

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q
Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended September 30, 2000

Commission File Number 0-10436

L. B. Foster Company

(Exact name of Registrant as specified in its charter)

Pennsylvania 25-13247733

(State of Incorporation) (I.R.S. Employer Identification No.)

415 Holiday Drive, Pittsburgh, Pennsylvania 15220

(Address of principal executive offices) (Zip Code)

(412) 928-3417

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares of each of the registrant's classes of common stock as of the latest practicable date.

Class	Outstanding at November 7, 2000

Common Stock, Par Value \$.01	9,503,112 Shares

L.B. FOSTER COMPANY AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

L.B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)

	September 30, 2000 ----	December 31, 1999 ----
ASSETS	(Unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 1,292	\$ 1,558
Accounts and notes receivable:		
Trade	65,219	52,110
Other	2,257	1,002
	-----	-----
	67,476	53,112
Inventories	58,463	45,601
Current deferred tax assets	1,925	1,925
Other current assets	836	981
Property held for resale	1,333	2,856
	-----	-----
Total Current Assets	131,325	106,033
	-----	-----
Property, Plant & Equipment - At Cost	55,693	51,747
Less Accumulated Depreciation	(24,505)	(21,621)
	-----	-----
	31,188	30,126
	-----	-----
Property Held for Resale	4,148	4,203
	-----	-----
Other Assets:		
Goodwill and other intangibles - net	6,955	7,474
Investments	9,220	8,610
Deferred tax assets	1,720	1,720
Other assets	3,932	6,565
	-----	-----
Total Other Assets	21,827	24,369
	-----	-----
TOTAL ASSETS	\$ 188,488	\$ 164,731
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ 989	\$ 1,141
Short-term borrowings	9,915	5,000
Accounts payable - trade	40,175	24,446
Accrued payroll and employee benefits	3,834	3,619
Current deferred tax liabilities	1,857	1,857
Other accrued liabilities	2,897	2,233
	-----	-----
Total Current Liabilities	59,667	38,296
	-----	-----
Long-Term Borrowings	40,000	40,000
	-----	-----
Other Long-Term Debt	3,700	4,136
	-----	-----
Deferred Tax Liabilities	6,293	6,293
	-----	-----
Other Long-Term Liabilities	1,776	1,356
	-----	-----
STOCKHOLDERS' EQUITY:		
Common stock	102	102
Paid-in capital	35,306	35,377
Retained earnings	45,536	42,505
Treasury stock	(3,904)	(3,364)
Accumulated other comprehensive income	12	30
	-----	-----
Total Stockholders' Equity	77,052	74,650
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 188,488	\$ 164,731
	=====	=====

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
	(Unaudited)		(Unaudited)	
Net Sales	\$74,428	\$63,025	\$205,609	\$175,551
Cost of Goods Sold	64,269	53,063	176,899	149,485
	-----	-----	-----	-----
Gross Profit	10,159	9,962	28,710	26,066
Selling and Administrative Expenses	7,993	7,332	23,351	19,779
Interest Expense	1,195	1,237	3,130	2,160
Other Income	(1,331)	(233)	(2,205)	(893)
	-----	-----	-----	-----
	7,857	8,336	24,276	21,046
	-----	-----	-----	-----
Income from Continuing Operations, Before Income Taxes	2,302	1,626	4,434	5,020
Income Tax Expense	920	600	1,774	1,803
	-----	-----	-----	-----
Income from Continuing Operations	1,382	1,026	2,660	3,217
Income/(Loss) from Discontinued Operations, Net of Taxes	736	(174)	371	(667)
	-----	-----	-----	-----
Net Income	\$ 2,118	\$ 852	\$ 3,031	\$ 2,550
	=====	=====	=====	=====
Basic Earnings Per Common Share From:				
Continuing Operations	\$ 0.15	\$ 0.11	\$ 0.28	\$ 0.33
Discontinued Operations	0.08	(0.02)	0.04	(0.07)
	-----	-----	-----	-----
Basic Earnings Per Common Share	\$ 0.23	\$ 0.09	\$ 0.32	\$ 0.26
	=====	=====	=====	=====
Diluted Earnings Per Common Share From:				
Continuing Operations	\$ 0.15	\$ 0.11	\$ 0.28	\$ 0.33
Discontinued Operations	0.08	(0.02)	0.04	(0.07)
	-----	-----	-----	-----
Diluted Earnings Per Common Share	\$ 0.23	\$ 0.09	\$ 0.32	\$ 0.26
	=====	=====	=====	=====

See Notes to Condensed Consolidated Financial Statements.

L.B. Foster Company and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In Thousands)

	Nine Months Ended September 30,	
	2000	1999
(Unaudited)		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income from continuing operations	\$ 2,660	\$ 3,217
Adjustments to reconcile net income to net cash provided (used) by continuing operations:		
Depreciation and amortization	3,828	2,730
(Gain) Loss on sale of property, plant and equipment	(766)	72
Change in operating assets and liabilities:		
Accounts receivable	(14,364)	2,364
Inventories	(12,862)	(8,649)
Property held for resale	(57)	(18)
Other current assets	145	(1,008)
Other non-current assets	2,004	1,133
Accounts payable - trade	15,729	1,988
Accrued payroll and employee benefits	215	(1,388)
Other current liabilities	81	(785)
Other liabilities	420	239
	(2,967)	(105)
Net Cash Used by Continuing Operations		
Net Cash Provided (Used) by Discontinued Operations	954	(777)
	(2,013)	(882)
Net Cash Used by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property, plant and equipment	1,690	206
Capital expenditures on property, plant and equipment	(3,423)	(3,727)
Purchase of DM&E stock		(6,000)
Acquisition of business		(17,389)
	(1,733)	(26,910)
Net Cash Used by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of revolving credit agreement borrowings	4,915	30,000
Exercise of stock options and stock awards	185	329
Treasury share acquisitions	(796)	(1,702)
Repayments of long-term debt	(813)	(749)
	3,491	27,878
Net Cash Provided by Financing Activities		
Effect of exchange rate on cash	(11)	13
	(266)	99
Net (Decrease) Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents at Beginning of Period	1,558	874
Cash and Cash Equivalents at End of Period	\$ 1,292	\$ 973
Supplemental Disclosures of Cash Flow Information:		
Interest Paid	\$ 3,097	\$ 1,274
	\$ 1,797	\$ 2,261
Income Taxes Paid		

During 2000 and 1999, the Company financed certain capital expenditures totaling \$225,000 and \$1,056,000, respectively, through the issuance of capital leases.

See Notes to Condensed Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all estimates and adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included, however, actual results could differ from those estimates. The results of operations for these interim periods are not necessarily indicative of the results that may be expected for the year ended December 31, 2000. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1999.

2. ACCOUNTING PRINCIPLES

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements." SAB 101 outlines the basic criteria that must be met to recognize revenue and provides guidelines for disclosure related to revenue recognition policies. As required, the Company will implement SAB 101 in the fourth quarter of 2000 and does not expect it to have a material effect on its consolidated financial statements.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative financial instruments and hedging activities. In June 1999, FASB Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities: Deferral of Effective Date of the FASB Statement No. 133," was issued. This statement delays the effective date to all fiscal quarters of all fiscal years beginning after June 15, 2000. This statement will be adopted by the Company in 2001 and is not expected to have a material effect on the consolidated financial statements.

3. ACCOUNTS RECEIVABLE

Credit is extended on an evaluation of the customer's financial condition and, generally, collateral is not required. Credit terms are consistent with industry standards and practices. Trade accounts receivable at September 30, 2000 and December 31, 1999 have been reduced by an allowance for doubtful accounts of \$(1,609,000) and \$(1,555,000), respectively. Bad debt expense was \$58,000 and \$100,000 for the nine month periods ended September 30, 2000 and 1999, respectively.

4. INVENTORIES

Inventories of the Company at September 30, 2000 and December 31, 1999 are summarized as follows in thousands:

	September 30, 2000	December 31, 1999

Finished goods	\$ 51,755	\$ 28,755
Work-in-process	3,427	13,000
Raw materials	5,808	6,298

Total inventories at current costs:	60,990	48,053
(Less):		
Current costs over LIFO stated values	(1,927)	(1,852)
Reserve for the decline in market value of inventories	(600)	(600)

	\$ 58,463	\$ 45,601

Inventories of the Company are generally valued at the lower of last-in, first-out (LIFO) cost or market. Other inventories of the Company are valued at average cost or market, whichever is lower. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end levels and costs.

5. PROPERTY HELD FOR RESALE

(in thousands)	September 30, 2000	December 31, 1999

Location:		

Norcross, GA	\$3,059	\$3,055
Coated pipe assets formerly located in Newport, KY	1,333	1,345
Pomeroy, OH	646	665
St. Marys, WV	443	483
Houston, TX		1,511

Property held for resale	\$5,481	\$7,059
Less current portion	1,333	2,856

	\$4,148	\$4,203

The Norcross, GA location consists of buildings and approximately 28 acres of land, which are being underutilized by the Company's business.

The former Newport, KY facility consisting of machinery and equipment was included in the Company's coated pipe division of the tubular products segment.

Due to unfavorable market conditions, management suspended operations in September 1998 and intends to dispose of the assets. The Newport machinery and equipment was dismantled in 2000 and the assets were moved to an off-site storage location in Birmingham, AL. An impairment loss of \$183,000 was recorded in 1999 in anticipation of the disposal cost.

The Pomeroy, OH and St. Marys, WV locations, consisting of machinery and equipment, buildings, land and land improvements which comprise the Company's Mining division of the rail products segment, were determined not to meet the Company's long-range strategic goals. The Company continues to explore the divestiture of these assets.

In March 2000, the Company sold an undeveloped 62-acre portion of a 127-acre Houston, TX property for approximately \$2,000,000 with an approximate gain of \$800,000.

6. DISCONTINUED OPERATIONS

In September 2000, the Company sold the assets of the Monitor Group for \$1.5 million cash. Additional revenues may be derived from an earnout agreement that is based upon the buyer's future sales.

The nine months ended September 30, 2000 includes net income from discontinued operations of approximately \$371,000 which consists of a \$900,000 gain (net of tax) on the sale and an operating loss of approximately \$529,000 (net of tax).

In the fourth quarter of 1999, the Company classified the operations of the Monitor Group, a developer of portable mass spectrometers, as a discontinued operation, pending its sale.

7. BORROWINGS

In accordance with the original terms and conditions of the Company's revolving credit agreement, the line of credit was reduced from \$70.0 million to \$64.0 million in September of 2000 due to asset sales. The interest rate is, at the Company's option, based on the prime rate, the domestic certificate of deposit rate (CD rate) or the Euro-bank rate (LIBOR). The interest rates are established quarterly based upon cash flow and the level of outstanding borrowings to debt as defined in the agreement. Interest rates range from prime to prime plus 0.25%, the CD rate plus 0.575% to 1.8%, the LIBOR rate plus .575% to 1.8%. Borrowings under the agreement, which expires July 1, 2003, are secured by eligible accounts receivable, inventory, and the pledge of the Company-held DM&E Preferred stock.

The agreement includes financial covenants requiring a minimum net worth, a minimum level for the fixed charge coverage ratio, and a maximum level for the consolidated total indebtedness to EBITDA ratio. The agreement also restricts investments, indebtedness, and the sale of certain assets.

8. EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per common share:

(in thousands, except earnings per share)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999

Numerator:				
Numerator for basic and diluted earnings per common share - net income available to common stockholders:				
Income from continuing operations	\$1,382	\$1,026	\$2,660	\$3,217
Income (loss) from dis- continued operations	736	(174)	371	(667)
	-----	-----	-----	-----
Net Income	\$2,118	\$852	\$3,031	\$2,550
	=====	=====	=====	=====
Denominator:				
Weighted average shares	9,456	9,581	9,502	9,692
	-----	-----	-----	-----
Denominator for basic earnings per common share	9,456	9,581	9,502	9,692
Effect of dilutive securities:				
Contingent issuable shares pursuant to the Company's Incentive Compensation Plans	49	53	56	45
Employee stock options	6	272	27	252
	-----	-----	-----	-----
Dilutive potential common shares	55	325	83	297
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversions				
	9,511	9,906	9,585	9,989
	=====	=====	=====	=====
Basic earnings per common share:				
Continuing operations	\$0.15	\$0.11	\$0.28	\$0.33
Discontinued operations	0.08	(0.02)	0.04	(0.07)
	-----	-----	-----	-----
Basic earnings per common share	\$0.23	\$0.09	\$0.32	\$0.26
	=====	=====	=====	=====
Diluted earnings per common share:				
Continuing operations	\$0.15	\$0.11	\$0.28	\$0.33
Discontinued operations	0.08	(0.02)	0.04	(0.07)
	-----	-----	-----	-----
Diluted earnings per common share	\$0.23	\$0.09	\$0.32	\$0.26
	=====	=====	=====	=====

9. COMMITMENTS AND CONTINGENT LIABILITIES

The Company is subject to laws and regulations relating to the protection of the environment and the Company's efforts to comply with environmental regulations may have an adverse effect on the Company's future earnings. In the opinion of management, compliance with the present environmental protection laws will not have a material adverse effect on the financial condition, competitive position, or capital expenditures of the Company.

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amounts of ultimate liability with respect to these actions will not materially effect the financial position of the Company.

At September 30, 2000, the Company had outstanding letters of credit of approximately \$3,987,000.

10. BUSINESS SEGMENTS

The Company is organized and evaluated by product group, which is the basis for identifying reportable segments. The Company is engaged in the manufacture, fabrication and distribution of rail, construction and tubular products. The Company's portable mass spectrometer segment, the Monitor Group, was classified as a discontinued operation on December 31, 1999. Prior period results have been adjusted to reflect this classification. Additionally, the prior period presentation has been restated to reflect the January 1, 2000 change in reporting segment of the buildings division from rail to construction. The following tables illustrate revenues and profits/(losses) of the Company by segment:

(in thousands)	Three Months Ended September 30, 2000		Nine Months Ended September 30, 2000	
	Net Sales	Segment Profit/(Loss)	Net Sales	Segment Profit/(Loss)
Rail products	\$38,862	\$415	\$107,420	(\$283)
Construction products	30,148	1,322	83,096	3,684
Tubular products	5,381	527	14,915	1,249
Total	\$74,391	\$2,264	\$205,431	\$4,650

(in thousands)	Three Months Ended September 30, 1999		Nine Months Ended September 30, 1999	
	Net Sales	Segment Profit/(Loss)	Net Sales	Segment Profit/(Loss)
Rail products	\$36,121	\$933	\$102,606	\$2,088
Construction products	20,819	604	51,711	1,560
Tubular products	5,988	503	20,976	1,822
Total	\$62,928	\$2,040	\$175,293	\$5,470

Segment profits, as shown above, include internal cost of capital charges for assets used in the segment at a rate of, generally, 1% per month. The following table provides a reconciliation of reportable net profit/(loss) to the Company's consolidated total:

(in thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2000	1999	September 30, 2000	1999

Net Profit/(Loss)	-----			
Total for reportable segments	\$2,264	\$2,040	\$4,650	\$5,470
Cost of capital for reportable segments	3,156	3,002	9,054	7,927
Interest expense	(1,195)	(1,237)	(3,130)	(2,160)
Other income	1,331	233	2,205	893
Corporate expense and other unallocated charges	(3,254)	(2,412)	(8,345)	(7,110)

Income from continuing operations, before income taxes	\$2,302	\$1,626	\$4,434	\$5,020
=====				

There has been no change in the measurement of segment profit/(loss) from December 31, 1999. There has been a significant increase in the construction segment's inventory and accounts receivable from December 31, 1999 due to the availability of flat web sheet piling and "H" bearing pile.

11. ACQUISITIONS

In August of 2000, the Company contributed a note, having principal and interest of approximately \$2.7 million, to a limited liability company created by the Company and its trackwork supplier in exchange for a 30% ownership position. This resulted in acquired goodwill of \$1.7 million, which is being amortized on a straight-line basis over fifteen years.

On June 30 1999, the Company acquired all of the outstanding stock of CXT Incorporated (CXT), a Spokane, WA based manufacturer of engineered prestressed and precast concrete products primarily used in the railroad and transit industries. The purchase price of \$17,514,000 has been allocated based on fair values of the assets acquired and liabilities assumed. This allocation has resulted in acquired goodwill of approximately \$4,221,000, which is being amortized on a straight-line basis over twenty years.

The acquisition was reported using the purchase method of accounting and has been included in operations since the date of acquisition. The purchase price was allocated to the assets and liabilities based on estimated fair values as of the acquisition date.

Had the acquisition been made at the beginning of 1999, the Company's pro forma unaudited results would have been:

(Dollars in thousands, except per share data)	Nine Months Ended September 30, 1999

Net sales	\$195,264
Income from continuing operations	2,755
Basic earnings per common share from continuing operations	\$0.28

The unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which would have actually resulted had the acquisition been in effect on January 1, 1999, or of future results of operations.

12. SPECIAL CHARGES

The Company has formulated plans to consolidate or downsize sales and administrative functions and several plant operations as part of its overall plan to increase asset utilization and streamline administrative functions. Special charges of \$1,226,000 pretax or \$0.08 per share after tax were included in the year to date results. The Company expects to record additional nonrecurring pretax charges of approximately \$400,000 related to these programs by its fiscal 2001 year-end. The costs accrued for the implemented programs were based upon management estimates using the latest information available at the time the accrual was established.

Management's Discussion and Analysis of Financial Condition
and Results of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
(Dollars in thousands)				
Net Sales:				
Rail Products	\$38,862	\$36,121	\$107,420	\$102,606
Construction Products	30,148	20,819	83,096	51,711
Tubular Products	5,381	5,988	14,915	20,976
Other	37	97	178	258

Total Net Sales	\$74,428	\$63,025	\$205,609	\$175,551
=====				
Gross Profit:				
Rail Products	\$4,534	\$5,620	\$13,133	\$13,791
Construction Products	4,856	3,550	13,717	9,494
Tubular Products	990	969	2,623	3,420
Other	(221)	(177)	(763)	(639)

Total Gross Profit	10,159	9,962	28,710	26,066

Expenses:				
Selling and administrative expenses	7,993	7,332	23,351	19,779
Interest expense	1,195	1,237	3,130	2,160
Other income	(1,331)	(233)	(2,205)	(893)

Total Expenses	7,857	8,336	24,276	21,046

Income From Continuing Operations				
Before Income Taxes	2,302	1,626	4,434	5,020
Income Tax Expense	920	600	1,774	1,803

Income From Continuing Operations	1,382	1,026	2,660	3,217
Income/(Loss) From Discontinued Operations, Net Of Taxes				
	736	(174)	371	(667)

Net Income	\$2,118	\$852	\$3,031	\$2,550
=====				
Gross Profit %:				
Rail Products	11.7%	15.6%	12.2%	13.4%
Construction Products	16.1%	17.1%	16.5%	18.4%
Tubular Products	18.4%	16.2%	17.6%	16.3%
Total Gross Profit	13.6%	15.8%	14.0%	14.8%
=====				

Note: As of January 1, 2000, the Company elected to change the reporting segment of its buildings division from rail to construction. The 1999 results have been restated to conform to the current presentation.

Third Quarter 2000 Results of Operations

Income from continuing operations for the third quarter of 2000 was \$1.4 million or \$0.15 per share on net sales of \$74.4 million. This compares to a 1999 third quarter income from continuing operations of \$1.0 million or \$0.11 per share on net sales of \$63.0 million.

Net operating losses from the Monitor Group, classified as a discontinued operation on December 31, 1999, were \$0.3 million in the third quarters of 2000 and 1999.

Rail products' 2000 third quarter net sales were \$38.9 million or an increase of 7.6% over the same period last year. Construction products' net sales increased 44.8% from the year earlier quarter as shipments of "H" bearing pile and flat web sheet piling, and sales from the Company's Geotechnical division increased. Tubular products' sales decreased 10.1% from the same quarter of 1999 due to the lack of pipe coating projects at the Birmingham, AL facility. Changes in net sales are primarily the result of changes in volume rather than changes in prices.

The gross margin percentage for the total Company was 13.6% in the third quarter of 2000 and 15.8% in the 1999 third quarter. Rail products' gross margin percentage declined to 11.7% in the third quarter of 2000 from 15.6% in the year earlier quarter. These results reflect the continuing downturn in the rail supply industry resulting from reduced capital spending by the Class I railroads. The gross margin percentage for construction products declined 1.0% from the year earlier quarter primarily due to the mix of piling products sold and lower margins on certain sign structure projects. Tubular products' gross margin percentage in the third quarter of 2000 increased 2.2% from the same period last year, primarily due to higher profit margins on threaded products.

Selling and administrative expenses increased 9% over the prior year period due to profit sharing accruals and the special charges discussed later. Other income for the third quarter of 2000 includes \$700,000 from the sale of Houston, TX property and \$350,000 income on the collection of certain notes receivable. The provision for income taxes was recorded at 40% in the third quarter of 2000. The third quarter of 1999 provision was recorded at 37% due to the implementation of certain tax planning strategies.

First Nine Months of 2000 Results of Operations

Income from continuing operations for the first nine months of 2000 was \$2.7 million or \$0.28 per share on net sales of \$205.6 million. This compares to net income from continuing operations of \$3.2 million or \$0.33 per share on net sales of \$175.6 million for the first nine months of 1999.

Net operating losses from the Monitor Group, classified as a discontinued operation on December 31, 1999, were \$0.9 million and \$1.1 million in the first nine months of 2000 and 1999, respectively.

Rail products' net sales in the first nine months of 2000 were \$107.4 million, an increase of 4.7% over the same period last year. Sales volume increased due to the inclusion of nine months of CXT shipments in 2000 versus three months in 1999. The CXT shipments more than offset the decline in rail shipments which was the result of increased industry competition due to spending cutbacks by the major railroads. Construction products' year to date net sales increased 60.7% over the same period last year as shipments of "H" bearing pile and flat web sheet piling increased. The inclusion of nine months of CXT's building revenues in 2000 versus three months revenues in 1999, along with increased sales from the Company's Geotechnical division, also contributed to the increase in construction products' sales. Net sales of tubular products declined 28.9% in the first nine months of 2000 compared to the same period in 1999. This was the result of the depletion of the Newport, KY inventory in 1999 and a downturn in the pipe coating market.

The gross margin percentage for the Company in the first nine months of 2000 and 1999 was 14.0% and 14.8%, respectively. Rail products' gross margin percentage declined 1.2% due to the continuing downturn in the rail supply industry resulting from reduced capital spending from the Class I railroads. During the first nine months of 2000, the gross margin percentage for construction products declined 1.9% primarily due to the mix of piling products sold and lower margins on sign structure projects. Tubular products' gross margin percentage improved 1.3% due to more efficient operations at the Langfied, TX threading facility which partially offset weakness in pipe coating activity.

Selling and administrative expenses have increased 18% over the same period last year due to the inclusion of expenses associated with CXT operations and the special charges discussed below. Interest expense increased over the year earlier quarter due to an increase in outstanding borrowings associated with the acquisition of CXT. Other income in 2000 includes \$800,000 from the sale of Houston, TX property and \$400,000 income on the collection of certain notes receivable. The provision for income taxes was recorded at 40% in 2000 compared to 35.8% in the first nine months of 1999. The 1999 provision reflected the implementation of certain tax planning strategies.

Special Charges

The Company has formulated plans to consolidate or downsize sales and administrative functions and several plant operations as part of its overall plan to increase asset utilization and streamline administrative functions. Special charges of \$115,000 pretax were included in the third quarter's results. Year to date, special charges of \$1.2 million pretax or \$0.08 per share after tax have been recorded. The Company expects to record additional nonrecurring pretax charges of approximately \$400,000 related to these programs by its fiscal 2001 year-end. The costs accrued for the implemented programs were based upon management estimates using the latest information available at the time the accrual was established.

Liquidity and Capital Resources

The Company generates internal cash flow from the sale of inventory and the collection of accounts receivable. During the first nine months of 2000, the average turnover rate for accounts receivable remained relatively the same as in the same period last year. The average inventory turnover rate for the first nine months of 2000 was lower than the same period in 1999, particularly in new rail products and fabricated sign structures. Working capital at September 30, 2000 was \$71.7 million compared to \$67.7 million at December 31, 1999.

During the first quarter of 1999, the Company announced a program to purchase up to 1,000,000 shares of its common stock. As of September 30, 2000, 408,398 shares had been purchased under this program at a cost of \$2.1 million. No shares were purchased in the third quarter of 2000.

The Company had capital expenditures of approximately \$3.4 million in the first nine months of 2000. Capital expenditures in 2000, excluding acquisitions, are expected to be approximately \$4.8 million and are anticipated to be funded by cash flow from operations or available external sources.

Total revolving credit agreement borrowings at September 30, 2000 and December 31, 1999 were \$49.9 million and \$45.0 million, respectively. At September 30, 2000 the Company had \$10.1 million in unused borrowing commitment. Outstanding letters of credit at September 30, 2000 were \$4.0 million. Management believes its internal and external sources of funds are adequate to meet anticipated needs.

In accordance with the original terms and conditions of the Company's revolving credit agreement, the line of credit was reduced from \$70.0 million to \$64.0 million in September of 2000 due to asset sales. The interest rate is, at the Company's option, based on the prime rate, the domestic certificate of deposit rate (CD rate) or the Euro-bank rate (LIBOR). The interest rates are established quarterly based upon cash flow and the level of outstanding borrowings to debt as defined in the agreement. Interest rates range from prime to prime plus 0.25%, the CD rate plus 0.575% to 1.8%, the LIBOR rate plus .575% to 1.8%. Borrowings under the agreement, which expires July 1, 2003, are secured by eligible accounts receivable, inventory, and the pledge of the Company held DM&E Preferred stock.

The agreement includes financial covenants requiring a minimum net worth, a minimum level for the fixed charge coverage ratio, and a maximum level for the consolidated total indebtedness to EBITDA ratio. The agreement also restricts investments, indebtedness, and the sale of certain assets.

Dakota, Minnesota & Eastern Railroad

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The Company maintains a significant investment in the Dakota, Minnesota & Eastern Railroad Corporation (DM&E), a privately-held, regional railroad which operates over 1,100 miles of track in five states.

At December 31, 1998, the Company's investment in the stock was recorded at its historical cost of \$1.7 million, comprised of \$0.2 million of common stock and \$1.5 million of the DM&E's Series B Preferred Stock and warrants. On January 13, 1999, the Company increased its investment in the DM&E by acquiring \$6.0 million of DM&E Series C Preferred Stock and warrants. On a fully diluted basis, the Company owns approximately 16% of the DM&E's common stock. Although the market value of the DM&E is not readily determinable, management believes that this investment, if the DM&E's Powder River Basin project is successful, will be worth significantly more than its historical cost.

The DM&E announced in June 1997 that it plans to build an extension from the DM&E's existing line into the low sulfur coal market of the Powder River Basin in Wyoming and to rebuild approximately 600 miles of its existing track (the Project). The DM&E also has announced that the estimated cost of this project is \$1.4 billion.

The Project is subject to approval by the Surface Transportation Board (STB). In December 1998, the STB made a finding that the DM&E had satisfied the transportation aspects of applicable regulations. The STB issued a draft environmental impact statement for the Project in September of 2000, with a comment period extending to January 5, 2001. New construction on this project may not begin until the STB reaches a final decision.

The DM&E has stated that it could repay project debt and cover its operating costs if it captures a 5% market share in the Powder River Basin. If the Project proves to be viable, management believes that the value of the Company's investment in the DM&E could increase dramatically.

Other Matters

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In September 2000, the Company sold the assets of the Monitor Group division for \$1.5 million cash. Additional revenues may be derived from an earnout agreement that is based upon the buyer's future sales.

In August of 2000, the Company contributed a note, having principal and interest of approximately \$2.7 million, to a limited liability company created by the Company and its trackwork supplier in exchange for a 30% ownership position.

In March 2000, the Company sold an undeveloped 62-acre portion of a 127-acre Houston, TX property for approximately \$2.0 million. The gain on the sale of \$800,000 was finalized in the third quarter of 2000.

Management continues to evaluate the overall performance of certain operations. A decision to terminate an existing operation could have a material adverse effect on near-term earnings but would not be expected to have a material adverse effect on the financial condition of the Company.

Outlook

The Company has become TXI Chaparral's exclusive North American distributor of steel sheet piling and "H" bearing pile. Shipments of "H" bearing pile began very late in the third quarter of 1999 from TXI Chaparral's new Petersburg, VA facility. Current mill indications are that the startup of steel sheet piling production will not commence until the first quarter of 2001 with no appreciable production quantities expected until the second quarter of 2001.

The rail segment of the business depends on one source, in which the Company currently maintains a 30% ownership position, for fulfilling certain trackwork contracts. At September 30, 2000, the Company had \$7.9 million committed to this supplier including inventory progress payments, leased equipment, and other receivables, principally interest charges on inventory progress payments. If, for any reason, this supplier is unable to perform, the Company could experience a negative short-term effect on earnings. In November, the Company received \$700,000 as a payout for the leased equipment.

A substantial portion of the Company's operations is heavily dependent on governmental funding of infrastructure projects. Significant changes in the level of government funding of these projects could have a favorable or unfavorable impact on the operating results of the Company. Additionally, governmental actions concerning taxation, tariffs, the environment or other matters could impact the operating results of the Company. The Company's operating results may also be affected by adverse weather conditions.

Although backlog is not necessarily indicative of future operating results, total Company backlog at September 30, 2000, was \$150.6 million. The following table provides the backlog by business segment:

	Backlog		
	September 30, 2000	September 30, 1999	December 31, 1999
(Dollars in thousands)			
Rail Products	\$ 95,642	\$116,695	\$107,457
Construction Products	52,717	48,023	45,463
Tubular Products	2,252	1,543	2,012
Total Backlog	\$150,611	\$166,261	\$154,932

Note: The prior year presentation has been restated to reflect the January 1, 2000 change in reporting segment of the buildings division from rail to construction.

Market Risk and Risk Management Policies

The Company is not subject to significant exposure to change in foreign currency exchange rates. The Company does hedge the cash flows from operations of its Canadian subsidiary. The Company manages its exposures to changes in foreign currency exchange rates on firm sales commitments by entering into foreign currency forward contracts. The Company's risk management objective is to reduce its exposure to the effects of changes in exchange rates on sales revenue over the duration of the transaction.

At September 30, 2000, the Company had outstanding foreign currency forward contracts to purchase \$212,000 Canadian for approximately \$146,000 US.

The Company is also exposed to changes in interest rates primarily from its long-term debt arrangements. The Company uses interest rate derivative instruments to manage exposure to interest rate changes.

The Company has entered into an interest rate swap agreement as the fixed rate payor to reduce the impact of changes in interest rates on a portion of its revolving borrowings. At September 30, 2000 the swap agreement had a notional value of \$8,000,000 consisting at 5.48% and expires in January 2001. The swap agreement's floating rate is based on LIBOR. Any amounts paid or received under the agreement are recognized as adjustments to interest expense. Neither the fair market value of the agreement nor the interest expense adjustments associated with the agreement has been material.

Forward-Looking Statements

Statements relating to the potential value or viability of the DM&E or the Project, or management's belief as to such matters, are forward-looking statements and are subject to numerous contingencies and risk factors. The Company has based its assessment on information provided by the DM&E and has not independently verified such information. In addition to matters mentioned above, factors which can adversely affect the value of the DM&E, its ability to complete the Project or the viability of the Project include the following: labor disputes, any inability to obtain necessary environmental and government approvals for the Project in a timely fashion, the expense of environmental mitigation measures required by the Surface Transportation Board, an inability to obtain financing for the Project, competitor's response to the Project, market demand for coal or electricity and changes in environmental laws and regulations.

The Company wishes to caution readers that various factors could cause the actual results of the Company to differ materially from those indicated by forward-looking statements made from time to time in news releases, reports, proxy statements, registration statements and other written communications (including the preceding sections of this Management's Discussion and Analysis), as well as oral statements made from time to time by representatives of the Company. Additional delays in TXI Chaparral's production of steel sheet piling would, for example, have an adverse effect on the Company's performance. The nonrecurring charges through 2001 are estimates and are subject to change as the Company further develops its plans. Except for historical information, matters discussed in such oral and written communications are forward-looking statements that involve risks and uncertainties, including but not limited to general business conditions, the availability of material from major suppliers, the impact of competition, the seasonality of the Company's business, taxes, inflation and governmental regulations. Sentences containing words such as "anticipates", "expects", or "will" generally should be considered forward-looking statements.

PART II OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 9, "Commitments and Contingent Liabilities", to the Condensed Consolidated Financial Statements.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

a) EXHIBITS

Unless marked by an asterisk, all exhibits are incorporated by reference:

- 3.1 Restated Certificate of Incorporation as amended to date, filed as Appendix B to the Company's April 17, 1998 Proxy Statement.
- 3.2 Bylaws of the Registrant, as amended to date, filed as Exhibit 3B to Form 8-K on May 21, 1997.
- 4.0 Rights Agreement, dated as of May 15, 1997, between L.B. Foster Company and American Stock Transfer & Trust Company, including the form of Rights Certificate and the Summary of Rights attached thereto, filed as Exhibit 4A to Form 8-A dated May 23, 1997.
- 4.0.1 Amended Rights Agreement dated as of May 14, 1998, between L. B. Foster Company and American Stock Transfer & Trust Company, filed as Exhibit 4.0.1 to Form 10-Q for the quarter ended June 30, 1998.
- 4.1 Third Amended and Restated Loan Agreement by and among the Registrant and Mellon Bank, N.A., PNC Bank, National Association, and First Union National Bank dated as of June 30, 1999 and filed as Exhibit 4.1 to Form 10-Q for the quarter ended June 30, 1999.
- 10.12 Lease between CXT Incorporated and Pentzer Development Corporation, dated April 1, 1993 and filed as Exhibit 10.12 to Form 10-K for the year ended December 31, 1999.
- 10.12.1 Amendment dated March 12, 1996 to lease between CXT Incorporated And Pentzer Development Corporation, filed as Exhibit 10.12.1 to Form 10-K for the year ended December 31, 1999.
- 10.13 Lease between CXT Incorporated and Crown West Realty, L.L.C. dated December 20, 1996 and files as Exhibit 10.13 to Form 10-K for the year ended December 31, 1999.
- 10.14 Lease between CXT Incorporated and Pentzer Development Corporation, dated November 1, 1991 and filed as Exhibit 10.14 to form 10-K for the year ended December 31, 1999.
- 10.15 Lease between CXT Incorporated and Union Pacific Railroad Company, dated February 13, 1998, and filed as Exhibit 10.15 to form 10-K for the year ended December 31, 1999.
- 10.16 Lease between Registrant and Greentree Building Associates for Headquarters office, dated as of June 9, 1986, as amended to date, filed as Exhibit 10.16 to Form 10-K for the year ended December 31, 1988.
- 10.16.1 Amendment dated June 19, 1990 to lease between Registrant and Greentree Building Associates, filed as Exhibit 10.16.1 to Form 10-Q for the quarter ended June 30, 1990.
- 10.16.2 Amendment dated May 29, 1997 to lease between Registrant and Greentree Building Associates, filed as Exhibit 10.16.2 to Form 10-Q for the quarter ended June 30, 1997.
- 10.19 Lease between the Registrant and American Cast Iron Pipe Company for Pipe-Coating facility in Birmingham, Alabama dated December 11, 1991, filed as Exhibit 10.19 to Form 10-K for the year ended December 31, 1991.

- 10.19.1 Amendment to Lease between the Registrant and American Cast Iron Pipe Company for Pipe-Coating facility in Birmingham, Alabama dated April 15, 1997, filed as Exhibit 10.19.1 to Form 10-Q for the quarter ended March 31, 1997.
- 10.20 Asset Purchase Agreement, dated June 5, 1998, by and among the Registrant and Northwest Pipe Company, filed as Exhibit 10.0 to Form 8-K on June 18, 1998.
- 10.21 Stock Purchase Agreement dated June 3, 1999 by and among the Registrant and the shareholders of CXT Incorporated, filed as Exhibit 10.0 to Form 8-K on July 14, 1999.
- * 10.22 Agreement of Purchase and Sale dated September 13, 2000, by and among the Registrant and Monitor Acquisition Co. LLC.
- 10.33.2 Amended and Restated 1985 Long-Term Incentive Plan, as amended and restated February 26, 1997, filed as Exhibit 10.33.2 to Form 10-Q for the quarter ended June 30, 1997. **
- 10.34 Amended and Restated 1998 Long-Term Incentive Plan for Officers and Directors, as amended and restated February 24, 1999 and filed as Exhibit 10.34 to Form 10-K for the year ended December 31, 1998. **
- 10.45 Medical Reimbursement Plan, filed as Exhibit 10.45 to Form 10-K for the year ended December 31, 1992. **
- 10.46 Leased Vehicle Plan, as amended to date, filed as Exhibit 10.46 to Form 10-K for the year ended December 31, 1997. **
- 10.50 L.B. Foster Company 2000 Incentive Compensation Plan, filed as Exhibit 10.50 to Form 10-K for the year ended December 31, 1999. **
- 10.51 Supplemental Executive Retirement Plan, filed as Exhibit 10.51 to Form 10-K for the year ended December 31, 1994. **
- 19 Exhibits marked with an asterisk are filed herewith.
- * 27 Financial Data Schedule
- ** Identifies management contract or compensatory plan or arrangement required to be filed as an Exhibit.

b) Reports on Form 8-K

No reports on Form 8-K were filed by the Registrant during the nine month period ended September 30, 2000.

SIGNATURE

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

L.B. FOSTER COMPANY

 (Registrant)

Date: November 13, 2000

By /s/Roger F. Nejes

 Roger F. Nejes

Sr. Vice President-
Finance and Administration
& Chief Financial Officer
(Principal Financial Officer
and Duly Authorized Officer
of Registrant)

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DEC-31-2000
SEP-30-2000
1,292
0
67,476
1,609
58,463
131,325
63,837

27,168
188,488
59,667
43,700

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0
102
76,950

188,488

205,609
205,609
176,899
176,899

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4,434
1,774

2,660
371

0
0
3,031
0.32
0.32

AGREEMENT OF PURCHASE AND SALE

By and Among

L.B. Foster Company

And

Monitor Acquisition Co. LLC

September 13, 2000

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AGREEMENT OF PURCHASE AND SALE

This Agreement of Purchase and Sale (this "Agreement") is made this 13th day of September, 2000 by and between L.B. FOSTER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania ("Seller"), and MONITOR ACQUISITION CO. LLC, a limited liability company organized and existing under the laws of the State of Delaware ("Buyer").

W I T N E S S E T H :

BACKGROUND

WHEREAS, Buyer desires to purchase from Seller, Fosmart Inc., a Delaware corporation or Natmaya, Inc., a Delaware corporation, each a wholly-owned subsidiary of the Seller (each, a "Subsidiary" and together, the "Subsidiaries"), and Seller desires to sell to Buyer and to cause the Subsidiaries to sell to Buyer, on the terms and conditions hereinafter set forth, all of the properties, rights and assets of Seller of every kind and description, except the Excluded Assets (as hereinafter defined), which are primarily used or held for use in connection with, or necessary for or material to, or directly resulting from the operation of, Seller's business of designing, developing, marketing and manufacturing mass spectrometers (the "Acquired Business"), including, but not limited to (i) all of the assets purchased by Seller under that certain Agreement of Purchase and Sale (the "1997 Purchase Agreement"), dated May 6, 1997, among Industrial Scientific Corporation ("ISC"), a Pennsylvania corporation, Industrial Scientific of Delaware, Inc., a Delaware corporation and Seller, and all products and works-in-process in any manner arising therefrom or relating thereto, whether developed by Seller, the Subsidiaries or, to the extent transferable, any of Seller's employees (the "Predecessor Assets").

NOW, THEREFORE, for and in consideration of the mutual agreements contained

herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, Seller and Buyer covenant, represent, warrant, stipulate and agree as follows:

1. Purchase and Sale of Assets.

1.1. Transfer of Assets. Subject to and in accordance with the terms of this Agreement, on the Closing Date, as defined in Section 2.4 hereof, Seller and the Subsidiaries shall sell, convey, transfer, assign and deliver to Buyer free and clear of all liens, encumbrances or adverse claims of any kind ("Liens") (except for Permitted Encumbrances, as such term is defined in Section 1.5 hereof), and Buyer shall purchase and accept from Seller, all of Seller's (and any of its affiliates') right, title, interest and benefit in and to the properties, rights and assets of Seller (or any such affiliate) of every kind and character, real, personal, tangible, intangible or mixed, primarily used by, or primarily held by Seller (or any such affiliate) in connection with, or necessary for or material to, or directly resulting from the operation of, the Acquired Business, except the Excluded Assets (collectively, the "Assets"), which shall include but not be limited to, the following:

(a) all items of tangible personal property owned, leased or used by Seller (or any of its affiliates) primarily in connection with the Acquired Business, including, but not limited to, all equipment, inventory, supplies, vehicles, furnishings and other personal property of any nature, all of which are more fully described in Schedule 3.9 or Schedule 3.12, and all owned realty, leasehold and other interests in real property, buildings and improvements and construction-in-progress, all of which are more fully described in Schedule 3.8;

(b) all of the intangible property (including, without limitation, the goodwill of the Acquired Business) and intellectual property and intellectual property rights owned, leased, licensed, held or used by Seller or any of its affiliates primarily in connection with the Acquired Business, and all licenses, franchises, permits, authorizations, agreements and arrangements that concern the same or that concern like items owned, licensed, leased, held or used by others and used by Seller or any of its affiliates primarily in connection with the Acquired Business (collectively, the "Intellectual Property"), including, without limitation, all software (including, but not limited to, all source codes and object codes), products, trade secrets, inventions, improvements, technology, know-how, processes, methods, plans, data (including, but not limited to, research data), marketing plans and strategies, forecasts, trademarks, service marks, domain names, trade names (including, without limitation, the names "Monitor Group" and "Monitor" and any variations thereof), patents and patent rights, logos and copyrights, including, but not limited to (i) any of the foregoing in respect of or in any manner primarily relating to or resulting from the Predecessor Assets, and (ii) those trademarks and trademark registrations (both state and federal), service marks and service mark registrations (both state and federal), domain names and domain name registrations, trade names, patents (including all reissues, divisions, continuations, extensions and foreign counterparts thereof) and patent disclosure documents, logos, copyright registrations and applications for any of the foregoing (including all abandoned applications therefor) listed on Schedule 3.11;

(c) all operating data and records of Seller or any of its affiliates primarily relating to the Acquired Business, including, without limitation, client and customer lists and records, referral sources, research and development reports and records, production reports and records, equipment logs, operating guides and manuals, copies of financial, accounting and personnel records, correspondence and other similar documents and records;

(d) all licenses, permits and other governmental approvals and authorizations, whether federal, state or local, owned, held or utilized by Seller or any of its affiliates primarily in connection with the Acquired Business and all pending applications therefor, in each case to the extent transferable to Buyer, each of which is listed on Schedule 3.24;

(e) all of the rights of Seller or any of its affiliates to, in and under any existing contracts with purchasers which Buyer assumes pursuant to Section 2.5, and all other contracts or agreements primarily relating to the Acquired Business, including, but not limited to, all contracts and other arrangements with employees of Seller or any of its affiliates primarily in respect of the Acquired Business, and all variances, easements, right-of-way agreements and options, claims, contract rights, goodwill and the right to use the names "Monitor Group" and "Monitor" and all variants thereof; all of which are more fully described in the various Schedules attached hereto; and

(f) all other properties, rights and assets of every kind, character or description owned, leased, licensed, used or held for use by Seller or any of its affiliates primarily in connection with the Acquired Business, whether or not similar to the items specifically set forth above, including, without limitation, the Predecessor Assets and, to the extent transferable, all

properties, rights and assets of every kind, character or description which hereafter may become the property of Seller under the terms of Seller's Employment Agreement with Anthony N. Duryea listed on Schedule 3.18 hereof.

1.2. Liabilities Retained by Seller. Seller shall retain, and Buyer shall not assume and shall not have any liability or obligation of any kind whatsoever with respect to, any indebtedness, obligations or other liabilities of Seller or any of its affiliates of any kind whatsoever, whether pursuant to contract or otherwise, except for those contractual liabilities and obligations of Seller which shall be expressly assigned by Seller and assumed by Buyer pursuant to the various assignment and assumption agreements identified in Section 2.5 hereof (all such liabilities and obligations retained by Seller are collectively referred to herein as the "Retained Liabilities"). In amplification thereof, Seller and Buyer acknowledge and agree that Buyer shall not assume, and the Retained Liabilities shall include, any liability for leasehold rentals, any taxes (including, but not limited to, any federal, state or local income, property, withholding, employment, sales, use, excise or other taxes) and any interest and penalties thereon and additions thereto, any liability for wages, salaries or overtime, vacation pay, holiday pay or for any other employee benefits or arising under or relating to any employee benefit plan, or any other obligation or liability of Seller or any of its affiliates whatsoever, on, arising out of or attributable to the conduct of the Acquired Business or use of the Assets through the Closing Date; provided, however, that Buyer shall assume the liability for the performance after the Closing Date of all Seller's obligations under the contracts which are expressly assigned to it by Seller and assumed by Buyer as provided in Section 2.5 hereof.

1.3. Liabilities Assumed by Buyer. Buyer shall assume and be responsible for all liabilities and obligations arising from and after the Closing Date under those contracts assigned by Seller and assumed by Buyer pursuant to the various assignment and assumption agreements identified in Section 2.5 hereof. Except as expressly set forth in the preceding sentence, and without limiting the generality of Section 1.2 hereof, Buyer shall not assume and shall not have any liability or obligation for any of the liabilities or obligations of Seller or any of its affiliates of any kind whatsoever, whether known or unknown, absolute, accrued, contingent or otherwise, all of which shall constitute Retained Liabilities.

1.4. Excluded Assets. Notwithstanding the foregoing, it is specifically agreed that the following assets are excluded from the Assets: all cash in bank accounts of Seller; all accounts receivable of Seller; all prepaid insurance and surety bonds; all rights to refunds of federal and state taxes (and penalties and interest thereon) previously paid by Seller; each of the assets which are specifically listed on Schedule 1.4 as Excluded Assets; and all rights which accrue to or are retained by Seller under and by virtue of this Agreement (collectively, the "Excluded Assets").

1.5. Permitted Encumbrances. The Acquired Business and the Assets are to be sold and conveyed to Buyer free and clear of all Liens except the following (the "Permitted Encumbrances"):

(a) Any laws, regulations, building codes, or ordinances (including those relating to zoning building and environmental protection) relating to the use, occupancy, subdivision or improvement of the premises at which Seller conducts operations of the Acquired Business which have been adopted or imposed by any governmental body, provided that they do not, individually, or in the aggregate, prohibit or interfere with the operations of the Acquired Business or the use of the Assets in the manner in which such operations are presently conducted or the manner in which the Assets are presently used or otherwise give rise to any liability;

(b) Any taxes, assessments and other governmental charges in the nature of taxes not yet due and payable as of the Closing Date, which shall be apportioned as provided in Section 12 hereof;

(c) Any statutory Liens or encumbrances that apply generally in favor of commercial landlords; provided, however, that no events have occurred which would give any commercial landlord any right to enforce such Liens or encumbrances; and

(d) Any mechanics', carriers', workmen's, repairmen's and other like Liens which have not been perfected arising or incurred in the ordinary course of business of the Acquired Business that will be satisfied by Seller in due course following the Closing.

2. Purchase Price Payment; Other Closing Deliveries; Closing.

2.1. Purchase Price. Buyer shall acquire and accept the Assets from Seller and shall pay to Seller the aggregate amount of One Million Five Hundred Thousand Dollars (\$1,500,000) for the Assets (the "Purchase Price"), plus the Earn-Out Payments provided for in Section 11 hereof.

2.2. Payment of the Purchase Price. On the Closing Date, Buyer shall pay the full amount of the Purchase Price to Seller by wire transfer of Federal funds in the amount of One million Five Hundred Thousand Dollars (\$1,500,000).

2.3. Allocation of Purchase Price. The Purchase Price shall be allocated among the Assets in accordance with Schedule 2.3. Schedule 2.3 shall be prepared in accordance with Section 1060 of the Internal Revenue Code of 1986, as amended (the "Code"). Buyer and Seller agree to be bound by such allocation and to file all returns and reports in respect of the transactions herein contemplated, including, but not limited to, all federal, state and local tax returns, on the basis of such allocation.

2.4. Closing and Closing Date. The closing hereunder (the "Closing") shall take place at the offices of Seller (or by mail and facsimile, if the parties hereto so agree) at 10:00 A.M., local time, on September 13, 2000 or at such other place and time and date as may be agreed to in writing by Seller and Buyer. The date for Closing as determined under this Section 2.4 is herein called the "Closing Date."

2.5. Items to be Delivered by Seller at Closing. In addition to its delivery to Buyer of the Assets, at or prior to the Closing, Seller shall execute, acknowledge and deliver (or, with respect to any patents or patent applications held by the Subsidiaries, cause each Subsidiary to execute, acknowledge and deliver) to Buyer the following in form and substance reasonably acceptable to Buyer;

(a) an assignment agreement with respect to the lease for real property and personal property, other than excluded Assets described in Schedule 3.8 and Schedule 3.9, together with the executed consent to such assignment of the landlord (and lessor) thereunder (the "Assignment and Amendment of Lease Agreement");

(b) an assignment and assumption agreement with respect to each of the contracts described in Schedule 3.16 and (to the extent transferable) any and all transferable rights of Seller (but none of Seller's obligations) under each of the employment agreements and confidentiality agreements described in Schedule 3.18 (the "Assignment and Assumption of Contracts");

(c) an assignment agreement with respect to all Intellectual Property (as defined in Section 1.1(b)) described in Section 1.1(b) or Schedule 3.11, together with all of the goodwill connected or associated therewith (the "Assignment of Intellectual Property");

(d) separate assignment agreements with respect to each of the patents and patent applications, trademark registrations and applications therefor and copyright registrations and applications therefor described in Schedule 3.11, together with all of the goodwill connected or associated therewith, in form and substance suitable for recording in the United States Patent and Trademark Office or the United States Copyright Office, as the case may be (the "PTO Assignments");

(e) separate master foreign patent assignments from each of the Subsidiaries with respect to the foreign patents and patent applications, described in Schedule 3.11, together with all goodwill connected or associated therewith (the "Assignment of Foreign Rights");

(f) a general assignment and bill of sale with respect to the Assets (the "Bill of Sale");

(g) possession of the business premises of the Acquired Business free of all tenants, licensees and occupants, including sets of all keys to such premises, codes and alarm codes in the possession or under the control of Seller;

(h) originals (if available, otherwise photocopies) of each of the permits, licenses and other authorizations described in Schedule 3.24, if any;

(i) officer's certificates of Seller, each dated as of the Closing Date, whereby Seller certifies the accuracy of the representations and warranties made by it in Article III and that each of the conditions to the obligations of Buyer hereunder has been satisfied;

(j) a certificate dated as of the Closing Date from the corporate secretary or assistant secretary of Seller, certifying that attached to such certificate are (i) resolutions of the Board of Directors of Seller which have duly authorized Seller's execution, delivery and performance of this Agreement and the consummation of the transactions contemplated thereby, and (ii) the Articles of Incorporation and By-laws of Seller as then in effect, together with a signature and incumbency certificate;

(k) certificates of good standing of Seller dated not more than 20 days prior to the Closing Date, issued by the Secretary of State of the Commonwealth of Pennsylvania;

(l) copies of all real and personal property leases, operating contracts, employment agreements and confidentiality agreements, patents, trademark, domain name and copyright registration certificates and applications therefor and all other written agreements and instruments described in the various Schedules attached hereto;

(m) copies of all requisite governmental or other third party consents or approvals with respect to the transactions contemplated in this Agreement; and

(n) an opinion of Seller's legal counsel, David L. Voltz, in form and substance reasonably satisfactory to counsel for Buyer, to the effect that:

(i) Seller is a duly incorporated and existing corporation in good standing under the laws of the Commonwealth of Pennsylvania;

(ii) This Agreement and the other agreements and instruments executed in connection herewith have each been duly authorized, executed and delivered by Seller and constitute the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their terms, and the enforceability thereof may be affected by applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting the enforcement of creditors' rights generally and the possible unavailability of certain equitable remedies, including the remedy of specific performance;

(iii) Seller has the power and authority to execute, deliver and perform this Agreement and each of the other documents and instruments contemplated hereby, and to carry out its obligations hereunder and thereunder. The execution, delivery and performance of this Agreement and each of the other documents and instruments contemplated hereby have been duly authorized by all necessary action by law, the Articles of Incorporation and By-laws of Seller and otherwise by Seller;

(iv) The execution and delivery of this Agreement and the other documents and instruments contemplated hereby do not, and the performance by Seller of the transactions contemplated hereby and thereby will not: (x) violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency or court to which Seller is subject or any provision of the Articles of Incorporation or By-laws of Seller; or (y) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument or other arrangement to which Seller is a party or by which Seller is bound or to which any of the Assets is subject (or result in the imposition of any lien, charge or other encumbrance upon any of the Assets), except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice or lien, charge or encumbrance would not have a material adverse effect on the Acquired Business or on the ability of the parties to this Agreement to fulfill their obligations or consummate the transactions contemplated by this Agreement.

2.6. Items to be Delivered by Buyer at Closing. In addition to its payment of the Purchase Price, at or prior to the Closing, Buyer shall execute, acknowledge and deliver to Seller the following in form and substance reasonably acceptable to Seller:

(a) the Assignment and Amendment of Lease Agreement;

(b) the Assignment and Assumption of Contracts;

(c) an officer's certificate dated as of the Closing Date whereby Buyer certifies the accuracy of the representations and warranties set forth in Article IV and that each of the conditions to the obligations of Seller hereunder has been satisfied;

(d) a certificate from the managing member of Buyer, certifying that attached to such certificate are (i) resolutions of the Members of Buyer which have duly authorized Buyer's execution, performance and delivery of this Agreement and the transactions contemplated thereby, and (ii) the Certificate of Formation and Limited Liability Company Agreement of Buyer as then in effect, together with a signature and incumbency certificate; and

(e) an opinion of its counsel, Debevoise & Plimpton, in form and substance reasonably satisfactory to counsel for Seller, to the effect that:

(i) Buyer is a duly formed and existing limited liability company in good standing under the laws of the State of Delaware with limited liability company

power to enter into and perform this Agreement; and

(ii) This Agreement has been duly authorized, executed and delivered by Buyer and constitutes its legal, valid and binding obligation enforceable against Buyer in accordance with its terms, except as the enforceability thereof may be affected by applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting the enforcement of creditors' rights generally and the possible unavailability of certain equitable remedies, including the remedy of specific performance;

(iii) Buyer has the limited liability company power and authority to execute, deliver and perform this Agreement, and to carry out its obligations hereunder. The execution, delivery and performance of this Agreement have been duly authorized by all necessary limited liability company action by Buyer; and

(iv) The execution and delivery of this Agreement and the other documents and instruments contemplated hereby do not, and the performance by Buyer of the transactions contemplated hereby and thereby will not: (x) to its knowledge, violate any statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency or court to which Buyer is subject, (y) violate any provision of the Certificate of Formation of Buyer; or (z) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument or other arrangement to which Buyer is a party or by which Buyer is bound or to which any of Buyer's assets is subject, except where the violation, conflict, breach, default, acceleration, termination, modification, cancellation, failure to give notice or lien, charge or encumbrance would not have a material adverse effect on the ability of Buyer to fulfill its obligations or consummate the transactions contemplated by this Agreement.

3. Representations and Warranties of Seller.

Seller represents and warrants to Buyer, as of the date hereof and as of the Closing Date, as follows:

3.1. Corporate Status. Seller is a corporation duly organized, validly existing and in good standing under the laws of Pennsylvania and will continue to be so as of the Closing Date. Seller has full power and authority to carry on its business, including the Acquired Business, as conducted at the present time.

3.2. Corporate Power and Authority. The execution and delivery by Seller of this Agreement and each of the documents and instruments contemplated hereby to be executed by it and the performance by Seller of its obligations hereunder and thereunder have been duly authorized by Seller's Board of Directors and by any and all other necessary corporate action. Seller has full corporate right, power, legal capacity and authority to enter into and perform its obligations under this Agreement and each of the documents and instruments contemplated hereby to be executed by it in accordance with their respective terms and to transfer to Buyer good and marketable title to the Assets.

3.3. Enforceability. This Agreement and each of the other agreements, documents and instruments contemplated hereby, constitutes and will constitute the valid and legally binding obligation of Seller in accordance with its terms.

3.4. Ownership of Assets. Each of Seller and/or the Subsidiaries is the owner of the Assets, and has good and marketable title to all of the Assets, free and clear of all Liens except for Permitted Encumbrances; no other person, firm or corporation will have at Closing any interest whatsoever in any of the Assets; and the purchase and sale provided for herein will vest in Buyer good and marketable title to the Assets free and clear of all Liens except for Permitted Encumbrances.

3.5. Adequacy of Assets. The Assets constitute, in the aggregate, all of the property and assets, including, but not limited to, all of the Intellectual Property (but excluding general corporate overhead and intellectual property used by the Seller primarily in the operation of its other businesses) necessary for the conduct of the Acquired Business in the manner in which and to the extent to which it is currently being, and has historically been, conducted.

3.6. Financial Statements; Undisclosed Liabilities.

(a) The accounting information shown on the "Financial Statement" set forth as Schedule 3.6 is in accordance with the books and records of the Seller, in all material respects, and represents selected financial data, including tangible and intangible asset investments, development expenses, sales and marketing expenses, and sales data of the Seller directly related to the Acquired Assets as of the dates and periods indicated, in each case in conformity with GAAP consistently applied with the exception that inventory and plant equipment expenditures following the acquisition of the Acquired Business

by Seller were routinely written off as period costs.

(b) Seller does not have, primarily in relation to the Acquired Business, any liabilities or obligations of any nature, whether known, unknown, absolute, accrued, contingent or otherwise and whether due or to become due, except (i) as and to the extent disclosed on, or reserved against on the face of the Financial Statements and (ii) for liabilities and obligations that are (A) incurred after June 30, 2000 in the ordinary course of the business and are not prohibited by this Agreement and (B) individually and in the aggregate would not have or result in a material adverse effect on the Acquired Business.

3.7. Absences of Adverse Changes or Other Events. Except as set forth on Schedule 3.7, since June 30, 2000, Seller has not, primarily with respect to the Acquired Business or the Assets:

(A) created or incurred any liability (absolute or contingent) except for unsecured current liabilities under contracts entered into in the ordinary course of business consistent with past practices;

(B) loaned any money or otherwise pledged the credit of Seller, or mortgaged, pledged or subjected to any Lien or otherwise encumbered any of the Assets;

(C) sold, transferred, conveyed, assigned, returned to the vendor thereof or otherwise disposed of any of the Assets except for the sale of products in the ordinary course of business consistent with past practices, or increased or decreased its inventory above or below levels customarily maintained;

(D) waived any rights of substantial value;

(E) made any capital commitments or expenditures or capital additions or improvements which in the aggregate exceed Five Thousand Dollars (\$5,000), or made any unusual or extraordinary commitment or expenditure;

(F) suffered any labor disputes or organization activity by its employees;

(G) become bound by or entered into any contract, commitment or transaction other than in the ordinary course of business consistent with past practices;

(H) adjusted in any way, either directly or indirectly the compensation or benefits paid or payable to any shareholder, officer, director, consultant, agent or employee;

(I) transferred, granted or been granted any rights or licenses under any Intellectual Property other than in the ordinary course of business consistent with past practices, or entered into any settlement regarding the breach or infringement of any Intellectual Property;

(J) entered into any contract or agreement to do or perform any of the foregoing actions; or

(K) suffered or sustained any material adverse change in the Assets or liabilities or in the business or condition, financial or otherwise, of the Acquired Business.

3.8. Leased Real Estate. Seller is the lessee under the real estate leases described on Schedule 3.8, and Seller (primarily in connection with the Acquired Business) has no other interest in any real estate and does not conduct business or operations at any location other than those described in such Leases. Seller now enjoys quiet and undisturbed possession under each lease described on Schedule 3.8. Such real estate is free and clear of any zoning or use or building restriction or any pending, proposed or threatened zoning or use or building restriction which would either singly or in the aggregate, interfere in any material way with the present or any currently intended use of any of such leased real estate. Each lease is valid and binding and in full force and effect, and is not in default as to the payment of rent or otherwise.

3.9. Owned and Leased Tangible Personal Property. All material items of tangible personal property owned or leased by Seller in connection with the Acquired Business (other than personal property used generally by the Seller in its corporate offices) are fully described on Schedule 3.9. Except as described on Schedule 3.9, Seller has good and marketable title to all such owned tangible personal property free and clear of any Lien whatsoever, except for Permitted Encumbrances. All leases with respect to such leased tangible personal property are valid and binding and in full force and effect, and are not in default as to the payment of rent or otherwise.

3.10. [Intentionally Omitted.]

3.11. Patents and Certain other Intellectual Property Rights. Attached hereto as Schedule 3.11 is a true and correct listing of all of the patents and

patent applications (including all reissues, divisions, continuations, extensions and foreign counterparts thereof), patent disclosure documents, inventions, improvements, trademarks and service marks, trademark and service mark registrations (both state and federal), trademark and service mark applications, domain names and domain name registrations, trade names and copyrights (whether or not registered) and copyright registrations and applications owned, licensed, leased, held or used by Seller or any affiliate of Seller in connection with the Acquired Business and which constitute a portion of the Intellectual Property (other than intellectual property that is used by the Seller primarily in its other businesses) (including the nature of Seller's or its affiliate's interest, i.e., whether owned, licensed or leased), and all licenses, franchises, permits, authorizations, agreements and arrangements that concern the same or that concern like items owned, licensed, leased, held or used by others and used by Seller in connection with the Acquired Business (other than those that are used by Seller primarily in its other businesses), true and correct and complete copies of all such licenses, franchises, permits, authorizations, agreements and arrangements having heretofore been delivered by Seller to Buyer. Except as disclosed on Schedule 3.11, all such patents, trademarks, trade names, domain names, service marks, copyrights and registrations and all licenses, franchises, permits, authorizations, agreements and arrangements are subsisting and in force and free from any default on the part of Seller, and Seller has not received any notice of any action, suit, proceeding or investigation relating thereto or threatening the ownership, validity or enforceability of any thereof. Except as disclosed on Schedule 3.11, no claims have been asserted or threatened in writing, and no claims are pending, by any person or entity regarding the use of any Intellectual Property, or challenging or questioning the ownership, validity or effectiveness of any of the Intellectual Property or of any license, agreement or arrangement relating thereto, and Seller does not know of any basis for any such claim, nor does Seller know of any such claim against any third party for infringement or misappropriation of any of Seller's rights to the Intellectual Property. Except as disclosed on Schedule 3.11, in the conduct of the Acquired Business, Seller has not, and Seller's use of the Intellectual Property in the ordinary course of the Acquired Business as currently conducted does not misappropriate the property of or breach or infringe on the rights of any person or entity within any of the countries which are covered by the patents (whether issued or pending) listed on Schedule 3.11. The Assets include, and Seller owns or is licensee of, all rights to all of the items of Intellectual Property that are listed on Schedule 3.11, and all such items constitute the only intellectual property and intellectual property rights that are necessary to conduct the Acquired Business in the manner in which it is currently conducted. Each item of Intellectual Property is fully transferable to Buyer free and clear of any Liens other than Permitted Encumbrances and the purchase and sale provided for herein will vest in Buyer good and marketable title to (or full right to make, use, copy, distribute and sell, with respect to any and all licenses of rights held by Seller) all of the Intellectual Property, no assignment, sale, agreement or encumbrance having heretofore been entered into by Seller or any predecessor thereof which would conflict with the assignment to Buyer of any of the Intellectual Property. Seller has the right to assign to Buyer any and all licenses (if any) to which Seller is a party that relate to the Intellectual Property.

3.12. Engineering Drawings and Know-How. Except as set forth on Schedule 3.12, Seller owns free and clear of any claim or restriction or royalty or other payment all of the Assets owned by Seller, and has the right to use all other Assets in the manner as currently used in the Acquired Business. The Assets include all of Seller's right title and interest to all manufacturing, engineering and other drawings, designs, product formulae, technology, and other data and information (whether completed or in development), and trade secrets and know-how, owned or used by, and material to, Seller in connection with any mass spectrometer and/or the Acquired Business (other than any of the foregoing used by the Seller primarily in its other businesses).

3.13. Prepaid Items and Deposits. Attached hereto, made part hereof and marked Schedule 3.13 is a true and correct description of all of the prepaid items and deposits of or in respect of the Acquired Business as of August 31, 2000.

3.14. Insurance and Bonds. Attached hereto, made part hereof and marked Schedule 3.14 is a true and correct description listing all policies of insurance and all surety and other bonds to which Seller in respect of the Acquired Business now is a party, or during the immediately preceding seventy-two (72) months was a party. All of such policies and bonds which have expired were valid and in full force and effect during their respective terms, and all other of such policies and bonds are valid and in full force and effect at the present time, and no claim has been made, or notice given, and there exists no ground, to cancel or avoid any of said policies or bonds or to reduce the coverage provided thereby.

3.15. Product Warranties. Except as set forth on Schedule 3.15, which is made part hereof, neither Seller nor, to the best of Seller's knowledge, any

predecessor of Seller (with respect to the Acquired Business), has at any time prior to the date hereof sold or otherwise distributed any products relating to or in connection with the Assets or the Acquired Business. Except as set forth in Schedule 3.12, there are no product warranties outstanding with respect to any such products, the Assets or the Acquired Business, no such products have been returned to Seller or any predecessor of Seller with respect to the Acquired Business by any third party purchaser, no product warranty claims relating to or in connection with the Assets or the Acquired Business have been made against Seller or any predecessor of Seller with respect to the Acquired Business, and Buyer will have no obligation or liability in respect of any products or product warranties sold, distributed or issued, as the case may be, relating to or in connection with the Assets or the Acquired Business on or prior to the Closing Date.

3.16. Contracts. Attached hereto, made part hereof and marked Schedule 3.16 is a true and correct description of all of the contracts or like obligations of every kind of Seller in respect of the Acquired Business (other than those contracts of Seller applicable primarily to the Seller's other businesses) which have not been described on one or more of the various Schedules hereto. Except as set forth on Schedule 3.16, Seller is not in default under any of said contracts, and no claim of default thereunder has been asserted against Seller, and no condition or state of facts exists which, with notice or the passage of time or both, would constitute a default under any of said contracts, as to time or manner of performance, or as to warranties thereunder, or otherwise.

3.17. Proposals and Bids. There are no proposals or bids which Seller in respect of the Acquired Business has outstanding with respect to prospective contracts.

3.18. Agreements with Employees.

(A) Except as set forth on Schedule 3.18, Seller is not (with respect to the Acquired Business) a party to any employment, severance or change of control agreement, written or oral.

(B) Except as set forth on Schedule 3.18, Seller has, with respect to the Acquired Business, no pension, profit sharing, short term disability or other employee benefit plan (including, without limitation, any equity based plan or incentive compensation plan), or any health care, life insurance or other employee welfare plan, for its employees (collectively, "Employee Benefit Plans"). Each of the Employee Benefit Plans has been operated in material compliance with its applicable terms and applicable law.

(C) Schedule 3.18 sets forth a true and correct listing of all employment and confidentiality agreements relating to the Acquired Business and/or to Seller's use of the Assets (other than those agreements of the Seller applicable primarily to the Seller's other businesses), naming each signatory thereto.

(D) The employees of Seller, with respect to the Acquired Business, are not parties to any collective bargaining agreement with Seller and there are no grievances, disputes or controversies with any union or any other organization of the employees of Seller, or threats of strikes, work stoppages or any pending demands for collective bargaining by any union or organization. Schedule 3.18 lists each of the employees currently primarily engaged in the Acquired Business (other than those employees of Seller providing corporate overhead services to the Acquired Business).

3.19. Insider Contracts. There are no contracts, agreements, purchase orders, licenses, commitments, leases, agreements, understandings or arrangements, including loan arrangements, between Seller and any of its officers, directors or shareholders, or any related or affiliated person, corporation or other entity which primarily relate to the Acquired Business, except as set forth on Schedule 3.19 attached hereto and made part hereof, or as set forth and identified as such on any other Schedule hereto (a true and correct and complete copy of each such written document and a true, correct and complete written description of each such oral relationship having heretofore been delivered by Seller to Buyer). Without limiting the generality of the foregoing, the Seller has not entered into any patent licensing or similar agreement with Anthony Duryea or his assigns (other than the employment agreement between Anthony Duryea and Seller listed on Schedule 3.18).

3.20. Other Material Contracts. There are no other (i.e., not identified on one or more of the foregoing Schedules hereto) written or oral material contracts, agreements, understandings and arrangements which relate in any manner to the Acquired Business or the Assets and to which Seller is a party or by which Seller is bound (other than contracts of the Seller applicable primarily to the Seller's other businesses) ("material contracts"). For purposes of this Section 3.20, "material" shall mean containing an obligation (i) requiring, or reasonably anticipated to require, the payment of more than \$5,000 in the aggregate, or (ii) not terminable by Seller, without penalty, within one year after the Closing Date, or (iii) any loan, credit or financing agreement

for any future loans, credits or financing, or (iv) of guaranty or suretyship irrespective of the term or amount involved.

3.21. Customers. Attached hereto, made part hereof and marked Schedule 3.21 is a true and correct listing of each customer of Seller in respect of the Acquired Business. Seller has no reason to believe that there will be any adverse change in any such relationship, whether as a result of the consummation of the transactions provided for by this Agreement or otherwise.

3.22. Taxes. Seller has timely and properly filed all federal, state, local and foreign tax returns and reports and forms relating to the Acquired Business and/or the Assets which Seller is or has been required to file, either on its own behalf or on behalf of its employees or other persons or entities, including but not limited to income, profits, franchise, sales, use, occupation, property, excise, ad valorem, and payroll (including employee taxes withheld), and all such returns and reports and forms are true and correct and complete in all respects. Seller has paid all taxes, including penalties and interest and any other additions thereto, if any, which have become due pursuant to such returns or reports or forms or pursuant to assessments received by Seller with respect to the Acquired Business and/or the Assets, and there is no further liability (whether or not disclosed on such returns or reports or forms or assessments). All taxes (including all interest and penalties thereon and additions thereto) required to be withheld by Seller in respect of the Acquired Business and/or the Assets have been duly and timely withheld, and such withheld taxes have been either duly and timely paid to the proper governmental authority or properly set aside in accounts for such purpose and, to the extent due on or prior to the Closing Date, will be duly and timely paid to the proper governmental authority. No waiver has been granted, and on or prior to the Closing Date no waiver will be granted, extending the time for examination of any of such returns. Seller, with respect to the Acquired Business and/or the Assets, has not filed a consent of any type described in Section 341 (f) of the Code.

3.23. Environmental Matters. Seller (i) is currently in compliance with all applicable Environmental Laws pertaining to its operation of the Acquired Business, and has obtained all permits and other authorizations needed to operate the facilities of the Acquired Business, (ii) has not violated any applicable Environmental Law in the operation of the Acquired Business, and (iii) is unaware of any present requirements of any applicable Environmental Law which is due to be imposed upon it and which will increase its cost of complying with such Environmental Laws in the operation of the Acquired Business. All past on-site generation, treatment, storage and disposal of Waste, including then Hazardous Waste, by Seller and its predecessors pertaining to the Acquired Business have been done in compliance with the currently applicable Environmental Laws; and all past off-site treatment, storage and disposal of Waste, including Hazardous Waste, generated by Seller and its predecessors pertaining to the Acquired Business have been done in compliance with the then currently applicable Environmental Laws. As used in this Agreement, the terms (i) "Environmental Laws" include but are not limited to any federal, state or local law, statute, charter or ordinance, and any rule, regulation, binding interpretation, binding policy, permit, order, court order or consent decree issued pursuant to any of the foregoing, which pertains to, governs or otherwise regulates any of the following activities, including without limitation (a) the emission, discharge, release or spilling of any substance into the air, surface water, groundwater, soil or substrata; (b) the manufacturing, processing, sale, generation, treatment, storage, disposal, labeling or other management of any waste, hazardous substance or hazardous waste, and (ii) "Waste," "Hazardous Substance," and "Hazardous Waste" include any substance defined as such by any applicable environmental law.

3.24. Compliance with Other Laws. Seller's operation of the Acquired Business has complied in all material respects with all governmental laws, statutes, rules, regulations and orders not addressed in Section 3.23, and has secured all necessary and material permits and authorizations and licenses issued by, federal, state, local and foreign agencies and authorities, applicable to the operation of the Acquired Business, properties and operations (including but not limited to those concerned with energy, pollution control, franchising and other distribution arrangements, antitrust and trade regulation, civil rights, labor and discrimination, safety and health, zoning and land use), the violation of which (or, in the case of necessary permits, authorizations or licenses, the failure to secure) could have a material adverse effect on the business, operations, properties or Assets, or on the condition, financial or otherwise, of the Acquired Business. A complete list of all such permits, authorizations and licenses is attached hereto, made part hereof and marked Schedule 3.24. All such permits, authorizations and licenses are valid and in full force and effect, Seller is in compliance with their requirements, and no proceeding is pending or, to the best of Seller's knowledge, threatened to revoke or amend any of them. Except as set forth on Schedule 3.24, none of such permits, authorizations and licenses is or will be in any way impaired or affected by the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

3.25. Absence of Conflict or Breach. The execution, delivery and performance of this Agreement by Seller will not conflict with or result in a breach of any of the terms, conditions or provisions of the Certificate of Incorporation or By-laws of Seller, or of any law, statute, rule or regulation of any governmental authority, or conflict with or result in a breach of any of the terms, conditions or provisions of any judgment, order, injunction, decree or ruling of any court or arbitration tribunal or governmental authority to which Seller is subject, or of any provision of any contract, agreement, understanding or arrangement to which Seller is a party or by which Seller is bound, including, without limitation, any contracts, licenses, agreements, understandings or arrangements listed on any of the Schedules hereto or any other material contract, or constitute a material default thereunder, or give to others any interests or rights thereunder, including any rights of acceleration, termination or cancellation, in or with respect to the business or assets of Seller.

3.26. Consents and Approvals. Except as set forth on Schedule 3.26, there are no authorizations, consents, approvals or notices required to be obtained or given or waiting periods required to expire in order that this Agreement (including, without limitation, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended) and the transactions provided for herein may be consummated by Seller without giving rise to any liability or material loss of rights by Seller of the Acquired Business.

3.27. Litigation. There are no actions at law or in equity, or arbitration proceedings, or claims or investigations, pending or, to the best knowledge of Seller, threatened, or state of facts existing which could give rise to any such action, proceedings, claim or investigation, to which Seller is (or, in the case of threatened actions, would be) a party which would adversely affect the Acquired Business or any of the Assets or which might impair the ability of Seller to perform this Agreement; there are no proceedings pending or, to the best knowledge of Seller, threatened against Seller by or before any governmental board, department, commission, bureau, instrumentality or agency relating primarily to the Acquired Business.

3.28. No Undisclosed Information. To Seller's knowledge, no representation, warranty or covenant by Seller in this Agreement or in any Schedule or certificate furnished by or on behalf of Seller in connection with this Agreement contains any untrue statement of a material fact or omits to state a material fact required to be stated herein or therein or necessary to make the statements contained herein or therein not misleading.

4. Representations and Warranties of Buyer.

Buyer represents and warrants to Seller, as of the date hereof and as of the Closing Date, as follows:

4.1. Corporate Status. Buyer is a limited liability company duly organized and validly existing and in good standing under the laws of the State of Delaware.

4.2. Corporate Power and Authority. The execution and delivery by Buyer of this Agreement and the performance by Buyer of its obligations hereunder have been duly authorized by all required limited liability company action of Buyer. Buyer has the limited liability company power to enter into and perform its obligations under this Agreement in accordance with its terms and has no contractual or other restriction upon its so doing. This Agreement and each of the other agreements, documents and instruments contemplated hereby constitutes and will constitute the valid and legally binding obligation of Buyer in accordance with its terms.

4.3. Litigation. There is no action, suit or proceeding pending, or to the best knowledge of Buyer, threatened against or affecting Buyer which questions the legality or propriety of the transactions contemplated by this Agreement.

4.4. Disclosure. No representation, warranty or covenant by Buyer in this Agreement or in any certificate furnished by or on behalf of Buyer in connection with this Agreement contains any untrue statement of a material fact or omits to state a material fact required to be stated herein or therein or necessary to make the statements contained herein or therein not misleading.

5. Intentionally Omitted.

6. Covenants of Seller.

(A) To assure that Buyer will realize the value and goodwill inherent in the Acquired Business and the Assets, Seller covenants and agrees that from and after the date of this Agreement and for a period of five years after the Closing Date, neither Seller nor any entity under Seller's direct or indirect control shall:

(1) directly or indirectly (a) engage in (as an owner, partner, consultant or otherwise) any business which would be competitive with the Acquired Business in any manner, whether with respect to the design, development, manufacture or sale of mass spectrometers or any other business currently conducted by the Acquired Business or the sale, license, manufacture or marketing of infrared gas analyzers or quadropole analyzers, anywhere in the world; or (b) acquire or retain any financial interest having a fair value in excess of the greater of \$5,000 in, or 5% of the equity of, any business which is so engaged; or

(2) directly or indirectly (a) induce any of Seller's customers with respect to the Acquired Business to patronize any business similar to any of those described in clause (1) above; (b) canvass, solicit or accept from any of Seller's customers with respect to the Acquired Business any business similar to any of those described in clause (1) above; or (c) request or advise any individual or company which is a customer of Seller with respect to the Acquired Business to withdraw, curtail or cancel any such customer's business with Buyer; or

(3) directly or indirectly, at any time following the Closing Date, in any way utilize, disclose, copy, reproduce or retain in its possession any of the Intellectual Property provided that Seller may retain copies of Intellectual Property that is in the public domain (other than as a result of Seller's breach of this Agreement).

Seller acknowledges and agrees that the foregoing restrictions set forth in this Section 6(B) are reasonable in scope and duration and are necessary to protect Buyer after the Closing Date. If, however, any provision of this Section 6(B) is under any circumstances adjudged by a court of competent jurisdiction to be invalid or unenforceable, the same will in no way affect any other provision of Section 6(B) or any other part of this Agreement, the application of such provision in any other circumstances or the validity or enforceability of this Agreement. If any such provision, or any part thereof, is held to be unenforceable because of the duration of such provision or the area covered thereby, the parties agree that the court making such determination will have the power to reduce the duration and/or area of such provision, and/or to delete specific words or phrases in order to render the provision enforceable, and in its reduced form such provision will then be enforceable and will be enforced. Upon breach of any provision of Section 6(B) of this Agreement, Buyer will be entitled to injunctive relief since the remedy at law would be inadequate and insufficient. In addition to such injunctive relief, Buyer shall be entitled to such damages as it can show it has sustained by reason of such breach.

(B) Seller further covenants and agrees that from and after the Closing Date it shall:

(1) Upon Buyer's request (and at Buyer's expense), promptly provide to Buyer all pertinent facts and documents relating to any of the Intellectual Property as may be known and accessible to Seller, and Seller, at Buyer's expense, will testify as to the same in any proceeding, interference, litigation and adversarial proceeding related thereto and will promptly execute and deliver, at Buyer's expense, to Buyer or Buyer's legal representative any and all papers, instruments or affidavits required to apply for, obtain, maintain, issue and enforce any of the Intellectual Property which may be necessary to carry out the purposes thereof;

(2) Cooperate with Buyer to ensure an orderly transition in respect of those employees of Seller who accept employment with Buyer from and after the Closing Date; and

(3) Use its reasonable efforts, upon the request and at the expense of Buyer, to make available to Buyer all of Seller's rights and benefits under the 1997 Purchase Agreement and to otherwise cooperate with Buyer to enable Buyer to enjoy the practical realization thereof.

(C) Seller hereby covenants and agrees that from and after the date of this Agreement, except as may be required by law, rule or regulation or court order, Seller and each entity which is now or hereafter under Seller's direct or indirect control shall:

(1) Subject to Seller's rights set forth in Section 17 hereof, at all times preserve the confidentiality of the Assets, including, but not limited to, each of the items of the Intellectual Property, and all data, documents, financial reports and other information primarily relating to the past, present and future operations of the Acquired Business, whether now possessed by Seller or acquired by Seller prior to or after the Closing Date (collectively, the "Confidential Information"). Seller agrees that it shall take all steps necessary or advisable to ensure that each entity now or hereafter directly or indirectly controlled by Seller, and all officers, directors, employees, agents and representatives of Seller, and any entity which is now or hereafter directly or indirectly controlled by Seller, at all times keep the Confidential Information confidential and do not divulge any of the Confidential Information to any other

person, firm or entity without Buyer's prior written consent.

(2) At no time during the two year period after the Closing Date, initiate, solicit, encourage or, make, have or engage in any communications, whether written or oral and whether private or public, with or to any person, firm or entity (other than Buyer or Buyer's officers, directors, employees, agents and representatives) concerning the future conduct or business prospects of the Acquired Business, the adequacy, sufficiency, usefulness or quality of the Assets, including, but not limited to, any of the Intellectual Property, or Buyer's ability to operate the Acquired Business in a profitable manner. Seller agrees that each shall take all steps necessary or advisable to ensure that each entity now or hereafter directly or indirectly controlled by Seller, and all officers, directors and management employees of Seller and such entities, and all technical and sales personnel of Seller who have worked directly or indirectly with the Assets, comply in all respects with the provisions of this Section 6(C) provided, that if an individual was, but no longer is, an officer, director, employee or otherwise considered personnel of the Seller or its affiliates, Seller shall use its commercially reasonable efforts to enforce any confidentiality agreements entered into by such individual with Seller, at Buyer's expense.

(3) Notwithstanding the foregoing paragraphs (1) and (2), the parties hereto expressly agree that statements relating to the expenses incurred by Seller relating to the Acquired Business and statements concerning Seller's decision to sell the Assets and the Acquired Business that are consistent with and in the nature of prior public statements made by Seller or that are otherwise required or appropriate by law shall not constitute a violation of the restrictions set forth in the two immediately preceding paragraphs.

(D) Seller further covenants that it shall (i) pay all stamp, sales, use, value added, documents, excise, property transfer, recording, registration and other similar taxes and charges ("Transfer Taxes") attributable to the transfer of the Assets to Buyer pursuant to this Agreement and (ii) shall prepare and timely file all returns and reports and forms required to be filed in respect of the Transfer Taxes.

(E) Seller further covenants and agrees that, promptly after the Closing Date, it shall request the return of all Confidential Information provided to potential purchasers of the Acquired Business and it shall take all other reasonable actions requested by Buyer (and at Buyer's expense) to enforce its rights under any confidentiality or similar agreements with any such potential purchasers.

7. Intentionally Omitted.

8. Conditions to Obligations of Buyer.

The obligations of Buyer hereunder shall be subject to the following conditions, any or all of which may be waived in writing by Buyer:

8.1. Representations, Warranties and Covenants. Each of the representations and warranties of Seller set forth in Article III hereof shall be true and correct on and as of the Closing Date with the same effect as if made at such time; and Seller shall have in all respects performed and complied with each of the agreements, covenants, stipulations, terms and conditions hereof applicable to it.

8.2. FIRPTA Certificate. Seller shall have delivered to Buyer a certificate, as contemplated under and meeting the requirements of Section 1.1445-2(b)(2)(i) of the treasury regulations, to the effect that Seller is not a foreign person within the meaning of the Code and the applicable treasury regulations.

8.3. Intentionally Omitted.

8.4. Delivery of Assets to be Acquired. Seller shall have delivered the Assets to Buyer, free and clear of all Liens other than Permitted Encumbrances.

8.5. No Litigation. No action or proceeding shall have been instituted or threatened to set aside the transactions provided for herein or to enjoin or prevent the consummation thereof.

8.6. Required Consents. All required or advisable governmental and other third party consents and approvals for the consummation of the transactions provided for herein shall have been secured, including, but not limited to, all third party consents required by the terms of the applicable agreement to be obtained in connection with the assignment to and assumption by Buyer of the various leases, contracts, licenses and other agreements of Seller as provided herein, all of which are listed on Schedule 8.6 hereto.

8.7. Satisfaction of Liens. Seller shall have caused to be removed all

Liens on the Assets other than the Permitted Encumbrances, and shall have furnished evidence thereof to Buyer.

8.8. Employment Agreements. Each of the employees of Seller listed on Schedule 3.18 which Buyer elects to hire, other than Anthony N. Duryea, shall have resigned their employment with Seller, accepted employment with Buyer effective upon consummation of the transactions contemplated hereby and executed a Confidentiality Agreement with Buyer acceptable to Buyer. Each of Anthony N. Duryea's, Gary M. Duryea's and Alan B. Celos employment agreement with Seller listed on Schedule 3.18 hereof shall have been terminated without any future liability of any kind on behalf of Buyer and Anthony N. Duryea shall have executed and delivered an Employment Agreement with Buyer in a form acceptable to Mr. Duryea and Buyer.

8.9. Documents. Seller shall have executed and delivered all documents and instruments necessary or appropriate to consummate the transactions contemplated hereby, including, but not limited to, each of those documents and instruments provided for in Section 2.5, and all such other documents reasonably requested by Buyer in connection with the consummation of the transactions contemplated by this Agreement.

9. Conditions to Obligations of Seller.

The obligations of Seller hereunder shall be subject to the following conditions, any or all of which may be waived in writing by Seller:

9.1. Representations, Warranties and Covenants. Each of the representations and warranties of Buyer set forth in Article IV hereof shall be true and correct on and as of the Closing Date with the same effect as if made at such time; and Buyer shall have in all respects performed and complied with each of the agreements, covenants, stipulations, terms and conditions hereof applicable to Buyer.

9.2. No Litigation and Lack of Consent. No action or proceeding shall have been instituted or threatened to set aside the transactions provided for herein or to enjoin or prevent the consummation thereof; and all required governmental consents and approvals for the consummation of such transactions shall have been secured.

9.3. Delivery of Purchase Price. Buyer shall have delivered the Purchase Price to Seller.

10. Indemnification.

10.1. Indemnification by Seller. Seller agrees to indemnify Buyer and its affiliates (together with its successors and assigns) and hold them harmless from and against and with respect to, and to pay and reimburse such indemnified persons for: any and all damage, loss, liability, deficiency, claim, expense (including any reasonable attorney and accountant fees, legal costs or expenses), action, suit, proceeding, demand, assessment or judgment to or against Buyer (and/or its affiliates) or an appeal of any of the foregoing, whether or not resulting from third-party claims, arising out of or in connection with:

(A) any Retained Liability;

(B) any breach or violation of, or non-performance by, Seller of any of its representations, warranties, covenants or agreements contained in this Agreement or in any document, certificate or schedule required to be furnished pursuant to this Agreement;

(C) any actual or alleged infringement of any third-party patent right in any of the countries covered by the patents or patent applications set forth in Schedule 3.11 issued or published prior to the third anniversary of the Closing Date arising out of or in connection with the commercial exploitation of any matter covered by any of the claims set forth in U.S. Patent No. 5,304,799 titled "Cycloidal Mass Spectrometer and Ionizer For Use Therein" issued April 19, 1994 (the "Patent"), except to the extent such actual or alleged infringement is attributable to additions or modifications to cycloidal mass spectrometers which have not been completely or substantially developed prior to the Closing by Seller, as reflected in any design, drawing, prototype, computer software or other tangible embodiment of any such development in existence on the Closing Date and made available to Buyer on or prior to the Closing Date, provided, however, that:

(i) in the event Buyer makes a product covered by a patent or patent application in Schedule 3.11 that contains an optional addition or optional modification that is not reasonably necessary in order to implement the invention disclosed and claimed in the relevant patent or patent applications in Schedule 3.11 (an "Optional Addition"), Seller shall not be obligated to indemnify Buyer against a claim of patent infringement by a third-party arising

out of Buyer's use of such Optional Addition up to and including the date that Buyer receives an Infringement Notice (defined below) with respect to such Optional Addition if Buyer had, at the time of its commercialization of the product utilizing such Optional Addition, a commercially reasonable alternative to such Optional Addition that would have caused Buyer's product not to have infringed such third-party patent or any other patent (an "Alternative") and (ii) if, with respect to an Optional Addition, Buyer receives a cease and desist letter or a patent notification letter or is sued claiming that such Optional Addition is infringing a third party patent (an "Infringement Notice"), Buyer, as a condition precedent to any right of indemnification with respect to the claim set forth in such Infringement Notice hereunder, shall (A) determine whether there is an Alternative to the applicable Optional Addition and (B) obtain an opinion of qualified counsel as to the validity and enforceability of such third party patent and whether it is infringed by the Optional Addition. Such opinion shall, at minimum, be based on a review of the product, the patent alleged to be infringed and its file history. In the event that there is no Alternative, Seller shall remain liable with respect to its indemnification obligations in connection with the actual or alleged infringement of such third-party patent by such Optional Addition from and after the date of Buyer's receipt of the Infringement Notice, whether or not counsel has determined that the third-party patent is valid, enforceable and/or infringed by such Optional Addition. In the event that there is an Alternative and Buyer does not implement an Alternative, Seller shall not be liable with respect to its indemnification obligations in connection with the actual or alleged infringement of such third-party patent by such Optional Addition from and after the date of Buyer's receipt of the Infringement Notice, whether or not counsel has determined that the third-party patent is valid, enforceable and/or infringed by such Optional Addition. In all cases, if Buyer determines that there is an Alternative, and Buyer chooses to implement such Alternative, Seller shall remain liable with respect to its indemnification obligations hereunder with respect to the use of such Alternative to the extent otherwise applicable. Notwithstanding anything in this proviso to the contrary, if Buyer has notified Seller of its receipt of an Infringement Notice or any other claim or charge made by a third party which would be subject to indemnification under this Article X, Seller may, at its option, negotiate in good faith with the appropriate third parties to obtain, at Seller's expense, a license for Buyer from such third party, provided that Buyer shall have the right to approve the terms and conditions of any such license, which approval shall not be unreasonably withheld. Buyer shall promptly provide to Seller copies of all opinions of counsel obtained under this section. This proviso shall not be interpreted to expand in any way Seller's indemnification obligations set forth elsewhere in this Article X;

and

(D) Transfer Taxes for which Seller is responsible pursuant to Section 6(E).

10.2. Indemnification by Buyer. Buyer shall indemnify Seller (together with its successors and assigns) and hold it harmless from, against and with respect to: any and all damage, loss, deficiency, expense (including any reasonable attorney and accountant fees, legal costs or expenses), action, suit, proceeding, demand, assessment or judgment to or against Seller or an appeal of any of the foregoing arising out of or in connection with:

(A) any debt, obligation, claim, commitment, liability or damage specifically assumed by Buyer pursuant to this Agreement, incurred or accrued against Buyer subsequent to the Closing Date or arising out of the business activities of Buyer subsequent thereto except to the extent the same is a Retained Liability or is the subject of any right to indemnification of Buyer under Section 10.1 hereof; and

(B) any breach or violation of, or nonperformance by, Buyer of any of its representations, warranties, covenants or agreements contained in this Agreement or in any document, certificate or schedule required to be furnished pursuant to this Agreement.

10.3. Notice of Claims. If any claim is made by or against a party which, if sustained, would give rise to a liability of another party hereunder, that party (the "Claiming Party") shall within ten (10) days thereafter cause notice of the claim to be delivered to the other party (the "Indemnifying Party") and shall afford the Indemnifying Party and its counsel, at the Indemnifying Party's sole expense, the opportunity to defend or settle the claim (and, with respect to claims made by third parties, the Claiming Party shall have the right to participate at its sole expense), provided that the failure of any Claiming Party to give such notice shall not relieve the Indemnifying Party of its indemnification obligations hereunder except to the extent that such failure results in a lack of actual notice to the Indemnifying Party and the Indemnifying Party is materially prejudiced as a result of such failure to give notice. Any notice of a claim shall state, with reasonable specification, the alleged basis for the claim and the amount of liability asserted by or against the other party by reason of the claim, to the extent then known. Failure by an

Indemnifying Party to notify a Claiming Party in writing of the Indemnifying Party's election to defend or settle any such claim within ten (10) days after notice thereof shall have been delivered to the Indemnifying Party shall be deemed a waiver by the Indemnifying Party of its right to defend or settle such claim. If notice is given and the Indemnifying Party fails to assume the defense of the claim in writing within ten (10) days thereof, the claim may be defended, compromised or settled by the Claiming Party without the consent of the Indemnifying Party and the Indemnifying Party shall remain liable under this Article X. Except for claims related to Retained Liabilities or assumed by Buyer as provided in Section 1.3, claims made for a breach of representation or warranty under Section 3.4 hereof and claims related to fraud or willful misconduct (as to which foregoing claims no deductible shall apply), no party shall be required to indemnify any other party until a Twenty-Five Thousand Dollar (\$25,000) deductible (the "Deductible") has been exceeded. The aggregate liability of any party hereto under the provisions of this Article X shall be limited to an amount not to exceed \$1,500,000 plus the aggregate amount of all Earn-Out Payments made by Buyer under Section 11 hereof (the "Cap") provided, however, that:

(A) the Cap shall not apply to any claim that Buyer may have for indemnification pursuant to this Article X to the extent that such claim relates to a Retained Liability, fraud or willful misconduct by Seller, provided that, if such claim relates to a Retained Liability, Buyer gives Seller the opportunity to assume the defense or settlement of such claim in accordance with the foregoing provisions of this Section 10.3; and

(B) the Cap shall not apply to any claim that Seller may have for indemnification pursuant to this Article X to the extent that such claim relates to a liability or obligation assumed by Buyer as provided in Section 1.3 or the operation of the Acquired Business after the Closing Date, provided that Seller gives Buyer the opportunity to assume the defense or settlement of such claim in accordance with the foregoing provisions of this Section 10.3.

10.4. Survival of Indemnity Obligation. The rights of Buyer and Seller to assert claims for indemnification set forth in Sections 10.1 and 10.2 shall survive the Closing Date and shall expire:

(A) with respect to all claims other than third party claims, claims related to the nonpayment of taxes or other similar claims pursuant to any federal, state, county or other local taxing statutes, claims made for a breach of representation or warranty under Section 3.4 and claims subject to subclause (D) below, on the second (2nd) anniversary of the Closing Date;

(B) with respect to claims relating to the nonpayment of taxes or other similar claims pursuant to any federal, state, county or other local taxing statutes, or with respect to Transfer Taxes, upon the expiration of ninety (90) days following the date on which the running of the statute of limitations with respect to any such claim shall bar such assessment and collection of claim;

(C) with respect to third party claims against Buyer or its successors or assigns relating to any actual or alleged infringement of any third-party patent right in any of the countries covered by the patents or patent applications set forth in Schedule 3.11 arising out of or in connection with the commercial exploitation of any matter covered by any of the claims set forth in the applicable patent or patent application in such country (as such right to assert claims for indemnification is limited by the terms of Section 10.1(C) hereof), on the third (3rd) anniversary of the Closing Date; provided, however, that the right to assert claims for indemnification with respect to such third party claims shall expire on the second (2nd) anniversary of the Closing Date in the event that, prior to such anniversary, Buyer or its successors or assigns shall have sold or otherwise transferred the applicable patent or patent application to a third party that is unaffiliated with Buyer; and

(D) (1) except as specifically set forth to the contrary in paragraph (C) of this Section 10.5, with respect to Buyer's claims for indemnification relating to Retained Liabilities and liabilities arising out of the business activities of Seller prior to the Closing Date, and (2) with respect to claims for indemnification by Seller relating to liabilities specifically assumed by Buyer as provided in Section 1.3 of this Agreement, upon the expiration of ninety (90) days following the date on which the running of all applicable statute of limitations applicable to any such claim shall bar initiation of legal proceedings with respect to such claim.

10.5. Exclusive Remedy. The remedies provided in this Section 10 shall be the exclusive remedies for any breach of this Agreement (other than with respect to Sections 6, 11, 12, 14 and 21.7 hereof).

11. Earn-Out Payments.

11.1. General. Subject to the terms set forth herein, Buyer shall make the Earn-Out Payments (as defined in Section 11.3(A) below) on or before 60 days

after the end of each Earn-Out Year (as defined in Section 11.2 below). The right to receive the Earn-Out Payments shall represent only a right to receive a cash payment and shall not include any attributes of common stock and shall not entitle Seller to any rights of any kind other than as specifically set forth herein.

11.2. Definitions. (A) "Earn-Out Year" shall refer to each calendar year beginning with 2001 and ending the earlier of (i) 2012 and (ii) the first year during which there are no Valid Patent Claims (whether due to the expiration, revocation or cancellation of the Patent or otherwise, but subject to the proviso at the end of Section 11.2(C)).

(B) "Eligible Product" shall mean any product of Buyer (or its affiliates, successors and assigns, as the case may be; as used in this Article XI, "Buyer" shall be deemed to include Buyer and its successors and assigns) (x) in which a Valid Patent Claim is part of such product's operation or performance or incorporated into such product's design or structure and shall also include any product designed by Buyer with a principal purpose of circumventing the Earn-Out Payments, and (y) which has been shipped to a country where a Valid Patent Claim exists in a commercial arrangement under which revenues are received by Buyer or its affiliates (under the meaning with respect thereto in the Securities Exchange Act of 1934, as amended). Without limiting the generality of the foregoing, the parties agree as follows: (i) a product that would otherwise be an Eligible Product that is shipped for no immediate consideration, but with the expectation of the development of a commercial relationship with the receiver of the product shall not be deemed to be an Eligible Product unless and until the earlier of (i) payment being made on or in connection with such product or (ii) the date that is 150 days after such product's shipment, unless such product has been returned to Buyer prior to such date; (ii) a product that would otherwise be an Eligible Product that is shipped as a replacement of a previously shipped Eligible Product shall not be deemed to be an Eligible Product, (iii) a product that is returned to the Buyer, its successors or assigns or any licensee of Buyer or its successors or assigns for a refund shall not be deemed to be an Eligible Product and; (iv) an Eligible Product shall not be deemed to have been shipped more than once.

(C) "Valid Patent Claims" shall mean the claims of the patents and pending applications listed on Schedule 3.11 hereto which have been granted or are pending on the date hereof and which have not expired or been revoked, canceled, nullified or finally held invalid ("Patent Rights"), and any and all Improvements (defined below) thereof. The term "Improvements" means any improvement, enhancement, extension or modification of such Patent Rights and any patentable or non-patentable process or development of any kind based on or derived from such Patent Rights; provided that no Valid Patent Claim shall be deemed to have expired, been revoked, canceled, nullified or finally held invalid if such event is caused directly or indirectly by an Improvement initially developed by Buyer or its affiliates, successors or assigns after the Closing Date or by the failure of Buyer to pay required fees or expenses, or to take any other ministerial actions required to maintain such Valid Patent Claim.

(D) "Prime Rate" means the rate of interest reported as the "prime rate" in the money rates section of the Wall Street Journal on the date an Earn-Out Payment is due and owing.

11.3. Earn-Out Payments. (A) Patent Revenues. Notwithstanding anything in this Agreement to the contrary, no payment of any kind shall be due or payable by Buyer under this Section 11 for the first 550 Eligible Products (such cumulative amount, the "Patent Threshold"). Commencing with the Earn-Out Year during which the Patent Threshold is exceeded, and thereafter at the end of each subsequent Earn-Out Year, Buyer shall, subject to the other provisions of this Section 11, make a payment to Seller (individually, an "Earn-Out Payment", and, collectively, the "Earn-Out Payments") for each Eligible Product subsequent to Buyer's reaching the Patent Threshold as follows:

(1) Buyer shall pay to Seller an amount equal to the sum of (i) \$1,000 for each Eligible Product for non-medical applications (other than Portable Products (defined below)) ("Industrial Products"), (ii) \$375 for each Eligible Product for medical applications ("Medical Products") plus (iii) \$650 for each Eligible Product that is portable, special-purpose mass spectrometer with an average selling price of no greater than \$12,500 ("Portable Products"), until the aggregate amount of the Earn-Out Payments made for all Earn-Out Years by Buyer to Seller hereunder equals \$1 million;

(2) thereafter, Buyer shall pay to Seller an amount equal to the sum of (i) \$300 for each Industrial Product, (ii) \$100 for each Medical Product plus (iii) \$225 for each Portable Product until the aggregate amount of all Earn-Out Payments made by Buyer to Seller under Sections 11.3(A)(1) and 11.3(A)(2) equals \$2.5 million; and

(3) thereafter, Buyer shall pay to Seller an amount equal to the sum of (i) \$150 for each Industrial Product, (ii) \$50 for each Medical Product and (iii)

\$100 for each Portable Product until there ceases to be an Earn-Out Year.

For the avoidance of doubt, the parties agree that under no circumstances will any Earn-Out Payments be due or owing with respect to the first 550 Eligible Products.

11.4. Earn-Out Statement. (A) Within 60 days after the end of each Earn-Out Year, Buyer shall prepare and deliver to Seller (i) a statement (an "Earn-Out Statement"), certified by its Chief Financial Officer, attesting to the conformity of the principles used in calculating the Earn-Out Payment to the provisions of Section 11 hereof, which statement shall include reasonable supporting documentation with respect to such calculation; and (ii) pay Seller the Earn-Out Payment which Buyer has calculated to be due.

(B) The Earn-Out Statement shall, at Seller's option, be subject to review and verification by an independent public accounting firm or other representative of Seller's choice. If Seller chooses to conduct such a review, it shall also have the right to review the Earn-Out Statement from the Earn-Out Year ended immediately prior to the most recently ended Earn-Out Year (the "Prior Earn-Out Statement"), provided that Seller did not previously conduct such a review of the Prior Earn-Out Statement. Such review will be at Seller's expense, unless such accounting firm shall discover a discrepancy (as finally determined pursuant to the procedures of this Section 11.4) of at least fifteen percent of the Earn-Out Payment (or Earn-Out Payments, as the case may be) in question, in which case the fees of such accounting firm shall be paid by Buyer both with respect to the review which uncovered the discrepancy and to a review of the Prior Earn-Out Statement. Buyer shall permit Seller and its representatives to have reasonable access to the data and information on which the Earn-Out Statement (or Earn-Out Statements, as the case may be) was prepared and to Buyer's employees and/or representatives who assisted in its preparation to the extent necessary to verify such information.

(C) If Seller agrees with the Earn-Out Statement for the most recently ended Earn-Out Year (the "Current Earn-Out Statement") and the calculation of the Earn-Out Payment therein (the "Current Earn-Out Payment"), Seller shall send written notice of acceptance thereof to Buyer. Except in the case of fraud or willful misconduct on the part of Buyer, Seller shall be deemed to have accepted the Current Earn-Out Statement and the Current Earn-Out Payment indicated therein, along with the Prior Year Earn-Out Statement, if applicable, unless within 60 days after the date of delivery of the Current Earn-Out Statement, Seller gives written notice to Buyer of an objection to any item thereon (the "Objection Notice"), which Objection Notice shall specify in reasonable detail the basis for such objection. The Objection Notice shall also specify any objections Seller has with respect to the Prior Earn-Out Statement, if applicable. If Seller gives such an Objection Notice, Buyer and Seller shall attempt in good faith to resolve the dispute as promptly as possible.

(D) If Buyer and Seller have not been able to agree upon a resolution of the dispute within 30 days after the date Seller gave such Objection Notice, such dispute shall be resolved fully and finally in Pittsburgh, Pennsylvania by an arbitration governed by the American Arbitration Association, provided that a sole arbitrator shall be employed. The arbitration shall be governed by the state equivalent of the Federal Arbitration Act, 9 U.S.C. 1016, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof. The parties shall have 10 days from the end of the discussion between Buyer and Seller to agree upon a mutually acceptable person to act as arbitrator. The arbitrator shall be a neutral person (i.e., a person not affiliated with either of the parties) and shall have the capacity to make the judgments required to calculate the applicable Earn-Out Payment. If no arbitrator has been selected within such time, Buyer and Seller shall jointly request the American Arbitration Association or another mutually agreed upon organization to supply with 10 days of such request a list of potential arbitrators with qualifications as specified by the parties in the joint request. Within five days of receipt of the list, Buyer and Seller shall independently rank the proposed candidates, shall simultaneously exchange rankings, and shall be deemed to have selected as the arbitrator the individual receiving the highest combined ranking who is available to serve. If there is a tie, then the tie shall be broken by putting the names on slips of paper, mixing them up and having one party draw one slip of paper. If Buyer or Seller shall not cooperate in the selection of the arbitrator, the other may solely select the arbitrator utilizing the procedures set forth herein. The costs of arbitration shall be apportioned between Buyer and Seller as determined by the arbitrator in such manner as the arbitrator deems reasonable taking into account the circumstances of the case, the conduct of the parties during the proceeding, and the result of the arbitration. Any arbitration proceeding shall be concluded in a maximum of one month from the date of the Objection Notice. All negotiations pursuant to this Section shall be treated as compromise and settlement negotiations for purposes of Rule 408 of the Federal Rules of Evidence and comparable state Rules of Evidence. All negotiation and arbitration proceedings under this Section shall be treated as confidential information in accordance with the provisions of Section 6 (C) (1) hereof. Any arbitrator shall

be bound by an agreement containing confidentiality provisions at least as restrictive as those contained in such Section. Nothing herein shall preclude Seller or Buyer from seeking equitable relief to prevent any immediate, irreparable harm to its interest, including multiple breaches of this Agreement. Otherwise, these procedures are exclusive and shall be fully exhausted prior to the initiation of any litigation. Either party may seek specific enforcement of any arbitrator's decision under this Section 11.4. The other party's only defense to such a request for specific enforcement shall be fraud by or on the arbitrator. Upon final determination of the appropriate amount of applicable Earn-Out Payment in question, the unpaid portion of such amount shall be paid in accordance with the provisions of Section 11.5.

11.5. Payment. Buyer shall pay the unpaid portion (if any) of the Earn-Out Payment for any Earn-Out Year no later than 5 days after the date the Earn-Out Payment has been conclusively determined (whether pursuant to an agreement between Buyer and Seller or pursuant to the arbitrator's decision in accordance with Section 11.4) in cash or by check. Buyer shall pay to Seller interest at two percent (2%) above the Prime Rate on any such unpaid portion of the Earn-Out Payment owed for the period beginning 60 days after the end of the Earn-Out Year to which an Earn-Out Payment relates until such Earn-Out Payment is paid in full.

11.6. Buy-Out Provisions. (a) In the event that Buyer desires to sell or transfer the Patent or an interest in the Patent (excluding, for the avoidance of doubt, any non-exclusive license of the Patent), or to sell or otherwise transfer all, or substantially all of its assets, including the Patent, whether pursuant to a sale of stock or assets, a merger, or otherwise (each, a "Buy-Out Event"), Buyer shall, prior to consummating any such Buy-Out Event, at its option (i) provide for the transferee or merged, consolidated or combined entity (as the case may be) to assume all of the remaining obligations of Buyer set forth in this Section 11 (in which case Buyer shall be automatically released from any further obligation to make any payments to Seller under this Section 11) or (ii) if and only if Buyer is not an "affiliate" (under the meaning with respect thereto as set forth in the Securities Exchange Act of 1934, as amended) of any of the other parties to the Buy-Out Event, irrevocably agree to pay Seller the Buy-Out Payment (defined below) as finally determined pursuant to the terms hereof. If Buyer pays Seller the Buy-Out Payment, all further obligations of Buyer (or its successors and assigns) pursuant to this Section 11 shall immediately cease, and no further payments shall be payable hereunder to the Seller.

(b) "Buy-Out Payment" means (x) if the Buy-Out Event is consummated prior to December 31, 2003, the sum of (i) the greater of (A) \$1 million and (B) the Present Value Payment (defined below) and (ii) the Earn-Out Payment that would be owed to Seller if the then current Earn-Out Year ended on the effective date of the Buy-Out Event or (y) if the Buy-Out Event is consummated on or after December 31, 2003, the sum of (i) the Present Value Payment and (ii) the Earn-Out Payment that would be owed to Seller if the then current Earn-Out Year ended on the effective date of the Buy-Out Event.

(c) "Present Value Payment" means the aggregate Earn-Out Payments that would be payable from the date of the Buy-Out Event through the final Earn-Out Year if the highest Earn-Out Payment prior to the Buy-Out Event were duplicated for each remaining Earn-Out Payment for each remaining Earn-Out Year (including the portion of the Earn-Out Year from the date of the Buy-Out Event to December 31 of such Earn-Out Year), discounted to the date of the Buy-Out Event using a 10% discount factor. In the event that the Buy-Out Event occurs prior to December 31, 2001, the highest Earn-Out Payment (for purposes of the first sentence of this Section 11.6(c)) shall be determined by multiplying the Earn-Out Payment for 2001 that would be due and owing if there were no additional Eligible Products in 2001 after the Buy-Out Event by a fraction, the numerator of which shall be 365 and the denominator of which shall be the number of days that have expired in such Earn-Out Year upon the date of the Buy-Out Event.

(d) Any dispute between Buyer and Seller with respect to the amount of any Buy-Out Payment shall be resolved in accordance with the same procedures set forth in Section 11.4(D); it being understood that so long as Buyer delivers to Seller an irrevocable statement agreeing to pay the Buy-Out Payment in accordance with procedures set forth in Section 11.4(D), Buyer may consummate the Earn-Out Event without the consent of Seller.

12. Prorations and Allocations.

(A) The adjustments referred to in this Section 12(A) shall reflect, in accordance with generally accepted accounting principles, the principle that all expenses (other than those expenses which are a part of the liabilities to be assumed or retained by Seller in accordance with this Agreement) and income arising out of the Assets or the Acquired Business which are attributable to the period after August 31, 2000 (the "Cut-Off Date") are for the account of Buyer, and all expenses and income arising out of the Assets or the Acquired Business

which are attributable to the period on or before the Cut-Off Date are for the account of Seller. To the extent possible at Closing, Seller shall pay to Buyer or Buyer to Seller, as the case may be, the amount calculated as being due to one party by the other after netting all of the adjustments necessary to reflect the foregoing principle.

(B) Any of the foregoing adjustments which is not capable of calculation at the Closing shall be finally adjusted and payable ninety (90) days following the Closing Date.

(C) For purposes of this Agreement, any liability for any tax attributable to a period which begins before and ends after the Cut-Off Date shall be apportioned between the portion of such period ending on the Cut-Off Date and the portion beginning on the day after the Cut-Off Date (x) in the case of real and personal property taxes, by apportioning such taxes on a per diem basis and (y) in the case of all other taxes, on the basis of the actual activities of the Acquired Business, as determined from the books and records of the Acquired Business for such partial period.

13. Costs and Expenses.

Seller shall pay all fees and expenses incurred by it in connection with the transactions provided for hereunder including the fees and expenses of its counsel and accountants; and Buyer shall pay all expenses incurred by it in connection with the transactions provided for hereunder, including the fees and expenses of its counsel and accountants.

14. Absence Broker or Finder.

Seller represents and warrants to Buyer that, except as set forth on Schedule 14 hereto, no broker or finder acted or is acting for Seller in connection with the transactions provided for in this Agreement, and Buyer represents and warrants to Seller that no broker or finder acted or is acting for it in connection therewith. Each party shall, without limitation, indemnify, defend and hold the others harmless from and against any cost, expense (including reasonable attorneys' fees) claim, loss or liability in connection with a claim by any broker, consultant or finder claiming to have dealt with the indemnifying party. The provisions of this Section 14 shall survive the Closing indefinitely.

15. Instruments of Further Assurance.

Each of the parties hereto agrees, upon the request of any other party hereto, from time to time to execute and deliver to such other party all such instruments and documents of further assurance or otherwise as shall be reasonable under the circumstances, and to do any and all such acts and things as may reasonably be required to carry out the obligations of such requested party hereunder and to consummate the transactions provided for herein, including without limitation, all such instruments as may be necessary to vest in Buyer all properties, rights and assets of every kind, character or description which hereafter may become the property of Seller under the terms of Seller's Employment Agreement with Anthony N. Duryea listed on Schedule 3.18 hereof.

16. Right of Buyer to Nominate Related Company.

Buyer shall have the right to nominate any company which is a direct or indirect wholly-owned subsidiary of Buyer, to acquire all or any portion the Acquired Business and the Assets in Buyer's stead. In the event that Buyer nominates such subsidiary, Buyer may assign the Agreement and any and all of Buyer's rights under this Agreement to such subsidiary. Upon any such assignment, such subsidiary shall be entitled to the same rights, and shall be subject to the same liabilities, that Buyer has hereunder, and Buyer covenants and agrees that it will cause such subsidiary to perform in accordance with the provisions hereof.

17. News Releases.

No notices to third parties or other publicity, including press releases, concerning any of the transactions provided for herein shall be made unless planned and coordinated jointly between Buyer and Seller, unless Seller is advised by counsel that a news release or disclosure is required or appropriate and Seller is unable to comply with the terms of this Article after making reasonable efforts to do so. Notwithstanding the foregoing, the parties agree that Seller may describe generally in press releases and periodic reports to the Securities Exchange Commission the assets transferred hereunder, the purchase price paid for such assets and the identity of the Buyer, provided that the Buyer and Seller shall agree as to the text of the initial press release describing the transaction contemplated by this Agreement.

18. Successors and Assigns.

This Agreement shall be binding upon and shall inure to the benefit of the respective successors and assigns of the parties hereto, but, except as provided for in Sections 11.7(a) and 16 hereof, shall not be assigned by any party hereto without the prior written consent of the other party.

19. Governing Law.

This Agreement shall be interpreted and construed in accordance with the laws of the Commonwealth of Pennsylvania.

20. Execution in Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute but one and the same document.

21. Miscellaneous.

21.1. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto pertaining to the subject matters hereof and supersedes all negotiations, preliminary agreements and all prior or contemporaneous discussions and understandings of the parties hereto in connection with the subject matters hereof.

21.2. Amendments. No amendment, change or modification of any of the terms, provisions or conditions of this Agreement shall be effective unless made in writing and signed or initialed on behalf of the parties hereto by their duly authorized representatives.

21.3. Headings and Captions. The titles or captions of Articles and Sections in this Agreement are provided for convenient reference only, and shall not be considered a part hereof for purposes of interpreting or construing or applying this Agreement, and such titles or captions shall not define, limit, extend, explain or describe the scope or extent of this Agreement or any of its terms or conditions.

21.4. Gender and Number. Words and phrases herein shall be construed in the singular or plural number and as masculine, feminine or neuter gender, according to the context.

21.5. Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be deemed given or delivered when delivered personally, by registered or certified mail, by legible facsimile transmission or by overnight courier (fare prepaid) addressed as follows:

If to Buyer, to:
Fred Allardyce
Monitor Acquisition Co. LLC
c/o Kelso & Company
320 Park Avenue
New York, NY 10022
Telecopy: (212) 223-2379

with a copy to:
Stephen R. Hertz, Esq.
Debevoise & Plimpton
875 Third Avenue
New York, NY 10022
Telecopy: (212) 909-6836

If to Seller, to:
Lee B. Foster, II
Chairman and Chief Executive Officer
L.B. Foster Company
Foster Plaza
P.O. Box 2806
Pittsburgh, PA 15230
Telecopy: (412) 928-7891

with a copy to:
David L. Voltz, Esq.
General Counsel
L.B. Foster Company
Foster Plaza
P.O. Box 2806
Pittsburgh, PA 15230
Telecopy: (412) 928-7891

or to such address as such party may indicate by a notice delivered to the other parties hereto. Notice shall be deemed received the same day (when delivered personally), five (5) days after mailing (when sent by registered or

certified mail), the same business day (when sent by facsimile) and the next business day (when delivered by overnight courier). Any party to this Agreement may change its address to which all communications and notices may be sent by addressing notices of such change in the manner provided.

21.6. Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated unless such invalidity, voidance or unenforceability prevents the conveyance, transfer and assignment of the Acquired Business and the Assets to Buyer as contemplated in this Agreement.

21.7. Bulk Sales. Buyer, on the one hand, and Seller, on the other hand, each agree to waive compliance by the other with the bulk sales law of any jurisdiction in connection with the transactions contemplated hereby. Seller hereby does indemnify and hold Buyer harmless from and against, and shall pay and reimburse Buyer for, any cost, expense (including reasonable attorneys' fees) or liability resulting from the claims of creditors with respect to such bulk sales laws. This Section 21.7 shall survive the Closing indefinitely.

21.8. No Third Party Beneficiaries. The parties hereto do not intend to confer any benefit hereunder on any person (including any employees or former employees of Seller or employees hired by Buyer), firm or corporation other than the parties hereto and their respective successors and assigns.

21.9. No Waiver. No waiver of any breach of any agreement or provision contained herein shall be deemed effective unless specifically set forth in writing by the party so waiving and no such waiver shall be deemed a waiver of any preceding or succeeding breach thereof or of any other agreement or provision contained herein. No extension of time for performance of any obligations or acts shall be deemed an extension of the time for performance of any other obligations or acts.

21.10. Schedules and Exhibits. Each of the Schedules and Exhibits attached hereto are incorporated herein by reference and made a part of this Agreement.

21.11. Knowledge. As used herein, Seller's knowledge shall be interpreted to mean the actual knowledge of the executive officers of Seller.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement of Purchase and Sale to be executed on the day and year first written above.

L.B. FOSTER COMPANY

/s/Lee B. Foster
By:Lee B. Foster II
Title: Chief Executive Officer

MONITOR ACQUISITION CO. LLC

/s/Fred A. Allardyce
By:Fred A. Allardyce
Title: