee's compensation (other than in the ordinary course of business) and not negotiate or enter into any agreement or agree to be bound by any agreement with any collective bargaining agent;

9.1.6 maintain all of the Purchased Assets, in the aggregate, in a condition comparable to their current condition, except for reasonable wear and tear and for Purchased Assets disposed of, sold or consumed in the ordinary course of business and/or where the market value of disposed

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or sold assets does not exceed \$5,000 individually or \$50,000 in the aggregate;

9.1.7 not amend any Contract except to effect change orders requested by customers or otherwise in the ordinary course of business;

9.1.8 not transfer sell, lease or otherwise dispose of any of the Purchased Assets except sales of inventory or other dispositions in the ordinary course of business and/or where the market value of sold, leased or disposed of Purchased Assets does not exceed \$5,000 individually or \$50,000 in the aggregate;

9.1.9 not create, assume or incur any claim, lien, pledge, option, charge, security interest, encumbrance or similar right of third parties in respect of any of the Purchased Assets;

9.1.10 not amend, terminate or waive any right of substantial value belonging to or held by Seller which relates to or concerns Seller's business;

9.1.11 enter into any lease for property or equipment or any agreement that is material to Seller without having obtained the prior consent of Buyer;

9.1.12 not make or commit to any capital expenditures or commitments in excess of ordinary practice not provided for in this Agreement or the schedules hereto;

9.1.13 not write-up any assets onto Seller's books, or reverse any write-off of assets on its books, except in the ordinary course of business and consistent with past practices; provided, however, that no such adjustment shall have a material adverse effect on the Purchased Assets;

9.1.14 promptly advise Buyer orally and in writing of any material adverse change in the business or financial condition of Seller's business that comes to Seller's or Shareholder's attention that has had or will likely have, either singly or in the aggregate, a material adverse effect on the Purchased Assets, business, results of operations, financial condition or prospects of Seller; and

9.1.15 not enter into any agreement, or otherwise become obligated, to do any action prohibited hereunder.

9.2 ACCESS. During the period from the date hereof until the Closing, Seller and Shareholder shall (a) during ordinary business hours and upon reasonable notice from Buyer, permit Buyer and its authorized representatives to have access to all tangible Purchased Assets and records

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relating to Intangible Property, and books, records, properties and offices of Seller, (b) cause Seller's management to cooperate with and respond reasonably to appropriate questions at times and places and under circumstances approved in advance by Seller, (c) furnish, as soon as reasonably practicable, to Buyer or its authorized representatives such other information in Seller's or Shareholder's possession with respect to Seller's business as Buyer may from time to time reasonably request, and (d) otherwise reasonably cooperate in the examination or audit of Seller's business by Buyer.

9.3 PERMITS AND CONSENTS. As promptly as practicable after the date hereof, Seller and Shareholder shall make all filings with governmental bodies and other regulatory authorities and use all reasonable efforts to obtain all permits, approvals, authorizations and consents of all third parties required for Seller and Shareholder to consummate the transactions contemplated hereby. As soon as practicable following receipt of any written request from Buyer, Seller and Shareholder will furnish to Buyer all information which is in their possession and not otherwise available to Buyer which Buyer may reasonably request in connection with any such filing to be made by Buyer.

9.4 ACQUISITION PROPOSALS. Neither Seller nor Shareholder shall solicit, initiate or encourage any acquisition proposal or engage in any discussion with respect thereto or provide information to any other person, concerning a possible sale of the Purchased Assets or Seller's business; provided, however, that nothing contained in this Section 9.4 shall prohibit Seller or Shareholder from engaging in such discussions as are necessary in order to solicit the consent or approval of Intelligent Electronics to the transactions contemplated by this Agreement.

9.5 FINANCIAL INFORMATION. Seller and Shareholder shall deliver to Buyer all financial statements prepared by or for Seller prior

to the Closing.

X. OTHER COVENANTS

10.1 ACTIONS WITH RESPECT TO CLOSING. Each party agrees to use its best efforts to bring about the satisfaction of the conditions precedent to the Closing and to cause the covenants and agreements contained in this Section 10 to be satisfied and performed hereunder by each of them.

10.2 EXPENSES OF SALE. Seller and Shareholder, on the one hand, and Buyer, on the other hand, shall each bear their own direct and indirect expenses incurred in connection with the negotiation and preparation of this Agreement and the consummation and performance of the transactions contemplated hereby.

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10.3 PAYMENT OF DIVIDENDS BY SELLER. Prior to the Closing Date, Seller shall be permitted to pay dividends to Shareholder in accordance with ordinary practices, including the payment of dividends representing the net profit from operations earned subsequent to the date of the July Balance Sheet and prior to the Closing Date. This Section 10.3 does not, and is not intended to, constitute a waiver of any other condition, covenant, agreement, representation or warranty contained in this Agreement.

10.4 COOPERATION. Each party hereto agrees, both before and after the Closing, to execute any and all further documents and writings and perform such other reasonable actions which may be or become necessary or expedient to effectuate and carry out the transactions contemplated hereby (which shall not include any obligation to make payments).

10.5 ANNOUNCEMENTS. Each party agrees not to make, nor cause to be made, any news releases or other public announcements pertaining to the transactions contemplated hereby without first consulting the other party and attempting to formulate a mutually satisfactory arrangement for such disclosure, and in any case will make no announcement in violation of applicable law.

10.6 NONASSIGNABLE CONTRACTS. Nothing in this Agreement shall be construed as an attempt or agreement to assign any contract or claim as to which a required third party consent to assignment cannot be obtained. If, however, following the Closing, there is any Contract or other commitment which would have been properly assigned had the required consent been obtained, or any claim for which consent to the assignment thereof cannot be obtained, Seller, Shareholder and Buyer agree to take such action, to the extent permitted by applicable law, in order for Buyer to obtain the benefit and assume the obligations thereunder, including Seller's or Shareholder's designating Buyer as Seller's or Shareholder's subcontractor or agent for

purposes of performing such contracts and Seller's or Shareholder's collecting monies due under such contracts and paying the same promptly over to Buyer.

10.7 TAX ALLOCATION. Seller, Shareholder and Buyer shall allocate the Purchase Price to broad categories constituting components of the Purchased Assets in accordance with the basis of allocation used in preparing the Form 8594 attached hereto as Schedule 10.7 and shall file a Form 8594 with respect to the transactions contemplated by this Agreement similar to that set forth in Schedule 10.7, except to the extent that modifications are necessary to reflect changes in the Purchased Assets between the date hereof and the Closing Date. Each party will report the purchase and sale of the Purchased Assets in accordance with the agreed upon allocation among such broad categories for all federal,

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state, local and other tax purposes, but such allocation shall not constrain reporting for other purposes.

10.8 TAX COOPERATION. After the Closing, each party shall cooperate with the other in the preparation of all tax returns and shall provide, or cause to be provided, to such other party any records and other information reasonably requested by such party in connection therewith as well as access to, and the cooperation of, the auditors of such other party. After the Closing, each party shall cooperate with the other party in connection with any tax investigation, tax audit or other tax proceeding relating to Seller's business. Any information obtained pursuant to this section relating to taxes shall be kept confidential by the other party.

10.9 RISK OF LOSS. Until the Closing, all risks of loss or damage to the Purchased Assets shall be borne by Seller and Shareholder, and thereafter shall be borne by Buyer. If any material portion of the Purchased Assets is destroyed or damaged by fire or any other cause prior to the Closing, Seller and Shareholder shall promptly give notice to Buyer of such damage or destruction and the amount of insurance, if any, covering such Purchased Assets. Prior to the Closing, Buyer shall have the option, which shall be exercised by written notice to Seller within ten (10) days after receipt of Seller's notice or, if there is not ten days prior to the Closing Date, as soon as practicable, of (a) accepting such Purchased Assets in their destroyed or damaged condition in which event any insurance proceeds payable to Seller or Shareholder with respect to such Purchased Assets shall be assigned to Buyer, and the full Purchase Price shall be paid subject to adjustment pursuant to Section 3.2, or (b) excluding such Purchased Assets from this Agreement, in which event the Purchase Price shall be reduced by the amount allocated to such damaged or destroyed property, or, if such amount cannot be determined, by an amount to be agreed upon by the parties hereto.

10.10 EMPLOYEES. Upon the Closing, Buyer shall offer employment to all employees of Seller. Seller shall be solely responsible for

all obligations of Seller to such employees arising out of its employment of such employees prior to the Closing Date. Seller will use its best efforts to assist Buyer in employing Seller's employees.

10.11 BULK TRANSFER. Seller, Shareholder and Buyer waive compliance with the Bulk Transfer provisions of the Uniform Commercial Code and Seller and Shareholder shall indemnify and hold Buyer harmless from any claims of Seller's creditors as a result of such waiver.

10.12 BROKERS. Each party represents to the other that no person or persons assisted in or brought about the negotiations, execution or delivery of this Agreement in such

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manner as to give rise to any valid claim against either party hereto for a brokerage commission, finder's fee or any other like payment in respect of the transactions contemplated by this Agreement. Each party will indemnify the other party against any loss, cost or damage, including but not limited to attorney's fees and costs, incurred by such other party in any action or claim for brokerage, finder's or other such fees related to this Agreement if based upon employment by the indemnifying party.

10.13 TRANSFER OF VEHICLES. In the event Seller and Shareholder are unable to transfer title to all of the vehicles to be transferred pursuant to Section 1.1.1 hereof due to inability to locate all the certificates of title or for any other reason, title shall be deemed to have transferred to Buyer for all purposes, including but not limited to the determination of rights to use such vehicles and costs and liabilities associated therewith; provided that Seller and Shareholder shall promptly obtain replacement certificates of title and transfer them to Buyer and, until such certificates are obtained, shall indemnify Buyer against claims of ownership of such vehicles by third parties.

10.14 ACCESS TO RECORDS. Buyer shall preserve for a period of seven (7) years after the Closing Date all books, records and other materials transferred to Buyer pursuant to Section 1.1.2 hereof. During such seven-year period, Buyer shall either (i) provide Shareholder, during ordinary business hours and upon reasonable notice from Shareholder, with reasonable access to such books, records and other materials, or (ii) provide Shareholder with copies of such books, records and other materials as are required by Shareholder with respect to Shareholder's tax matters. The election between alternatives (i) and (ii) above shall be made by Buyer in its discretion.

XI. INDEMNITY

11.1 INDEMNIFICATION. Seller and Shareholder, jointly and severally, shall indemnify and hold harmless Buyer against any loss, cost or damage, including but not limited to reasonable attorneys' fees and costs

("Losses"), incurred by Buyer in any action or claim resulting from any inaccuracy in, or breach of, any representations, warranties or covenants of Seller or Shareholder contained in this Agreement, to the extent such Losses exceed \$50,000 in the aggregate.

11.2 NOTICE. Buyer shall give timely written notice to Seller and Shareholder as soon as practical after Buyer becomes aware of any condition or event that gives rise to Losses for which indemnification is sought under this section. The failure of Buyer to give timely notice shall not affect Buyer's rights to indemnification hereunder except to

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the extent that Seller or Shareholder demonstrates actual damage caused by such failure.

11.3 REIMBURSEMENT OF LOSSES; NOTICE OF ARBITRATION. Within thirty (30) days of receipt of the notice specified in Section 11.2 above, Seller and Shareholder shall either (i) reimburse Buyer, by certified or bank cashier's check, for the Losses for which indemnification is sought by such notice, or (ii) provide written notice to Buyer of their objection to the indemnification sought by Buyer and their election to arbitrate the dispute pursuant to the provisions set forth in Section 3.3.5 above. The failure of Seller and Shareholder to provide Buyer with the notice specified in (ii) above within the allotted time shall constitute a waiver of any objection to the indemnification then sought by Buyer.

11.4 RIGHT OF OFFSET AGAINST EARNOUT PAYMENTS; ARBITRATION. Notwithstanding anything to the contrary contained in this Section 11, upon notice to Seller and Shareholder of the incurrence of Losses for which indemnification is sought under this Section 11, Buyer shall have the right to offset the amount of any such Losses against any Earnout Payment payable or to become payable to Seller or Shareholder pursuant to Section 3.3 of this Agreement. Within thirty (30) days of receipt of the notice specified in the preceding sentence, Seller and Shareholder shall provide Buyer with written notice of any objection to such offset and their election to arbitrate the dispute in accordance with the arbitration provisions set forth in Section 3.3.5 above; the failure of Seller and Shareholder to provide Buyer with such notice within the time allotted shall constitute a waiver of any such objection. Upon receipt of such notice to arbitrate, Buyer shall place into an escrow account held by an independent third party funds equal to that portion of any Earnout Payment subject to the offset pursuant to this Section 11.4, and Buyer shall instruct the holder of the escrow account to release such funds only upon receipt of, and in accordance with, an order from the arbitrators with respect thereto.

XII. TERMINATION

12.1 TERMINATION. Anything herein or elsewhere to the

contrary notwithstanding, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing Date:

12.1.1 By mutual consent of Seller, Shareholder and Buyer;

12.1.2 By Buyer, if any of the conditions set forth in Section 7 shall have become incapable of fulfillment and shall not have been waived by Buyer;

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12.1.3 By Seller or Shareholder, if any of the conditions set forth in Section 8 shall have become incapable of fulfillment and shall not have been waived by Seller and Shareholder;

12.1.4 By Buyer, on the one hand, or Seller or Shareholder, on the other, if the transactions contemplated hereby are not consummated on or before January 31, 1994, and if the failure to consummate such transactions on or before such date did not result from the failure by the party seeking such termination to fulfill any condition set forth in Section 7 or 8, as the case may be, which is a condition precedent to the obligation of the other party to this Agreement to consummate the transactions contemplated hereby;

12.1.5 By Buyer, on the one hand, or Seller or Shareholder, on the other hand, if there is a material breach of this Agreement provided that the party seeking such termination shall not be in material breach of this Agreement.

12.2 MANNER AND EFFECT OF TERMINATION.

12.2.1 Termination shall be effected by the giving of notice to that effect by one party to the other.

12.2.2 If this Agreement is terminated and the transactions contemplated hereby are not consummated, this Agreement shall become null and void and of no further force and effect and neither party shall be obligated to the other hereunder. Termination shall be the only remedy in the event the transactions contemplated hereby are not consummated.

XIII. MISCELLANEOUS

13.1 SURVIVAL OF REPRESENTATIONS, WARRANTIES AND COVENANTS. All representations, warranties, covenants and agreements of each party made hereunder or pursuant hereto or in connection with the transactions contemplated hereby, shall survive for a period of two (2) years from the Closing Date regardless of any investigation made at any time by or on behalf of either party or of any information either may have.

13.2 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements, representations, warranties, statements and understandings, whether oral or written, with respect to the subject matter hereof.

13.3 NOTICES. Any notices or other communications required or permitted hereunder shall be in writing and shall be delivered by personal service, facsimile or overnight or certified mail, postage prepaid, to such address as may be designated from time to time by the relevant party, and which initially shall be:

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If to Seller and
Shareholder:

Larry M. Bradford
8140 Bounty Court
Indianapolis, Indiana 46236

Facsimile No.: (317) ___-___

If to Buyer:

Bell Industries, Inc.
11812 San Vicente Boulevard
Third Floor
Los Angeles, CA 90049

Attention: Tracy A. Edwards,
Vice President and Chief
Financial Officer

Facsimile No.: (310) 447-3265

With a copy to:

Gordon Graham
Vice President
Bell Industries, Inc.
11812 San Vicente Boulevard
Los Angeles, California 90049

Facsimile No.: (310) 447-3265

Any notice sent by certified or overnight mail shall be deemed to have been given, respectively, five (5) days or one (1) day after the date on which it is mailed. If notice is given by facsimile, notice shall be deemed given when such notice is transmitted to the appropriate facsimile number specified in this Section 13.3. All other notices shall be deemed given when received.

13.4 GOVERNING LAW. This Agreement shall be governed

by the laws of the state of California, without giving effect to the conflict of laws provisions thereof.

13.5 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

13.6 ASSIGNABILITY. This Agreement and any of the parties' rights hereunder shall be assignable by either party after providing prior notice to the other party, provided that the party assigning its rights remains liable for all its obligations hereunder.

13.7 AMENDMENTS, SUPPLEMENTS. This Agreement may be amended or supplemented at any time by the mutual written consent of the parties.

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13.8 WAIVERS. Either party may, by written notice to the other, (a) extend the time for the performance of any of the obligations or other actions of the other party under this Agreement; (b) waive any inaccuracies in the representations or warranties of the other party contained in this Agreement or in any document delivered pursuant to this Agreement; (c) waive compliance with any of the conditions or covenants of the other contained in this Agreement; or (d) waive performance of any of the obligations of the other under this Agreement. With regard to any power, remedy or right provided herein or otherwise available to any party hereunder, (i) no waiver or extension of time will be effective unless expressly contained in a writing signed by the waiving party, and (ii) no alteration, modification or impairment will be implied by reason of any previous waiver, extension of time, or delay or omission in the exercise of rights or other indulgence.

13.9 EQUITABLE REMEDIES. Seller, Shareholder and Buyer acknowledge that the remedy at law for any breach, or threatened breach, of their respective covenants to consummate the transactions contemplated hereby will be inadequate and, accordingly, each of Seller, Shareholder and Buyer covenants and agrees that, with respect to any such breach or threatened breach, the non-breaching party will, in addition to any other rights or remedies that it may have and regardless of whether such other rights or remedies have been previously exercised, be entitled to such equitable and injunctive relief as may be available.

13.10 EXHIBITS AND SCHEDULES. All exhibits annexed hereto, and all schedules referred to herein, are hereby incorporated in and made a part of this Agreement as if set forth in full herein.

13.11 CAPTIONS. All section titles or captions contained in this Agreement or in any schedule or exhibit annexed hereto or referred to herein are for convenience only, shall not be deemed a part of this

Agreement and shall not affect the meaning or interpretation of this Agreement. All references herein to sections shall be deemed references to such parts of this Agreement, unless the context shall otherwise require.

13.12 SEVERABILITY. The validity, legality or enforceability of the remainder of this Agreement shall not be affected even if one or more of the provisions of this Agreement shall be held to be invalid, illegal or unenforceable in any respect.

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13.13 FORCE MAJEURE. Anything to the contrary in this Agreement notwithstanding, neither party hereto shall be liable to the other party hereto for any loss, injury, delay, damages or other casualty suffered or incurred by such other party hereto due to strikes, riots, storms, fires, explosions, acts of God, war, governmental action or any other cause similar thereto which is beyond the reasonable control of the parties. In the event that performance of any of the material obligations under this Agreement shall be suspended due to one or more of the foregoing causes and such suspension shall have a material adverse effect on the consummation of the transactions as contemplated in this Agreement or on the operations or financial conditions or prospects of Seller's business, then the aggrieved party which shall be materially and adversely affected thereby may terminate this Agreement.

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13.14 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first written above.

LMB MICROCOMPUTERS, INC.

By: _____
Larry M. Bradford,
President

SHAREHOLDER

By: _____
Larry M. Bradford

BELL INDUSTRIES, INC.,

By: _____

Its: _____

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REPORT OF INDEPENDENT ACCOUNTANTS

TO THE BOARDS OF DIRECTORS OF
BELL INDUSTRIES, INC. AND LMB MICROCOMPUTERS, INC.

In our opinion, the accompanying balance sheet and the related statements of income and retained earnings and of cash flows present fairly, in all material respects, the financial position of LMB Microcomputers, Inc. at November 30, 1993 and the results of its operations and its cash flows for the eleven-month period ended November 30, 1993 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE
INDIANAPOLIS, INDIANA
April 8, 1994

LMB MICROCOMPUTERS, INC.

BALANCE SHEET (\$ IN THOUSANDS)

EXHIBIT (99.1)
PAGE 2 OF 6

<TABLE>
<CAPTION>

NOVEMBER 30,
1993

<S>

<C>

ASSETS

Current assets

Cash and cash equivalents	\$ 1,330
Investments	201
Accounts receivable	2,572
Inventories	2,144
Prepaid expenses and other	47

6,294

Property and equipment

Furniture and office equipment	454
Leasehold improvements	35
Vehicles	17

506

Accumulated depreciation (279)

227

\$ 6,521
=====

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities

Accounts payable	\$ 157
Accrued liabilities	319
Deferred revenue	49

525

Stockholder's equity

Common stock - no par value - authorized - 100,000 shares issued and outstanding - 50,000 shares	1
Retained earnings	5,995

5,996

\$ 6,521
=====

</TABLE>

See accompanying Notes to Financial Statements.

LMB MICROCOMPUTERS, INC.

STATEMENT OF INCOME AND RETAINED EARNINGS (\$ IN THOUSANDS)

EXHIBIT (99.1)

PAGE 3 OF 6

<TABLE>

<CAPTION>

	ELEVEN-MONTH PERIOD ENDED NOVEMBER 30, 1993
<S>	<C>
Net sales	\$ 21,273

Costs and expenses	
Cost of products sold	16,183
Selling, general and administrative expenses	3,480

	19,663

Income from operations	1,610
Other income, net	90

Net income	1,700
Retained earnings, beginning of period	5,359
Distributions to stockholder	(1,064)

Retained earnings, end of period	\$ 5,995
	=====

</TABLE>

See accompanying Notes to Financial Statements.

LMB MICROCOMPUTERS, INC.

STATEMENT OF CASH FLOWS (\$ IN THOUSANDS)

EXHIBIT (99.1)

PAGE 4 OF 6

<TABLE>

<CAPTION>

ELEVEN-MONTH
PERIOD ENDED
NOVEMBER 30,
1993

<S>	<C>
Cash flows from operating activities	
Cash received from customers	\$ 22,086
Cash paid to suppliers and employees	(21,156)
Interest, dividend and other income	82

Net cash provided by operating activities	1,012

Cash flows from investing activities	
Additions to property and equipment	(53)
Decrease (increase) in investments	208

Net cash provided by (used for) investing activities	155

Cash flows from financing activities	
Distributions to stockholder	(1,044)

Net cash used for financing activities	(1,044)

Increase in cash and cash equivalents	123
Cash and cash equivalents, beginning of period	1,207

Cash and cash equivalents, end of period	\$ 1,330
	=====
Reconciliation of net income to net cash provided by operating activities:	
Net income	\$ 1,700
Depreciation expense	64
Changes in assets and liabilities:	
Accounts receivable	805
Inventories	(326)
Accounts payable	(1,102)
Accrued liabilities	(132)
Other	3

	\$ 1,012
	=====

</TABLE>

See accompanying Notes to Financial Statements.

LMB MICROCOMPUTERS, INC.

EXHIBIT (99.1)

NOTES TO FINANCIAL STATEMENTS

PAGE 5 OF 6

NOVEMBER 30, 1993

(\$ IN THOUSANDS)

1. SUMMARY OF ACCOUNTING POLICIES

REVENUE RECOGNITION

The primary business operations of LMB Microcomputers, Inc. (the Company) are the sale of microcomputer hardware and software products. The Company also provides various services including technical services performed under manufacturers' warranties, maintenance services under service agreements, training classes for software products, and networking, programming and other professional services.

Revenue from the sale of hardware and software products is recognized upon shipment to the customer. Revenue from technical services performed under manufacturers' warranties, training classes, and professional services is recognized when the service is performed. Revenue from maintenance services under service agreements with customers is recognized on a straight-line basis over the lives of the service agreement ranging from six months to one year.

CASH EQUIVALENTS

The Company considers all highly-liquid investments, purchased with an original maturity of three months or less, to be cash equivalents.

INVESTMENTS

The Company has investments in mutual fund vehicles. Investments are stated at cost, which approximates market value.

INVENTORIES

Inventories include microcomputer hardware and software products and are stated at the lower of cost, using the average cost method, or market.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Depreciation of furniture and office equipment, and of vehicles, is computed using accelerated methods over estimated useful lives of three to seven years. Depreciation of leasehold improvements is computed using the straight-line method over the shorter of their estimated useful lives or the term of the lease.

2. SUBSEQUENT EVENT - SALE OF THE COMPANY

On January 12, 1994, substantially all of the assets and liabilities of the Company were sold to Bell Industries, Inc.

3. SIGNIFICANT CUSTOMER
Sales to one customer aggregated 33% of total sales during the eleven-month period ended November 30, 1993. Accounts receivable from this customer was 24% of total accounts receivable at November 30, 1993.
4. ACCOUNTS RECEIVABLE
Accounts receivable is stated net of an allowance for doubtful accounts of \$14 at November 30, 1993.

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LMB MICROCOMPUTERS, INC.

EXHIBIT (99.1)
PAGE 6 OF 6

NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 1993
(\$ IN THOUSANDS)

5. ACCRUED LIABILITIES
Accrued liabilities are composed of the following (\$ in thousands):

<TABLE>
<CAPTION>

	NOVEMBER 30, 1993
<S>	<C>
Payroll-related liabilities	\$192
Sales taxes	34
Software license fees	91
Property taxes	2

	\$319
	====

</TABLE>

6. LEASES
The Company leases its office/warehouse space and certain equipment under operating lease agreements. Rent expense aggregated approximately \$110 for the eleven-month period ended November 30, 1993. Subsequent to November 30, 1993, the Company revised the terms of its office/warehouse lease where monthly rentals are \$12 through January 1998. Future minimum lease payments required under operating leases subsequent to November 30, 1993, including the subsequent revised lease terms, are as follows (\$ in thousands):

<TABLE>

<u><S></u>	<u><C></u>
One-month period ending December 31, 1993	\$ 11
Year ending December 31, 1994	139
Year ending December 31, 1995	140
Year ending December 31, 1996	140
Year ending December 31, 1997	140
Year ending December 31, 1998	12

	\$582
	====

</TABLE>

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash and cash equivalents, investments, accounts receivable, accounts payable and accrued liabilities approximates the carrying value recorded in the accompanying balance sheets due to the short maturity of these financial instruments.

8. INCOME TAXES

The Company is an S Corporation for federal and state income tax purposes. As a result, the Company's stockholder includes the taxable income of the Company in his individual income tax returns. Accordingly, the Company does not have federal and state income tax obligations.

BELL INDUSTRIES, INC.

PRO FORMA FINANCIAL INFORMATION
(Unaudited)

The following unaudited financial statements reflect the acquisition by Bell Industries, Inc. (Bell) on January 12, 1994 of the business and certain assets, and the assumption of certain liabilities, of LMB Microcomputers, Inc. (LMB). The net purchase price was approximately \$5.8 million, subject to adjustment following the closing. The acquisition will be accounted for under the purchase method of accounting. The pro forma balance sheet of Bell at September 30, 1993 reflects the acquisition of LMB on that date at the agreed-upon purchase price. The pro forma statements of income combine the historical statements of income of Bell for the year ended June 30, 1993 and the six months ended December 31, 1993 with the historical results of LMB for the year ended June 30, 1993 and the six months ended December 31, 1993, respectively.

The unaudited pro forma combined results of operations of Bell and LMB are not necessarily indicative of the operating results that would have been achieved had the purchase price been in effect at the beginning of the periods presented and should not be construed as representative of future operations.

BELL INDUSTRIES, INC.

PRO FORMA BALANCE SHEET
(Amounts in thousands)
(Unaudited)

The following unaudited pro forma balance sheet presents the acquisition of LMB by Bell effective January 12, 1994 under the purchase method of accounting.

<TABLE>
<CAPTION>

	Bell September 30, 1993 -----	Pro forma adjustments -----	Pro forma combined -----
<S>	<C>	<C>	<C>

ASSETS

Current assets:

Cash and cash equivalents	\$ 13,370	\$ (5,797)	\$ 7,573
Accounts receivable, less allowance for doubtful accounts	51,511	2,572	54,083
Inventories	74,254	2,144	76,398
Prepaid expenses and other	6,706	47	6,753
	-----	-----	-----
Total current assets	145,841	(1,034)	144,807
	-----	-----	-----
Properties, at cost less accumulated depreciation	17,649	227	17,876
Other assets	11,507	1,332	12,839
	-----	-----	-----
	\$174,997	\$ 525	\$175,522
	=====	=====	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable	\$ 20,768	\$ 157	\$ 20,925
Accrued payroll and other liabilities	12,827	368	13,195
Current portion of long-term liabilities	7,492	-	7,492
	-----	-----	-----
Total current liabilities	41,087	525	41,612
	-----	-----	-----
Long-term liabilities:			
Senior Notes	38,000	-	38,000
Deferred compensation and other	7,494	-	7,494
	-----	-----	-----
Total long-term liabilities	45,494	-	45,494
	-----	-----	-----
Shareholders' equity	88,416	-	88,416
	-----	-----	-----
	\$174,997	\$ 525	\$175,522
	=====	=====	=====

</TABLE>

PRO FORMA COMBINED STATEMENT OF INCOME
(Amounts in thousands, except per share data)
(Unaudited)

The following unaudited pro forma combined statement of income gives effect to the acquisition of LMB by Bell by combining the operating results of LMB for the six months ended December 31, 1993 with Bell's operating results for the six months ended December 31, 1993 under the purchase method of accounting.

<TABLE>
<CAPTION>

	Bell	LMB	Pro forma adjustments	Pro forma combined
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net sales	\$208,959	\$11,430	\$ -	\$220,389
	-----	-----	-----	-----
Costs and expenses:				
Cost of products sold	161,898	8,540	-	170,438
Selling, general and administrative expenses	38,755	1,950	30 (a)	40,735
Interest expense	2,325	-	-	2,325
	-----	-----	-----	-----
	202,978	10,490	30	213,498
	-----	-----	-----	-----
Income before taxes on income	5,981	940	(30)	6,891
Income tax provision	2,542	400	-	2,942
	-----	-----	-----	-----
Net income	\$ 3,439	\$ 540	\$ (30)	\$ 3,949
	-----	-----	-----	-----
Net income per share	\$.55			\$.63
	-----			-----
Weighted average common shares outstanding	6,253			6,253
	-----			-----

</TABLE>

(a) Record amortization of goodwill arising on LMB acquisition.

BELL INDUSTRIES, INC.

PRO FORMA COMBINED STATEMENT OF INCOME
(Amounts in thousands, except per share data)

(Unaudited)

The following unaudited pro forma combined statement of income gives effect to the acquisition of LMB by Bell by combining the operating results of LMB for the year ended June 30, 1993 with Bell's operating results for the year ended June 30, 1993 under the purchase method of accounting.

<TABLE>

<CAPTION>

	Bell	LMB	Pro forma adjustments	Pro forma combined
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net sales	\$365,323	\$25,550	\$ -	\$390,873
	-----	-----	-----	-----
Costs and expenses:				
Cost of products sold	275,081	20,190	-	295,271
Selling, general and administrative expenses	76,039	3,440	60 (a)	79,539
Interest expense	5,538	-	-	5,538
	-----	-----	-----	-----
	356,658	23,630	60	380,348
	-----	-----	-----	-----
Income from continuing operations before income taxes	8,665	1,920	(60)	10,525
Income tax provision	3,660	810	-	4,470
	-----	-----	-----	-----
Income from continuing operations	\$ 5,005	\$ 1,110	\$ (60)	\$ 6,055
	-----	-----	-----	-----
Income from continuing operations per share	\$.81			\$.98
	-----			-----
Weighted average common shares outstanding	6,185			6,185
	-----			-----

</TABLE>

(a) Record amortization of goodwill arising on LMB acquisition.

<TABLE>

<S>

Contact:

<C>

Bruce M. Jaffe,
Tracy A. Edwards,
Bell Industries, Inc.
(310) 826-2355

<C>

Executive Vice President
Vice President
and Chief Financial Officer

Melvyn S. Rifkind
(818) 783-8323

</TABLE>

FOR IMMEDIATE RELEASE

Los Angeles, California--January 18, 1994--Bell Industries, Inc. (NYSE, PSE: BI) today announced it has acquired LMB Microcomputers, Inc. , of Indianapolis, Indiana, a privately owned personal computer reseller serving corporate and other large volume customers. The transaction involved an undisclosed amount of cash.

LMB, with annual sales of \$25 million, is an authorized reseller of personal computers and related products manufactured by IBM, Apple, Compaq, and Hewlett Packard. It also provides professional services, including installation, training and technical support.

The Bell announcement said the addition of LMB will strengthen and complement the Company's established presence in the major corporate and institutional personal computer market in the Mid-West.

LMB will continue to operate under its present management headed by Larry M. Bradford, and will become part of Bell's electronics group.

Bell Industries distributes and manufactures products for the electronics, computer, graphics and other industrial markets.

* * *