

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended October 31, 2001

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to

Commission File Number 1-12273

ROPER INDUSTRIES, INC.  
(Exact name of Registrant as specified in its charter)

Delaware 51-0263969  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

160 Ben Burton Road  
Bogart, Georgia 30622  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (706) 369-7170

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SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of Each Exchange On Which Registered
----- Common Stock, \$.01 Par Value Preferred Stock Purchase Rights with respect to Common Stock, \$.01 Par Value	----- New York Stock Exchange  New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

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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 such 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  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item  
405 of Regulation S-K ((S) 229.405 of this chapter) is not contained herein, and  
will not be contained, to the best of Registrant's knowledge, in definitive  
proxy or information statements incorporated by reference in Part III of this  
Form 10-K or any amendment to this Form 10-K.

Aggregate market value of the voting stock held by non-affiliates of the  
Registrant, computed by reference to the closing price of such stock, as of  
December 31, 2001: \$1,537,903,274.

Number of shares of Registrant's Common Stock outstanding as of December  
31, 2001: 31,068,753.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be furnished to  
Shareholders in connection with its Annual Meeting of Shareholders to be held on  
March 15, 2002, are incorporated by reference into Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

Roper Industries, Inc. ("Roper") designs, manufactures and distributes specialty industrial controls, fluid handling and analytical instrumentation products worldwide, serving selected segments of a broad range of markets. The principal markets include oil & gas, research, medical, semiconductor, refrigeration, automotive, water and wastewater, power generation, agricultural irrigation industries and general industrial.

Roper pursues consistent and sustainable growth in sales and earnings by operating and acquiring businesses that manufacture and sell high value-added, highly engineered industrial products that are capable of achieving and maintaining high margins. This strategy continually emphasizes (i) increasing market share and market expansion, (ii) new product development, (iii) improving productivity and reducing costs and (iv) acquisition of similar businesses. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - (i) Year Ended October 31, 2001 Compared to Year Ended October 31, 2000 and (ii) - - Year Ended October 31, 2000 Compared to Year Ended October 31, 1999."

Market Share, Market Expansion and Product Development. Roper competes in many narrowly defined niche markets. Its position in these markets is typically as the market leader or as a competitive alternate to the market leader. In those markets where Roper is regionally dominant it seeks to sustain growth through geographic expansion of its marketing efforts and the development of new products for associated markets.

Roper continued its growth in fiscal 2001 principally through internal growth of many of its core businesses and by new business acquisitions. In the Industrial Controls segment, Dynamco was acquired in May 2001. Roper acquired three new Analytical Instrumentation companies during the year. Media Cybernetics was acquired in July 2001. Struers and Logitech were acquired in September 2001.

These new business acquisitions were financed principally from borrowings and represented a combined investment of approximately \$170.2 million. Roper's debt under its primary credit facilities was \$323.5 million at October 31, 2001 and \$232.6 million at October 31, 2000. Total debt was 50% and 47% of total capitalization at October 31, 2001 and 2000, respectively. Total debt at year-end was 2.5x and 2.2x the preceding year's EBITDA (earnings before interest, taxes, depreciation and amortization) for fiscal 2001 and 2000, respectively. Roper believes it is well positioned for additional new business and other business acquisitions.

International Sales. Sales outside the United States continue to play an important part in Roper's overall operating results, including such sales of U.S.-based businesses. In fiscal 2001, 2000 and 1999, Roper's net sales outside the U.S. were 52%, 51% and 51%, respectively, of total net sales.

Information regarding international operations is set forth in Note 12 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K ("Annual Report").

Research and Development. Roper conducts applied research and development to improve the quality and performance of its products, to develop new products and to enter new markets. Research and development performed by Roper often includes extensive field testing of its products. Roper expensed \$26.3 million (4.5% of net sales), \$22.6 million (4.5% of net sales), and \$16.7 million (4.1% of net sales) in the years ended October 31, 2001, 2000 and 1999, respectively, on research and development activities.

#### ANALYTICAL INSTRUMENTATION

The Analytical Instrumentation segment offers several lines of digital imaging, fluid properties test, industrial leak test, materials analysis, microscopy preparation and handling, and spectroscopy products that are manufactured and distributed by nine U.S.-based, and four European-based, operating companies. Selected financial information for the Analytical Instrumentation segment is set forth in Note 12 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report. This segment's principal product groups consist of (i) digital imaging products, (ii) industrial leak test products, (iii) fluid properties test products and (iv) materials analysis products, (v) microscopy specimen preparation/handling products and (vi) spectroscopy products.

Digital Imaging Products. Roper manufactures and sells extremely sensitive, high-performance charge-coupled device camera, detectors and related software for a variety of scientific and industrial uses, which use high resolution and/or high speed digital video, including transmission electron microscopy and spectroscopy applications. These products are principally sold for use within academic, government research, semiconductor, automotive, ballistic and biological and material science end-user markets. They are frequently incorporated into OEM products.

Roper manufactures and sells specimen preparation and handling equipment for use with electron and other microscopes. The handling products are incorporated into OEM equipment and also sold as a retrofit for microscopes currently in use within the academic, government research, electronics, biological and material science end-user markets.

Roper manufactures and sells spectrometers, monochrometers and optical components and coatings for various high-end analytical applications. These products are often incorporated into OEM equipment for use within the research and material science end-user markets.

Industrial Leak Test Products. Roper manufactures and sells products and systems to determine leaks and completeness of assemblies and sub-assemblies in the automotive, medical and consumer products industries.

Fluid Properties Test Products. Roper manufactures and sells automated and manual test equipment to determine certain physical properties, such as sulfur and nitrogen content, flash point, viscosity, freeze point and distillation of liquids and gasses for the petroleum and other fluid product industries.

Materials Analysis Products. Roper manufactures and sells the various equipment necessary to extract and shape certain materials for production and to extract, shape and prepare materials samples for testing.

The class of products within the Analytical Instrumentation segment that accounted for at least 10% of Roper's consolidated net sales in any of the periods presented below were as follows (in thousands):

	Year ended October 31,		
	2001	2000	1999
Digital imaging products	\$ 134,294	\$ 135,406	\$ 89,739
Fluid properties test products	63,022	51,499	27,300

The following chart shows the breakdown of Analytical Instrumentation segment sales by market for fiscal 2001:

[GRAPHIC]

General Industrial	6%
Semiconductor	6%
Research	41%
Automotive	13%
Oil & Gas	21%
Medical	4%
Other	9%

Backlog. The Analytical Instrumentation companies have lead times of up to several months on many of their product sales, although standard products are often shipped within four weeks of receipt of order. Blanket purchase orders are placed by certain OEMs and end-users, with continuing requirements for fulfillment over specified periods of time. The segment's backlog of firm unfilled orders, including blanket purchase orders, totaled \$62.6 million at October 31, 2001 compared to \$54.6 million as of October 31, 2000. The increase was attributed to the fiscal 2001 acquisitions offset by an approximate 16% reduction in digital imaging product backlog as lead times were worked down.

Distribution and Sales. Distribution and sales are achieved through a combination of manufacturer's representatives, agents, distributors and direct sales offices in both the U.S. and various leading industrial nations.

Customers. Each of the companies in the Analytical Instrumentation segment sells to a variety of customers worldwide, with certain major OEMs in the automotive, medical diagnostics and microscopy industries having operations globally. None of its customers accounted for as much as 10% of its sales.

#### INDUSTRIAL CONTROLS

The Industrial Controls segment's products include a wide variety of machinery and other industrial valves, controls, control systems and measurement and monitoring instruments which are manufactured and distributed by six U.S.-based, and one European-based, operating companies. Selected financial information for the Industrial Controls segment is set forth in Note 12 of the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report. This segment's principal sales and services consist of: (i) rotating machinery control systems (ii) industrial valves and controls and (iii) vibration instrumentation.

Rotating Machinery Control Systems. Roper manufactures control systems and panels, and provides related engineering and commissioning services, for applications involving compressors, turbines, and engines in the oil & gas, pipeline, power generation and marine engine markets.

Industrial Valves and Controls. Roper manufactures a variety of valves, sensors, switches and control products used on engines, compressors, turbines and other powered equipment for the oil & gas, pipeline, power generation, refrigeration, marine engine and general industrial markets. Most of these products are designed for use in hazardous environments.

Vibration Instrumentation. Roper manufactures industrial vibration sensors, switches and transmitters for use in the broad industrial controls market. Their applications typically involve turbomachinery, engines, compressors, fans and/or pumps.

Those classes of products within the Industrial Controls segment that accounted for at least 10% of Roper's consolidated net sales in any of the periods presented below were as follows (in thousands):

	Year ended October 31,		
	2001	2000	1999
Rotating machinery control systems	\$ 109,325	\$ 91,409	\$ 78,979
Industrial valves and controls	63,235	27,996	25,123

The following chart shows the breakdown of sales by market for fiscal 2001 for the Industrial Controls segment:

[GRAPHIC]

Oil & Gas - Pipeline	38%
Power Generation	10%
Marine	3%
Refrigeration	14%
General Industrial	6%
Oil & Gas - Other	24%
Other	5%

Backlog. The majority of this segment's business consists of large engineered oil & gas development and transmission projects with lead times of three to nine months. Standard products generally ship within two weeks of receipt of order, while shipment of orders for specialty products varies according to the complexity of the product and availability of the required components. Roper enters into blanket purchase orders for the manufacture of products for certain original equipment manufacturers ("OEMs") and end-users over periods of time specified by such customers. The segment's backlog of firm unfilled orders, including blanket purchase orders, totaled \$31.2 million at October 31, 2001 compared to \$29.2 million as of October 31, 2000. The increase in backlog is primarily attributed to the balance of a special \$20 million order received from RAO Gazprom ("Gazprom"), a large Russian natural gas company, in the fourth quarter of fiscal 2001.

Distribution and Sales. Distribution and sales occur through direct sales offices, manufacturer's representatives and industrial machinery distributors.

Customers. Each of the Industrial Controls business units sells to a variety of customers worldwide. Gazprom was the biggest single customer in this segment for the year, contributing approximately 25% of its sales in fiscal 2001. Gazprom has previously indicated its interest to continue purchases of control systems through 2007. However, continuation of this business at expected levels will continue to be subject to numerous commercial and political risks beyond Roper's control and cannot be assured. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Forward Looking Information".

FLUID HANDLING

The Fluid Handling segment's products include general and specialty pumps and a range of flow measurement and metering products which are manufactured and distributed by five U.S.-based, and one European-based, operating units. Selected financial information for the Fluid Handling segment is set forth in Note 12 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report. This segment's principal products consist of (i) industrial pumps, (ii) integrated dispense systems used primarily in the semiconductor industry and (iii) flow measurement and metering products.

Industrial Pumps. Roper manufactures a variety of general industrial pumps including (i) rotary gear pumps which operate on the principle of two gears intermeshing and are primarily used for pumping particle-free viscous liquids such as oil and certain fluid products, and specialty rotary gear pumps such as lubricating oil pumps for diesel engines and fuel distribution devices, (ii) progressing cavity pumps whose pumping elements consist of a steel rotor within an elastomeric stator and which are used primarily for handling viscous liquids with suspended solids and abrasive materials, such as Roper's "mud motor" used in the oil & gas industry for directional drilling, (iii) centrifugal pumps which are used for pumping water and other low-viscosity liquids in agricultural, industrial and municipal applications, (iv) membrane and piston pumps which transport high solids content slurries used in a variety of industries including municipal, mining, ceramics, and food, (v) high-pressure piston pumps used in marine, food, and municipal applications, and (vi) piston-type metering pumps able to handle most types of chemicals and fluids within low-flow applications and used principally in the medical diagnostics, chemical processing, food processing and agricultural industries.

Integrated Dispense Systems. Roper's microprocessor-based integrated dispense systems are used principally in the semiconductor industry to dispense chemicals in a precise and repeatable fashion during the wafer fabrication process. These highly reliable dispense units either incorporate no mechanical displacement, utilizing the application of electronically regulated pressure, or utilize positive displacement technology. Cabinet based systems manage the distributions of bulk chemicals used in wafer fabrication to equipment such as the dispense systems mentioned above.

Flow Measurement and Metering Products. Roper manufactures turbine and positive displacement flow meters, emissions measurement equipment and flow meter calibration products for the aerospace, automotive, power generation and other industrial applications.

Those classes of products within the Fluid Handling segment that accounted for at least 10% of Roper's consolidated net sales in any of the periods presented below were as follows (in thousands):

	Year ended October 31,		
	2001	2000	1999
Industrial pumps	\$ 84,398	\$ 78,955	\$ 76,193

The following chart shows the breakdown of Fluid Handling segment sales by market for fiscal 2001:

[GRAPHIC]

General Industrial	21%
Other	9%
Semiconductor	17%
Medical	6%
Power Generation	6%
Oil & Gas	7%
Refrigeration	7%
Irrigation	6%
Aerospace	3%
Transportation	4%
Water and Wastewater	14%

Backlog. The Fluid Handling companies' sales also reflect a combination of standard products and specifically engineered, application-specific products. Standard products are typically shipped within two weeks of receipt of order. Application-specific products typically ship within six-to-twelve weeks following receipt of order, although larger project orders and blanket purchase orders for certain OEMs may extend for longer periods. This segment's backlog of firm unfilled orders, including blanket purchase orders, totaled \$21.7 million at October 31, 2001 compared to \$26.1 million as of October 31, 2000. The decrease was attributed primarily to significantly reduced demand for semiconductor equipment products as that market contracted severely during fiscal 2001.

Distribution and Sales. Distribution and sales occur through direct sales personnel, manufacturer's representatives and stocking and non-stocking distributors.

Customers. Some of the Fluid Handling segment's companies have sales to one or a few customers that represent a significant portion of that company's sales and the relative importance of such a concentrated customer base for these companies is expected to continue. However, no customer was responsible for as much as 10% of the segment's fiscal 2001 net sales.

#### MATERIALS AND SUPPLIERS

Most materials and supplies used by Roper are believed to be readily available from numerous sources and suppliers throughout the world which are believed adequate for their needs. Some high-performance components for digital imaging products can be in short supply and Roper continuously investigates and identifies alternative sources where possible. Roper believes this condition equally affects its competitors and, thus far, it has not had a significant adverse effect on sales.



## ENVIRONMENTAL MATTERS AND OTHER GOVERNMENTAL REGULATION

Roper is subject to environmental laws and regulations concerning emissions to the air, discharges to waterways and the generation, handling, storage, transportation, treatment and disposal of waste materials. These laws and regulations are constantly changing and it is impossible to predict with accuracy the effect they may have on Roper in the future. It is Roper's policy to comply with all applicable environmental, health and safety laws and regulations.

Roper is subject to various U.S. and foreign federal, state and local laws affecting its businesses, as well as a variety of regulations relating to such matters as working conditions and product safety. A variety of state laws regulate Roper's contractual relationships with its distributors and manufacturers' representatives, some of which impose substantive standards on these relationships.

## COMPETITION

Roper has significant competition from a limited number of companies in each of its markets. No single competitor competes with Roper over a significant number of product lines. Roper's products compete primarily on the basis of performance, innovation, price, and established customer service capabilities with existing customers.

## PATENTS AND TRADEMARKS

Roper owns the rights under a number of patents and trademarks relating to certain of its products and businesses. While it believes that none of its companies is substantially dependent on any single, or group, of patents, trademarks or other items of intellectual property rights, the product development and market activities of Compressor Controls, Gatan, Integrated Designs, Redlake MASD and Roper Scientific, in particular, have been planned and conducted in conjunction with important and continuing patent strategies. Compressor Controls has been granted a series of U.S. and associated foreign patents and a significant portion of its fiscal 2001 sales was of equipment that incorporated innovations that are the subject of several such patents that will not begin to expire until 2004. Integrated Designs was granted a U.S. patent in 1994 related to methods and apparatus claims embodied in its integrated dispense systems that accounted for the majority of its fiscal 2001 sales. The U.S. patent will expire in 2011.

## EMPLOYEES

As of October 31, 2001, Roper had approximately 2,950 total employees, of whom approximately 2,000 were located in the United States.

ITEM 2. PROPERTIES

Roper's corporate offices, consisting of 9,500 square feet of leased space, are located near Athens, Georgia. Roper has established sales and service locations around the world to support its operating units. The principal operating company properties are on the table that follows.

Location	Property	Square footage		Industry segment
		Owned	Leased	
Phoenix, AZ	Office / Mfg.	-	45,900	Fluid Handling
Tucson, AZ	Office / Mfg.	-	37,300	Analytical Instrumentation
Pleasanton, CA	Office	-	19,400	Analytical Instrumentation
Richmond, CA	Office / Mfg.	67,400	-	Industrial Controls
San Diego, CA	Office / Mfg.	-	43,000	Analytical Instrumentation
Rodovre, Denmark	Office / Mfg.	-	114,000	Analytical Instrumentation
Verson, France	Office / Mfg.	-	22,500	Industrial Controls
Commerce, GA	Office / Mfg.	203,800	-	Fluid Handling
Buchen, Germany	Office / Mfg.	191,500	-	Fluid Handling
Lauda, Germany	Office / Mfg.	37,900	-	Analytical Instrumentation
Des Moines, IA	Office / Mfg.	-	88,000	Industrial Controls
Belle Chasse, LA	Office / Mfg.	-	33,200	Industrial Controls
Burr Ridge, IL	Office / Mfg.	55,000	-	Industrial Controls
Acton, MA	Office / Mfg.	-	32,700	Analytical Instrumentation
Silver Spring, MD	Office	-	11,800	Analytical Instrumentation
Trenton, NJ	Office / Mfg.	40,000	-	Analytical Instrumentation
Syosset, NY	Office / Mfg.	-	27,500	Fluid Handling
Portland, OR	Office / Mfg.	-	128,000	Fluid Handling
Warrendale, PA	Mfg.	-	76,300	Analytical Instrumentation
Carrollton, TX	Office / Mfg.	-	22,000	Fluid Handling
Houston, TX	Office / Mfg.	12,600	-	Industrial Controls
Houston, TX	Office / Mfg.	-	35,000	Analytical Instrumentation
Houston, TX	Office / Mfg.	-	27,500	Analytical Instrumentation
Marble Falls, TX	Office / Mfg.	10,000	-	Analytical Instrumentation
McKinney, TX	Office / Mfg.	-	25,000	Industrial Controls
San Antonio, TX	Office / Mfg.	-	42,200	Analytical Instrumentation
Bury St. Edmunds, U.K.	Office / Mfg.	90,000	-	Industrial Controls
Glasgow, U.K.	Office / Mfg.	27,700	-	Analytical Instrumentation

Roper considers each of the above facilities to be in good operating condition and adequate for its present use and believes that it has sufficient plant capacity to meet its current and anticipated operating requirements.

ITEM 3. LEGAL PROCEEDINGS

Roper is a defendant in various lawsuits involving product liability, employment practices and other matters, none of which Roper believes, if adversely determined, would have a material adverse effect on its consolidated financial position or results of operations. The majority of such claims are subject to insurance coverage.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY-HOLDERS

No matter was submitted to a vote of Roper's security-holders during the fourth quarter of fiscal 2001.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Roper's single class of common stock issued and outstanding trades on the New York Stock Exchange ("NYSE") under the symbol "ROP". Following is the range of high and low sales prices for Roper's common stock as reported by the NYSE during each of its fiscal 2001 and 2000 quarters. The last sales price reported by the NYSE on December 31, 2001, was \$49.50.

		High -----	Low -----
2001	4th Quarter	\$ 45.00	\$ 31.00
	3rd Quarter	45.80	34.99
	2nd Quarter	43.00	33.65
	1st Quarter	38.50	29.94
2000	4th Quarter	35.75	26.19
	3rd Quarter	36.19	24.00
	2nd Quarter	37.38	25.81
	1st Quarter	38.56	30.00

Based on information available to Roper and its transfer agent, Roper believes that as of December 31, 2001 there were 215 record holders of its common stock.

Dividends. Roper has declared a cash dividend in each fiscal quarter since its February 1992 initial public offering and has also increased its dividend rate annually since the initial public offering. In November 2001, Roper's Board of Directors increased the quarterly dividend rate to \$0.0825 per share, an increase of 10% from the prior rate. However, the timing, declaration and payment of future dividends will be at the sole discretion of Roper's Board of Directors and will depend upon Roper's profitability, financial condition, capital needs, future prospects and other factors deemed relevant by the Board of Directors. Therefore, there can be no assurance as to the amount, if any, of cash dividends that will be declared in the future.

Recent Sales of Unregistered Securities. None

ITEM 6. SELECTED FINANCIAL INFORMATION

The consolidated selected financial data presented below has been derived from Roper's audited consolidated financial statements and should be read in conjunction with "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" and with Roper's Consolidated Financial Statements and related notes thereto included elsewhere in this Annual Report.

	Year ended October 31,				
	2001/(1)/	2000/(2)/	1999/(3)/	1998/(4)/	1997/(5)/
	(in thousands, except per share data)				
Operations data:					
Net sales	\$ 586,506	\$ 503,813	\$ 407,256	\$ 389,170	\$ 298,236
Gross profit	308,970	258,824	210,503	190,953	153,389
Income from operations	98,428	88,196	77,955	66,092	60,870
Net earnings applicable to common shares	55,839	49,278	47,346	39,316	36,350
Per share data:					
Net earnings applicable to common shares:					
Basic	\$ 1.82	\$ 1.62	\$ 1.56	\$ 1.27	\$ 1.19
Diluted	1.77	1.58	1.53	1.24	1.16
Dividends	0.30	0.28	0.26	0.24	0.20
Balance sheet data:					
Working capital	\$ 129,173	\$ 129,463	\$ 89,576	\$ 82,274	\$ 86,954
Total assets	762,122	596,902	420,163	381,533	329,320
Long-term debt, less current portion	323,830	234,603	109,659	120,307	99,638
Stockholders' equity	323,506	270,191	231,968	197,033	177,869

- (1) Includes results of Struers and Logitech from September 2001 and several smaller businesses acquired throughout fiscal 2001.
- (2) Includes results of MASD from November 1999, Abel Pump from May 2000, Antek Instruments from August 2000, Hansen Technologies from September 2000 and several smaller businesses acquired throughout fiscal 2000.
- (3) Includes results of Petroleum Analyzer companies acquired in June 1999.
- (4) Includes results of Photometrics from April 1998 and several smaller businesses acquired throughout fiscal 1998.
- (5) Includes results of Princeton Instruments and Petrotech from May 1997.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with Roper's Consolidated Financial Statements and selected financial data included elsewhere in this Annual Report.

Results of Operations

General

The following tables set forth selected information for the years indicated. Amounts are dollars in thousands and percentages are of net sales.

	Year ended October 31,		
	2001	2000	1999
Net sales	100.0%	100.0%	100.0%
Cost of sales	47.3	48.6	48.3
Gross profit	52.7	51.4	51.7
Selling, general and administrative expenses	35.9	33.9	32.6
Income from operations	16.8	17.5	19.1
Interest expense	2.7	2.7	1.8
Other income	0.6	0.3	0.4
Earnings before income taxes	14.7	15.1	17.7
Income taxes	5.2	5.3	6.1
Net earnings	9.5%	9.8%	11.6%

	Year ended October 31,					
	2001		2000		1999	
	\$	%	\$	%	\$	%
Industrial Controls:(1)/						
Net sales	196,738		159,262		160,090	
Gross profit	100,574	51.1	78,523	49.3	78,957	49.3
Operating profit/(2)/	40,066	20.4	28,460	17.9	29,973	18.7
Fluid Handling:(3)/						
Net sales	125,399		121,387		98,298	
Gross profit	60,709	48.4	58,899	48.5	47,662	48.5
Operating profit/(2)/	27,402	21.9	29,600	24.4	27,386	27.9
Analytical Instrumentation:(4)/						
Net sales	264,369		223,164		148,868	
Gross profit	147,687	55.9	121,402	54.4	83,884	56.3
Operating profit/(2)/	43,207	16.3	36,509	16.4	27,713	18.6

- /(1)/ Includes results of Hansen Technologies from September 2000 and several smaller businesses acquired during the years presented.
- /(2)/ Operating profit excludes restructuring charges and unallocated corporate administrative costs. Restructuring charges were incurred only in fiscal 2001 and were \$2,230, \$279 and \$50 in Industrial Controls, Fluid Handling and Analytical Instrumentation, respectively. Unallocated corporate administrative costs were \$9,688, \$6,373 and \$7,117 for the years ended October 31, 2001, 2000 and 1999, respectively.
- /(3)/ Includes results of Abel Pump from May 2000 and several smaller businesses acquired during the years presented.
- /(4)/ Includes results of Photometrics from April 1998, the fiscal 1999 Petroleum Analyzer acquisitions from June 1999, MASD from November 1999, Antek Instruments from August 2000, Struers and Logitech from September 2001 and several smaller businesses acquired during the years presented.

Year Ended October 31, 2001 Compared to Year Ended October 31, 2000

Net sales for fiscal 2001 were \$586.5 million, a 16% increase compared to fiscal 2000. Excluding sales to RAO Gazprom ("Gazprom", a large Russian natural gas company), net sales increased 14% in fiscal 2001 compared to fiscal 2000. Fiscal 2001 pro forma net sales (adjusted to remove exited operations) increased 5% compared to pro forma net sales during fiscal 2000 (also adjusted to include the results of companies acquired during fiscal 2001 for the same length of time as included in fiscal 2001's results).

In the Analytical Instrumentation segment, actual net sales increased 18% and pro forma net sales increased 5%. The increase in actual net sales resulted mostly from the contribution of companies acquired during fiscal 2001 and 2000. The increase in pro forma net sales resulted mostly from strong digital imaging demand from research markets. Weakness in the automobile industry adversely affected sales of Roper's high-speed digital camera products and its industrial leak test products.

In the Fluid Handling segment, actual net sales increased 3% and pro forma net sales decreased 7%. Actual net sales increased primarily as the result of companies acquired over the past two years. Pro forma net sales decreased primarily as the result of depressed business conditions in the semiconductor industry. This segment's pro forma net sales to this industry decreased 33% in fiscal 2001 compared to fiscal 2000. Roper expects these sales to be lower still in fiscal 2002. Net sales in fiscal 2001 for this segment's businesses not serving the semiconductor industry increased 2% compared to pro forma net sales in fiscal 2000.

In the Industrial Controls segment, actual net sales increased 24% and pro forma net sales increased 13%. Actual net sales increased primarily as a result of companies acquired since the beginning of fiscal 2000, increased shipments to Gazprom and higher revenues from customers in energy markets. These increases were partially offset by lower revenues at Petrotech that resulted from restructuring activities that occurred during fiscal 2001. Pro forma net sales increased primarily as a result of additional sales to Gazprom. Sales to Gazprom were \$49.3 million during fiscal 2001, or an increase of 45% compared to fiscal 2000.

Roper's overall gross profit percentage increased to 52.7% in fiscal 2001 compared to 51.4% in fiscal 2000. Several factors were the largest contributors to the change. The largest factor was the growth in the Analytical Instrumentation segment, Roper's highest gross margin segment. Other large factors contributing to increased margins were improved leverage on the additional sales to Gazprom and the benefits from exiting certain low margin businesses at Petrotech during 2001. Adversely affecting margins were the increased sales from Roper's lower margin refrigeration valves business that was acquired in September 2000.

Analytical Instrumentation's gross margin increased to 55.9% in fiscal 2001 compared to 54.4% in fiscal 2000. Most of this improvement resulted from favorable leverage related to increased digital imaging sales and the incremental sales at Struers and Logitech that were at relatively high margins. Fluid Handling's gross margin decreased to 48.4% in fiscal 2001 compared to 48.5% in fiscal 2000. This decrease was caused mostly by lower sales of its high margin semiconductor-related products. Industrial Controls' gross margin increased to 51.1% in fiscal 2001 compared to 49.3% in fiscal

2000. This increase was caused primarily by the favorable effects of increased sales to Gazprom and lower sales from exited businesses, and was partially offset by increased sales of lower-margin refrigeration valve products.

Selling, general and administrative ("SG&A") expenses as a percentage of net sales in fiscal 2001 and fiscal 2000 are presented in the following table.

	2001		2000	
	Total	Adjusted*	Total	Adjusted*
Analytical Instrumentation	39.5%	36.2%	38.0%	34.5%
Fluid Handling	26.8	24.5	24.1	22.3
Industrial Controls	31.9	28.5	31.4	29.8
Corporate	1.7	1.7	1.3	1.3
Total	35.9%	32.8%	33.9%	31.3%

\* Excludes goodwill amortization (2001 and 2000) and restructuring charges (2001).

The increase in SG&A costs as a percentage of net sales in fiscal 2001 compared to fiscal 2000 for the Fluid Handling segment was caused by the adverse leverage that resulted from the quick and deep cyclical decline in the segment's semiconductor-related business. Other changes in the relationships between SG&A costs and net sales were not considered significant.

Interest expense was \$15.9 million in fiscal 2001 compared to \$13.5 million in fiscal 2000. Interest expense was higher in fiscal 2001 mostly due to the borrowings associated with the acquisitions that occurred since the beginning of fiscal 2000. All of these acquisitions, representing total costs of over \$330 million during these two fiscal years, were paid for with cash provided by Roper's then-existing credit facilities. Short-term interest rates started to decline dramatically early in calendar 2001. Roper's effective interest rate was approximately 6.5% during fiscal 2001 compared to approximately 6.9% during fiscal 2000.

The provision for income taxes was 35.4% of pretax earnings in fiscal 2001 compared to 35.1% in fiscal 2000. This change was not considered significant.

Roper's other components of comprehensive earnings in fiscal 2001 were currency translation adjustments resulting from net assets denominated in currencies other than the U.S. dollar. These net assets were primarily denominated in euros (or euro-equivalent currencies), British pounds, Danish krone or Japanese yen. During fiscal 2001, the U.S. dollar weakened against the euro, was relatively stable against the pound and strengthened against the yen and krone (after the acquisition of Danish assets in September). During fiscal 2001, Roper's consolidated net assets increased \$1.2 million due to foreign currency translation adjustments.



	Net sales orders Year ended October 31,				Pro forma change
	2001		2000		
	Pro forma	Actual	Pro forma	Actual	
	(in thousands)				
Analytical Instrumentation	\$ 260,927	\$ 260,927	\$ 273,105	\$ 239,903	-4 %
Fluid Handling	121,231	121,231	142,858	128,925	-15
Industrial Controls	195,073	200,681	170,267	160,136	+15
	-----	-----	-----	-----	-----
	\$ 577,231	\$ 582,839	\$ 586,230	\$ 528,964	-2 %
	=====	=====	=====	=====	=====

The decrease in Analytical Instrumentation's pro forma net sales orders in fiscal 2001 compared to fiscal 2000 was broad-based. Net sales orders for each major product group declined from 2% - 9%. This segment's businesses were adversely affected by poor market conditions in the automotive and semiconductor industries. The decrease in pro forma net sales orders for the Fluid Handling segment was caused largely by a decline in semiconductor-related orders. The increase in pro forma net sales orders for the Industrial Controls segment was caused primarily by additional orders from Gazprom.

	Sales order backlog October 31,				Pro forma Change
	2001		2000		
	Pro forma	Actual	Pro forma	Actual	
	(in thousands)				
Analytical Instrumentation	\$ 62,609	\$ 62,609	\$ 68,092	\$ 54,550	-8 %
Fluid Handling	21,678	21,678	26,073	26,073	-17
Industrial Controls	31,217	31,217	25,166	29,246	+24
	-----	-----	-----	-----	-----
	\$ 115,504	\$ 115,504	\$ 119,331	\$ 109,869	-3 %
	=====	=====	=====	=====	=====

Changes in sales order backlog were consistent with changes in net sales orders.

Year Ended October 31, 2000 Compared to Year Ended October 31, 1999

Net sales for fiscal 2000 of \$503.8 million were up 24% compared to the prior year. Excluding net sales to Gazprom, net sales increased 26% in fiscal 2000 compared to fiscal 1999. Net sales for fiscal 2000 were 1% less than pro forma net sales for fiscal 1999.

Net sales for the Analytical Instrumentation segment increased 50%, mostly the result of business acquisitions (Petroleum Analyzer, MASD, Antek Instruments and other smaller businesses). This segment's net sales were 2% less than the prior year's pro forma net sales largely from lower comparative sales in fluid properties test equipment markets.

Net sales for the Fluid Handling segment increased 23%, mostly the result of business acquisitions (Abel Pump and other smaller businesses) and a very strong fiscal 2000 for this segment's

semiconductor-related business. This segment's net sales were 6% higher than pro forma net sales for fiscal 1999. Fluid Handling's historical semiconductor business increased its net sales in fiscal 2000 by 81% (partly from favorable comparisons to reported net sales in the first half of fiscal 1999) and its acquired business increased its net sales by 51% compared to the same period in the prior year. Fiscal 2000 net sales for this segment's centrifugal pump business decreased 19% compared to the prior year due to weak agricultural and water/wastewater markets. Agricultural markets were adversely impacted by widespread drought conditions and low commodity prices in the United States. Roper believes the municipal water and wastewater markets were adversely affected by resources diverted to minimize Y2K exposures early in fiscal 2000, and its centrifugal pump business had increased exposure to these markets as it developed larger pumps to pursue more lucrative projects. Fluid Handling's piston metering pumps business' net sales were also down 15% compared to fiscal 1999 as this company's largest customer reduced its purchases until it resolves an FDA compliance problem unrelated to this company's products.

Net sales for the Industrial Controls segment decreased less than 1% in fiscal 2000 compared to fiscal 1999 and fiscal 2000 net sales were 3% less than pro forma fiscal 1999 net sales. The timing of this segment's primary fiscal 2000 acquisition (Hansen Technologies in September 2000) was such that it did not significantly affect fiscal 2000 results. This segment was significantly influenced by conditions in the exploration and production sectors of the oil & gas industry. Roper believes several large oil & gas business combinations early in the year delayed capital spending programs, and spending had yet to recover from the effects of relatively low oil and natural gas prices throughout much of fiscal 1999. Throughout fiscal 2000, net sales each quarter (excluding sales to Gazprom) improved in comparison to the same quarter of fiscal 1999. Whereas these first quarter net sales were down 22% compared to the prior year, fourth quarter net sales (also excluding Hansen Technologies) were up 13%. Net sales to Gazprom of \$33.9 million in fiscal 2000 were comparable to fiscal 1999 net sales of \$35.0 million.

The gross profit percentage for the Analytical Instrumentation segment decreased to 54.4% in fiscal 2000 compared to 56.3% in fiscal 1999. This decrease arose mostly from the inclusion of MASD for most of fiscal 2000. If MASD's results were excluded from the segment's results in fiscal 2000, the segment's gross profit percentage was 55.9%.

SG&A expenses as a percentage of net sales in fiscal 2000 and fiscal 1999 are presented in the following table.

	2000		1999	
	Total	Adjusted*	Total	Adjusted*
Analytical Instrumentation	38.0 %	34.5 %	37.7 %	34.1 %
Fluid Handling	24.1	22.3	20.6	19.0
Industrial Controls	31.4	29.8	30.6	29.3
Corporate	1.3	1.3	1.7	1.7
<b>Total</b>	<b>33.9 %</b>	<b>31.3 %</b>	<b>32.5 %</b>	<b>30.3 %</b>

\* Excludes goodwill amortization.

SG&A expenses increased as a percentage of net sales for Roper as a whole because of the increased costs in the Fluid Handling segment and the increased size of the Analytical

Instrumentation segment with its relatively high level of SG&A expenses compared to Roper's other business segments.

SG&A expenses for the Fluid Handling segment increased as a percentage of net sales mostly due to relatively high cost structures of recent acquisitions, particularly Abel Pump and Flowdata. Another significant reason for this segment's increased SG&A expenses as a percentage of net sales was the adverse leverage associated with the decline in the segment's centrifugal pump business combined with the added costs of this business moving into a larger facility early in fiscal 2000. Other changes in the relationships between SG&A costs and net sales were not considered significant.

Interest expense was \$13.5 million in fiscal 2000 compared to \$7.3 million in fiscal 1999. Interest expense was higher in fiscal 2000 due primarily to the borrowings associated with the numerous acquisitions that occurred during fiscal 1999 and especially during fiscal 2000. All of these acquisitions, representing total costs of approximately \$200 million during these two fiscal years, were paid for with cash provided by Roper's then-existing credit facilities.

The provision for income taxes was 35.1% of pretax earnings in fiscal 2000 compared to 34.5% in fiscal 1999. The increase in the effective income tax rate was due to several of the recent acquisitions located in relatively high income tax rate jurisdictions and the amortization of some goodwill associated with these acquisitions was not deductible for income tax purposes.

Roper's other components of comprehensive earnings in fiscal 2000 were currency translation adjustments resulting from net assets denominated in currencies other than the U.S. dollar. These net assets were primarily denominated in euros, British pounds or Japanese yen. The U.S. dollar strengthened against each of these currencies during fiscal 2000, but especially against the euro and particularly during Roper's fourth quarter of fiscal 2000. During fiscal 2000, Roper's consolidated net assets decreased \$6.7 million (\$4.1 million in the fourth quarter) due to foreign currency translation adjustments. Roper's goodwill denominated in non-U.S. currencies also decreased by \$6.7 million due to currency translation adjustments.

The following table summarizes Roper's net sales orders and sales order backlog information (in thousands). The pro forma amounts include comparable time periods for those companies acquired during fiscal 2000.

	Net sales orders Year ended October 31,			Sales order backlog October 31,		
	2000		1999	2000		1999
	Actual	Pro forma	Actual	Actual	Pro forma	Actual
Analytical Instrumentation	\$ 239,903	\$ 228,000	\$ 148,478	\$ 54,550	\$ 41,693	\$ 30,000
Fluid Handling	128,925	117,125	100,600	26,073	19,103	14,375
Industrial Controls	160,136	157,596	150,604	29,246	30,405	29,286
	\$ 528,964	\$ 502,721	\$ 399,682	\$ 109,869	\$ 91,201	\$ 73,661

The increase in Analytical Instrumentation's net sales orders in fiscal 2000 compared to fiscal 1999 pro forma net sales orders was mostly due to an 8% increase in the segment's digital imaging businesses and a 20% increase in its spectroscopy business (which was influenced by the strong semiconductor industry).

The increase in Fluid Handling's net sales orders in fiscal 2000 compared to fiscal 1999 pro forma net sales orders was mostly due to continued strength in the segment's semiconductor-related businesses, whose net sales orders increased 68%.

#### Financial Condition, Liquidity and Capital Resources

Total current assets exceeded total current liabilities by \$129.2 million at October 31, 2001 compared to \$129.5 million at October 31, 2000. Total debt was \$326.8 million at October 31, 2001 (50% of total capital) compared to \$241.3 million at October 31, 2000 (47% of total capital). Roper's increased debt and increased financial leverage at October 31, 2001 compared to that a year ago was due to the additional borrowings incurred to fund fiscal 2001 business acquisitions.

Roper's principal \$275 million credit facility with a group of banks provides most of its daily external financing requirements, consisting of revolving loans, swing line loans and letters of credit. At October 31, 2001, utilization of this facility included \$86.5 million of U.S. denominated borrowings, the equivalent of \$91.6 million of non-U.S. denominated borrowings and \$2.9 million of outstanding letters of credit. Total unused availability under this facility was \$94.0 million at October 31, 2001. This facility matures May 2005. Roper also has a number of smaller facilities in various non-U.S. locations to support the businesses in these locations.

Roper's outstanding indebtedness at October 31, 2001 also included \$125 million of term notes. One set of notes totaling \$40 million matures May 2007. The other set of notes totaling \$85 million matures May 2010. Neither set of notes requires sinking fund payments. Roper may prepay either set of notes by paying the holders thereof the discounted present value of all remaining scheduled payments using a discount rate equal to a risk-free rate plus a margin.

Although the excess of current assets over current liabilities at October 31, 2001 and 2000 were similar, Roper acquired approximately \$30 million of net current assets through business acquisitions during fiscal 2001. Reductions in net current assets were attributed to improved management of accounts receivable, inventories and payables.

Capital expenditures were \$7.5 million during fiscal 2001 compared to the \$15.2 million incurred during fiscal 2000.

In November 2001, Roper's Board of Directors increased the quarterly cash dividend paid on its outstanding common stock to \$0.0825 per share from \$0.075 per share, an increase of 10%. This represents the ninth consecutive year in which the quarterly dividend has been increased since Roper's 1992 initial public offering. Roper's Board of Directors has declared a dividend payable on January 31, 2002. Payment of any additional dividends requires further action by the Board of Directors.

Roper believes that internally generated cash flows and the remaining availability under its various credit facilities will be adequate to finance normal operating requirements and further acquisition activities. Although Roper maintains an active acquisition program, any further acquisitions will be dependent on numerous factors and it is not feasible to reasonably estimate if or when any such acquisitions will occur and what the impact will be on Roper's activities, financial condition and results of operations. Roper may also explore alternatives to increase its access to additional capital resources.

Roper anticipates that its recently acquired companies as well as its other companies will generate positive cash flows from operating activities, and that these cash flows will permit the reduction of currently outstanding debt at a pace consistent with that which Roper historically has experienced. However, the rate at which Roper can reduce its debt during fiscal 2002 (and reduce the associated interest expense) will be affected by, among other things, the financing and operating requirements of any new acquisitions and the financial performance of its existing companies and cannot be predicted with certainty.

#### Recently Issued Accounting Standards

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 141 - "Business Combinations" that applies to all business combinations completed subsequent to June 30, 2001. SFAS 141 requires use of the purchase method for accounting for a business combination. Other provisions of SFAS 141 must be adopted concurrently with the adoption of SFAS 142. Roper does not expect the full adoption of SFAS 141 to significantly affect its accounting for any business combinations completed prior to June 30, 2001.

The FASB issued SFAS 142 - "Goodwill and Other Intangible Assets" that Roper intends to adopt effective November 1, 2001 (otherwise, adoption would be required on November 1, 2002). Once adopted, this standard provides that goodwill will no longer be subject to amortization. Instead,

goodwill will be subjected to a periodic analysis to evaluate possible impairment. Any such impairment would be recognized as an expense immediately.

The FASB issued SFAS 143 - "Accounting for Asset Retirement Obligations" that Roper is required to adopt by November 1, 2002. Roper does not currently have, nor is it expected to have, any material asset retirement obligations subject to this new standard.

The FASB issued SFAS 144 - "Accounting for the Impairment or Disposal of Long-Lived Assets" that Roper is required to adopt by November 1, 2002. This new standard does not apply to goodwill. Roper does not expect the adoption of this standard to result in an impairment charge.

#### Outlook

Fiscal 2002 is expected to be another record year for sales and earnings. Fiscal 2002 is expected to benefit from the full-year contributions from the businesses acquired during fiscal 2001, especially Struers and Logitech. Fiscal 2002 earnings would also benefit from the adoption of SFAS 142. Goodwill amortization was \$15.7 million during fiscal 2001. The conditions in the semiconductor industry are currently poor and Roper expects its product sales into this industry to be lower in fiscal 2002 than they were in 2001 on a pro forma basis. Roper does not expect this industry to show any significant signs of improvement before at least the second half of 2002. The terrorist attacks in the United States on September 11, 2001 and the aftereffects related thereto still cast a significant cloud of uncertainty over the near-term health of the economy in the United States and elsewhere. The U.S. economy was also showing signs of weakening prior to the September 11 attacks. It is impossible to isolate each of these factor's effects on current economic conditions. It is also impossible to predict with any reasonable degree of certainty what or when any additional events may occur that also will similarly disrupt the economy.

Roper expects to continue an active acquisition program. However, completion of future acquisitions and their impact on Roper's results or financial condition cannot be accurately predicted.

#### Forward Looking Information

The information provided elsewhere in this Annual Report, in Roper's filings with the Securities and Exchange Commission, in press releases and in other public disclosures contains forward-looking statements about Roper's businesses and prospects. These forward-looking statements generally can be identified by use of statements that include phrases such as "believe," "expect," "anticipate," "intend," "plan," "foresee," "likely," "will" or other similar words or phrases. Similarly, statements that describe Roper's objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which generally are beyond Roper's control and which may cause Roper's actual results, performance or achievements to be different from any future results, performance and achievements expressed or implied by these statements. Some of these risks include the level and the timing of future business with Gazprom and other Eastern European

customers and their ability to obtain financing, changes in interest and currency exchange rates, market conditions including the duration and extent of the current economic recession, the continued success of Roper's cost reduction efforts, the future operating results of newly-acquired companies and consequences stemming from the September 11 terrorist activities. There is no assurance that these and other risks and uncertainties will not have an adverse impact on Roper's future operations, financial condition, or financial results. Roper does not undertake any obligation to update any forward-looking statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT  
MARKET RISK

Roper is exposed to interest rate risks on its outstanding borrowings. It is exposed to foreign currency exchange risks on its transactions denominated in currencies other than the U.S. dollar. It is also exposed to equity market risks pertaining to the traded price of its common stock.

At October 31, 2001, Roper had a combination of fixed-rate borrowings (primarily \$125 million of term notes) and relatively variable-rate borrowings (primarily borrowings under the \$275 million credit facility). Although each borrowing under the \$275 million credit facility has a fixed rate, the terms of these individual borrowings are generally only 1-3 months.

At October 31, 2001, interest rates were lower than the fixed rates on the term notes. This resulted in the estimated fair values of the term notes being greater than the face amounts of the notes. Roper estimated this difference to be \$11.7 million and it represented an unrecorded decrease in Roper's net assets at October 31, 2001. If interest rates had been 0.1% higher, the difference between the fair values of the term notes and their face values would have decreased to \$10.9 million.

At October 31, 2001, Roper's outstanding variable-rate borrowings under the \$275 million credit facility were \$178.1 million. An increase in interest rates of 0.1% would increase Roper's annualized interest costs by \$178,000.

Several Roper companies have transactions and balances denominated in currencies other than the U.S. dollar. Most of these transactions or balances are denominated in euros (or equivalent currencies), British pounds, Danish krone or Japanese yen.

Sales by companies whose functional currency was not the U.S. dollar were 23% of Roper's total sales. The U.S. dollar was mixed against these currencies during fiscal 2001. Comparing currency exchange rates at October 31, 2001 to October 31, 2000, the dollar weakened 7% against the euro, was flat against the pound and strengthened 11% against yen. The dollar strengthened 1% against the krone over the last two months of fiscal 2001. These exchange rate changes had an immaterial impact on sales and earnings during fiscal 2001. Excluding the effects of any future acquisitions, the percentage of non-U.S. dollar denominated sales is expected to be higher in fiscal in 2002.

The changes of these currencies relative to the U.S. dollar during fiscal 2001 also resulted in an increase in net assets of \$1.2 million that was reported as a component of comprehensive earnings. This change is believed to have a minimal impact on expected future cash flows.

The traded price of Roper's common stock influences the valuation of stock option grants and the effects these grants have on pro forma earnings disclosed in Roper's financial statements. The stock prices also influence the computation of the dilutive effect of outstanding stock options to determine diluted earnings per share. Certain cash compensation arrangements are also directly related to Roper's stock price. The stock price also affects Roper's employees' perceptions of various Roper programs that involve its common stock.



ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this item begin at page F-1 hereof.

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Public Accountants

To the Shareholders of Roper Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Roper Industries, Inc. (a Delaware corporation) and subsidiaries as of October 31, 2001 and 2000, and the related consolidated statements of earnings, stockholders' equity and comprehensive earnings and cash flows for the years then ended. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Roper Industries, Inc. and subsidiaries as of October 31, 2001 and 2000, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial statement schedule listed in Item 14 (II) of this Annual Report on Form 10-K is presented for the purpose of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Atlanta, Georgia  
December 6, 2001

ROPER INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

October 31, 2001 and 2000  
(in thousands, except per share data)

	2001	2000
	-----	-----
<b>Assets</b>		
Cash and cash equivalents	\$ 16,190	\$ 11,372
Accounts receivable, net	121,271	115,191
Inventories	90,347	83,627
Other current assets	5,245	3,765
	-----	-----
<b>Total current assets</b>	<b>233,053</b>	<b>213,955</b>
Property, plant and equipment, net	51,887	48,907
Intangible assets, net	453,017	323,195
Other noncurrent assets	24,165	10,845
	-----	-----
<b>Total assets</b>	<b>\$ 762,122</b>	<b>\$ 596,902</b>
	=====	=====
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable	\$ 34,233	\$ 26,486
Accrued liabilities	61,020	48,299
Income taxes payable	5,617	3,001
Current portion of long-term debt	3,010	6,706
	-----	-----
<b>Total current liabilities</b>	<b>103,880</b>	<b>84,492</b>
Long-term debt	323,830	234,603
Other noncurrent liabilities	10,906	7,616
	-----	-----
<b>Total liabilities</b>	<b>438,616</b>	<b>326,711</b>
	-----	-----
<b>Stockholders' equity:</b>		
Preferred stock, \$0.01 par value per share; 1,000 shares authorized; none outstanding	-	-
Common stock, \$0.01 par value per share; 80,000 shares authorized; 32,131 shares issued and 30,879 outstanding at October 31, 2001 and 31,859 shares issued and 30,599 outstanding at October 31, 2000	321	319
Additional paid-in capital	80,510	75,117
Retained earnings	275,259	228,652
Accumulated other comprehensive earnings	(7,757)	(8,913)
Treasury stock, 1,252 shares October 31, 2001 and 1,260 shares at October 31, 2000	(24,827)	(24,984)
	-----	-----
<b>Total stockholders' equity</b>	<b>323,506</b>	<b>270,191</b>
	-----	-----
<b>Total liabilities and stockholders' equity</b>	<b>\$ 762,122</b>	<b>\$ 596,902</b>
	=====	=====

See accompanying notes to consolidated financial statements.

ROPER INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

Years ended October 31, 2001, 2000 and 1999  
(in thousands, except per share data)

	2001	2000	1999
	-----	-----	-----
Net sales	\$ 586,506	\$ 503,813	\$ 407,256
Cost of sales	277,536	244,989	196,753
	-----	-----	-----
Gross profit	308,970	258,824	210,503
Selling, general and administrative expenses	210,542	170,628	132,548
	-----	-----	-----
Income from operations	98,428	88,196	77,955
Interest expense	15,917	13,483	7,254
Other income, net	3,928	1,218	1,583
	-----	-----	-----
Earnings before income taxes	86,439	75,931	72,284
Income taxes	30,600	26,653	24,938
	-----	-----	-----
Net earnings	\$ 55,839	\$ 49,278	\$ 47,346
	=====	=====	=====
Net earnings per share:			
Basic	\$ 1.82	\$ 1.62	\$ 1.56
	=====	=====	=====
Diluted	\$ 1.77	\$ 1.58	\$ 1.53
	=====	=====	=====
Weighted average common shares outstanding:			
Basic	30,758	30,457	30,268
	=====	=====	=====
Diluted	31,493	31,182	30,992
	=====	=====	=====

See accompanying notes to consolidated financial statements.

ROPER INDUSTRIES, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity and Comprehensive Earnings

Years ended October 31, 2001, 2000 and 1999  
(in thousands, except per share data)

	Common stock		Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings	Treasury stock	Total stockholders' equity
	Shares	Amount					
Balances at October 31, 1998	30,343	\$ 313	\$ 67,145	\$ 148,435	\$ (906)	\$ (17,954)	\$ 197,033
Net earnings	-	-	-	47,346	-	-	47,346
Common shares issued for acquisitions	(45)	-	-	-	-	(1,667)	(1,667)
Exercise of stock options, net	244	3	3,939	-	-	-	3,942
Currency translation adjustments	-	-	-	-	(1,266)	-	(1,266)
Cash dividends (\$0.26 per share)	-	-	-	(7,870)	-	-	(7,870)
Treasury stock purchases	(260)	-	-	-	-	(5,550)	(5,550)
Balances at October 31, 1999	30,282	316	71,084	187,911	(2,172)	(25,171)	231,968
Net earnings	-	-	-	49,278	-	-	49,278
Exercise of stock options, net	308	3	3,949	-	-	-	3,952
Currency translation adjustments	-	-	-	-	(6,741)	-	(6,741)
Cash dividends (\$0.28 per share)	-	-	-	(8,537)	-	-	(8,537)
Treasury stock sold	9	-	84	-	-	187	271
Balances at October 31, 2000	30,599	319	75,117	228,652	(8,913)	(24,984)	270,191
Net earnings	-	-	-	55,839	-	-	55,839
Exercise of stock options, net	272	2	5,293	-	-	-	5,295
Currency translation adjustments	-	-	-	-	1,156	-	1,156
Cash dividends (\$0.30 per share)	-	-	-	(9,232)	-	-	(9,232)
Treasury stock sold	8	-	100	-	-	157	257
Balances at October 31, 2001	30,879	\$ 321	\$ 80,510	\$ 275,259	\$ (7,757)	\$ (24,827)	\$ 323,506

	Compre- hensive earnings
Balances at October 31, 1998	
Net earnings	\$ 47,346
Common shares issued for acquisitions	-
Exercise of stock options, net	-
Currency translation adjustments	(1,266)
Cash dividends (\$0.26 per share)	-
Treasury stock purchases	-
Balances at October 31, 1999	\$ 46,080
Net earnings	\$ 49,278
Exercise of stock options, net	-
Currency translation adjustments	(6,741)
Cash dividends (\$0.28 per share)	-
Treasury stock sold	-
Balances at October 31, 2000	\$ 42,537
Net earnings	\$ 55,839
Exercise of stock options, net	-
Currency translation adjustments	1,156
Cash dividends (\$0.30 per share)	-
Treasury stock sold	-
Balances at October 31, 2001	\$ 56,995

See accompanying notes to consolidated financial statements.

ROPER INDUSTRIES, INC. AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
Years ended October 31, 2001, 2000 and 1999  
(in thousands)

	2001	2000	1999
	-----	-----	-----
Cash flows from operating activities:			
Net earnings	\$ 55,839	\$ 49,278	\$ 47,346
Adjustments to reconcile net earnings to net cash flows from operating activities:			
Depreciation and amortization of property, plant and equipment	9,993	8,623	6,620
Amortization of intangible assets	17,462	13,675	9,346
Changes in operating assets and liabilities, net of acquired businesses:			
Accounts receivable	10,412	(13,863)	(10,621)
Inventories	7,418	(4,357)	3,778
Accounts payable and accrued liabilities	5,790	14,001	(7,557)
Income taxes payable	1,725	786	4,112
Long-term financing	(8,451)	-	-
Other, net	2,254	(504)	(198)
Net cash provided by operating activities	----- 102,442	----- 67,639	----- 52,826
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(170,180)	(161,546)	(36,343)
Capital expenditures	(7,455)	(15,150)	(5,148)
Other, net	906	(1,531)	167
Net cash used in investing activities	----- (176,729)	----- (178,227)	----- (41,324)
Cash flows from financing activities:			
Proceeds from notes payable and long-term debt	146,125	321,941	45,926
Principal payments on notes payable and long-term debt	(62,815)	(208,012)	(41,867)
Cash dividends to stockholders	(9,232)	(8,537)	(7,870)
Treasury stock sales (purchases)	257	271	(5,550)
Proceeds from stock option exercises, net	4,531	3,952	3,942
Other, net	-	-	(1,667)
Net cash provided by (used in) financing activities	----- 78,866	----- 109,615	----- (7,086)
Effect of exchange rate changes on cash	239	(1,145)	(276)
Net increase (decrease) in cash and cash equivalents	4,818	(2,118)	4,140
Cash and cash equivalents, beginning of year	11,372	13,490	9,350
Cash and cash equivalents, end of year	----- \$ 16,190	----- \$ 11,372	----- \$ 13,490
Supplemental disclosures:			
Cash paid for:			
Interest	\$ 16,102	\$ 9,018	\$ 7,471
Income taxes, net of refunds received	\$ 28,875	\$ 25,867	\$ 20,826
Noncash investing activities:			
Net assets of businesses acquired:			
Fair value of assets, including goodwill	\$ 184,158	\$ 177,230	\$ 42,770
Liabilities assumed	(13,978)	(15,684)	(6,427)
Cash paid, net of cash acquired	----- \$ 170,180	----- \$ 161,546	----- \$ 36,343

See accompanying notes to consolidated financial statements.

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(1) Summary of Accounting Policies  
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Basis of Presentation - These financial statements present consolidated  
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information for Roper Industries, Inc. and its subsidiaries ("Roper").  
All significant intercompany accounts and transactions have been  
eliminated.

Nature of the Business - Roper designs, manufactures and distributes  
-----  
specialty industrial controls, fluid handling and analytical  
instrumentation products worldwide, serving selected segments of a broad  
range of industrial markets.

Accounts Receivable - Accounts receivable were stated net of an allowance  
-----  
for doubtful accounts of \$4,344,000 and \$4,294,000 at October 31, 2001  
and 2000, respectively. Outstanding accounts receivable balances are  
reviewed periodically, and allowances are provided at such time that  
management believes reasonable doubt exists that such balances will be  
collected within a reasonable period of time.

Cash and Cash Equivalents - Roper considers highly liquid financial  
-----  
instruments with remaining maturities at acquisition of three months or  
less to be cash equivalents. At October 31, 2001 and 2000, Roper had no  
cash equivalents.

Earnings per Share - Basic earnings per share were calculated using net  
-----  
earnings and the weighted average number of shares of common stock  
outstanding during the respective period. Diluted earnings per share were  
calculated using net earnings and the weighted average number of shares  
of common stock and dilutive common stock equivalents outstanding during  
the respective period. Common stock equivalents consisted of stock  
options, and the effects of common stock equivalents were determined  
using the treasury stock method.

For the years ended October 31, 2001, 2000 and 1999, there were 107,000,  
9,000 and zero stock options outstanding at October 31, 2001, 2000 and  
1999, respectively, that were not included in the determination of  
diluted earnings per share because doing so would have been antidilutive.

Estimates - The preparation of financial statements in conformity with  
-----  
accounting principles generally accepted in the United States requires  
management to make estimates and assumptions that affect the reported  
amounts of assets and liabilities and the disclosure of contingent assets  
and liabilities. Actual results could differ from those estimates.

Fair Value of Financial Instruments - Roper's long-term debt at October  
-----  
31, 2001 included \$125 million of fixed-rate term notes. Roper has  
determined that current comparable interest rates at October 31, 2001  
were lower than the stated rates of the term notes by approximately 1 1/2  
- 2 percentage points. A discounted cash flow analysis of anticipated  
cash flows using October 31, 2001 interest rates indicated that the fair  
values of the term notes were greater than the face amounts of the term  
notes by \$11.7 million at October 31, 2001. This liability is not  
reflected in Roper's basic financial statements. At October 31, 2000,  
Roper had a similar unrecorded asset of \$2.4 million. The change compared  
to October 31, 2000 was caused primarily from lower interest rates at  
October 31, 2001 compared to October 31, 2000.

Most of Roper's other borrowings at October 31, 2001 were at various  
interest rates that adjust relatively frequently under its \$275 million  
credit facility. The fair value for each of these borrowings at October  
31, 2001 was estimated to be the face value of these borrowings.

In May 2000, Roper entered into a 3-year interest rate swap agreement for  
a notional amount of \$25 million. Under this agreement, Roper received a  
fixed interest rate of 7.68% and paid a variable rate of 3-month LIBOR  
plus a margin. In November 2000, Roper entered into another agreement  
that effectively terminated this swap agreement for an insignificant  
gain.

In February 1998 and April 1998, Roper entered into five-year interest  
rate swap agreements for notional amounts of \$50 million and \$25 million,  
respectively. In both agreements, Roper paid a fixed interest rate,



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and the other party paid a variable interest rate. In May 2000, Roper effectively terminated these agreements and received \$1.8 million. This gain is being amortized over the original term of the agreements.

The fair values for all of Roper's other financial instruments at October 31, 2001 approximated their carrying values.

Foreign Currency Translation - Assets and liabilities of subsidiaries whose functional currency was not the U.S. dollar were translated at the exchange rate in effect at the balance sheet date, and revenues and expenses were translated at average exchange rates for the period in which those entities were included in Roper's financial results. Translation adjustments are reflected as a component of other comprehensive earnings.

Impairment of Long-Lived Assets - Roper periodically reviews its long-lived assets (mostly property, plant and equipment, identified intangible assets and goodwill) for events or changes in circumstances that may indicate that the carrying amount of these assets has been impaired. Impairment, especially with respect to goodwill, is evaluated by comparing the estimated undiscounted future cash flows of the related business to the carrying amount of the goodwill. Roper's review did not warrant recognition of any impairment during any of the three years ended October 31, 2001.

Income Taxes - Roper is a U.S.-based multinational company and the calculation of its worldwide provision for income taxes requires analysis of many factors, including income tax structures that vary from country to country and the United States' treatment of non-U.S. earnings. United States income taxes, net of foreign taxes, have been provided on the undistributed earnings of non-U.S. subsidiaries, except in those instances where such earnings are currently expected to be permanently reinvested. If such permanently reinvested earnings were to be distributed or otherwise subject to U.S. income taxes, foreign tax credits would reduce the amount of income taxes otherwise due in the United States. Determination of the amount of unrecognized deferred income taxes related to these permanently reinvested earnings is not practical.

Certain assets and liabilities have different bases for financial reporting and income tax purposes. Deferred income taxes have been provided for these differences.

Intangible Assets - Intangible assets consisted principally of goodwill, which is amortized on a straight-line basis over periods ranging from 5 to 40 years for acquisitions completed prior to June 30, 2001. Goodwill associated with subsequent acquisitions is not subject to amortization. The accumulated amortization for intangible assets was \$63.1 million and \$45.5 million at October 31, 2001 and 2000, respectively. Roper accounts for goodwill in a purchase business combination as the excess of the cost over the fair value of net assets acquired. Identified intangible assets, other than goodwill, acquired through a business acquisition completed subsequent to June 30, 2001 may also not be subject to amortization. Other intangible assets not arising from acquisitions are recorded at cost and amortized over their expected useful lives.

Inventories - Inventories are valued at the lower of cost or market. Cost is determined using either the first-in, first-out method or the last-in, first-out method ("LIFO"). Inventories valued at LIFO cost comprised 10% and 11% of consolidated inventories at October 31, 2001 and 2000, respectively.

Any LIFO decrements recorded during any of the three years ended October 31, 2001 were immaterial to Roper's consolidated financial statements for that year.

Other Comprehensive Earnings - Comprehensive earnings includes net earnings and all other non-owner sources of changes in a company's net assets. The differences between net earnings and comprehensive earnings for Roper during fiscal 2001, 2000 and 1999 were currency translation adjustments. Income taxes have not been provided on currency translation adjustments.

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Property, Plant and Equipment and Depreciation and Amortization - Property,  
-----  
plant and equipment is stated at cost less accumulated depreciation and  
amortization. Depreciation and amortization are provided for using  
principally the straight-line method over the estimated useful lives of the  
assets as follows:

Buildings	20-30 years
Machinery	8-12 years
Other equipment	3-5 years

Recently Released Accounting Pronouncements - The Financial Accounting  
-----

Standards Board ("FASB") issued Statement of Financial Accounting Standards  
("SFAS") 141 - "Business Combinations" that applies to all business  
combinations completed subsequent to June 30, 2001. SFAS 141 requires use  
of the purchase method for accounting for a business combination. Other  
provisions of SFAS 141 must be adopted concurrently with the adoption of  
SFAS 142. Roper does not expect the full adoption of SFAS 141 to  
significantly affect its accounting for any business combinations completed  
prior to June 30, 2001.

The FASB issued SFAS 142 - "Goodwill and Other Intangible Assets" that  
Roper intends to adopt effective November 1, 2001 (otherwise, adoption  
would be required on November 1, 2002). Once adopted, this standard  
provides that goodwill will no longer be subject to amortization. Instead,  
goodwill will be subjected to a periodic analysis to evaluate possible  
impairment. Any such impairment would be recognized as an expense  
immediately.

The FASB issued SFAS 143 - "Accounting for Asset Retirement Obligations"  
that Roper is required to adopt by November 1, 2002. Roper does not  
currently have, nor is it expected to have, any material asset retirement  
obligations subject to this new standard.

The FASB issued SFAS 144 - "Accounting for the Impairment or Disposal of  
Long-Lived Assets" that Roper is required to adopt by November 1, 2002.  
This new standard does not apply to goodwill. Roper does not expect the  
adoption of this standard to result in an impairment charge.

Research and Development - Research and development costs include salaries  
-----  
and benefits, rents, supplies, and other costs related to various products  
under development. Research and development costs are expensed in the  
period incurred and totaled \$26.3 million, \$22.6 million and \$16.7 million  
for the years ended October 31, 2001, 2000 and 1999, respectively.

Revenue Recognition - Revenue is generally recognized as products are  
-----  
shipped or services are rendered. Some sales contracts contain customer  
acceptance provisions. When the customer's specifications are known and  
Roper can demonstrate compliance with these requirements, it recognizes  
revenue upon delivery of the product, which may precede formal acceptance  
by the customer. In isolated cases whereby relevant criteria have been  
satisfied, Roper may recognize revenue even though delivery has not  
occurred. Revenues under certain relatively long-term and relatively  
large-value construction projects are recognized under the  
percentage-of-completion method using the ratio of costs incurred to total  
estimated costs as the measure of performance. Estimated losses on any  
projects are recognized as soon as such losses become known.

Stock Options - Roper accounts for stock-based compensation under the  
-----  
provisions of Accounting Principles Board Opinion 25 - "Accounting for  
Stock Issued to Employees." Stock-based compensation is measured at its  
fair value at the grant date in accordance with an option-pricing model.  
SFAS 123 - "Accounting for Stock-Based Compensation," provides that the  
related expense may be recorded in the basic financial statements or the  
pro forma effect on earnings may be disclosed in the financial statements.  
Roper provides the pro forma disclosures.

Non-employee directors of Roper are eligible to receive stock options for  
its common stock. These stock options are accounted for the same as stock  
options granted to employees. Roper has never issued stock options other  
than those issued to employees or its non-employee directors.

ROPER INDUSTRIES, INC. AND SUBSIDIARIES  
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(2) Business Acquisitions  
-----

Roper has acquired various businesses as part of its on-going acquisition program. The acquisition program pursues opportunities within Roper's existing business segments that Roper management believes will enhance the value of Roper common stock to its shareholders.

Over the past three years, Roper completed three business acquisitions in fiscal 2001, nine during fiscal 2000 and one in fiscal 1999. The purchase price for each of these acquisitions was negotiated with unaffiliated third parties, Roper acquired 100% of the ownership interests of the acquired business, and each of these acquisitions was accounted for using the purchase method of accounting. The assets and liabilities of the acquired businesses were recorded at their estimated fair values, and the results of operations were included in Roper's results of operations beginning from the date acquired. Some allocations of fair value associated with recent acquisitions included estimates and were preliminary as of October 31, 2001. Subsequent to October 31, 2001, Roper and the sellers of the Struers and Logitech businesses agreed on a purchase price adjustment related to the level of working capital on hand at the closing date requiring Roper to pay an additional DKK 55.7 million (approximately \$7 million). This amount is not reflected in the table that follows and will be reported as an acquisition cost during fiscal 2002. It is customary that Roper and sellers of businesses acquired by Roper have unresolved issues regarding the final determination of the purchase price at the closing date of an acquisition.

Acquisition costs include amounts paid to sellers, amounts incurred for due diligence and other direct external costs associated with the acquisition. Acquisitions whose costs were greater than 5% of Roper's total assets at the beginning of the fiscal year during which the acquisition occurred are listed in the table that follows (acquisition costs in thousands). All acquisitions listed in the following table were paid for with cash.

	Date acquired	Acquisition costs	Business segment	Goodwill period
	-----	-----	-----	-----
Struers and Logitech	Sept. 2001	\$143,268	Analytical Instrumentation	NA
Hansen Technologies	Sept. 2000	36,395	Industrial Controls	25 years
Antek Instruments	Aug. 2000	22,017	Analytical Instrumentation	30 years
Abel Pump	May 2000	22,948	Fluid Handling	30 years
MASD	Nov. 1999	49,332	Analytical Instrumentation	25 years
Petroleum Analyzer	June 1999	36,439	Analytical Instrumentation	25 years

Struers develops, manufactures and markets materials analysis preparation equipment and consumables used in quality inspection, failure analysis and research of solid materials. Logitech develops, manufactures and markets high-precision material-shaping equipment used primarily in the production of advanced materials for the semiconductor and opto-electronics markets. Struers is headquartered near Copenhagen, Denmark and Logitech is headquartered near Glasgow, Scotland. Both companies also share sales and service locations in the U.S., France, Germany and Japan.

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The following information summarizes the allocation of fair values assigned to the assets and liabilities of Struers and Logitech at the acquisition date (in thousands).

Current assets, excluding cash	\$ 30,482
Property and equipment	3,839
Intangible assets, including goodwill	120,062
Other noncurrent assets	840
Current liabilities	(10,953)
Noncurrent liabilities	(1,002)
	-----
 Total acquisition costs, excluding cash acquired	 \$ 143,268 =====

None of the goodwill allocated to Struers and Logitech (\$99.4 million) is expected to be deductible for income tax purposes. Other intangible assets, subject to amortization, included its existing customer base (\$13.5 million amortized over 10 years), unpatented technology (\$1.6 million amortized over 10 years) and sales order backlog (\$0.4 million amortized over 4 months). Other intangible assets, not subject to amortization, were trade names (\$5.2 million).

Hansen Technologies distributes manufactured and outsourced shut-off and control valves, auto-purgers and hermetic pumps for the commercial refrigeration industry. Hansen Technologies' principal facility is located near Chicago, Illinois.

Antek Instruments manufactures and supplies spectrometers primarily used to detect sulfur, nitrogen and other chemical compounds in petroleum, food and beverage processing and other industries. Antek Instruments' principal facilities are located in Houston and near Austin, Texas.

Abel Pump manufactures and supplies specialty positive displacement pumps for a variety of industrial applications, primarily involving abrasive or corrosive fluids or those with high solids content. Abel Pump's principal facility is located near Hamburg, Germany.

MASD designs, manufactures and markets high-speed digital cameras used in automotive, industrial, military and research markets. MASD also manufactures and markets high-resolution digital cameras for the machine vision and image conversion markets. MASD's principal facility is located in San Diego, California. This business was subsequently merged with a complementary business and currently operates as Redlake MASD.

Petroleum Analyzer manufactures, markets and distributes instrumentation products for petroleum analysis in the laboratory and process markets. The acquired business has principal facilities in San Antonio, Texas and near Frankfurt, Germany. This business was merged into a pre-existing complementary business.

Using applicable rules, the following unaudited pro forma summary presents Roper's consolidated results of operations as if the Struers and Logitech and total acquisitions during fiscal 2001 and 2000 had occurred at the beginning of fiscal 1999 (in thousands, except per share data). Goodwill associated with acquisitions completed subsequent to June 30, 2001 has not been amortized for purposes of this pro forma presentation to be consistent with current practice. Also, actual results may have been different had the acquisitions occurred at an earlier date and this pro forma information provides no assurance as to future results.

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	Year ended October 31,			
	2001		2000	
	Struers and Logitech	Total	Struers and Logitech	Total
Net sales	\$ 653,753	\$ 662,515	\$ 578,276	\$ 646,193
Net earnings	\$ 60,952	\$ 61,681	\$ 50,980	\$ 51,982
Net earnings per share:				
Basic	\$ 1.98	\$ 2.01	\$ 1.67	\$ 1.71
Diluted	\$ 1.94	\$ 1.96	\$ 1.63	\$ 1.67

(3) Inventories

The components of inventories at October 31 were as follows (in thousands):

	2001	2000
Raw materials and supplies	\$ 47,339	\$ 44,493
Work in process	13,047	16,704
Finished products	31,284	24,187
LIFO reserve	(1,323)	(1,757)
	\$ 90,347	\$ 83,627

(4) Property, Plant and Equipment

The components of property, plant and equipment at October 31 were as follows (in thousands):

	2001	2000
Land	\$ 2,944	\$ 2,277
Buildings	24,996	21,263
Machinery, tooling and other equipment	83,541	78,289
	111,481	101,829
Accumulated depreciation and amortization	(59,594)	(52,922)
	\$ 51,887	\$ 48,907

(5) Accrued Liabilities

Accrued liabilities at October 31 were as follows (in thousands):

	2001	2000
Wages and other compensation	\$ 27,152	\$ 17,929
Commissions	8,376	6,889
Interest	5,704	6,074
Other	19,788	17,407
	\$ 61,020	\$ 48,299

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(6) Income Taxes  
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Earnings before income taxes for the years ended October 31 consisted of the following components (in thousands):

	2001	2000	1999
	-----	-----	-----
United States	\$ 64,879	\$ 61,074	\$ 59,972
Other	21,560	14,857	12,312
	-----	-----	-----
	\$ 86,439	\$ 75,931	\$ 72,284
	=====	=====	=====

Components of income tax expense for the years ended October 31 were as follows (in thousands):

	2001	2000	1999
	-----	-----	-----
Current:			
Federal	\$ 21,709	\$ 19,587	\$ 16,317
State	1,189	945	1,102
Foreign	6,909	5,559	5,449
Deferred expense (benefit)	793	562	2,070
	-----	-----	-----
	\$ 30,600	\$ 26,653	\$ 24,938
	=====	=====	=====

Reconciliations between the federal statutory income tax rate and the effective income tax rate for the years ended October 31 were as follows:

	2001	2000	1999
	-----	-----	-----
Federal statutory rate	35.0%	35.0%	35.0%
Exempt income of Foreign Sales Corporation	(4.3)	(3.7)	(3.7)
Goodwill amortization	2.6	2.3	2.3
Other, net	2.1	1.5	0.9
	-----	-----	-----
	35.4%	35.1%	34.5%
	=====	=====	=====

Components of deferred tax assets and liabilities at October 31 were as follows (in thousands):

	2001	2000
	-----	-----
Deferred tax assets:		
Reserves and accrued expenses	\$ 7,735	\$ 4,964
Inventories	3,617	1,315
Postretirement medical benefits	631	545
Foreign taxes	575	-
Research and development	-	800
	-----	-----
Total deferred tax assets	12,558	7,624
	-----	-----
Deferred tax liabilities:		
Amortizable intangible assets	2,629	365
Plant and equipment	1,599	1,738
Former IC-DISC recapture	577	724
	-----	-----
Total deferred tax liabilities	4,805	2,827
	-----	-----
Net deferred tax asset	\$ 7,753	\$ 4,797
	=====	=====

Roper has not recognized a valuation allowance since management has determined that it is more likely than not that the results of future operations will generate sufficient taxable income to realize all deferred tax assets.

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(7) Long-Term Debt  
-----

Total debt at October 31 consisted of the following (table amounts in thousands):

	2001 -----	2000 -----
\$275 million credit facility	\$ 178,114	\$ 107,581
7.58% Senior Guaranteed Secured Notes	40,000	40,000
7.68% Senior Guaranteed Secured Notes	85,000	85,000
Supplier financing agreement	20,307	-
Other	3,419	8,728
	-----	-----
Total debt	326,840	241,309
Less current portion	3,010	6,706
	-----	-----
Long-term debt	\$ 323,830	\$ 234,603
	=====	=====

In May 2000, Roper entered into two new credit agreements and simultaneously canceled its then-existing \$200 million U.S. revolving credit facility and its \$30 million German revolving credit facility.

One of the new agreements was with a group of banks and provided for a \$275 million credit facility consisting primarily of revolving loans, swing line loans and letters of credit. Interest on outstanding borrowings is influenced by the type and currency of the borrowings. Interest on outstanding borrowings under this facility is a base rate plus a margin. The margin is influenced by certain financial ratios of Roper and can range from 0.625% to 1.125%. This facility also provides that Roper will maintain certain financial ratios addressing, among other things, coverage of fixed charges, total debt under other agreements, consolidated net worth and capital expenditures. Other costs and provisions of this facility are believed to be customary. Repayment of Roper's obligations under this facility is guaranteed by its domestic subsidiaries and the pledge of some of the stock of some of Roper's foreign subsidiaries. This agreement matures on May 18, 2005.

At October 31, 2001, utilization of the \$275 million facility included \$86.5 million of U.S. denominated borrowings, \$91.6 million of borrowings denominated in euros and \$2.9 million of outstanding letters of credit. The weighted average interest rate on outstanding borrowings at October 31, 2001 under this facility was 4.2%.

The other new May 2000 agreement was with a group of insurance companies that provided for \$40 million of term notes due May 18, 2007 and \$85 million of term notes due May 18, 2010. The guarantees, pledges and financial covenants associated with this agreement were similar, but slightly less restrictive, than those in the \$275 million credit facility.

In September 2001, Roper entered into an unsecured financing agreement with a non-U.S. bank to facilitate Roper's supply agreement with RAO Gezprom, a large Russian natural gas company. This agreement matures during 2003 and bears interest that approximates a market rate.

Future maturities of long-term debt during each of the next five years ending October 31 and thereafter were as follows (in thousands):

2002	\$	3,010
2003		20,517
2004		109
2005		178,204
2006		-
Thereafter		125,000
		-----
	\$	326,840
		=====

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(8) Retirement and Other Benefit Plans  
-----

Roper maintains two defined contribution retirement plans under the provisions of Section 401(k) of the Internal Revenue Code covering substantially all domestic employees not subject to collective bargaining agreements. Roper partially matches employee contributions. Its costs related to these two plans were \$4,126,000, \$3,956,000 and \$3,269,000 in fiscal 2001, 2000 and 1999, respectively.

Roper also maintains various defined benefit retirement plans covering employees of non-U.S. subsidiaries and a plan that supplements certain employees for the contribution ceiling applicable to the Section 401(k) plans. The costs and accumulated benefit obligations associated with each of these plans were not material.

Pursuant to the fiscal 1999 Petroleum Analyzer acquisition, Roper agreed to assume a defined benefit pension plan covering certain U.S. employees subject to a collective bargaining agreement. Upon obtaining necessary regulatory approvals, Roper intends to terminate this plan. Total plan assets at October 31, 2001 were not material and the anticipated costs associated with terminating this plan were not expected to be material.

In November 1999, Roper's Board of Directors (the "Board") approved an employee stock purchase plan covering eligible employees whereby they may designate up to 10% of eligible earnings to purchase Roper's common stock at a 10% discount to the average closing price of its common stock at the beginning and end of a quarterly period. The common stock sold to the employees may be either treasury stock, stock purchased on the open market, or newly issued shares authorized by the Board on a periodic basis. During the years ended October 31, 2001 and 2000, participants of the employee stock purchase plan purchased 8,000 and 9,000 shares, respectively, of Roper's common stock for total consideration of \$257,000 and \$271,000, respectively. All of these shares were purchased from Roper's treasury shares.

(9) Common Stock Transactions  
-----

Roper's restated Certificate of Incorporation provides that each outstanding share of Roper's common stock entitles the holder thereof to five votes per share, except that holders of outstanding shares with respect to which there has been a change in beneficial ownership during the four years immediately preceding the applicable record date will be entitled to one vote per share.

Roper has a Shareholder Rights Plan whereby one Preferred Stock Purchase Right (a "Right") accompanies each outstanding share of common stock. Such Rights only become exercisable, or transferable apart from the common stock, ten business days after a person or group acquires various specified levels of beneficial ownership, with or without the Board's consent. Each Right may be exercised to acquire one one-thousandth of a newly issued share of Roper's Series A Preferred Stock, at an exercise price of \$170, subject to adjustment. Alternatively, upon the occurrence of certain specified events, the Rights allow holders to purchase Roper's common stock having a market value at such time of twice the Right's exercise price. The Rights may be redeemed by Roper at a redemption price of \$0.01 per Right at any time until the tenth business day following public announcement that a 20% position has been acquired or ten business days after commencement of a tender or exchange offer. The Rights expire on January 8, 2006.

Roper periodically enters into agreements with the management of newly-acquired companies for the issuance of Roper's common stock based on the achievement of specified goals. A similar agreement was made with a corporate executive. At October 31, 2001, 20,000 shares of common stock were reserved for future issuance under such agreements.



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(10) Stock Options  
-----

Roper has two stock incentive plans (the "1991 Plan" and the "2000 Plan") which authorize the issuance of up to 4,500,000 shares of common stock to certain directors, key employees, and consultants of Roper as incentive and/or nonqualified stock options, stock appreciation rights or equivalent instruments. Stock options under both plans may be granted at prices not less than 100% of market value of the underlying stock at the date of grant. All stock options granted under these plans generally vest annually and ratably over a five-year period from the date of the grant. Stock options expire ten years from the date of grant. The 1991 Plan provided that options must be granted by December 17, 2001. The 2000 Plan has no expiration date.

Roper also has a stock option plan for non-employee directors (the "Non-employee Director Plan"). The Non-employee Director Plan provides for each non-employee director appointed or elected to the Board initial options to purchase 4,000 shares of Roper's common stock and thereafter options to purchase an additional 4,000 shares each year under terms and conditions similar to the above-mentioned stock option plans, except that following their grant, all options become fully vested at the time of the Annual Meeting of Shareholders following the grant date and are exercisable ratably over five years following the date of grant.

A summary of stock option transactions under these plans and information about stock options outstanding at October 31, 2001 are shown below:

	Outstanding options		Exercisable options	
	Number	Average exercise price	Number	Average exercise price
October 31, 1998	2,087,000	\$ 17.24	1,109,000	\$ 13.08
Granted	350,000	18.71		
Exercised	(251,000)	13.66		
Canceled	(69,000)	22.22		
	-----			
October 31, 1999	2,117,000	17.67	1,226,000	14.67
Granted	365,000	33.18		
Exercised	(320,000)	13.68		
Canceled	(79,000)	25.76		
	-----			
October 31, 2000	2,083,000	20.69	1,199,000	16.45
Granted	515,000	34.85		
Exercised	(292,000)	18.34		
Canceled	(75,000)	25.39		
	-----			
October 31, 2001	2,231,000	\$ 24.11	1,171,000	\$ 17.91
	=====			

ROPER INDUSTRIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
October 31, 2001, 2000 and 1999

Exercise price	Outstanding options			Exercisable options	
	Number	Average exercise price	Average remaining life (yrs)	Number	Average exercise price
\$ 3.75- 10.00	165,000	\$ 6.75	1.1	165,000	\$ 6.75
10.01- 15.00	165,000	11.81	3.0	165,000	11.81
15.01- 20.00	606,000	17.39	4.4	461,000	17.25
20.01- 25.00	220,000	22.74	5.1	186,000	22.75
25.01- 30.00	232,000	27.35	6.1	121,000	27.45
30.01- 35.00	653,000	32.82	8.5	69,000	33.00
35.01- 41.82	190,000	39.09	9.5	4,000	35.84
	-----	-----	-----	-----	-----
\$ 3.75- 41.82	2,231,000	\$ 24.11	5.9	1,171,000	\$ 17.91
	=====	=====	=====	=====	=====

For pro forma disclosure purposes, the following fair values and the primary assumptions used to determine these fair values were used. All stock options granted during each of the years ended October 31, 2001, 2000 and 1999 were at exercise prices equal to the market price of Roper's common stock when granted. Fair values were determined using the Black-Scholes model.

	2001	2000	1999
	-----	-----	-----
Weighted average fair value per share (\$)	16.86	15.37	8.95
Risk-free interest rate (%)	5.00 - 6.00	6.75	5.75
Average expected option life (years)	7.00	7.00	7.00
Expected volatility (%)	31 - 45	35 - 49	35 - 41
Expected dividend yield (%)	0.75	1.00	0.75

Had Roper recognized compensation expense during fiscal 2001, 2000 and 1999 for the fair value of stock options granted in accordance with the provisions of SFAS 123, pro forma earnings and pro forma earnings per share would have been as presented below.

	2001	2000	1999
	-----	-----	-----
Net earnings, as reported (in thousands)	\$ 55,839	\$ 49,278	\$ 47,346
Net earnings, pro forma (in thousands)	50,859	45,385	44,177
Net earnings per share, as reported:			
Basic	1.82	1.62	1.56
Diluted	1.77	1.58	1.53
Net earnings per share, pro forma:			
Basic	1.65	1.49	1.46
Diluted	1.61	1.46	1.43

The disclosed pro forma effects on earnings do not include the effects of stock options granted prior to fiscal 1996 (affecting fiscal 2000 and fiscal 1999) since the provisions of SFAS 123 are not applicable to stock options for this purpose. The pro forma effects of applying SFAS 123 to fiscal 2001, 2000 and 1999 may not be representative of the pro forma effects in future years. Based on the vesting schedule of Roper's stock option grants, the pro forma effects on earnings are most pronounced in the early years following each grant. The timing and magnitude of any future grants is at the discretion of Roper's Board and cannot be assured.

(11) Contingencies  
-----

Roper, in the ordinary course of business, is the subject of, or a party to, various pending or threatened legal actions, including those pertaining to product liability and employment practices. It is vigorously contesting all lawsuits that, in general, are based upon claims of the kind that have been customary over the past several years. Based upon Roper's past experience with resolution of its product liability and employment practices claims and the limits of the primary, excess, and umbrella liability insurance coverages that are available with respect to pending claims, management believes that adequate provision has been made to cover any potential liability not covered by insurance, and that the ultimate liability, if any, arising from these actions should not have a material adverse effect on the consolidated financial position or results of operations of Roper. Included in other noncurrent assets at October 31, 2001 are estimated insurable settlements receivable from insurance companies of \$1.7 million.

Roper's future minimum lease commitments total \$37.1 million at October 31, 2001. These commitments include \$9.5 million in fiscal 2002, \$6.7 million in fiscal 2003, \$4.8 million in fiscal 2004, \$3.2 million in fiscal 2005 and \$2.6 million in fiscal 2006.

(12) Segment and Geographic Area Information  
-----

Roper's operations are grouped into three business segments based on similarities between products and services: Industrial Controls, Fluid Handling and Analytical Instrumentation. The Industrial Controls segment's products include industrial valve, control and measurement products; microprocessor-based rotating machinery control systems, panels and associated technical services; and vibration monitoring instruments. Products included within the Fluid Handling segment are rotary gear, progressing cavity, membrane, positive displacement, centrifugal and piston-type metering pumps; flow measurement and metering products; and precision integrated chemical dispensing systems. The Analytical Instrumentation segment's products include fluid properties test products, materials analysis products, industrial leak test products, digital imaging products, spectroscopy products and specimen preparation and handling equipment used in the operation of transmission electron and other microscopes. Roper's management structure and internal reporting are also aligned consistent with these three segments.

There were no material transactions between Roper's business segments during any of the three years ended October 31, 2001. Sales between geographic areas are primarily of finished products and are accounted for at prices intended to represent third-party prices. Operating profit by business segment and by geographic area is defined as sales less operating costs and expenses. These costs and expenses do not include unallocated corporate administrative expenses. Items below income from operations on Roper's statement of earnings are not allocated to business segments.

Assets were allocated to that segment or geographic area where the assets were primarily used. Corporate assets were principally comprised of cash, recoverable insurance claims, deferred compensation assets, unamortized deferred financing costs and property and equipment.

ROPER INDUSTRIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
October 31, 2001, 2000, and 1999

Selected financial information by business segment for the years ended October 31 follows (in thousands):

	Industrial Controls	Fluid Handling	Analytical Inst.	Corporate	Total
	-----	-----	-----	-----	-----
<b>2001</b>					
Net sales	\$ 196,738	\$ 125,399	\$ 264,369	\$ -	\$ 586,506
Operating profit	37,836	27,123	43,157	(9,688)	98,428
Total assets:					
Operating assets	78,807	50,714	148,389	-	277,910
Intangible assets, net	74,085	65,887	311,924	1,121	453,017
Other	5,135	(1,262)	15,111	12,211	31,195
Total					----- 762,122
Capital expenditures	2,233	1,804	3,307	111	7,455
Goodwill amortization	4,347	2,616	8,745	-	15,708
Depreciation and other amortization	2,663	3,248	5,467	369	11,747
<b>2000</b>					
Net sales	\$ 159,262	\$ 121,387	\$ 223,164	\$ -	\$ 503,813
Operating profit	28,460	29,600	36,509	(6,373)	88,196
Total assets:					
Operating assets	77,772	57,590	117,174	-	252,536
Intangible assets, net	70,965	66,884	184,065	1,281	323,195
Other	3,695	(2,090)	7,312	12,254	21,171
Total					----- 596,902
Capital expenditures	3,936	6,380	4,773	61	15,150
Goodwill amortization	2,672	2,209	7,969	-	12,850
Depreciation and other amortization	2,423	2,712	4,019	294	9,448
<b>1999</b>					
Net sales	\$ 160,090	\$ 98,298	\$ 148,868	\$ -	\$ 407,256
Operating profit	29,973	27,386	27,713	(7,117)	77,955
Total assets:					
Operating assets	55,704	37,245	88,405	-	181,354
Intangible assets, net	44,314	41,055	129,612	39	215,020
Other	3,411	(1,981)	6,408	15,951	23,789
Total					----- 420,163
Capital expenditures	1,935	1,702	1,425	86	5,148
Goodwill amortization	2,021	1,595	5,338	-	8,954
Depreciation and other amortization	2,377	1,879	2,457	299	7,012

ROPER INDUSTRIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
October 31, 2001, 2000 and 1999

Summarized data for Roper's U.S. and foreign operations (principally in Europe and Japan) for the years ended October 31 were as follows (in thousands):

	United States	Non-U.S.	Corporate adjustments and elimi- nations	Total
	-----	-----	-----	-----
<b>2001</b>				
Sales to unaffiliated customers	\$ 451,189	\$ 135,317	\$ -	\$586,506
Sales between geographic areas	41,752	9,394	(51,146)	-
Net sales	\$ 492,941	\$ 144,711	\$ (51,146)	\$586,506
	=====	=====	=====	=====
Long-lived assets	\$ 367,537	\$ 154,230	\$ 7,302	\$529,069
	=====	=====	=====	=====
<b>2000</b>				
Sales to unaffiliated customers	\$ 370,351	\$ 133,462	\$ -	\$503,813
Sales between geographic areas	29,435	6,958	(36,393)	-
Net sales	\$ 399,786	\$ 140,420	\$ (36,393)	\$503,813
	=====	=====	=====	=====
Long-lived assets	\$ 327,311	\$ 49,251	\$ 6,385	\$382,947
	=====	=====	=====	=====
<b>1999</b>				
Sales to unaffiliated customers	\$ 345,376	\$ 61,880	\$ -	\$407,256
Sales between geographic areas	20,282	4,760	(25,042)	-
Net sales	\$ 365,658	\$ 66,640	\$ (25,042)	\$407,256
	=====	=====	=====	=====
Long-lived assets	\$ 229,898	\$ 27,795	\$ 651	\$258,344
	=====	=====	=====	=====

Export sales from the United States during the years ended October 31, 2001, 2000 and 1999 were \$238 million, \$195 million and \$163 million, respectively. In the year ended October 31, 2001 these exports were shipped primarily to Europe, excluding Russia (33%), Russia (25%), Japan (14%), elsewhere in Asia and the Far East (11%), Latin America (7%) and other (10%).

ROPER INDUSTRIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
October 31, 2001, 2000 and 1999

Sales to customers outside the United States accounted for a significant portion of Roper's revenues. Sales are attributed to geographic areas based upon the location where the product is ultimately shipped. Foreign countries that accounted for at least 10% of Roper's net sales in any of the past three years have been individually identified in the following table (in thousands). Other countries have been grouped by region.

	Industrial Controls	Fluid Handling	Analytical Inst.	Total
	-----	-----	-----	-----
<b>2001</b>				
Europe, excluding Russia	\$ 34,233	\$ 18,444	\$ 71,920	\$124,597
Japan	910	4,044	32,299	37,253
Asia and Far East, excluding Japan	7,372	2,890	28,131	38,393
Russia	58,389	-	1,389	59,778
Latin America	6,923	1,361	10,419	18,703
Rest of the world	11,222	6,993	10,364	28,579
	-----	-----	-----	-----
Total	\$ 119,049	\$ 33,732	\$ 154,522	\$307,303
	=====	=====	=====	=====
<b>2000</b>				
Europe, excluding Russia	\$ 31,506	\$ 10,811	\$ 56,187	\$ 98,504
Japan	822	7,767	27,783	36,372
Asia and Far East, excluding Japan	8,304	2,686	19,204	30,194
Russia	39,980	-	992	40,972
Latin America	8,436	881	9,085	18,402
Rest of the world	16,382	8,064	10,361	34,807
	-----	-----	-----	-----
Total	\$ 105,430	\$ 30,209	\$ 123,612	\$259,251
	=====	=====	=====	=====
<b>1999</b>				
Europe, excluding Russia	\$ 26,219	\$ 5,009	\$ 39,586	\$ 70,814
Japan	298	1,617	22,621	24,536
Asia and Far East, excluding Japan	9,044	1,663	7,122	17,829
Russia	36,715	16	232	36,963
Latin America	16,959	2,875	4,974	24,808
Rest of the world	20,113	7,461	4,178	31,752
	-----	-----	-----	-----
Total	\$ 109,348	\$ 18,641	\$ 78,713	\$206,702
	=====	=====	=====	=====

(13) Restructuring Activities  
-----

During the three months ended April 30, 2001, Roper recorded \$2,559,000 of expenses, reported as part of selling, general and administrative expenses, related to activities to close certain activities at its Petrotech unit and to consolidate certain other facilities. These expenses included approximately \$950,000 of personnel costs and \$1,100,000 of asset impairment. All significant restructuring activities were completed by October 31, 2001. The exited Petrotech activities represented 1% of Roper's total net sales during fiscal 2001 and 4% of net sales during fiscal 2000. The operating profit of these activities was immaterial to Roper during each of fiscal 2001 and fiscal 2000. The total workforce reduction pursuant to these restructuring activities was approximately 150 people, or about 6% of Roper's total workforce at that time.

ROPER INDUSTRIES, INC. AND SUBSIDIARIES  
Notes to Consolidated Financial Statements  
October 31, 2001, 2000, and 1999

(14) Quarterly Financial Data (unaudited)

	First quarter	Second quarter	Third quarter	Fourth quarter
	----- (in thousands, except per share data) -----			
<b>2001</b>				
Net sales	\$ 137,664	\$ 146,830	\$ 137,969	\$ 164,043
Gross profit	69,741	75,658	73,819	89,752
Income from operations	21,864	24,125	23,304	29,135
Net earnings	11,760	13,862	13,133	17,084
Earnings per common share:				
Basic*	0.38	0.45	0.43	0.55
Diluted	0.38	0.44	0.41	0.54
<b>2000</b>				
Net sales	\$ 109,453	\$ 122,775	\$ 124,583	\$ 147,002
Gross profit	57,332	64,896	63,974	72,622
Income from operations	17,240	23,476	20,769	26,711
Net earnings	9,680	13,626	11,102	14,870
Earnings per common share:				
Basic	0.32	0.45	0.36	0.49
Diluted*	0.31	0.44	0.36	0.48

\* The sum of the four quarters does not agree with the total for the year due to rounding.

ROPER INDUSTRIES, INC. AND SUBSIDIARIES

Schedule II - Consolidated Valuation and Qualifying Accounts  
for the Years ended October 31, 2000, 1999 and 1998

	Balance at beginning of year	Additions charged to costs and expenses	Deductions	Other	Balance at end of year
	-----	-----	-----	-----	-----
			(in thousands)		
Allowance for doubtful accounts:					
Year ended October 31, 2001	\$ 4,294	\$ 822	\$ (1,513)	\$ 741	\$ 4,344
Year ended October 31, 2000	3,760	1,805	(1,543)	272	4,294
Year ended October 31, 1999	6,915	1,618	(5,072)	299	3,760
Reserve for inventory obsolescence:					
Year ended October 31, 2001	10,704	5,103	(4,044)	3,723	15,486
Year ended October 31, 2000	6,769	2,636	(1,644)	2,943	10,704
Year ended October 31, 1999	4,081	2,257	(1,519)	1,950	6,769

Deductions from the allowance for doubtful accounts represented the net write-off of uncollectible accounts receivable. Deductions from the inventory obsolescence reserve represented the disposal of obsolete items.

Other included the allowance for doubtful accounts and reserve for inventory obsolescence of acquired businesses at the dates of acquisition, the effects of foreign currency translation adjustments for those companies whose functional currency was not the U.S. dollar, reclassifications and other.

During the fourth quarter of fiscal 1998, economic uncertainties in Russia and the region deteriorated and a severe devaluation of the region's currencies occurred. This created additional doubt concerning the collectibility of certain accounts receivable from customers in this region. In response to these events, Roper provided \$3.8 million to fully reserve these receivables, except those from RAO Gazprom, a large Russian natural gas company. These fully-reserved accounts were written off during fiscal 1999.



ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

NOT APPLICABLE

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Reference is made to the information to be included under the captions "BOARD OF DIRECTORS AND EXECUTIVE OFFICERS -- Proposal 1: Election of Three (3) Directors" and "-- Executive Officers", and "VOTING SECURITIES -- Compliance with Section 16 (a) of the Securities and Exchange Act of 1934" in Roper's definitive Proxy Statement which relates to the 2002 Annual Meeting of Shareholders of Roper to be held on March 15, 2002 (the "Proxy Statement"), to be filed within 120 days after the close of Roper's 2001 fiscal year, which information is incorporated herein by this reference.

ITEM 11. EXECUTIVE COMPENSATION

Reference is made to the information to be included under the captions "BOARD OF DIRECTORS AND EXECUTIVE OFFICERS -- Meetings of the Board and Board Committees; Compensation of Directors", "-- Compensation Committee Interlocks and Insider Participation in Compensation Decisions" and "Executive Compensation" contained -----  
in the Proxy Statement, which information is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Reference is made to the information included under the captions "VOTING SECURITIES" in the Proxy Statement, which information is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not Applicable

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a)(1) The Consolidated Financial Statements listed in Item 8 of Part II are filed as a part of this Annual Report.
- (a)(2) The following consolidated financial statement schedule on page S-1 is filed in response to this Item. All other schedules are omitted or the required information is either inapplicable or is presented in the consolidated financial statements or related notes:

II. Consolidated Valuation and Qualifying Accounts for the Years ended October 31, 2001, 2000 and 1999.

(b) Reports on Form 8-K  
-----

Roper did not file any Current Reports on Form 8-K during the fourth quarter of fiscal 2001.

(c) Exhibits  
-----

The following exhibits are separately filed with this Annual Report.

Exhibit No. -----	Description of Exhibit -----
2.1	Asset Purchase Agreement (Media Cybernetics LP)
/(a)/2.2	Share Sale and Purchase Agreement (Struers A/S & Logitech Limited)
/(b)/3.1	Amended and Restated Certificate of Incorporation, including Form of Certificate of Designation, Preferences and Rights of Series A Preferred Stock
/(c)/3.2	Amended and Restated By-Laws
/(d)/4.01	Rights Agreement between Roper Industries, Inc. and SunTrust Bank, Atlanta, Inc. as Rights Agent, dated as of January 8, 1996, including Certificate of Designation, Preferences and Rights of Series A Preferred Stock (Exhibit A), Form of Rights Certificate (Exhibit B) and Summary of Rights (Exhibit C)
/(c)/4.02	Credit Agreement Dated as of May 18, 2000
/(c)/4.03	Note Purchase Agreement Dated as of May 18, 2000
/(b)/10.01	1991 Stock Option Plan, as amended +
/(e)/10.02	Non-employee Director Stock Option Plan, as amended +

/(f)/10.03	Form of Amended and Restated Indemnification Agreement +
/(g)/10.04	Employee Stock Purchase Plan +
/(g)/10.05	2000 Stock Incentive Plan +
/(c)/10.06	Roper Industries, Inc. Non-Qualified Retirement Plan +
10.07	Brian D. Jellison Employment Agreement dated as of November 6, 2001 +
10.08	Hadj A. Amari offer letter dated September 11, 2000 +
10.09	C. Thomas O'Grady offer letter dated February 19, 2001 +
21	List of Subsidiaries
23.1	Consent of Independent Public Accountants

- 
- /(a)/Incorporated herein by reference to Exhibits 99.1 to the Roper Industries, Inc. Current Report on Form 8-K filed December 13, 2001 (File No. 1-12273).
  - /(b)/Incorporated herein by reference to Exhibits 3.1 and 10.2 to the Roper Industries, Inc. Annual Report on Form 10-K filed January 21, 1998 (File No. 1-12273).
  - /(c)/Incorporated herein by reference to Exhibits 3.2, 4.02, 4.03 and 10.06 to the Roper Industries, Inc. Form 10-Q filed September 13, 2000 (File No. 1-12273).
  - /(d)/Incorporated herein by reference to Exhibit 4.02 to the Roper Industries, Inc. Current Report on Form 8-K filed January 18, 1996 (File No. 0-19818).
  - /(e)/Incorporated herein by reference to Exhibit 10.03 to the Roper Industries, Inc. Annual Report on Form 10-K filed January 20, 1999 (File No. 1-12273).
  - /(f)/Incorporated herein by reference to Exhibit 10.04 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed August 31, 1999 (File No. 1-12273).
  - /(g)/Incorporated herein by reference to Exhibits 10.04 and 10.05 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed June 12, 2000 (File No. 1-12273).

+ Management contract or compensatory plan or arrangement.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Roper has duly caused this Report to be signed on its behalf by the undersigned, therewith duly authorized.

ROPER INDUSTRIES, INC.  
(Registrant)

By /S/ DERRICK N. KEY

January 18, 2002

-----  
Derrick N. Key, Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of Roper and in the capacities and on the dates indicated.

/s/ DERRICK N. KEY ----- Derrick N. Key	Chairman of the Board	January 18, 2002
/s/ BRIAN D. JELLISON ----- Brian D. Jellison	President and Chief Executive Officer	January 18, 2002
/s/ MARTIN S. HEADLEY ----- Martin S. Headley	Vice President and Chief Financial Officer	January 18, 2002
/s/ KEVIN G. MCHUGH ----- Kevin G. McHugh	Controller	January 18, 2002
/s/ W. LAWRENCE BANKS ----- W. Lawrence Banks	Director	January 18, 2002
/s/ LUITPOLD VON BRAUN ----- Luitpold von Braun	Director	January 18, 2002
/s/ DONALD G. CALDER ----- Donald G. Calder	Director	January 18, 2002
/s/ JOHN F. FORT, III ----- John F. Fort, III	Director	January 18, 2002
/s/ WILBUR J. PREZZANO ----- Wilbur J. Prezzano	Director	January 18, 2002
/s/ GEORG GRAF SCHALL-RIAUCOUR ----- Georg Graf Schall-Riaucour	Director	January 18, 2002
/s/ ERIBERTO R. SCOCIMARA ----- Eriberto R. Scocimara	Director	January 18, 2002
/s/ CHRISTOPHER WRIGHT ----- Christopher Wright	Director	January 18, 2002

EXHIBIT INDEX

Number	Exhibit
(a)2.1	Asset Purchase Agreement (Media Cybernetics LP)
2.2	Share Sale and Purchase Agreement (Struers A/S & Logitech Limited) incorporated herein by reference to Exhibits 99.1 to the Roper Industries, Inc. Current Report on Form 8-K filed December 13, 2001 (File No. 1-12273).
3.1	Amended and Restated Certificate of Incorporation, including Form of Certificate of Designation, Preferences and Rights of Series A Preferred Stock incorporated herein by reference to Exhibit 3.1 to the Roper Industries, Inc. Annual Report on Form 10-K filed January 21, 1998 (File No. 1-12273).
3.2	Amended and Restated By-Laws incorporated herein by reference to Exhibit 3.2 to the Roper Industries, Inc. Form 10-Q filed September 13, 2000 (File No. 1-12273).
4.01	Rights Agreement between Roper Industries, Inc. and SunTrust Bank, Atlanta, Inc. as Rights Agent, dated as of January 8, 1996, including Certificate of Designation, Preferences and Rights of Series A Preferred Stock (Exhibit A), Form of Rights Certificate (Exhibit B) and Summary of Rights (Exhibit C), incorporated herein by reference to Exhibit 4.02 to the Roper Industries, Inc. Current Report on Form 8-K filed January 18, 1996 (File No. 0-19818).
4.02	Credit Agreement Dated as of May 18, 2000, incorporated herein by reference to Exhibit 4.02 to the Roper Industries, Inc. Form 10-Q filed September 13, 2000 (File No. 1-12273).
4.03	Note Purchase Agreement Dated as of May 18, 2000, incorporated herein by reference to Exhibit 4.03 to the Roper Industries, Inc. Form 10-Q filed September 13, 2000 (File No. 1-12273).
10.01	1991 Stock Option Plan, as amended incorporated herein by reference to Exhibit 10.2 to the Roper Industries, Inc. Annual Report on Form 10-K filed January 21, 1998 (File No. 1-12273).
10.02	Non-employee Director Stock Option Plan, as amended incorporated herein by reference to Exhibit 10.03 to the Roper Industries, Inc. Annual Report on Form 10-K filed January 20, 1999 (File No. 1-12273).
10.03	Form of Amended and Restated Indemnification Agreement incorporated herein by reference to Exhibit 10.04 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed August 31, 1999 (File No. 1-12273).
10.04	Employee Stock Purchase Plan incorporated herein by reference to Exhibits 10.04 and 10.05 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed June 12, 2000 (File No. 1-12273).
10.05	2000 Stock Incentive Plan herein by reference to Exhibits 10.04 and 10.05 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed June 12, 2000 (File No. 1-12273).

- 10.06 Roper Industries, Inc. Non-Qualified Retirement Plan incorporated herein by reference to Exhibit 10.06 to the Roper Industries, Inc. Form 10-Q filed September 13, 2000 (File No. 1-12273).
- 10.07 Brian D. Jellison Employment Agreement dated as of November 6, 2001.
- 10.08 Hadj A. Amari offer letter dated September 11, 2000.
- 10.09 C. Thomas O'Grady offer letter dated February 19, 2001.
- 21 List of Subsidiaries
- 23.1 Consent of Independent Public Accountants

(a) The following schedules or similar attachments to this exhibit has been omitted and will be furnished supplementally upon request.

#### Disclosure Schedules

- Section 3(a) - Organization of the Company
- Section 3(c) - Noncontravention
- Section 3(f) - Financial Statements
- Section 3(g) - Events Subsequent to December 31, 2000
- Section 3(h) - Undisclosed Liabilities
- Section 3(i) - Legal Compliance
- Section 3(j) - Tax Matters
- Section 3(k) - Real Property
- Section 3(l) - Intellectual Property
- Section 3(m) - Software
- Section 3(q) - Contracts
- Section 3(s) - Powers of Attorney
- Section 3(t) - Insurance
- Section 3(v) - Product Warranty
- Section 3(x) - Employees
- Section 3(y) - Employee Benefits
- Section 3(cc) - Disclosure

#### Exhibits:

- Exhibit A - Allocation of Asset Purchase Consideration
- Exhibit B - Escrow Agreement
- Exhibit C - Third Party Consents
- Exhibit D - Noncompetition and Assignment of Inventions Agreement
- Exhibit E - Release Agreement
- Exhibit F - Employment Agreement
- Exhibit G - Form of Opinion of Counsel to Company and General Partner
- Exhibit H - Form of Opinion of Counsel to Parent and Buyer
- Exhibit I - Employee Profit Sharing Agreement
- Exhibit J - Estimated Adjustment Schedule

ASSET PURCHASE AGREEMENT

BY AND AMONG

MCB ACQUISITION SUBSIDIARY, INC.,

ROPER INDUSTRIES, INC.,

MEDIA CYBERNETICS, L.P.

AND

MEDIA CYBERNETICS, INC.

Dated as of June 7, 2001



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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "Agreement") is dated as of June 7, 2001, by and among MCB ACQUISITION SUBSIDIARY, INC., a Delaware corporation ("Buyer"), ROPER INDUSTRIES, INC., a Delaware corporation and parent of Buyer ("Parent"), MEDIA CYBERNETICS, L.P., a Delaware limited partnership (the "Company"), and MEDIA CYBERNETICS, INC., a Delaware corporation and general partner of the Company (the "General Partner"). The Buyer, the Parent, the Company, and the General Partner are referred to collectively herein as the "Parties".

The Company designs, sells, and licenses software used in the analysis of microscopic images.

This Agreement contemplates a transaction in which the Company shall sell, transfer, assign, and deliver to the Buyer substantially all of the assets owned or used by, and certain of the liabilities of, the Company, and the Buyer shall purchase and accept such assets, and assume such liabilities, and in connection therewith, the Company will receive consideration in the form of cash.

Now, therefore, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties, and covenants herein contained, the Parties agree as follows:

1. Definitions.

"Acquired Assets" means all right, title, and interest in and to all of the assets of the Company used or usable in the conduct of the Business as of the Closing Date (except for those assets described below as Excluded Assets), including, without limitation, all of the Company's right, title and interest in and to:

(a) all leases with respect to the Leased Real Property, and all improvements, fixtures, and fittings thereon, and easements, rights-of-way, and other appurtenants with respect thereto (such as appurtenant rights in and to public streets);

(b) all tangible personal property (such as machinery, equipment, inventories of raw materials and supplies, manufactured and purchased parts, goods in process and finished goods, furniture, and automobiles;

(c) all Intellectual Property, goodwill associated therewith, licenses and sublicenses granted and obtained with respect thereto, and rights thereunder, remedies against infringements thereof, and rights to protection of interests therein under the laws of all jurisdictions;

(d) all assets and property, tangible or intangible, used in the conduct of the Business, and which are owned by the General Partner, or licensed by the General Partner to the Company;

(e) all agreements (including but not limited to employment agreements, confidentiality agreements, and noncompetition agreements), contracts, leases (other than the real property leases), personal property leases, subleases, and rights thereunder (the "Assumed Contracts");

(f) any current asset of the Company relating to the operation of the Company prior to the Closing Date, including but not limited to Cash (but excluding Cash in the Company's payroll account as of the Closing Date necessary to satisfy the Company's payroll obligations to its employees up to and through the Closing Date), accounts receivables, inventories, prepaid expenses, and other current assets;

(g) all claims, deposits, prepayments, refunds, causes of action, choses in action, rights of recovery, rights of set off, and rights of recoupment;

(h) to the extent transferable, all franchises, approvals, permits, licenses, orders, registrations, certificates, variances, and similar rights obtained from governments and governmental agencies;

(i) all books, records, ledgers, files, documents, correspondence, lists, plats, architectural plans, drawings, and specifications, creative materials, advertising and promotional materials, studies, reports, and other printed or written materials relating to the Business, except those excluded below as Excluded Assets; and

(j) all goodwill and similar intangible property of the Company.

PROVIDED, HOWEVER, that notwithstanding the foregoing, the Acquired Assets shall not include (the following shall be referred to as the "Excluded Assets"):

(i) except as provided in Section 7(h)(iii) below, any rights or interests in and with respect to any Company Plan;

(ii) (A) any rights and interests in and to that certain contribution agreement by and among the Company and certain of its Partners, and any other agreement, written or oral, by and between the Company and any of its Partners, (B) any rights or interests in any indentures, mortgages, lines of credit, instruments, security interests, guaranties, or other similar arrangements constituting Indebtedness, and rights thereunder, of the Company, and (C) any rights or interests in any oral or written consulting or other arrangement or agreement of any kind between the Company and the General Partner, Michael P. Galvin, the Michael P. Galvin 1994 Trust, Sam Steppel, Step-L Ventures, or any of their Affiliates (the "Excluded Contracts");

(iii) the corporate charter, qualifications to conduct business as a foreign corporation, arrangements with registered agents relating to foreign qualifications, taxpayer and other identification numbers, seals, minute books, stock transfer books, blank stock certificates, original Tax Returns and other

documents relating to the organization, maintenance, and existence of the Company as a limited partnership;

(iv) any and all of the rights of the Company under this Agreement or any other agreement, document, certificate, or instrument executed in connection herewith; or

(v) any right, title, or interest in and to the Company's payroll account.

"Adverse Consequences" means all actions, suits, proceedings, hearings, investigations, charges, complaints, claims, demands, injunctions, judgments, orders, decrees, rulings, damages, penalties, fines, costs, amounts paid in settlement, Liabilities, obligations, Taxes, liens, losses, expenses, and fees, including court costs and reasonable attorneys' fees and expenses.

"Affiliate" is used to indicate a relationship to a specified person, firm, corporation, partnership, limited liability company, association or entity, and means any person, firm, corporation, partnership, limited liability company, association or entity that, directly or indirectly or through one or more intermediaries, controls, is controlled by or is under common control with such person, firm, corporation, partnership, limited liability company, association or entity.

"Affiliated Group" means any affiliated group within the meaning of Code Section 1504(a) (or any similar group defined under a similar provision of state, local, or foreign law).

"Allocation" has the meaning set forth in Section 2(i) below.

"Applicable Rate" means the corporate base rate of interest announced from time to time by Bank One, NA.

"Arbitrator" has the meaning set forth in Section 2(h)(iii) below.

"Asset Purchase Consideration" has the meaning set forth in Section 2(c) below.

"Assumed Liabilities" means (except to the extent such liabilities are expressly excluded as Excluded Liabilities described below):

(a) those current Liabilities of the Company which are reflected as current liabilities on the Financial Statements, as follows: accounts payable; accrued benefits; accrued liabilities; deferred income; and deferred rent expense;

(b) Liabilities of the Company for Product Warranty Claims;

(c) Liabilities of the Company as tenant arising under the leases for the Leased Real Property;

(d) all Liabilities of the Company arising under the Assumed Contracts;

(e) those Liabilities of the Company arising on or prior to the Closing Date with respect to the employee profit-sharing arrangement of the Company (a copy of which is attached hereto as Exhibit I) to the extent

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such Liabilities have been accrued on the Closing Date Balance Sheet; and

(f) other than the Excluded Liabilities, any other Liability of the Company arising by law or by contract or otherwise, on or prior to June 30, 2001, or thereafter, whether absolute, contingent or otherwise, known or unknown, accrued or unaccrued, asserted or unasserted, or otherwise.

PROVIDED, HOWEVER, that notwithstanding the foregoing, the Assumed Liabilities shall not include (the following shall be referred to herein as the "Excluded Liabilities"):

- (A) those current Liabilities of the Company which are reflected as current liabilities on the Financial Statements, as follows: current portion of partner loan; and capital lease obligation, current portion;
- (B) any Liabilities of the General Partner;
- (C) Liabilities arising under the Excluded Contracts;
- (D) any Liabilities of the Company for Indebtedness of any kind;
- (E) except as provided in Section 7(h)(iii) below, Liabilities of the Company with respect to any of the Company Plans;
- (F) Liabilities of the Company arising under or with respect to any Equity Rights of the Company, Liabilities arising from any preemptive or similar rights on the part of any holder of any equity securities of the Company, and Liabilities arising from any options, warrants, conversion or other rights, agreements, commitments, arrangements or understandings of any kind obligating the Company, contingently or otherwise, to issue or sell any equity securities or any securities convertible into or exchangeable for any such equity securities;
- (G) Liabilities of the Company arising under this Agreement (or under any side agreement between the Company and/or any Partner on the one hand and the Buyer and/or Parent on the other hand entered into on or after the date of this Agreement) for failure to perform its obligations hereunder;
- (H) Liabilities arising as a result of the failure of the Company to be in good standing under the laws of its jurisdiction of organization;
- (I) Liabilities arising as a result of the failure of the Company to comply with the partnership, or other laws, rules, or regulations of

any federal, state, local or foreign government relating to the existence of the Company as an entity;

- (J) Liabilities of the Company to its Partners arising by law, pursuant to the charter documents (including but not limited to the certificate of limited partnership and the agreement of limited partnership) of the Company, or as a result of the consummation of the transactions contemplated by this Agreement;
- (K) Liabilities of the Company or the Partners arising as a result of the failure to pay any federal or state income Taxes;
- (L) Liabilities of the Company arising as a result of claims based on or arising from any injunction, judgment, order, decree, ruling, or charge filed against the Company as a result of any suit, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator against the Company commenced on or prior to the Closing Date;
- (M) Except for those Liabilities of the Company arising on or prior to the Closing Date with respect to the employee profit-sharing arrangement of the Company (a copy of which is attached hereto as Exhibit I) to the extent such  
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Liabilities have been accrued on the Closing Date Balance Sheet, Liabilities of the Company arising under entitlements due to any employees, whether by contractual obligation or normal business expectation, or pursuant to any stock appreciation or phantom stock plan or program, including but not limited to those Liabilities of the Company to its employees arising under that certain Transition Incentive Bonus Program of the Company, a copy of which is attached hereto as Section 1(a) of the Company Disclosure Schedule (the "Transition Incentive Bonus Program"); and
- (N) Liabilities of the Company for costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby, including but not limited to the costs and expenses of Udata Capital, Inc.

"Basis" means any past or present fact, situation, circumstance, status, condition, activity, practice, occurrence, event, incident, action, failure to act, or transaction that forms or could reasonably be expected to form the basis for any specified consequence.

"Business" means the business conducted by the Company prior to and as of the Closing Date.

"Buyer" has the meaning set forth in the preface above.



"Buyer's Advisors" has the meaning set forth in Section 6(a)(i) below.

"Cash" means cash and cash equivalents (including marketable securities and short term investments) calculated in accordance with GAAP applied on a basis consistent with the preparation of the Financial Statements, inclusive of deposits-in-transit and after deduction for outstanding checks.

"Closing" has the meaning set forth in Section 2(f) below.

"Closing Consideration" has the meaning set forth in Section 2(c).

"Closing Date" has the meaning set forth in Section 2(f) below.

"Closing Date Balance Sheet" has the meaning set forth in Section 2(h)(ii) below.

"COBRA" has the meaning set forth in Section 3(y)(vi) below.

"Code" means the Internal Revenue Code of 1986, as amended.

"Company" has the meaning set forth in the preface above.

"Company Disclosure Schedule" has the meaning set forth in Section 3 below.

"Company Plans" has the meaning set forth in Section 3(y) below.

"Confidential Information" means: (a) confidential data and confidential information relating to the business of any Party (the "Protected Party") which is or has been disclosed to another Party (the "Recipient") or of which the Recipient became aware as a consequence of or through its relationship with the Protected Party and is not generally known to its competitors; and (b) information of the Protected Party, without regard to form, including, but not limited to, Intellectual Property, Software, technical or nontechnical data, algorithms, formulas, patents, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product or service plans or lists of customers or suppliers which is not commonly known or available to the public. Notwithstanding anything to the contrary contained herein, Confidential Information shall not include any data or information that (v) has been voluntarily disclosed to the public by the Protected Party, (w) has been independently developed and disclosed to the public by others, (x) otherwise enters the public domain through lawful means, (y) was already known by Recipient prior to such disclosure through no wrongful act or omission of, or violation of the terms hereof by, Recipient (as evidenced by written documentation) or was lawfully and rightfully disclosed to Recipient by another Person, or (z) is required to be disclosed by law or order without the availability of applicable protective orders or treatment.

"Employee Benefit Plan" means any (i) nonqualified deferred compensation or retirement plan or arrangement, including any Employee Pension Benefit Plan (as defined in ERISA Section 3(2)), (ii) qualified defined contribution retirement plan or arrangement, including any Employee Pension Benefit Plan, (iii) qualified defined benefit retirement plan or arrangement, including any Employee Pension Benefit Plan (including any Multiemployer Plan), (iv) employee welfare benefit plan, including any Employee Welfare Benefit Plan (as defined in

ERISA Section 3(1)), (v) fringe benefit plan or program, and (vi) each employment, severance, salary continuation or other contract, incentive plan, insurance plan arrangement, bonus plan and any equity plan or arrangement without regard to whether such plan, arrangement, program or contract exists under US or any similar non-US law, rule or regulation.

"Employees" has the meaning set forth in Section 7(h)(i) below.

"Employment Agreement" has the meaning set forth in Section 5(a)(vii) below.

"Environmental, Health, and Safety Laws" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, the Resource Conservation and Recovery Act of 1976, and the Occupational Safety and Health Act of 1970, each as amended, together with all other US and non-US laws (including rules, regulations, state law rulings, codes, plans, permits, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of federal, state, local and foreign governments (which foreign governments shall include, but not be limited to, Germany, The Netherlands, the European Union, and Singapore) (and all agencies thereof) concerning pollution or protection of the environment, natural resources, public health and safety, or employee health and safety, including, but not limited to, laws relating to emissions, discharges, releases, or threatened releases of Hazardous Substances in ambient air, surface water, drinking water, wetlands, ground water, or lands or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, recycling, transport, or handling of pollutants, contaminants, or chemical, industrial, hazardous, or toxic materials or wastes.

"Equity Rights" means any and all plans permitting the issuance of the partnership interests of the Company, options to acquire partnership interests of the Company; and/or other rights to acquire partnership interests of the Company that are valued in whole or in part by reference to the partnership interests of the Company or that may be settled in partnership interests of the Company.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Escrow Agent" means SunTrust Bank, N.A.

"Escrow Agreement" means the Escrow Agreement dated as of the Closing Date, entered into among the Parent, the Buyer, the Company, the General Partner, and the Escrow Agent with respect to the indemnification obligations of the Company and the General Partner under Section 8 of this Agreement, the form of which is set forth as Exhibit B.

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"Estimated Adjustment Schedule" has the meaning set forth in Section 2(a) below.

"Estimated Net Working Capital" has the meaning set forth in Section 2(a) below.

"Extremely Hazardous Substance" has the meaning set forth in Section 302 of the Emergency Planning and Community Right-to-Know Act of 1986, as amended, and any counterpart or similar non-US law.

"Fiduciary" has the meaning set forth in ERISA Section 3(21).

"Final Adjustment Schedule" has the meaning set forth in Section 2(h)(ii) below.

"Financial Statements" has the meaning set forth in Section 3(f) below.

"First Escrow Period" has the meaning set forth in Section 8(b)(v) below.

"Foreign Plans" has the meaning set forth in Section 3(y)(ii) below.

"Four-Digit Dates" has the meaning set forth in Section 3(m)(iv) below.

"GAAP" means United States generally accepted accounting principles as in effect as of the date hereof.

"General Partner" has the meaning set forth in the preface above.

"Hazardous Substance" means any substance regulated under or defined by Environmental, Health, and Safety Laws, including, but not limited to, any pollutant, contaminant, hazardous substance, hazardous constituent, hazardous waste, special waste, solid waste, industrial waste, petroleum derived substance or waste, or toxic substance.

"Indebtedness" means (i) all indebtedness for borrowed money or for the deferred purchase price of property or services (including, without limitation, reimbursement and all other obligations with respect to surety bonds, letters of credit and bankers' acceptances, whether or not matured), including the current portion of such indebtedness, (ii) all obligations evidenced by notes, bonds, debentures or similar instruments, and (iii) all capital lease obligations.

"Indemnified Party" has the meaning set forth in Section 8(d) below.

"Indemnifying Party" has the meaning set forth in Section 8(d) below.

"Intellectual Property" means, with respect to the Business:

(a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all US and non-US patents, patent applications, and patent disclosures, together with all reissuances, continuations, divisionals, continuations-in-part, revisions, extensions, and reexaminations thereof;

(b) all US and non-US trademarks, service marks, trade dress, logos, trade names and corporate names, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith;

(c) all copyrightable works, all US and non-US copyrights, and all applications, registrations, and renewals in connection therewith;

(d) all mask works and all applications, registrations, and renewals in connection therewith;

(e) all trade secrets and confidential business information (including without limitation ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals);

(f) all other proprietary rights;

(g) all Owned Software and all Licensed Software;

(h) all right, title, and interest in and to the name "Media Cybernetics"; and

(i) all right, title, and interest in and to the world wide web internet domain names "www.imageproshop.com", "www.solutions-zone.com", "www.mediacy.com", "www.optimas.com", "www.drill-down.com", "www.mediacybernetics.com", "www.image-pro.com", and each other world wide web internet domain name owned by the Company, and each other world wide web internet domain name used in the Business.

(j) with respect to each of the foregoing, all copies and tangible embodiments thereof (in whatever form or medium).

"Knowledge" means, with respect to the Company, or the General Partner, the knowledge of Doug Paxson, Michael P. Galvin, Scott Ireland, Dean Sequera, John Schmitz, Bill Shotts, David Neubrech, or Joyce Mooney.

"Leased Real Property" has the meaning set forth in Section 3(k) below.

"Liability" means any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), obligation or commitment, including any liability for Taxes.

"Licensed Software" has the meaning set forth in Section 3(m)(i) below.

"Multiemployer Plan" has the meaning set forth in ERISA Section 3(37).

"Net Working Capital" means the excess of total current assets, including without limitation cash, accounts receivable, net inventories (calculated in a first-in, first-out basis), prepaid expenses, and other current assets, in each case to the extent such are Acquired Assets, less total current liabilities, including without limitation accounts payable, accrued benefits (including but not limited to accrued employee bonus payments and accrued profit sharing payments), accrued liabilities, and deferred rent expense (but excluding liabilities for accrued interest, deferred employee compensation, accrued Tax liability, deferred income, and any Indebtedness) to the extent such are Assumed Liabilities, in each case determined in accordance with GAAP, and to the extent consistent with GAAP, applied on a basis consistent with the preparation of the Financial Statements. All accounting entries will be made regardless of their amount and all detected errors and omissions will be corrected regardless of their materiality.

"Noncompetition and Assignment of Inventions Agreement" has the meaning set forth in Section 5(a)(v) below.

"Ordinary Course of Business" means the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency).

"Owned Software" has the meaning set forth in Section 3(m)(i) below.

"Partners" means the General Partner, and each of the limited partners of the Company.

"Party" has the meaning set forth in the preface above.

"Person" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, or a governmental entity (or any department, agency, or political subdivision thereof).

"Process Agent" has the meaning set forth in Section 9(p) below.

"Product Warranty Claims" means claims of the customers of the Company and/or users made at any time with respect to products sold, manufactured, leased or delivered by the Company.

"Prohibited Transaction" has the meaning set forth in Section 3(y)(vii)(B) below.

"Purchase Price Adjustment" has the meaning set forth in Section 2(h)(i) below.

"Second Escrow Period" has the meaning set forth in Section 8(b)(v) below.

"Security Interest" means any mortgage, pledge, lien, encumbrance, charge, conditional sale or title retention agreement, hypothecation, collateral assignment, security interest, easement or other encumbrance of any kind or nature whatsoever, other than (a) mechanic's, materialmen's, and similar liens incurred in the Ordinary Course of Business not yet due and payable, (b) liens for Taxes not yet due and payable or for Taxes that the taxpayer is contesting in good faith through appropriate proceedings, and (c) purchase money liens and liens securing rental payments under capital lease arrangements.

"Software" has the meaning set forth in Section 3(m)(i) below.

"Subsidiary" means any corporation, limited partnership, limited liability company, or other entity with respect to which a specified Person (or a Subsidiary thereof) owns a majority of the common stock, units or other equity interests or has the power to vote or direct the voting of sufficient securities to elect a majority of the directors or general partners, as the case may be.

"Takeover Proposal" means any written inquiry, proposal or offer from any Person relating to (A) any direct or indirect acquisition or purchase of (i) the assets of the Company outside of the Ordinary Course of Business (other than the transactions contemplated by this Agreement), or (ii) any securities of the Company, or (B) any merger, consolidation, business

combination, recapitalization, liquidation, dissolution or similar transaction involving the Company.

"Tax" means any federal, state, local, or foreign (including, but not limited to, Germany, The Netherlands, the European Union, and Singapore) income, built-in gains (within the meaning of Code Section 1374 or any comparable foreign, state or local provisions), gross receipts, excess net passive income (within the meaning of Code Section 1375 or any comparable foreign, state or local provisions), license, payroll, employment, excise, severance, stamp, occupation, premium, supplementary taxes, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock (or other equity security), franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, retailer's occupation taxes and other taxes commonly understood to be sales or use taxes, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto (including without limitation any additions to tax or additional amounts with respect thereto), whether disputed or not.

"Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Third Party Claim" has the meaning set forth in Section 8(d)(i) below.

"Undisclosed Liabilities" has the meaning set forth in Section 3(h) below.

"US Plans" has the meaning set forth in Section 3(y)(ii) below.

2. Purchase and Sale of the Acquired Assets and Assumption of Assumed Liabilities.

(a) Calculation of Estimated Net Working Capital of the Company. The Company has calculated the estimated Net Working Capital of the Company as of the commencement of business on May 31, 2001 (the "Estimated Net Working Capital"), and has presented such calculation to the Parent and the Buyer (such calculation of the Estimated Net Working Capital, as provided to the Parent and the Buyer, shall be referred to herein as the "Estimated Adjustment Schedule"), a copy of which Estimated Adjustment Schedule is attached hereto as Exhibit J.  
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(b) Purchase and Sale of Acquired Assets; Assumption of Liabilities.

(i) The Buyer agrees to purchase from the Company, and the Company agrees to sell, transfer, convey, assign and deliver to the Buyer, all of the Acquired Assets effective as of the close of business on June 30, 2001, for the consideration specified in Section 2(c) below.

(ii) On and subject to the terms and conditions of this Agreement, the Buyer agrees to assume and become responsible for the Assumed Liabilities effective as of the close of business on June 30, 2001, for the consideration

specified in Section 2(c) below. The Buyer shall pay and discharge when due, or contest in good faith, all of those Liabilities which are Assumed Liabilities. The Buyer will not assume or have any responsibility, however, with respect to any Liability or obligation of the Company or the General Partner which is an Excluded Liability.

(iii) In the event of any claim against the Buyer with respect to any of the Assumed Liabilities, without limiting Buyer's remedies or defenses, the Buyer shall have, and the Company hereby assigns to the Buyer, to the extent it may lawfully do so, any defense, counterclaim, or right of setoff which would have been available to the Company if such claim had been asserted against the Company.

(iv) The assumption by the Buyer of the Assumed Liabilities, and the transfer thereof by the Company, shall in no way expand the rights or remedies of any third party against the Buyer or its officers, directors, employees, stockholders, and advisors as compared to the rights and remedies which such third party would have had against the Company had the Buyer not assumed such Assumed Liabilities. The Company shall pay and discharge when due, or contest in good faith, all of those Liabilities which are Excluded Liabilities.

(c) Consideration. At Closing, in consideration for the sale, transfer, conveyance, assignment, and delivery of the Acquired Assets by the Company to the Buyer and the assumption by the Buyer of the Assumed Liabilities from the Company, the Company shall be entitled to receive, in the manner described in Section 2(e) below, Seventeen Million Three Hundred Seventy Five Thousand Dollars (\$17,375,000.00) (the "Closing Consideration"), subject to those post-Closing adjustments as provided in Section 2(h) below (the net amount is referred to as the "Asset Purchase Consideration").

(d) [Intentionally Deleted] Payment of Closing Consideration. At the Closing, the Closing Consideration shall be paid as follows:

(i) that amount, if any, of the Closing Consideration necessary to be paid to applicable lenders and other creditors of the Company to pay off Indebtedness or obtain clear title to the Acquired Assets, shall be paid to such lenders and other creditors in accordance with the payoff letters provided by such creditors;

(ii) Three Million Three Hundred Thousand Dollars (\$3,300,000.00) of the Closing Consideration shall be paid to the Escrow Agent, to be held and disbursed as provided in Section 8 below and the Escrow Agreement; and

(iii) the balance of the Closing Consideration shall be paid to a bank or other account designated in writing to the Buyer by the Company at least two business days prior to the Closing Date by wire transfer of immediately available federal funds, which amount shall be paid to the Company.

(f) The Closing. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Powell, Goldstein, Frazer & Murphy LLP, 1001 Pennsylvania Avenue, N.W., Suite 600 South, Washington, D.C. 20004-2505, at 10:00 a.m., on Monday July 2, 2001, or such other date and time, or in such other manner, as the Parties may agree (the "Closing Date").

(g) Deliveries at the Closing. At the Closing, (i) the Company and the General Partner will deliver to the Parent and the Buyer the various certificates, instruments, and documents referred to in Section 5(a) below; (ii) the Parent and the Buyer will deliver to the Company the various certificates, instruments, and documents referred to in Section 5(b) below; (iii) the Company and the General Partner will execute, acknowledge (if appropriate), and deliver to the Parent and the Buyer such documents as the Parent, the Buyer, and their counsel may reasonably request; (iv) the Buyer will execute, acknowledge (if appropriate), and deliver to the Company such documents as the Company and its counsel reasonably may request; and (v) the Buyer will deliver to the Company, and others specified in Section 2(e), the Closing Consideration.

(h) Minimum Net Working Capital Adjustment.

(i) The Closing Consideration shall be (i) reduced on a dollar-for-dollar basis to the extent that the Net Working Capital of the Company as of the close of business on June 30, 2001, is less than \$900,000, or (ii) increased on a dollar-for-dollar basis to the extent that the Net Working Capital of the Company as of the close of business on June 30, 2001, is greater than \$900,000. Any decrease or increase in the Closing Consideration pursuant to this Section 2(h) shall be referred to as a "Purchase Price Adjustment".

(ii) No later than forty five (45) days after the Closing Date, the Parent shall deliver to the Company (i) a balance sheet and a statement of operations of the Company for the period ended as of the close of business on June 30, 2001 (the "Closing Date Balance Sheet"), and (ii) a separate statement calculating Net Working Capital of the Company as of the close of business on June 30, 2001, based on the Closing Date Balance Sheet, showing any calculations with respect to any necessary Purchase Price Adjustment, including any necessary adjustments to the Estimated Adjustment Schedule (the "Final Adjustment Schedule"). The Company shall have the right to examine and make copies of the work papers and such other documents that are generated or reviewed by the Parent in connection with the preparation of the Closing Date Balance Sheet and the Final Adjustment Schedule.

(iii) The Company shall, within forty-five (45) days following its receipt of the Closing Date Balance Sheet and the Final Adjustment Schedule, accept or reject the Purchase Price Adjustment submitted by the Parent. If the Company disagrees with such calculation, it shall give written notice to the Parent of such disagreement and any reason therefor within such forty-five (45) day period. Should the Company fail to notify the Parent of a disagreement within such forty-five (45) day period, the Company shall be deemed to agree with the



Parent's calculation. Any disagreement with respect to the determination of any Purchase Price Adjustment shall be referred to the Washington, D.C. office of Ernst & Young LLP (the "Arbitrator"). The Arbitrator shall act as an arbitrator and shall issue its report as to the Net Working Capital as of the close of business on June 30, 2001, and the determination of the Purchase Price Adjustment reflected in the Final Adjustment Schedule within sixty (60) days after such dispute is referred to the Arbitrator. The Company on the one hand, and the Parent on the other hand, shall bear all costs and expenses incurred by it in connection with such arbitration, except that the fees and expenses of the Arbitrator hereunder shall be borne by the Company and the Parent in such proportion as the Arbitrator shall determine based on the relative merit of the position of the parties. This provision for arbitration shall be specifically enforceable by the Parties and the decision of the Arbitrator in accordance with the provisions hereof shall be final and binding with respect to the matters so arbitrated and there shall be no right of appeal therefrom.

(iv) If, based on the Final Adjustment Schedule as finally determined pursuant to this Section 2(h), (i) the Net Working Capital of the Company as of the close of business on June 30, 2001, is less than the Estimated Net Working Capital, the Company (or in the event the Company does not have adequate financial resources, the General Partner) shall pay to the Buyer an amount equal to such deficit, or (ii) the Net Working Capital of the Company as of the close of business on June 30, 2001, is greater than the Estimated Net Working Capital, the Buyer shall pay to the Company an amount equal to such excess. Final amounts due hereunder shall be paid no later than five (5) business days following the Company's agreement with the Parent's calculation of the Purchase Price Adjustment, or in the event of a disagreement, following the resolution of such disagreement by written agreement of the Parent and the Company, or the determination of the Arbitrator pursuant to Section 2(h)(iii) above.

(i) Allocation of Asset Purchase Consideration. The Asset Purchase Consideration and the Assumed Liabilities shall be allocated to the Acquired Assets as set forth on Exhibit A attached hereto (the

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"Allocation"). The Parties shall report the sale and purchase of the Acquired Assets on all tax returns and tax forms (including, without limitation, Form 8594 of the Internal Revenue Service) in a manner consistent with such Allocation and shall not, in connection with the filing of such returns or forms, make any Allocation of the Asset Purchase Consideration and the Assumed Liabilities which is inconsistent with the Allocation. The Parties agree to consult with one another with respect to any tax audit, controversy or litigation relating to the Allocation.

3. Representations and Warranties of the Company and the General Partner.

The Company and the General Partner, jointly and severally, represent and warrant to the Parent and the Buyer that the statements contained in this Section 3 are true, correct and complete as of the date hereof, except as specified to the contrary in the corresponding paragraph

of the disclosure schedule prepared by the Company accompanying this Agreement and initialed by the Company and the Buyer (the "Company Disclosure Schedule"). The Company Disclosure Schedule will be arranged in paragraphs corresponding to the lettered and numbered paragraphs contained in this Section 3.

(a) Organization of the Company. The Company is a limited partnership duly organized, validly existing, and in good standing under the laws of the State of Delaware and is duly qualified to conduct business in Maryland and every other jurisdiction where such qualification is required, which jurisdictions are set forth on Section 3(a) of the Company Disclosure Schedule. The Partners listed on Section 3(a) of the Company Disclosure Schedule are the sole record and beneficial owners of the partnership interests of the Company. The Company does not have any Subsidiaries.

(b) Authorization of Transaction. The Company and the General Partner have full power and authority (including, with respect to the Company, full partnership power and authority, and with respect to the General Partner, full corporate power and authority) to execute and deliver this Agreement and to perform its obligations hereunder. The General Partner has the full power and authority to authorize, and the General Partner has duly authorized, the execution, delivery and performance of this Agreement by the Company. This Agreement constitutes the valid and legally binding obligation of the Company and the General Partner, and (assuming the due authorization and valid execution and delivery hereof by the Buyer and the Parent) is enforceable against the Company and the General Partner in accordance with its terms, subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights and remedies generally, and subject, as to enforceability, to the effect of general principles of equity (regardless of whether enforcement is considered in a proceeding at law or in equity). Neither the Company nor the General Partner need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any United States, Germany, The Netherlands, European Union, Singapore, or other governmental agency in order for the Parties to consummate the transactions contemplated by this Agreement.

(c) Noncontravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (i) violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which the Company or the Partners are subject or any provision of the certificate of limited partnership or the agreement of limited partnership of the Company, or (ii) except as otherwise set forth on Section 3(c) of the Company Disclosure Schedule, 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 the Company or the Partners are a party or by which the Company or the Partners are bound or to which any of the assets of the Company are subject (or result in the imposition of any Security Interest upon any of the Acquired Assets or the Assumed Liabilities).

(d) Brokers' Fees. Neither the Company nor any of the Partners has incurred any Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement, except the fees and expenses of Updata Capital, Inc., which shall be paid by the Company (or in the event the Company does not have adequate financial resources, the General Partner).

(e) Title to Acquired Assets. The Company has good title to all of the Acquired Assets free and clear of any Security Interest, or in the case of Acquired Assets which are leased by the Company, the Company has a valid leasehold interest in such Acquired Assets, free and clear of any Security Interest. The General Partner has conveyed, assigned, and delivered to the Company any asset used by the Company in the Business which constitutes an Acquired Asset, and any liability of the Company which constitutes an Assumed Liability, which prior to the Closing was owned by the General Partner, or licensed by the General Partner to the Company. The Company has the right to convey, and upon the transfer of the Acquired Assets to the Buyer, the Company will have conveyed, good title and interest in and to the Acquired Assets, free and clear of all Security Interests.

(f) Financial Statements. Attached hereto as Section 3(f) of the Company Disclosure Schedule are unaudited consolidated balance sheets and related consolidated statements of income and retained earnings, comprehensive income and cash flow of the Company for the period ending as of December 31, 2000, audited consolidated balance sheets and related consolidated statements of income and retained earnings, comprehensive income and cash flow of the Company for the period ending as of December 31, 1999, and unaudited interim consolidated balance sheets and related consolidated statements of income and retained earnings, comprehensive income and cash flow of the Company through March 31, 2001 (the "Financial Statements").

(i) Each of the Financial Statements is true, correct, complete and consistent with the books and records of the Company. Each of the Financial Statements has been prepared in accordance with GAAP, and presents fairly the financial condition and results of operations and cash flows of the Company at the dates and for the periods specified, subject, in the case of unaudited financial statements, to the absence of notes and the absence of normal recurring year-end adjustments and procedures (none of which require material adjustment or are inconsistent with past practice).

(ii) Accounts payable reflected in the Financial Statements have arisen from bona fide transactions. All debts, liabilities and obligations of the Company incurred after the date of the Financial Statements were incurred in the Ordinary Course of Business, arose from bona fide transactions, and are usual and normal in amount both individually and in the aggregate. The Company is not directly or indirectly liable to or obligated to provide funds in respect of or to guaranty or assume any obligation of any person except to the extent reflected and fully reserved against in the Financial Statements. Except as set forth in the Financial Statements, all liabilities of the Company can be prepaid without penalty at any time.

(iii) The loans, notes and accounts receivable reflected in the Financial Statements and all such loans, notes and accounts receivable arising after the applicable dates of the Financial Statements arose, and have arisen, from bona fide transactions, and the bad debt reserves established in connection with such loans, notes, and accounts receivable are in conformity with GAAP.

(g) Events Subsequent to December 31, 2000. Since December 31, 2000, except with respect to changes in the general economic condition of the industry in which the Company conducts its Business, there has not been any material adverse change in the business, financial condition, operations, or results of operations of the Company. Without limiting the generality of the foregoing, except as set forth on Section 3(g) of the Company Disclosure Schedule, since that date, the Company:

(i) has not sold, leased, transferred, or assigned any of its assets, tangible or intangible, except for sales of inventory in the Ordinary Course of Business;

(ii) has not entered into any agreement, contract, lease, or license (or series of related agreements, contracts, leases, and licenses) involving more than \$15,000 and outside the Ordinary Course of Business;

(iii) has not, and to the Knowledge of the Company no party has, accelerated, terminated, modified, or canceled any agreement, contract, lease, or license (or series of related agreements, contracts, leases, and licenses) involving more than \$15,000 to which the Company is a party or by which it is bound;

(iv) has not imposed or permitted any Security Interest upon any of its assets, tangible or intangible;

(v) has not made any distribution (including but not limited to any distribution to any Partner) or any capital expenditure (or series of related capital expenditures) either involving more than \$15,000 or outside the Ordinary Course of Business, and with respect to the period from February 22, 2001, through the date hereof, has not made any distribution or any capital expenditure (or series of related capital expenditures) either involving more than \$50,000 or outside the Ordinary Course of Business, except with the prior written consent of the Parent or the Buyer;

(vi) has not made any capital investment in, any loan to, or any acquisition of the securities of, any other Person, and has not made any acquisition of the assets of any other Person outside of the Ordinary Course of Business;

(vii) has not issued any note, bond, or other debt security or created, incurred, assumed, or guaranteed any Indebtedness, and with respect to the period from February 22, 2001, through the date hereof, has not issued any note, bond, or other debt security or created, incurred, assumed, or guaranteed any Indebtedness, except with the prior written consent of the Parent or the Buyer;

(viii) has not delayed or postponed the payment of accounts payable or other Liabilities outside of the Ordinary Course of Business;

(ix) has not canceled, compromised, waived, or released any right or claim (or series of related rights and claims) outside the Ordinary Course of Business;

(x) except in the Ordinary Course of Business to customers of the Company, has not granted any license or sublicense of any rights under or with respect to any Intellectual Property;

(xi) has not changed or authorized any change in its certificate of limited partnership, agreement of limited partnership or similar charter documents;

(xii) has not experienced any material damage, destruction, or loss (whether or not covered by insurance) to its property;

(xiii) has not made any loan to, or entered into any other transaction with, any of its partners, officers, and employees;

(xiv) has not entered into any employment contract or collective bargaining agreement, written or oral, or modified the terms of any existing such contract or agreement, and with respect to the period from February 22, 2001, through the date hereof, has not entered into any employment contract or collective bargaining agreement, written or oral, or modified the terms of any existing such contract or agreement, except with the prior written consent of the Parent or the Buyer;

(xv) has not granted any increase in the compensation of any of its partners, officers, and employees, and with respect to the period from February 22, 2001, through the date hereof, has not granted any increase in the compensation of any of its partners, officers, and employees, except with the prior written consent of the Parent or the Buyer;

(xvi) has not, except as required to comply with applicable law, adopted, amended, modified or terminated any bonus, profit-sharing incentive, severance, or other plan, contract, or commitment for the benefit of any of its partners, officers, and employees (or taken any such action with respect to any other Employee Benefit Plan), to the extent such amendment, modification or termination had the effect of enhancing any benefits thereunder or increasing the cost thereof to the Company, and with respect to the period from February 22, 2001, through the date hereof, has not adopted, amended, modified or terminated any bonus, profit-sharing incentive, severance, or other plan, contract, or commitment for the benefit of any of its partners, officers, and employees (or taken any such action with respect to any other Employee Benefit Plan), except with the prior written consent of the Parent or the Buyer;

(xvii) has not made any other change in employment terms for any of its partners, officers, and employees;

(xviii) has not made or pledged to make any charitable or other capital contribution;

(xix) has not suffered or experienced any other occurrence, event, incident, action, failure to act, or transaction outside the Ordinary Course of Business;

(xx) has not declared or paid any dividend or other distribution, whether in cash or other property, and with respect to the period from February 22, 2001, through the date hereof, has not declared or paid any dividend or other distribution, whether in cash or other property, except with the prior written consent of the Parent or the Buyer; and

(xxi) has not entered into a commitment to do any of the foregoing.

(h) Undisclosed Liabilities. The Company does not have any Liability (and there is no Basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand against the Company giving rise to any Liability), except for (i) Liabilities set forth on the face of the Financial Statements, (ii) Liabilities which have arisen after the date of the Financial Statements in the Ordinary Course of Business (none of which results from, arises out of, or was caused by any breach of contract, breach of warranty claims, product liability, tort, infringement, or violation of law), (iii) Liabilities which will arise from and after the date hereof in the Ordinary Course of Business under the Assumed Contracts, (iv) the Excluded Liabilities, and (v) Liabilities which are disclosed on Section 3(h) of the Company Disclosure Schedule ("Undisclosed Liabilities").

(i) Legal Compliance. The Company has complied with all applicable laws (including rules, regulations, codes, injunctions, judgments, orders, decrees, rulings, and charges thereunder) of federal, state, local, and foreign (including but not limited to Germany, The Netherlands, the European Union, and Singapore) governments (and all agencies thereof), which the failure to comply with which, individually or in the aggregate, will result in Adverse Consequences the costs of which will exceed \$15,000, and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against the Company alleging any failure so to comply. The Company has duly filed all reports and returns required to be filed by it with governmental authorities and obtained all governmental permits and licenses and other governmental consents which are required in connection with the businesses and operations of the Company; all of such permits, licenses and consents are in full force and effect, and no proceedings for the suspension or cancellation of any of them are pending or threatened, except where any of the above would not have a material adverse effect on the Acquired Assets, the Assumed Liabilities, the Business or the Company. Notwithstanding the foregoing, the representations under Section 3(i) are not made with respect to any Taxes, labor matters, Company Plans or Environmental Laws and that the

representations and warranties with respect to compliance regarding Taxes, labor matters, Company Plans and Environmental Laws are made only in Sections 3(j), 3(x), 3(y), and 3(aa), respectively.

(j) Tax Matters.

(i) The Company has filed all Tax Returns that it was required to file. All such Tax Returns were true, correct and complete in all material respects. All Taxes owed by the Company and with respect to the Business, the Partners (whether or not shown on any Tax Return) have been paid. The Company is not the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by an authority in a jurisdiction where the Company does not file Tax Returns that the Company is or may be subject to taxation by that jurisdiction. There are no Security Interests on any of the assets of the Company that arose in connection with any failure (or alleged failure) to pay any Tax. The Company has not been a member of an Affiliated Group that has filed a "consolidated return" within the meaning of Code Section 1501, or has filed a combined or consolidated return with another entity with any other taxing authority.

(ii) The Company has made all withholdings of Taxes required to be made in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder, or other third party and such withholdings have either been paid to the appropriate governmental agency or set aside in appropriate accounts for such purpose.

(iii) The Company is not currently under audit with respect to Taxes by any authority, and has not received any notice or other indication that any authority is considering assessing any additional Taxes for any period for which Tax Returns have been filed. There is no dispute or claim concerning any Tax Liability of the Company either (A) claimed or raised by any authority in writing or (B) as to which the Company has Knowledge based upon personal contact with any agent or representative of such authority. Section 3(j) of the Company Disclosure Schedule lists all federal, state, local, and foreign (including but not limited to Germany, The Netherlands, the European Union, and Singapore) income Tax returns filed with respect to the Company for taxable periods ended on or after December 31, 1997, indicates those Tax Returns that have been audited, and indicates those Tax Returns that currently are the subject of audit. The Company has delivered to the Buyer true, correct and complete copies of all federal, state, and foreign income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by the Company since December 31, 1997.

(iv) The Company has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(v) The Company has not made any payments, is not obligated to make any payments, and is not a party to any agreement that could obligate it to make any payments that will not be deductible under Code Section 280G. The Company is not a party to any Tax allocation or sharing agreement. The Company (A) has not been a member of an Affiliated Group filing a consolidated federal income Tax Return or (B) has no Liability for the Taxes of any Person (other than the Company) under Treas. Reg. Section 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

(k) Real Property. The Company does not own any real property. Section 3(k) of the Company Disclosure Schedule lists and describes briefly all real property leased to the Company (the "Leased Real Property"). The Company has delivered to the Buyer true, correct and complete copies of the leases for the Leased Real Property (as amended to date). With respect to each lease for Leased Real Property:

(i) the lease or sublease is legal, valid, binding, enforceable, and in full force and effect;

(ii) the Company is not, and to the Knowledge of the Company, no party to the lease or sublease is, in breach or default, and no event has occurred which, with notice or lapse of time, would constitute a breach or default or permit termination, modification, or acceleration thereunder;

(iii) the Company has not, and to the Knowledge of the Company, no party to the lease or sublease has, repudiated any provision thereof;

(iv) there are no disputes, oral agreements, or forbearance programs in effect as to the lease;

(v) the Company has not assigned, transferred, conveyed, mortgaged, deeded in trust, or encumbered any interest in the leasehold; or

(vi) all facilities leased thereunder have received all approvals of governmental authorities (including licenses and permits) required in connection with the operation thereof and have been operated and maintained in all material respects in accordance with applicable laws, rules, and regulations.

(l) Intellectual Property.

(i) The Company owns, or has the right to use pursuant to written license, sublicense, agreement, or permission, all of the Intellectual Property necessary or used in the operation of the Business as presently conducted or as proposed to be conducted, and is not a party to any unwritten or implied licenses. The Partners and each officer, employee, or independent contractor of the Company has heretofore transferred to the Company all right, title and interest of such person in and to any Intellectual Property used or necessary for the operation



of the Business as presently conducted or as proposed to be conducted. Each item of Intellectual Property included among the Acquired Assets or owned or used by the Company or the Partners immediately prior to the Closing hereunder will be owned or available for use by the Buyer on identical terms and conditions immediately subsequent to the Closing hereunder. Except with respect to those Liabilities arising under those licenses, sublicenses, agreements, or permissions for Intellectual Property to which the Company is a party and which Intellectual Property is owned by a third party, as set forth on Section 3(1)(iv) of the Company Disclosure Schedule, the Company has no Liability to any Person with respect to the Intellectual Property, or with respect to the license, distribution, use, creation, development, design, implementation, or adaptation of the Intellectual Property to the Business.

(ii) Neither the Company nor with respect to the Business, the Partners, have interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of third parties, and neither the Company nor, with respect to the Business, the Partners, have ever received any charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or violation (including any claim that the Company or, with respect to the Business, the Partners, must license or refrain from using any Intellectual Property rights of any third party). To the Knowledge of the Company, no third party has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of the Company.

(iii) Section 3(1)(iii) of the Company Disclosure Schedule identifies each patent or registration which has been issued or transferred to the Company or the Partners with respect to any of the Intellectual Property, identifies each pending patent application or registration which the Company or the Partners has made with respect to any of the Intellectual Property, and identifies each license, agreement, or other permission which the Company or the Partners has granted to any third party with respect to any of the Intellectual Property. The Company has delivered to the Buyer true, correct and complete copies of all such patent, trademark and copyright registrations, applications, licenses, agreements, and permissions (as amended to date) and has made available to the Buyer true, correct and complete copies of all other written documentation evidencing ownership and prosecution (if applicable) of each such item. Section 3(1)(iii) of the Company Disclosure Schedule also identifies each trade name or unregistered trademark used by the Company in connection with the Business. With respect to each item of Intellectual Property required to be identified in Section 3(1)(iii) of the Company Disclosure Schedule:

(A) the Company possesses all right, title, and interest in and to the item, free and clear of any Security Interest, license, or other restriction;

(B) the item is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge;

(C) no action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand is pending or, to the Knowledge of the Company, threatened, which challenges the legality, validity, enforceability, use, or ownership of the item; and

(D) except in the Ordinary Course of Business with respect to customers of the Company pursuant to those agreements set forth on the Company Disclosure Schedule, neither the Company nor, with respect to the Business, the Partners have ever agreed to indemnify any Person for or against any interference, infringement, misappropriation, or other conflict with respect to the item.

(iv) Section 3(1)(iv) of the Company Disclosure Schedule identifies each item of Intellectual Property that any third party owns and that the Company uses or distributes pursuant to license, sublicense, agreement, or permission (but specifically excluding any off-the-shelf computer program that is validly and properly licensed under a shrink-wrap license). The Company has delivered to the Buyer true, correct and complete copies of all such licenses, sublicenses, agreements, and permissions (as amended to date). With respect to each item of Intellectual Property that any third party owns and that the Company uses pursuant to license, sublicense, agreement, or permission (specifically including, but not limited to, any off-the-shelf computer program that is validly and properly licensed under a shrink-wrap license):

(A) the license, sublicense, agreement, or permission covering the item is legal, valid, binding, enforceable, and in full force and effect;

(B) the license, sublicense, agreement, or permission will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the consummation of the transactions contemplated hereby;

(C) neither the Company nor, to the Knowledge of the Company, any other party to the license, sublicense, agreement, or permission, is in breach or default thereunder, and no event has occurred which with notice of lapse of time would constitute a breach or default or permit termination, modification, or acceleration thereunder;

(D) the Company has not, and to the Knowledge of the Company, no other party to the license, sublicense, agreement, or permission has, repudiated any provision thereof;

(E) with respect to each sublicense, the representations and warranties set forth in subsections (A) through (D) above are true and correct with respect to the underlying license;

(F) the underlying item of Intellectual Property is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge;

(G) no action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand is pending or, to the Knowledge of the Company, threatened, which challenges the legality, validity, or enforceability of the underlying item of Intellectual Property; and

(H) the Company has not granted any sublicense or similar right with respect to the license, sublicense, agreement, or permission.

(m) Software.

(i) Section 3(m)(i) of the Company Disclosure Schedule sets forth under the caption "Owned Software" a true, correct and complete list of all computer programs (source code or object code) which were developed for or on behalf of, or have been purchased by, the Company and which are currently used internally by the Company or which have been distributed by the Company and all computer programs under development by the Company but not currently distributed (collectively, the "Owned Software"), and Section 3(m)(i) of the Company Disclosure Schedule sets forth under the caption "Licensed Software" a true, correct and complete list of all computer programs (source code or object code) licensed to the Company by another person which are currently used internally by the Company or which have been distributed by the Company, whether as integrated or bundled with any Owned Software or as a separate stand-alone product (specifically excluding any off-the-shelf computer program that is validly and properly licensed under a shrink-wrap license) (collectively, the "Licensed Software" and, together with the Owned Software, the "Software").

(ii) The Company has good, marketable and exclusive title to, and the valid and enforceable power and unqualified right to sell, license, lease, transfer, use, create derivative works of, or otherwise exploit, all versions and releases of the Owned Software and all copyrights thereof, free and clear of all Security Interests. The Company is in actual possession of the source code and object code for each computer program included in the Owned Software, and the Company is in possession of all other documentation, including without limitation all related engineering specifications, program flow charts, installation and user manuals, and know-how necessary for the effective use of the Software as currently used in, or in development in, the Company's business or as offered or represented to the Company's customers or potential customers. The Company is in actual possession of the object code and user manuals for each computer program included in the Licensed Software. The Software constitutes all of the computer programs necessary to conduct the Business as now conducted, and includes all of

the computer programs licensed or offered for license to the Company's customers and potential customers or otherwise under development, or used in the development, marketing, licensing, sale or support of the products and the services presently offered by the Company. Except pursuant to licenses or sublicenses granted by the Company to its customers in the Ordinary Course of Business, no person other than the Company has any right or interest of any kind or nature in or with respect to the Owned Software or any portion thereof or any rights to sell, license, lease, transfer, use or otherwise exploit the Owned Software or any portion thereof. Except with respect to those Liabilities arising under those licenses, sublicenses, agreements, or permissions for Licensed Software to which the Company is a party, as set forth on Section 3(m)(i) of the Company Disclosure Schedule, the Company has no Liability to any Person with respect to the Software, or with respect to the license, distribution, use, creation, development, design, implementation, or adaptation of the Software to the Business.

(iii) Section 3(m)(iii) of the Company Disclosure Schedule sets forth a true, correct and complete list, by computer program, of (A) all persons other than the Company and its current and former employees that have been provided with the source code or have a right to be provided with the source code (including any such right that may arise after the occurrence of any specified event or circumstance, either with or without the giving of notice or passage of time or both) for any of the Owned Software, and (B) all source code escrow agreements relating to any of the Owned Software (setting forth as to any such escrow agreement the source code subject thereto and the names of the escrow agent and all other persons who are actual or potential beneficiaries of such escrow agreement), and identifies with specificity all agreements and arrangements pursuant to which the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby would entitle any third party or parties to receive possession of the source code for any of the Owned Software or any related technical documentation. Except as set forth on Section 3(m)(iii) of the Company Disclosure Schedule, no Person (other than the Company and its current and former employees) is in possession of, or has or has had access to, any source code for any computer program included in the Owned Software.

(iv) Except as set forth on Section 3(m)(iv) of the Company Disclosure Schedule, there are no defects in any computer program included in the Software, which Software is (i) currently used internally by the Company, (ii) currently being distributed by the Company, or (iii) under development by the Company but not currently distributed, that could reasonably be expected to adversely affect, in any material way, the functioning thereof in accordance with any published specifications therefor or in accordance with any warranties given with respect thereto. Without limiting the generality of the foregoing, all of the Software has the following properties and capabilities: (A) the capability to correctly recognize and accurately process dates expressed as a four-digit number (or the binary equivalent or other machine-readable iteration thereof) (collectively, "Four-Digit

Dates"); (B) the capability to accurately execute calculations using Four-Digit Dates; (C) the functionality (both on-line and batch), including entry, inquiry, maintenance and update, to support processing involving Four-Digit Dates; (D) the capability to generate interfaces and reports that support processing involving Four-Digit Dates; (E) the capability to provide correct results in forward and backward data calculations spanning century boundaries, including the conversion of pre-2000 dates currently stored as two-digit dates; and (F) the capability to correctly recognize leap years, including the year 2000, and to properly process date calculations involving or spanning leap years. Each computer program included in the Software is in machine readable form and contains all current revisions. Section 3(m)(iv) of the Company Disclosure Schedule sets forth a true, correct and complete list of current claims of defects by customers of the Company under warranties or support and maintenance agreements. Section 3(m)(iv) of the Company Disclosure Schedule sets forth a true, correct and complete list of and brief description of the status of, any current developments or efforts with respect to the Owned Software, including without limitation, the development of new computer programs or enhancements or revisions to existing computer programs included in the Owned Software and software fixes in progress for any person to whom or which the Company has sold, licensed, leased, transferred, or otherwise furnished Software or related products or services.

(v) Except as set forth on the Company Disclosure Schedule, none of the sale, license, lease, transfer, use, reproduction, distribution, modification or other exploitation by the Company of any version or release of any computer program included in the Software obligates or will obligate the Company to pay any royalty, fee, or other compensation to any other person.

(vi) Except as set forth on Section 3(m)(vi), the Company does not market, nor has the Company marketed, and the Company has not supported or is obligated to support, any Licensed Software independent of the Owned Software.

(vii) Except as specified in Section 3(m)(vii) of the Company Disclosure Schedule: (A) no agreement, license or other arrangement pertaining to any of the Software (including, without limitation, any development, distribution, marketing, use or maintenance agreement, license or arrangement) to which the Company is a party will terminate or become terminable by any party thereto as a result of the execution, delivery or performance of this Agreement or the consummation of the transactions contemplated hereby; and (B) all licenses covering Licensed Software are of perpetual duration (subject to provisions allowing the Company to terminate and provisions allowing the respective licensors to terminate in the event of a breach by the Company).

(n) No Infringement. Neither the existence nor the sale, license, lease, transfer, use, reproduction, distribution, modification or other exploitation by the Company or any of its successors or assigns of any Intellectual Property (and, to the Knowledge of the Company, the Licensed Software), as such Intellectual Property, as the case may be, is or was, or is currently contemplated to be sold, licensed, leased,

transferred, used or otherwise exploited by such persons, does, did or will (A) infringe on any patent, trademark, copyright or other intellectual property right of any other third party, (B) constitute a misuse or misappropriation of any trade secret, know-how, process, proprietary information or other right of any other person or a violation of any relevant agreement governing the license of the Licensed Software to the Company, or (C) entitle any other person to any interest therein, or right to compensation from the Company or any of its successors or assigns, by reason thereof. The Company has not received any complaint, assertion, threat or allegation or otherwise has notice of any lawsuit, claim, demand, proceeding, or investigation involving matters of the type contemplated by the immediately preceding sentence or has Knowledge of any facts or circumstances that could reasonably be expected to give rise to any such lawsuit, claim, demand, proceeding or investigation. Except with respect to Intellectual Property which is licensed by the Company from third parties, there are no restrictions on the ability of the Company or any of its successors or assigns to sell, license, lease, transfer, use, reproduce, distribute, modify or otherwise exploit any Intellectual Property.

(o) Tangible Assets. The Company owns or leases all of the tangible assets which are Acquired Assets, including but not limited to all such buildings, machinery, equipment, and other tangible assets, used in the conduct of the Business as presently conducted. Each such Acquired Asset is free from any known material defects, has been maintained in accordance with normal industry practice, is in good operating condition and repair (subject to normal wear and tear), and is suitable for the purposes for which it presently is used. The Acquired Assets constitute all of the tangible assets used in the conduct of the Business as presently conducted.

(p) Inventory. The inventory of the Company consists of raw materials and supplies, manufactured and purchased parts, goods in process, and finished goods, all of which is merchantable and fit for the purpose for which it was procured or manufactured, subject to any reserves therefor in the Financial Statements and none of which is slow moving (except for parts and components on hand for servicing products already sold), obsolete, damaged, or defective in excess of any reserves therefor on the Financial Statements.

(q) Contracts. Section 3(q) of the Company Disclosure Schedule lists the following contracts and other agreements, written or oral, to which the Company is a party:

(i) any agreement (or group of related agreements) for the lease of personal property to or from any Person providing for lease payments in excess of \$15,000 per annum;

(ii) any agreement (or group of related agreements) for the purchase or sale of raw materials, commodities, supplies, products, or other personal property, or for the furnishing or receipt of services, the performance of which will extend over a period of more than one year, or which to the Knowledge of the Company will result in a loss to the Company, or which involves consideration, in excess of \$15,000;

(iii) any agreement concerning a partnership or joint venture;

(iv) any agreement (or group of related agreements) under which the Company has created, incurred, assumed, or guaranteed any Indebtedness, under which the Company has imposed a Security Interest on any of its respective assets, tangible or intangible;

(v) any agreement concerning confidentiality or noncompetition;

(vi) any agreement pursuant to which the Company licenses other persons to use any of the Software or has agreed to support, maintain, upgrade, enhance, modify, port, or consult with respect to any of the Software, or pursuant to which other persons license the Company to use the Licensed Software;

(vii) any agreement by which the Company has agreed to design, develop, author or create any new custom, or customized software for any third party;

(viii) any agreement involving the Partners to which the Company is a party;

(ix) any profit sharing, stock option, stock purchase, stock appreciation, deferred compensation, severance, or other plan or arrangement for the benefit of the Company's current or former partners, officers, and employees;

(x) any agreement (A) for the employment of any individual on a full-time, part-time, consulting, or other basis providing annual compensation in excess of \$15,000 or (B) providing severance benefits;

(xi) any agreement under which the Company has advanced or loaned any amount to any of its partners, officers, and employees; or

(xii) any other agreement (or group of related agreements) the performance of which involves consideration in excess of \$15,000.

The Company has delivered to the Buyer a true, correct and complete copy of each written agreement listed in Section 3(q) of the Company Disclosure Schedule (as amended to date) and a written summary setting forth the terms and conditions of each oral agreement referred to in Section 3(q) of the Company Disclosure Schedule. With respect to each such agreement: (A) assuming the due authorization, valid execution and delivery thereof by the other Persons thereto, the agreement is legal, valid, binding, enforceable, and in full force and effect, subject to applicable bankruptcy, insolvency, fraudulent conveyance or transfer, reorganization, arrangement, moratorium or other similar laws from time to time affecting creditor's rights generally; (B) to the knowledge of the Company, and except as set forth on Section 3(c) of the Company Disclosure Schedule, the agreement will continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the consummation of the transactions

contemplated hereby, subject to applicable bankruptcy, insolvency, fraudulent conveyance or transfer, reorganization, arrangement, moratorium or other similar laws from time to time affecting creditor's rights generally; (C) the Company is not, and to the Knowledge of the Company, no other party is, in material breach or default, and no event has occurred which with notice or lapse of time would constitute a material breach or default, or permit termination, modification, or acceleration, under the agreements; (D) no party has repudiated any provision of the agreement; and (E) such agreement does not prohibit or require consent in the event of a change of control of the Company. With respect to each customer order listed in Section 3(q) of the Company Disclosure Schedule, the Company does not have any Knowledge of any basis for cancellation thereof.

(r) Notes and Accounts Receivable. The notes and accounts receivable of the Company included among the Acquired Assets are reflected properly on the books and records of the Company and are valid receivables subject to no setoffs or counterclaims; and all of such notes and accounts receivable will be collectable when due, subject only to the reserve for bad debts set forth on the face of the Financial Statements dated as of March 31, 2001.

(s) Powers of Attorney. Except as set forth on Section 3(s) of the Company Disclosure Schedule, there are no outstanding powers of attorney executed on behalf of the Company.

(t) Insurance. Section 3(t) of the Company Disclosure Schedule sets forth the following information with respect to each insurance policy (including policies providing property, casualty, liability, and workers' compensation coverage and bond and surety arrangements) to which the Company has been a party, a named insured, or otherwise the beneficiary of coverage at any time within the past three (3) years:

(i) the name, address, and telephone number of the agent;

(ii) the name of the insurer, the name of the policyholder, and the name of each covered insured;

(iii) the policy number and the period of coverage;

(iv) the scope (including an indication of whether the coverage was on a claims made, occurrence, or other basis) and amount (including a description of how deductibles and ceilings are calculated and operate) of coverage; and

(v) a description of any retroactive premium adjustments or other loss-sharing arrangements.

With respect to each such insurance policy: (A) all policy premiums due to date have been paid in full, and to the Knowledge of the Company, the policy is legal, valid, binding, enforceable, and in full force and effect with respect to the periods for which it purports to provide coverage subject to applicable bankruptcy, insolvency, fraudulent



conveyance or transfer, reorganization, arrangement or moratorium or other similar laws from time to time affecting creditor's rights generally; (B) the Company is not and, to the Knowledge of the Company, no other party to the policy, is in breach or default (including with respect to the payment of premiums or the giving of notices), and no event has occurred which, with notice or the lapse of time, would constitute such a breach or default, or permit termination, modification, or acceleration, under the policy; and (C) no party to the policy has repudiated any provision thereof. Section 3(t) of the Company Disclosure Schedule describes any self-insurance arrangements affecting the Company.

(u) Litigation. The Company (i) is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge and (ii) is not a party nor, to the Knowledge of the Company, is threatened to be made a party to any action, suit, proceeding, hearing, or investigation of, in, or before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator.

(v) Product Warranty. Each product manufactured, sold, leased, or delivered by the Company or service provided by the Company has been in conformity with all of their applicable contractual commitments and express and implied warranties, and the Company does not have any Liability with respect to such products manufactured, sold, leased, or delivered (and there is no Basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against it giving rise to any Liability), except for Product Warranty Claims for which adequate reserves are set forth on the Financial Statements. Except as otherwise may be provided by applicable law, no product manufactured, sold, leased, or delivered by the Company is subject to any guaranty, warranty, or other indemnity beyond the applicable standard terms and conditions of sale or lease. Section 3(v) of the Company Disclosure Schedule includes copies of the standard terms and conditions of sale or lease for the Company (containing applicable guaranty, warranty, and indemnity provisions).

(w) Product Liability. There are no existing or, to the Knowledge of the Company, threatened, claims against the Company arising out of any injury to individuals or property as a result of the ownership, possession, or use of any product manufactured, sold, leased, or delivered by the Company which could result in Liability to the Company, and the Company does not have any Knowledge of a Basis for any such claim.

(x) Employees. Section 3(x) of the Company Disclosure Schedule sets forth (A) the name, and (B) the current annual salary (or hourly wage), including any bonus or commitment to pay any other amount or benefit in connection with a termination of employment, if applicable, of all present employees, consultants, and independent contractors employed by the Company. To the Knowledge of the Company, no executive, key employee, or group of employees has any plans to terminate employment with the Company. The Company is not a party to or bound by any collective bargaining agreement, nor has the Company experienced any strikes, grievances, claims of unfair labor practice. The Company does not have any Knowledge of any organizational effort presently being made or threatened by or on behalf of any labor union with respect to its employees. There is no claim outstanding or, to the Knowledge of the Company,

threatened, or any Basis for a claim respecting employment of any past or present employee of the Company including, without limitation, claims of personal injury (unless fully covered by worker's compensation, liability or indemnity insurance) discrimination, wage, hours or similar laws or regulations. There are no written employment or similar agreements for a fixed term between any employee of the Company and the Company; each employee of the Company is an at-will employee.

(y) Employee Benefits.

(i) No other corporation, trade, business, or other entity, would, together with the Company, constitute a single employer within the meaning of Code Section 414.

(ii) Section 3(y) of the Company Disclosure Schedule contains a true and complete list of all of the Employee Benefit Plans which are presently in effect at any time within the preceding three (3) years, or which have previously been in effect for the benefit of current or former employees, officers, partners or consultants of the Company (the "Company Plans"). All Company Plans established or maintained outside of the United States primarily for the benefit of persons substantially all of whom are nonresident aliens are referred to herein as "Foreign Plans" and all other Company Plans are referred to herein as "US Plans".

(iii) Each US Plan has been established, maintained, funded, and administered in all material respects in accordance with its terms and any applicable provisions of law, and is in compliance in all material respects with the applicable provisions of United States law. The Company does not have any Foreign Plans.

(iv) No actions, suits or claims (other than routine claims for benefits in the ordinary course) are pending or, to the Knowledge of the Company, threatened, with respect to any Company Plan and no event or condition exists or may be reasonably expected to occur which would result in the Company having any liability in respect of any Company Plan not reflected on the Financial Statements.

(v) The Company has no past, present or future obligation or liability to contribute to any multiemployer plan as defined in ERISA Section 3(37).

(vi) With respect to the Company Plans which provide group health benefits to employees of the Company and are subject to the requirements of Code Section 4980B and Part 6, Subtitle B of Title I of ERISA ("COBRA"), such group health plan has been administered in every material respect in accordance with its governing documents and COBRA and with the group health plan requirements of Subtitle K, Chapter 100 of the Code and ERISA Sections 701 et. seq.

(vii) With respect to employee benefit matters generally:

(A) neither the Company nor any person, firm or corporation which is or has been under common control of the Company within the meaning of Section 4001(b) of ERISA, maintains or contributes to or has ever maintained or contributed to any Employee Benefit Plan subject to Title IV of ERISA or Code Section 412;

(B) the consummation of the transactions contemplated hereby will not accelerate or increase any Liability under any of the Company Plans because of an acceleration or increase of any of the rights or benefits to which Company Plan participants or beneficiaries may be entitled thereunder; and

(C) the Company does not have any obligation to any retired or former employee or any current employee of the Company upon retirement or termination of employment under any Company Plans, other than such obligations imposed by COBRA.

(z) Guaranties. The Company is not a guarantor or otherwise liable for any Liability or obligation (including Indebtedness) of any other Person.

(aa) Environment, Health, and Safety.

(i) The Company has complied with all Environmental, Health, and Safety Laws, the failure to comply with which could result in Adverse Consequences in an amount in excess of \$15,000 individually or in the aggregate, and no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand, or notice has been filed or commenced against the Company alleging such failure.

(ii) The Company does not have any Liability (and the Company has not handled, used, stored, treated, recycled or disposed of any Hazardous Substance, arranged for the disposal of any Hazardous Substance, exposed any employee or other individual to any Hazardous Substance or condition, or owned or operated any property or facility in any manner that could form the Basis for any present or future action, suit, proceeding, hearing, investigations, charge, complaint, claim or demand giving rise to any Liability) for penalties, investigations of or damage to any site, location, body of water (surface or subsurface), or other natural resources, for any illness of or personal injury to any employee or other individual, or for any reason under any Environmental, Health, and Safety Laws.

(iii) All properties and equipment used in the Business are and in the past have been free of any amounts of asbestos, PCB's, methylene chloride, trichlorethylene, 1,2-trans-dichloroethylene, dioxins, dibenzofurans, and Extremely Hazardous Substances, the presence of which could result in Adverse Consequences.

(bb) Certain Business Relationships with the Company. Except as set forth on Section 3(bb) of the Company Disclosure Schedule, none of the Partners or their current or former spouses, children, parents, grandparents, cousins, or other relatives, has been involved directly or indirectly in any business arrangement or relationship with the Company within the past thirty-six (36) months, and no Partner owns any Acquired Asset or any other asset, tangible or intangible, which is used in the Business.

(cc) Disclosure. The representations and warranties contained in this Section 3 (including the Company Disclosure Schedule) do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statement and information contained in this Section 3 not misleading. In connection with the Buyer's investigation of the Acquired Assets and the Business, the Buyer has received from the Company and the General Partner certain estimates, projections and other forecasts, plans and budgets for the Business. The Company and the General Partner make no representation or warranty with respect to any estimates, projections, forecasts, plans or budgets referred to in this Section 3(cc).

#### 4. Representations and Warranties of the Parent and the Buyer.

Parent and Buyer, jointly and severally, represent and warrant to the Company that the statements contained in this Section 4 are true, correct and complete as of the date hereof, and will be true, correct and complete as of the Closing Date.

(a) Organization of the Parent and the Buyer. Each of the Parent and the Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction of its incorporation and is duly qualified as a foreign corporation to do business in every jurisdiction where such qualification is required.

(b) Authorization of Transaction. Each of Parent and Buyer has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of Parent and Buyer, enforceable in accordance with its terms and conditions. Parent and Buyer need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agencies in order for the Parties to consummate the transactions contemplated by this Agreement.

(c) Noncontravention. Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby will violate any constitution, state, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which Parent or Buyer is subject, or any provision of any of their articles or certificate of incorporation or bylaws, as the case may be.

(d) Broker's Fees. Neither Parent nor Buyer has incurred any Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which the Company or the Partners could become liable or obligated.

(e) Disclosure. To the Knowledge of Parent and Buyer, the representations and warranties contained in this Section 4 do not contain any untrue statements of a material fact or omit to state any material fact necessary in order to make the statements contained in this Section 4 not misleading.

(f) Financial Ability. At the Closing on the Closing Date, the Buyer shall have the funds necessary to purchase the Acquired Assets and consummate the transactions contemplated hereby.

5. Conditions to Obligation to Close.

(a) Conditions to Obligation of Parent and Buyer. The obligation of Parent and Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to satisfaction of the following conditions:

(i) the Company and the General Partner shall have performed and complied with all of their covenants under Section 6 hereof in all material respects through the date hereof;

(ii) the Company shall have procured all of the third party consents specified on Exhibit C hereto;  
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(iii) no action, suit, or proceeding shall be pending as of the date hereof or, to the Knowledge of the Company, threatened as of the date hereof, before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign (including but not limited to Germany, The Netherlands, the European Union, and Singapore) jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (A) prevent consummation of any of the transactions contemplated by this Agreement, or (B) cause any of the transactions contemplated by this Agreement to be rescinded following consummation (and no such injunction, judgment, order, decree, ruling, or charge shall be in effect);

(iv) the Company and the General Partner shall have delivered to the Parent and the Buyer a certificate, executed by the Company and the General Partner, to the effect that the conditions specified above in Section 5(a)(i)-5(a)(iii) have been satisfied in all respects as of the date hereof;

(v) each of the Company, the General Partner, Michael P. Galvin, the Michael P. Galvin 1994 Trust, Sam Steppel, Step-L Ventures, and Doug Paxson shall have each entered into a Noncompetition and Assignment of Inventions Agreement with a term equal to two (2) years, and each of Scott Ireland, Dean Sequera, John Schmitz, and Bill Shotts shall have each entered into a Noncompetition and Assignment of Inventions Agreement with a term equal to eighteen (18) months (each a "Noncompetition and Assignment of Inventions Agreement"), in form and substance as set forth in Exhibit D attached  
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hereto, and the same shall be in full force and effect;

(vi) each of the Company, the General Partner, Michael P. Galvin, the Michael P. Galvin 1994 Trust, Sam Steppel, Step-L Ventures, Doug Paxson, Scott Ireland, Dean Sequera, John Schmitz, and Bill Shotts shall have executed and delivered to the Parent and the Buyer a release agreement (each, a "Release Agreement") in form and substance as set forth on Exhibit E hereto;  
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(vii) each of Doug Paxson, Scott Ireland, Dean Sequera, John Schmitz, and Bill Shotts shall have entered into an Employment Agreement with the Buyer (each, an "Employment Agreement") in form and substance as set forth on Exhibit F hereto, and the same shall be in  
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full force and effect;

(viii) each of the Company, the General Partner, the Parent, the Buyer, and the Escrow Agent shall have entered into the Escrow Agreement;

(ix) the General Partner shall have caused the Company and the General Partner to prepare and deliver to Buyer all documents and instruments necessary to amend the Certificate of Limited Partnership of the Company, and the Articles of Incorporation of the General Partner, or such other similar governing documents, to change their respective names to a name which does not contain the words "Media Cybernetics" or any substantially similar words;

(x) The Company shall have satisfied all obligations owed to its creditors necessary to permit the Buyer to obtain clear title to the Acquired Assets or, in the alternative, shall have obtained payoff letters from such creditors, in form and substance satisfactory to the Parent and the Buyer, which contain payoff information with respect to the satisfaction of such obligations, and provided such payoff letters to the Buyer;

(xi) the Company and the General Partner shall have executed and delivered to the Buyer such instruments and documents as may be requested by Buyer or Parent in order to complete the transfer of the Acquired Assets and the Assumed Liabilities to the Buyer, including without limitation, a bill of sale and assignment and assumption agreement, a copyright assignment, a trademark assignment, and a patent assignment, each in form and substance satisfactory to the Parent and the Buyer;

(xii) the Parent and the Buyer shall have received from counsel to the Company and the General Partner opinions with respect to the Company, the General Partner, and the transactions contemplated hereby in form and substance as set forth in Exhibit G attached hereto,  
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addressed to the Parent and the Buyer, and dated as of the Closing Date;

(xiii) each of the Buyer and the Company shall have received the consent and estoppel of 8484 Georgia Avenue, L.L.C., in form and substance satisfactory to the Parent and the Buyer, with respect to the Leased Real Property located at 8484 Georgia Avenue, Silver Spring, Maryland;

(xiv) the General Partner shall have conveyed, assigned, and delivered to the Company any asset used by the Company in the Business which constitutes an Acquired Asset, and any liability of the Company which constitutes an Assumed Liability, owned by the General Partner, or licensed by the General Partner to the Company;

(xv) the Company shall have delivered to Parent and Buyer a certificate of the Secretary of the General Partner of the Company as to the incumbency of its officers, a copy of a certificates evidencing the good standing of the Company in each of Delaware, Maryland, and California, each dated no more than fifteen (15) days prior to the date hereof, a copy of the certificate of limited partnership and the agreement of limited partnership of the Company, and a copy of the resolutions adopted by the General Partner of the Company with respect to the transactions contemplated by this Agreement; and

(xvi) the Company and the General Partner shall have executed and delivered a funds flow and settlement statement reflecting the transactions contemplated by this Agreement.

Either the Parent or the Buyer may waive any condition specified in this Section 5(a) if it executes a writing so stating at or prior to the Closing.

(b) Conditions to Obligation of the Company and the General Partner. The obligation of the Company and the General Partner to consummate the transactions to be performed by them in connection with the Closing is subject to satisfaction of the following conditions:

(i) Parent and Buyer shall have performed and complied with all of their covenants under Section 6 hereof in all material respects through the date hereof;

(ii) no action, suit, or proceeding shall be pending as of the date hereof or, to the knowledge of the Parent or the Buyer, threatened as of the date hereof, before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign (including but not limited to Germany, The Netherlands, the European Union, and Singapore) jurisdiction or before any arbitrator wherein an unfavorable injunction, judgment, order, decree, ruling, or charge would (A) prevent consummation of any of the transactions contemplated by this Agreement or (B) cause any of the transactions contemplated by this Agreement to be rescinded following consummation (and no such injunction, judgment, order, decree, ruling, or charge shall be in effect);

(iii) the Parent and the Buyer shall have delivered to the Company a certificate to the effect that the conditions specified above in Section 5(b)(i)-5(b)(ii) have been satisfied in all respects as of the date hereof;

(iv) the Company shall have received from counsel to the Parent and the Buyer an opinion in form and substance as set forth in Exhibit H attached hereto, addressed to the Company,

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and dated as of the Closing Date; and

(v) each of the Parent and the Buyer shall have delivered to the Company a certificate of the Secretary of the Parent and the Buyer, respectively, as to the incumbency of each of their officers, a copy of the certificates evidencing the incorporation and good standing of the Parent and the Buyer, a copy of the certificate of incorporation and bylaws of the Parent and the Buyer, respectively, and a copy of the resolutions adopted by the board of directors of the Parent and the Buyer, respectively, with respect to the transactions contemplated by this Agreement.

The Company may waive any condition specified in this Section 5(b) if it executes a writing so stating at or prior to the Closing.

#### 6. Pre-Closing Covenants.

The Parties agree as follows with respect to the period prior to the Closing:

(a) Access and Investigation. Between the date hereof and the Closing Date, the Company and the General Partner will, and will cause their representatives to:

(i) afford the Buyer and its representatives (collectively, "Buyer's Advisors") reasonable access to the Company and its personnel, properties (including for purposes of environmental testing), contracts, books and records, and other documents and data so as to not unreasonably interfere with the conduct of the Business;

(ii) furnish the Buyer with copies of all such contracts, books and records, and other existing documents and data as the Buyer may reasonably request; and

(iii) furnish the Buyer and Buyer's Advisors with such additional financial, operating and other data and information as the Buyer may reasonably request.

(b) Operation of the Business of the Company. Between the date hereof and the Closing Date, the Company and the General Partner will, and the Company will cause its representatives to:

(i) conduct the Business only in the Ordinary Course of Business, or otherwise with the written consent of the Buyer;

(ii) use their commercially reasonable efforts to preserve intact the current business organization of the Company, keep available the services of the current officers, employees, and agents of the Company, maintain the relations



and good will with suppliers, customers, landlords, creditors, employees, agents, and others having business relationships with the Company, and maintain such amount of working capital necessary for the Company to conduct the Business in the Ordinary Course of Business; and

(iii) confer with the Buyer concerning operational matters of a material nature and, as reasonably requested by the Parent or the Buyer, the status, of business operations and finances.

(c) Negative Covenant. Except as otherwise expressly permitted by this Agreement, between the date of this Agreement and the Closing Date, the Company and the General Partner will not, without the prior consent of the Buyer, take any affirmative action, or fail to take any reasonable action within their or its control, which would cause or result in an inaccuracy or breach as of the date hereof of any of the representations and warranties of the Company set forth in this Agreement as of the date hereof, or which would cause or result in a breach of any covenants of the Company and the General Partner set forth in this Agreement, including, without limitation, any action specified in Section 3(g) of this Agreement.

(i) Without limiting the generality of the foregoing, the Company and the General Partner agree that, between the date of this Agreement and the Closing Date, the Company shall not, and the General Partner shall cause the Company not to, take any of the following actions without the prior written consent of the Buyer or the Parent:

(A) amend the certificate of limited partnership or agreement of limited partnership of the Company, except such amendments filed, or to be filed, and actions taken, or to be taken, in connection with the change of name of the Company as contemplated by this Agreement; except with respect to employees of the Company in the Ordinary Course of Business, make any change in their authorized, issued or outstanding partnership interests or any other equity security of the Company; except with respect to employees of the Company in the Ordinary Course of Business, issue, sell, pledge, assign or otherwise encumber or dispose of, or purchase, redeem or otherwise acquire, any of the partnership interests or other equity securities of the Company or enter into any agreement, call or commitment of any character so to do; grant or issue any option or warrant relating to, right to acquire, or security convertible into, partnership interests or other equity security of the Company; except with respect to employees of the Company in the Ordinary Course of Business, purchase, redeem, retire or otherwise acquire any shares of, or any security convertible into, partnership interests or other equity security of the Company, or agree to do any of the foregoing set forth in this Section 6(c)(i)(A);

(B) acquire, directly or indirectly, substantially all of the assets of, or a controlling equity interest in, any corporation or other entity, or enter into any commitment to do the same;

(C) enter into any agreement, commitment or similar transaction with the Partners;

(D) enter into any employment contract or collective bargaining agreement, written or oral, or modify the terms of any existing such contract or agreement, except in the Ordinary Course of Business;

(E) grant any increase in the base compensation of any of their partners, officers, and employees, except in the Ordinary Course of Business;

(F) adopt, amend, modify, or terminate any bonus, profit-sharing, incentive, severance, or other plan, contract, or commitment for the benefit of any of their partners, officers, and employees (or take any such action with respect to any other Company Plan); and

(G) make any other change in employment terms for any of their partners, officers, and employees, except in the Ordinary Course of Business.

(ii) Without limiting the generality of the foregoing, the Company and the General Partner agree that, between the date hereof and the Closing Date, the Company shall not, and the General Partner shall cause the Company not to, take any of the following actions without the prior written consent of the Buyer or the Parent:

(A) Except with respect to a dividend or other distribution which shall not exceed that amount of net income (as defined in accordance with GAAP) of the Company from June 1, 2001, through the close of business on June 30, 2001, propose, declare, set aside or pay any dividend or other distribution in respect of any of its partnership interests (including, without limitation, any sort of dividend or distribution, or any payment of Indebtedness of the Company owed to the Partners);

(B) incur any Indebtedness, other than normal, Ordinary Course of Business trade payables and accruals;

(C) enter into any agreement (or group of related agreements) outside of the Ordinary Course of Business, or which by its (or their) terms contemplate performance over more than one (1) year, or which involve the payment of more than \$50,000; and

(D) commit to or expend funds for any capital expenditure in excess of \$50,000.

(d) No Merger or Solicitation.

(i) The Company shall not, nor authorize or permit any of its officers, partners or employees or any investment banker, financial advisor, attorney, accountant or other representative or agent retained by them, to, directly or indirectly, solicit, initiate, or encourage (including by way of furnishing nonpublic information), or take any other action to facilitate, any inquiries or the making of any proposal which constitutes, or may reasonably be expected to lead to, any Takeover Proposal, or agree to or endorse any Takeover Proposal, or participate in any discussions or negotiations, or provide third parties with any nonpublic information, relating to any such inquiry or proposal. Without limiting the foregoing, it is understood that any violation of the restrictions set forth in the preceding sentence by the Partners, any executive officer of the Company, or any investment banker, attorney or other advisor or representative of the Company, whether or not such Person is purporting to act on behalf of the Company or otherwise, shall be deemed to be a breach of this Section 6(d) by the Company and the General Partner.

(ii) Neither the General Partner of the Company nor any committee thereof shall (i) withdraw or modify, or propose to withdraw or modify, in a manner adverse to the Buyer, the approval or recommendation by the General Partner or any such committee of this Agreement or the transactions contemplated hereby, (ii) approve or recommend, or propose to approve or recommend, any Takeover Proposal, or (iii) enter into any agreement with respect to any Takeover Proposal.

(iii) In addition to the obligation of the Company set forth in paragraph (ii) above, the Company promptly shall advise the Parent and the Buyer orally and in writing of any request for information or of any Takeover Proposal, or any inquiry with respect to or which could lead to any Takeover Proposal, the material terms and conditions of such request, Takeover Proposal or inquiry and the identity of the Person making any such request, Takeover Proposal or inquiry.

(e) Satisfaction of Obligations to Creditors. At or prior to the Closing Date, the Company shall satisfy any and all obligations of the Company owed to its creditors necessary to permit Buyer to obtain clear title to the Acquired Assets, and evidence of the same shall be delivered by the Company to the Parent and the Buyer.

(f) Assignment of Company Assets Held by the General Partner. Prior to the Closing, the General Partner shall convey, assign, and deliver to the Company any asset used by the Company in the Business which constitutes an Acquired Asset, and any liability of the Company which constitutes an Assumed Liability, which prior to the Closing was owned by the General Partner, or licensed by the General Partner to the Company.

7. Post-Closing Covenants.

The Parties agree as follows with respect to the period following the Closing:

(a) General. In case at any time after the Closing any further action is necessary to carry out the purposes of this Agreement, the Company, the General Partner, the Parent, and the Buyer will take such further action (including the execution and delivery of such further instruments and documents) as any other Party reasonably may request, at the sole cost and expense of the requesting Party (unless the requesting Party is entitled to indemnification therefor hereunder). The Company and the General Partner acknowledge and agree that from and after the Closing, except as specifically set forth in this Agreement, the Buyer will have the right to possession of all documents, books, records (including Tax records), agreements, and financial data of any sort relating to the Acquired Assets and the Assumed Liabilities; provided, however, that the General Partner shall have the right to obtain access to such documents, books, records (including Tax records), agreements, and financial data to the extent related to the period prior to the Closing and make photocopies thereof for a proper purpose, such as in connection with the preparation of its Tax Returns.

(b) Litigation Support. In the event and for so long as any Party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving the Business, the Buyer, the Company or the General Partner, each of the other Parties will reasonably cooperate with the contesting or defending Party and his or its counsel in the contest or defense, make available his or its personnel, and provide such testimony and access to his or its books and records as shall be reasonably necessary in connection with the contest or defense, all at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefor under Section 8 below).

(c) Transition. The Company and the General Partner will use its commercially reasonable efforts not to take any action that is designed or intended to have the effect of discouraging any lessor, licensor, customer, supplier, or other business associate of the Company from maintaining the same business relationships with the Parent and the Buyer after the Closing as it maintained with the Company prior to the Closing.

(d) Confidentiality. The Company and the General Partner will, and will cause the Partners to, treat and hold as confidential all of the Confidential Information, refrain from using any of the Confidential Information and deliver promptly to the Buyer or destroy, at the request and option of the Buyer, all tangible embodiments (and all copies) of the Confidential Information which are in his, her, or its possession. In the event that the Company or any Partner is requested or required (by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand, or similar process) to disclose any Confidential Information,

the Company or the General Partner will notify the Buyer promptly of the request or requirement so that the Buyer may seek an appropriate protective order or waive compliance with the provisions of this Section 7(d). If, in the absence of a protective order or the receipt of a waiver hereunder, the Company or such Partner is, on the advice of counsel, compelled to disclose any Confidential Information to any tribunal or else stand liable for contempt, the Company or such Partner may disclose the Confidential Information to the tribunal; provided, however, that the Company or the General Partner shall, and shall cause the Partners to, use its commercially reasonable efforts to obtain, at the reasonable request of the Buyer and at the Buyer's sole expense, an order or other assurance that confidential treatment will be accorded to such portion of the Confidential Information required to be disclosed as the Buyer shall designate.

(e) Tax Matters. With respect to the transactions contemplated by this Agreement, Parent, Buyer, the Company, and the General Partner will provide each other with such cooperation and information as either of them may reasonably require of the other in connection with the filing of any Tax Return, including Tax Returns relating to the application of the successor employer rules for payroll Tax purposes contained in Code Sections 3121(a)(1) and 3306(b)(1), the determination of a liability for Taxes or a right to a refund for Taxes, or the preparation for litigation or investigation of any claim for Taxes or a right to a refund for Taxes. Such cooperation shall include, but not be limited to, the provision of information including all relevant Tax Returns, and other documents and records, or portions thereof relating to or necessary in connection with the preparation of records, or portions thereof relating to or necessary in connection with the preparation of such Tax Returns or other determination of Tax Liability. Each Party shall retain all Tax Returns, schedules, workpapers, and all other materials, records or documents until the expiration of the statute of limitations for the taxable years to which such Tax Returns and other documents relate. Any information obtained under this provision shall be kept confidential by the Parties, except as may be necessary in connection with the filing of such Tax Returns.

The Parties agree that the Buyer shall pay the sales Tax and the transfer Tax on the transfer of the Acquired Assets, and the Parent and the Buyer shall indemnify, defend and hold the Company and the General Partner harmless with respect to such Taxes. Each Party shall file, or cooperate with the other Parties in filing, all necessary documentation and Tax Returns with respect to such sales Taxes and transfer Taxes with respect to the Acquired Assets.

(f) Assignment of Interests in Acquired Assets. Nothing in this Agreement shall be deemed to constitute or require an assignment or an attempt to assign any of the Acquired Assets if the attempted assignment without the consent of a third party would adversely affect in any way the rights of either the Company or Buyer. If any such consent shall not have been obtained at or prior to the Closing, or the attempted transfer or assignment of any of the Acquired Assets would have an adverse effect on Buyer or the Company, the Company will cooperate with Buyer in any reasonable arrangement designed to provide for Buyer the rights and benefits of such Acquired Assets, including, enforcing for the benefit of Buyer any or all rights of the Company under any agreements

against any other party arising out of the breach or cancellation by such other party, while permitting Buyer the possession and use of such Acquired Assets for Buyer's account as if such Acquired Assets had been so transferred, assigned and delivered, or otherwise. Pending the obtaining of such consents, approvals or novations, Buyer will continue performance of any remaining unfulfilled obligations of the Company under any of the agreements in the same manner as though the same were subcontracted to Buyer on the same terms and conditions as contained in the agreements. Notwithstanding the foregoing, the Company shall not be required to commence any litigation or offer or grant any accommodation (financial or otherwise) to any Person or incur any obligation therefor in order to obtain a consent.

(g) Use of Company Name. The Company and the General Partner acknowledge and agree that all of their rights, and all of the rights of the Partners, in and to, and ownership of, the name of the Company and any names related or substantially similar thereto shall be transferred hereunder to the Buyer. From and after the Closing, the Company and the Partners shall be prohibited from using such names, except as necessary to effect the change of its corporate name or to evidence that such change has occurred. No later than three (3) days following the Closing Date, the Company and the General Partner shall have filed all documents with the appropriate governmental authorities in the State of Delaware, and such other states as the Company is so qualified and registered, to change the name of the Company to a name which does not contain the words "Media Cybernetics" or any other substantially similar words.

(h) Employee Matters.

(i) On the Closing Date, except with respect to those employees which are parties to the Employment Agreements, the Parent shall cause the Buyer to offer employment in a similar position with similar base compensation to each employee of the Company, who on the Closing Date is actively at work (the "Employees"). Buyer agrees to give each Employee credit for all service credited by the Company under all employee benefit plans, programs, policies and arrangements of Buyer in which such Employees become participants for purposes of eligibility, vesting and benefit accrual. Buyer further agrees that from the Closing Date through the remainder of the Parent's current fiscal year to provide such Employees the opportunity to participate in that certain employee profit sharing arrangement of the Company (a copy of which is attached hereto as Exhibit I). Except as  
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otherwise set forth in the Employment Agreements, each of the Employees shall be offered employment pursuant to this Section 7(h) on an at-will basis.

(ii) The Company shall be responsible for those actions which are necessary and desirable to be taken from and after the Closing to terminate the Company Plans.

(iii) Notwithstanding anything contained in this Section 7(h), neither Parent nor Buyer is assuming any Liability or obligation under any Company Plan, and the Company will retain all Liability under each such Company Plan;

provided, however, that Buyer shall assume the Liability for vacation and sick leave accruals on the books of the Company in favor of the Employees as of the Closing Date and shall credit Employees with such vacation and sick leave accruals under Buyer's leave policies as are in effect from time to time.

(iv) Neither the Company nor any Affiliate of the Company shall continue to maintain a group health plan, within the meaning of Code Section 5000(b)(1) following the Closing. The Company and its Affiliates shall have taken the steps reasonably necessary to effect a termination of each of their group health plans and each third-party contract thereunder, all effective as of the Closing Date. From and after the Closing, Buyer shall be responsible for any obligations with respect to group health continuation coverage under COBRA for (i) former employees of the Company and their eligible dependents based on coverage under the Buyer's group health plans, which persons have elected participation in health continuation coverage under COBRA and whose COBRA health continuation coverage period has not expired as of the Closing Date, or are eligible to elect participation in health continuation coverage under COBRA under the Company's group health plan as of the Closing Date, and (ii) Employees offered employment by the Buyer on the Closing Date pursuant to Section 7(h)(i) above and who voluntarily decline such offer of employment, and resign their employment with the Company effective as of the Closing Date, and their eligible dependents.

(i) Transition Incentive Bonus Program. Following the Closing, the Company and the General Partner covenant and agree, jointly and severally, that it shall satisfy all obligations to the employees of the Company arising under the Transition Incentive Bonus Program. The Buyer agrees to reasonably cooperate with the Company and the General Partner to provide the Company and the General Partner such information which is necessary for the Company and the General Partner to satisfy each of their obligations arising under the Transition Incentive Bonus Program.

(j) Domain Name Transfer.

At Closing, the Company shall promptly discontinue all use of the world wide web internet domain names "www.imageproshop.com", "www.solutions-zone.com", "www.mediacy.com", "www.optimas.com", and each other world wide web internet domain name owned by the Company, and each other world wide web internet domain name used in the Business. As soon as practicable following the Closing, but in no event later than thirty (30) days after the Closing, the Company shall take any and all actions as required to effectuate and record such transfer in the records of any and all pertinent domain name registries, so that the Buyer becomes recognized by such registry as the exclusive owner of each such Internet domain name. In any event the Company shall promptly execute and file any forms required by any and all pertinent domain name registries to ensure the full transfer of the exclusive right to the domain names "www.imageproshop.com", "www.solutions-zone.com", "www.mediacy.com", "www.optimas.com", "www.drill-down.com", "www.mediacybernetics.com", "www.image-pro.com", and each other world wide web internet domain name owned by

the Company, and each other world wide web internet domain name used in the Business, to the Buyer, and shall cooperate with the Buyer as it reasonably requests to ensure the full effectiveness of such transfer.

(k) Insurance Coverage.

As soon as is practicable following the Closing, unless otherwise unfeasible to obtain, the Company shall arrange to provide completed operations insurance coverage with respect to each of its general liability, commercial general liability, electronic errors & omissions, executive protection, products liability, and employment practices, policies, which insurance coverage, (i) shall be in effect from the Closing Date for a period of at least two (2) years following the Closing (except with respect to the electronic errors & omissions insurance policy, which shall be in effect indefinitely), (ii) shall provide amounts of coverage and deductibles which are no less favorable than as contained in each such respective policy which was maintained by the Company prior to Closing, and (iii) shall name the Parent and the Buyer as additional named insureds. The Company and the General Partner shall be responsible for fifty percent (50%), and the Parent and the Buyer shall be responsible for fifty percent (50%), of the premiums and other Liabilities incurred in connection with the maintenance of such completed operations insurance policies.

8. Remedies for Breaches of this Agreement.

(a) Survival of Representations and Warranties. All of the representations and warranties of the Company and the General Partner contained in Sections 3(f)-3(cc), except Sections 3(j) and 3(y), of this Agreement and all of the representations and warranties of the Parent and the Buyer contained in Sections 4(d)-4(e) of this Agreement, shall survive the Closing and continue in full force and effect for a period of one (1) year thereafter; all of the representations and warranties of the Company and the General Partner contained in Sections 3(a)-3(e), Section 3(j), and Section 3(y) of this Agreement, and all of the representations and warranties of the Parent and the Buyer contained in Sections 4(a)-4(c) of this Agreement, shall survive the Closing and continue in full force and effect for a period of two (2) years thereafter; and all of the covenants, indemnities, and other agreements of the Parent, the Buyer, the Company, and the General Partner contained in this Agreement shall survive the Closing and continue in full force and effect forever thereafter, subject to any applicable statutes of limitations. No action, claim, or proceeding may be brought by any Party hereto against any other Party resulting from, arising out of, or caused by a breach of a representation or warranty contained herein, or the failure to perform any covenant or other obligations hereunder, after the time such representation, warranty or covenant ceases to survive pursuant to the preceding sentence, unless written notice of such claim setting forth with specificity the basis for such claim is delivered to the applicable Party prior to such time.



(b) Indemnification Provisions for Benefit of the Parent and the Buyer.

(i) In the event the Company or the General Partner breaches (or in the event any third party alleges facts that, if true, would mean the Company or the General Partner has breached) any of its representations, warranties, and covenants contained in this Agreement, and, if there is an applicable survival period pursuant to Section 8(a) above, provided that either the Parent or the Buyer makes a written claim for indemnification setting forth the basis for such claim against the Company or the General Partner pursuant to Section 9(h) below within such survival period, then the Company and the General Partner, jointly and severally, agree to defend, indemnify and hold harmless the Parent and the Buyer, subject to the limitations set forth herein, from and against the entirety of any Adverse Consequences the Parent or the Buyer may suffer through and after the date of the claim for indemnification (including any Adverse Consequences the Parent or the Buyer may suffer after the end of any applicable survival period) resulting from, arising out of, or caused by the breach; provided, however, that:

(A) Neither the Company nor the General Partner shall have any obligation to indemnify the Parent or the Buyer from and against any Adverse Consequences resulting from, arising out of, or caused by the breach of any representation or warranty contained in Sections 3(f)-(cc) of the Agreement, except Section 3(j), and Section 3(y), which exceed in the aggregate Three Million Three Hundred Thousand Dollars (\$3,300,000.00); and

(B) Neither the Company nor the General Partner shall have any obligation to indemnify the Parent or the Buyer from and against any Adverse Consequences resulting from, arising out of, or caused by the breach of any representation or warranty contained in Sections 3(a)-3(e), Section 3(j), and Section 3(y), of this Agreement, or caused by the breach of any covenants, indemnities, and other agreements contained in this Agreement, which exceeds the Asset Purchase Consideration;

(C) Neither the Company nor the General Partner shall have any obligation to indemnify the Parent or the Buyer from and against any Adverse Consequences resulting from, arising out of, or caused by the breach of any representation or warranty contained in Section 3 of this Agreement, or caused by the breach of any covenants, indemnities, and other agreements contained in this Agreement, which, inclusive of all amounts paid in accordance with Section 8(b)(i)(A) and 8(b)(i)(B) above, exceeds the Asset Purchase Consideration, and

(D) Neither the Company nor the General Partner shall have any such indemnification obligation with respect to such breaches contained in Sections 3(f)-(cc) of the Agreement, except Section 3(j), and Section 3(y), until the Parent or the Buyer has suffered Adverse Consequences by reason thereof in excess of Two Hundred Thousand

Dollars (\$200,000.00). No such restriction shall be applicable to the representations and warranties as contained in Sections 3(a)-3(e), Section 3(j), and Section 3(y) of the Agreement, or applicable to any covenants, indemnities, and other agreements contained in this Agreement.

(ii) Notwithstanding anything to the contrary herein contained in Section 8(b)(i) above, (x) the Company and the General Partner, jointly and severally, will indemnify, defend and hold harmless Parent and the Buyer from and against any Adverse Consequences as a result of any claims based on or arising from (A) any Liability of the Company which is an Excluded Liability, or (B) any of the Excluded Assets, and (y) such indemnification shall not be limited in time or amount or subject to any deductible or cap.

(iii) Notwithstanding anything to the contrary herein contained in Section 8(b)(i) above, (x) the Company and the General Partner, jointly and severally, will indemnify, defend and hold harmless Parent and the Buyer from and against any Adverse Consequences as a result of the failure of the Company to make any appropriate Tax filing in any jurisdiction or the failure of the Company to pay any Tax, and (y) such indemnification shall not be limited in time or amount or subject to any deductible or cap.

(iv) For the purposes of this Section 8, in computing the individual or aggregate amounts of claims, the amount of each claim shall be deemed to be an amount net of any insurance proceeds recoverable by Buyer, the Parent or any Affiliate of Buyer or Parent with respect thereto.

(v) As security for the indemnification obligations of the Company and the General Partner under this Agreement, the Parent, Buyer, the Company, and the General Partner shall enter into the Escrow Agreement as of the Closing Date with respect to the indemnification obligations arising under the representations, warranties, and covenants contained in this Agreement, which shall be funded with Three Million Three Hundred Thousand Dollars (\$3,300,000.00) of the Closing Consideration otherwise payable to the Company. The amounts held in the Escrow Agreement shall be held for a period of one (1) year (the "First Escrow Period"), provided that One Million Six Hundred Fifty Thousand Dollars (\$1,650,000.00) (plus any pending claims under this Section 8) shall be retained in escrow for an additional one (1) year period following the First Escrow Period (the "Second Escrow Period") to secure the obligations of the Company and the General Partner under the indemnification obligations arising under this Agreement. Amounts held under the Escrow Agreement shall be a nonexclusive source of indemnification for any representations, warranties, or covenants under this Agreement, and shall not otherwise limit the liability of the Company and the General Partner with respect to indemnification under this Agreement; provided, however, that, subject to the provisions contained in the remainder of this Section 8(b)(v), with respect to claims for indemnification asserted against the Company or the General Partner by the Parent or the Buyer prior to the second (2<sup>nd</sup>) anniversary of the Closing Date, Parent and Buyer shall seek to recover such

claims for indemnification first from that amount held pursuant to the Escrow Agreement. To the extent that the aggregate of all claims for indemnification asserted against the Company and the General Partner exceed Three Million Three Hundred Thousand Dollars (\$3,300,000.00), Parent and Buyer shall seek first to recover such claims for indemnification which may be satisfied pursuant to the Escrow Agreement, based upon the amount of funds remaining in the Escrow Agreement (but excluding funds which are remaining in the Escrow Agreement that are otherwise subject to other outstanding claims for indemnification), provided that in so doing neither Parent nor Buyer shall be required to take any action which may prejudice its rights arising under law or in equity with respect to such claim for indemnification.

(c) Indemnification Provisions for Benefit of the Company. In the event Parent or Buyer breaches (or in the event any third party alleges facts that, if true, would mean Parent or Buyer has breached) any of their representations, warranties, and covenants contained in this Agreement, and, if there is an applicable survival period pursuant to Section 8(a) above, provided that the Company or the General Partner make a written claim for indemnification setting forth with specificity the basis for such claim against Parent or the Buyer pursuant to Section 9(h) below within such survival period, then Parent and the Buyer, jointly and severally, agree to defend, indemnify and hold harmless the Company and the General Partner from and against the entirety of any Adverse Consequences (up to but not in excess of the Asset Purchase Consideration) the Company or the General Partner may suffer through and after the date of the claim for indemnification (including any Adverse Consequences the Company or the General Partner may suffer after the end of any applicable survival period) resulting from, arising out of, or caused by the breach (or the alleged breach). Notwithstanding anything to the contrary herein contained in Section 8(c), (x) Parent and the Buyer, jointly and severally, will indemnify, defend and hold harmless the Company and the General Partner from and against any Adverse Consequences as a result of any claims based on or arising from (A) any Liability of the Company which is an Assumed Liability, or (B) any of the Acquired Assets, and (y) such indemnification shall not be limited in time or amount or subject to any deductible or cap.

(d) Matters Involving Third Parties.

(i) If any third party shall notify any Party (the "Indemnified Party") with respect to any matter (a "Third Party Claim") which may give rise to a claim for indemnification against any other Party (the "Indemnifying Party") under this Section 8, then the Indemnified Party shall promptly notify each Indemnifying Party thereof in writing; provided, however, that no delay on the part of the Indemnified Party in notifying any Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnifying Party thereby is prejudiced.

(ii) Any Indemnifying Party will have the right to defend the Indemnified Party against the Third Party Claim with counsel of its choice reasonably satisfactory to the Indemnified Party so long as (A) the Indemnifying

Party notifies the Indemnified Party in writing within fifteen (15) days after the Indemnified Party has given notice of the Third Party Claim that the Indemnifying Party will indemnify the Indemnified Party from and against the entirety of any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim, (B) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party will have the financial resources to defend against the Third Party Claim and fulfill its indemnification obligations, if any, hereunder, (C) the Third Party Claim involves only money damages and does not seek an injunction or other equitable relief, (D) settlement of, or an adverse judgment with respect to, the Third Party Claim is not, in the reasonable judgment of the Indemnified Party, likely to establish a precedential custom or practice materially adverse to the continuing business interest of the Indemnified Party, and (E) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently.

(iii) So long as the Indemnifying Party is conducting the defense of the Third Party Claim in accordance with Section 8(d)(ii) above, (A) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim, (B) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party (which consent shall not be unreasonably withheld).

(iv) In the event any of the conditions in 8(d)(ii) above is or becomes unsatisfied, however, (A) the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to, the Third Party Claim in any manner it may deem appropriate (provided that the Indemnified Party obtain consent from, any Indemnifying Party in connection therewith, which consent shall not be unreasonably withheld), (B) the Indemnifying Party will reimburse the Indemnified Party promptly and periodically for the costs of defending against the Third Party Claim (including reasonable attorneys' fees and expenses), and (C) the Indemnifying Party will remain responsible for any Adverse Consequences the Indemnified Party may suffer resulting, arising out of, relating to, in the nature of, or caused by the Third Party Claim to the fullest extent provided in this Section 8.

(e) Determination of Adverse Consequences. The Parties shall take into account the time cost of money (using the Applicable Rate as the discount rate) in determining Adverse Consequences for purposes of this Section 8. All indemnification payments under this Section 8 shall be deemed adjustments to the Asset Purchase Consideration.

(f) Post-Closing. Following the Closing, the sole and exclusive remedy of the Company and the General Partner, on the one hand, and Parent and the Buyer on the other hand, with respect to any breach or threatened breach of a representation, warranty, covenant, or other agreement contained herein or with respect to any event, circumstance

or condition occurring on or before the Closing shall be limited to the enforcement of the indemnification obligations set forth in Section 8; provided, however, that nothing provided in this Section 8(f) shall limit the right of any Party to seek any equitable remedy available to enforce his or its rights hereunder in accordance with Section 9(o).

9. Miscellaneous.

(a) Press Releases and Public Announcements. Neither the Company nor the General Partner shall, and the Company and the General Partner shall cause the Partners not to, issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the Parent. Parent, upon prior notice to the Company, may make any public disclosure it believes in good faith is required or permitted by applicable law or any listing or trading agreement concerning its publicly-traded securities.

(b) Waiver of Bulk Sales Law. The Parties hereto acknowledge and agree that no filings with respect to any bulk sales or similar laws have been made, nor are they intended to be made, nor are such filings a condition precedent to the Closing.

(c) No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

(d) Entire Agreement. This Agreement (including the documents referred to herein) constitutes the entire agreement between the Parties and supersedes any prior understandings, agreements, or representations by or between the Parties, written or oral, to the extent they related in any way to the subject matter hereof.

(e) Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of each other Party; provided, however, that either the Parent or the Buyer may (i) assign any or all of its rights and interests hereunder to one or more of its affiliates and (ii) designate one or more of its affiliates to perform its obligations hereunder (in any or all of which cases the assigning Party nonetheless shall remain responsible for the performance of all of its obligations hereunder).

(f) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

(g) Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

(h) Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two business days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to the Buyer:

N. Will Crocker  
MCB Acquisition Subsidiary, Inc.  
c/o Roper Industries, Inc.  
160 Ben Burton Road  
Bogart, Georgia 30622  
Facsimile: (706) 353-6496

Copy to:

Thomas R. McNeill  
Powell, Goldstein, Frazer &  
Murphy LLP  
191 Peachtree Street, NE,  
16/th/ Floor  
Atlanta, GA 30303  
Facsimile: (404) 572-6999

If to the Company or the General Partner:

Michael P. Galvin 1994 Trust  
1133 Connecticut Ave., N.W., Suite 800  
Washington, DC 20036  
Facsimile: (202) 452-4801

Copy to:

Robert F. Wall  
Winston & Strawn  
35 West Wacker Drive  
Chicago, IL 60601  
Facsimile: (312) 558-5700

If to the Parent:

N. Will Crocker  
Roper Industries, Inc.  
160 Ben Burton Road  
Bogart, Georgia 30622  
Facsimile: (706) 353-6496

Copy to:

Shanler D. Cronk, Esq.  
Roper Industries, Inc.  
160 Ben Burton Road  
Bogart, Georgia 30622  
Facsimile: (706) 353-6496

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

(i) Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Delaware without giving effect to any choice or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

(j) Amendments and Waivers. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each of the Parties. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

(k) Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

(l) Expenses. Parent and Buyer will bear their own costs and expenses (including but not limited to financial, advisory, accounting, legal, and environmental fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby. The Company and the General Partner each shall bear (i) its own costs and expenses (including but not limited to financial, advisory, accounting, legal, and environmental fees and expenses, and the fees and expenses of Udata Capital, Inc.) and (ii) the costs and expenses (including but not limited to financial, advisory, accounting, legal, and environmental fees and expenses, and the fees and expenses of Udata Capital, Inc.) of the Partners incurred in connection with this Agreement and the transactions contemplated hereby.

(m) Construction. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word "including" shall mean including without limitation. Items set forth in the Company Disclosure Schedule shall be deemed an exception only to the representations and warranties for which they are identified and any other representations or warranties to which the Company Disclosure Schedule with respect to representations and warranties contain in appropriate cross-reference.

(n) Incorporation of Exhibits and Schedules. The Exhibits and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

(o) Specific Performance. Each of the Parties acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having, in accordance with the terms of this Agreement, jurisdiction over the Parties and the matter, in addition to any other remedy to which it may be entitled, at law or in equity.

(p) Submission to Jurisdiction. Each of the Parties submits to the jurisdiction of any state or federal court sitting in the State of Maryland in any action or proceeding

arising out of or relating to this Agreement and agrees that all claims in respect of the action or proceeding may be heard and determined in any such court. Each Party also agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court. Each of the Parties waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety, or other security that might be required of any other Party with respect thereto. Parent, Buyer, the Company, and the General Partner appoint The Prentice-Hall Corporation System, Inc. (the "Process Agent") as their agent to receive on its or its behalf service of copies of the summons and complaint and any other process that might be served in the action or proceeding. Any Party may make service on any other Party by sending or delivering a copy of the process (i) to the Party to be served at the address and in the manner provided for the giving of notices in Section 9(h) above or (ii) to the Party to be served in care of the Process Agent at the address and in the manner provided for the giving of notices in Section 9(h) above. Each Party agrees that a final judgment in any action or proceeding so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by law or in equity.

(q) Arbitration. Except as otherwise set forth in this Agreement, all disputes arising out of or under this Agreement shall be settled by arbitration in a location in Washington, D.C., mutually acceptable to the Parties before a single arbitrator pursuant to the rules of the American Arbitration Association. Arbitration may be commenced at any time by any of the Parties by giving written notice to each other than such dispute has been referred to arbitration under this Section 9(q). The arbitrator shall be selected by the joint agreement of the Parties, but if they do not so agree within twenty (20) days after the date of receipt of the notice referred to above, the selection shall be made pursuant to the rules from the panels of arbitrators maintained by the American Arbitration Association. Any award rendered by the arbitrator shall be conclusive and binding upon the Parties hereto; provided, however, that any such award shall be accompanied by a written opinion of the arbitrator giving the reason for the award. This provision for arbitration shall be specifically enforceable by the Parties and the decision of the arbitrator in accordance herewith shall be final and binding and there shall be no right of appeal therefrom. The arbitrator shall assess, as part of his award to the prevailing Party, all or such part as the arbitrator deems proper of the arbitration expenses of the prevailing Party (including reasonable attorneys' fees) and of the arbitrator against the Party that is unsuccessful in such claim, defense or objection.

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IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on the date first above written.

BUYER:

MCB Acquisition Subsidiary, Inc.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PARENT:

Roper Industries, Inc.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

THE COMPANY:

Media Cybernetics, L.P.

By: Media Cybernetics, Inc., its General Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

GENERAL PARTNER:

Media Cybernetics, Inc.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") dated as of November 6, 2001, between Brian Jellison (the "Executive") and Roper Industries, Inc., a Delaware corporation (the "Company").

W I T N E S S E T H:

WHEREAS, the Company desires to employ the Executive as its President and Chief Executive Officer and wishes to define the terms of the Executive's employment with the Company and the Executive desires to accept such employment, for the term and upon the other conditions hereinafter set forth; and

WHEREAS, the parties desire to enter into this Agreement setting forth the terms and conditions of the employment relationship of the Executive with the Company;

NOW, THEREFORE, the parties agree as follows:

1. Employment. The Company hereby employs the Executive, and the

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Executive hereby accepts employment with the Company, upon the terms and subject to the conditions set forth herein.

2. Term. This Agreement shall commence on the date hereof (the

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"Effective Date") and shall continue during the period in which the Executive remains employed by the Company (the "Term"). The Executive shall be considered an at-will employee and his employment may be terminated by either party subject to the obligations of the parties upon such termination as may be set forth hereinafter.

3. Position. During the Term, the Executive shall serve as President

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and Chief Executive Officer of the Company.

4. Duties and Reporting Relationship. The Executive shall have

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duties and responsibilities commensurate with his title and status as President and Chief Executive Officer. He shall at all times be the highest-ranking officer of the Company, reporting to the Board of Directors of the Company (the "Board"). During the Term, the Executive shall, on a full time basis, use the Executive's skills and render services to the best of the Executive's abilities in supervising and conducting the operations of the Company and, except for his continuing to serve as a member of the Board of Directors of Champion Enterprises, Inc and on any committees thereof and as a member of the Board of Directors of Tavant, Inc., the Executive shall not engage in any other business activities except with the prior written approval of the Board or its duly authorized designee. The Executive agrees to be employed by the Company in such capacity for the Term, subject to all the covenants and conditions hereinafter set forth.

5. Place of Performance. The Executive shall perform his duties and

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conduct his business at the principal executive offices of the Company, except for required travel on the Company's business. Executive agrees to relocate his family to the Athens or Atlanta, Georgia area as soon as practicable after the Effective Date, but in no event later than six (6) months following the Effective Date.

6. Salary and Annual Bonus.

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(a) Base Salary. The Executive's base salary hereunder shall be \$575,000 a year, payable no less frequently than monthly and prorated for any partial year of employment. The Board shall review such base salary at least annually and may increase, but not decrease, such base salary as it may deem advisable.

(b) Annual Bonus. The Company shall provide the Executive with an opportunity to earn upon achievement of target performance goals established by the Compensation Committee of the Board, an annual bonus of up to one hundred percent (100%) of the Executive's base salary (the "Target Bonus").

7. Vacation, Holidays and Sick Leave. During the Term, the Executive

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shall be entitled to paid vacation, paid holidays and sick leave in accordance with the Company's standard policies for its senior executive officers; provided however, that in no event shall the Executive be entitled to less than four (4) weeks of vacation per year.

8. Business Expenses. The Executive shall be reimbursed for all

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ordinary and necessary business expenses incurred by the Executive in connection with the Executive's employment upon timely submission by the Executive of receipts and other documentation as required by the Internal Revenue Code and in conformance with the Company's normal procedures.

9. Pension and Welfare Benefits. During the Term, the Executive

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shall be eligible to participate fully in all health benefits, insurance programs, pension and retirement plans and other employee benefit and compensation arrangements available to senior executive officers of the Company generally. In addition, the Executive shall be entitled to use a new Company paid automobile (Buick Park Avenue or equivalent) and the Company will pay initiation and monthly dues for the Executive at the Athens Country Club or another country club of his choice which is reasonably acceptable to the Board of Directors of the Company.

10. Relocation Benefits. The Executive shall be entitled to

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relocation benefits in accordance with the Company's relocation policy. In addition and notwithstanding the relocation policy:

(a) The Company shall gross-up any portion of such relocation benefits which are taxable to the Executive for all state, federal and local income taxes based on the Executive's highest marginal income tax rates, which amount shall be considered additional relocation benefits;

- (b) The Company will pay for the Executive's temporary living expenses for up to six months; and
- (c) The Executive will not be obligated to return all relocation benefits unless prior to the first anniversary of the Effective Date, the Executive voluntarily terminates his employment with the Company without Good Reason (as defined below) or is terminated by the Company for Cause (as defined below).

11. Stock Options On the Effective Date, the Company shall grant to

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the Executive, pursuant to the terms of the Company's 2000 Stock Incentive Plan (the "Stock Incentive Plan") and the Company's 1991 Stock Option Plan (the "Stock Option Plan"), options to purchase in the aggregate 200,000 shares of common stock of the Company having an exercise price equal to the fair market value of the Company's common stock as of the Effective Date and which shall have such other terms and be subject to such conditions as are set forth in the form of Stock Option Agreement typically used by the Company under the Stock Incentive Plan and the Stock Option Plan, respectively; provided, however, that of the aggregate 200,000 shares subject to the options, 50,000 shall be vested on the Effective Date, 50,000 shares shall vest in equal one-third increments on each of the first three anniversaries of the Effective Date, provided that the Executive is employed by the Company as of the dates of vesting, and the balance of the shares shall vest in equal one-fifth increments on each of the first five anniversaries of the Effective Date, provided that the Executive is employed by the Company as of the dates of vesting. In the event the Executive's employment is terminated by the Company without Cause (as defined below) or the Executive resigns with Good Reason (as defined below), then that portion of any option (including any additional options that may be granted to the Executive after the Effective Date) that would have vested at the next anniversary of the Effective Date following the Date of Termination shall be and become fully vested on the Date of Termination and, notwithstanding any provision to the contrary in the applicable Stock Option Agreement, any option held by the Executive to the extent then vested, may be exercised and shall not expire until the earlier of (A) the expiration of the option term as set forth in the Stock Option Agreement or (B) the expiration of the severance period set forth in Section 13(e)(ii). In addition to the grant set forth in this Section, the Board or the Compensation Committee thereof may grant to the Executive such other and additional awards under the Stock Incentive Plan (or any successor plan) as may from time to time be deemed appropriate.

12. Termination of Employment.

- (a) General. The Executive's employment hereunder may be

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terminated only under the circumstances described in this Section 12.

(b) Death or Disability.  
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(i) The Executive's employment hereunder shall automatically terminate upon the death of the Executive.

(ii) If, as a result of the Executive's incapacity due to physical or mental illness, the Executive is unable to perform the essential functions of his job for one hundred eighty (180) days (whether or not consecutive) during any period of eighteen (18) consecutive months, and no reasonable accommodation can be made that will allow Executive to perform his essential functions, the Company may terminate the Executive's employment hereunder for any such incapacity (a "Disability").

(c) Termination by the Company. The Company may terminate the  
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Executive's employment hereunder at any time, whether or not for Cause. For purposes of this Agreement, "Cause" shall mean (i) the continuous and willful failure or refusal by the Executive to perform the Executive's duties hereunder (other than any such failure resulting from the Executive's incapacity due to physical or mental illness), which has not ceased within ten (10) days after a written demand for substantial performance is delivered to the Executive by the Company, which demand identifies with particularity the manner in which the Company believes that the Executive has not performed such duties, (ii) the engaging by the Executive in willful misconduct which is materially injurious to the Company, monetarily or otherwise (including, but not limited to, conduct which violates Section 16 hereof) or an act of moral turpitude which is materially injurious to the Company, monetarily or otherwise (including, but not limited to, conduct which violates Section 16 hereof) or (iii) the conviction of the Executive of, or the entering of a plea of nolo contendere by, the Executive with respect to a felony.

For purposes of this provision, no act or failure to act, on the part of Executive shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board of Directors or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless prior to such termination there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the disinterested membership of the Board of Directors at a meeting of such Board of Directors called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity to be heard before such Board of Directors), finding, that, in the good faith opinion of the Board of Directors, the Executive is guilty of the conduct described in clause (i), (ii) or (iii) above.

(d) Termination by the Executive for Good Reason. The  
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Executive shall be entitled to terminate his employment hereunder for Good Reason. For purposes of this

Agreement, "Good Reason" shall mean any one of the following acts by the Company, or failures by the Company to act, unless, in the case of any act or failure to act described below, such act or failure to act is corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof or unless Executive has otherwise consented thereto in writing:

(i) any material diminution in the Executive's authorities or responsibilities (including reporting responsibilities) or from his status, title, position or responsibilities (including reporting responsibilities) without the Executive's express written consent to accept any such change; the assignment to him of any duties or work responsibilities which are inconsistent with such status, title, position or work responsibilities; or any removal of the Executive from, or failure to reappoint or reelect him to any of such positions, except if any such changes are because of Disability, retirement, death or Cause;

(ii) a reduction by the Company in the Executive's base salary or Target Bonus as in effect on the date hereof or as the same may be increased from time to time;

(iii) the relocation of the Executive's office at which the Executive is to perform the Executive's duties, to a location more than fifty (50) miles from the location at which the Executive previously performed the Executive's duties hereunder, except for required travel on the Company's business;

(iv) the failure by the Company to comply with any material provision of this Agreement, which failure has not been cured within ten (10) days after notice of such noncompliance has been given by the Executive to the Company; or

(v) any purported termination of the Executive's employment by the Company which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 12(f) below.

The Executive's continued employment for 6 months following any act or failure to act constituting Good Reason hereunder without the delivery of a Notice of Termination shall constitute consent to, and a waiver of rights with respect to, such act or failure to act.

(e) Voluntary Resignation. Should the Executive wish to resign

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from his position with the Company or terminate his employment for other than Good Reason during the Term, the Executive shall give sixty (60) days written notice to the Company ("Notice Period"), specifying the date as of which his resignation is to become effective. During the Notice Period, the Executive shall cooperate fully with the Company in an effort to achieve a smooth transition of the Executive's duties and responsibilities to such person(s) as may be designated by the Company. The Company reserves the right to accelerate the Date of Termination by giving the Executive notice, but the Company shall

in that case pay and provide the Executive with all payments and benefits he would otherwise have been entitled to (other than disability benefits) had he remained employed through the end of the Notice Period, including payment of amounts due to the Executive under Section 6(a) and, to the extent applicable, Section 6(b) for the balance of the Notice Period. The Company's obligation to continue to employ the Executive or to continue payment of the amounts described in the preceding sentence shall cease immediately if: (1) the Executive has not satisfied his obligations to cooperate fully with a smooth transition or (2) the Company has grounds to terminate the Executive's employment immediately for Cause. Conversely, if during the Notice Period the Executive comes to have grounds to resign with Good Reason (other than the grounds described in Section 12(d)(i) or, only to the extent related to the matters covered in Section 12(d)(i), Section 12(d)(iv)), then Executive may, by notice, deem the resignation to be with Good Reason, in which case the rights and obligations set forth herein for a Good Reason termination shall govern.

(f) Notice of Termination. Any purported termination of the

Executive's employment by the Company or by the Executive shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 19. "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

(g) Date of Termination. "Date of Termination" shall mean (i) if the

Executive's employment is terminated because of death, the date of the Executive's death, (ii) if the Executive's employment is terminated for Disability, the date Notice of Termination is given, (iii) if the Executive's employment is terminated pursuant to Subsection (c) or (e) hereof or for any other reason (other than death or Disability, Good Reason or Cause), the date specified in the Notice of Termination which shall not be less than sixty (60) days from the date such Notice of Termination is given (iv) if the Executive's employment is terminated pursuant to Subsection (c) for reasons of Cause, immediately upon delivery the Notice of Termination and (v) if the Executive's employment is terminated pursuant to Subsection (d) hereof, the date specified in the Notice of Termination which shall not be less than thirty (30) days from the date such Notice of Termination is given.

(h) Change in Control. For purposes of this Agreement, a Change in

Control of the Company shall have occurred if:

(i) any "Person" (as defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the "Exchange Act") as modified and used in Sections 13(d) and 14(d) of the Exchange Act) other than (1) the Company or any of its subsidiaries, (2) any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, (4) any creditor of the Company (but not any transferee of such creditor

even if such transferee shall also be a creditor) who is issued shares of the Company's common stock in connection with the implementation of the Company's plan of reorganization which shall be effective as of the Effective Date, or (5) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the Company's common stock), is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than 40% of the combined voting power of the Company's then outstanding voting securities;

(ii) during any period of not more than two (2) consecutive years, not including any period prior to the Effective Date, individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (i), (iii), or (iv) of this Section 12(h)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(iii) the stockholders of the Company approve a merger or consolidation of the Company with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving or parent entity) 50% or more of the combined voting power of the voting securities of the Company or such surviving or parent entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation in which no person acquires 40% or more of the combined voting power of the Company's or such surviving or parent entity's then outstanding securities; or

(iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets or all or substantially all of its and its subsidiaries' assets, taken as a whole, (or any transaction having a similar effect).

(i) Return of Property. When the Executive ceases to be employed by

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the Company, the Executive will promptly surrender to the Company all Company property, including without limitation, all records and other documents belonging to the Company that were obtained by him or entrusted to him during the course of his employment with the Company provided, however, that the Executive may retain copies of such documents as necessary for the Executive's personal records for federal income tax purposes.

13. Compensation During Disability, Death or Upon Termination.  
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(a) During any period that the Executive fails to perform his duties hereunder as a result of incapacity due to a Disability ("Disability Period"), the Executive shall continue to receive his base salary at the rate then in effect for such period until his employment is terminated pursuant to Section 12(b)(ii) hereof, provided that payments so made to the Executive during the Disability Period shall be reduced by the sum of the amounts, if any, payable to the Executive with respect to such period under disability benefit plans of the Company or under the Social Security disability insurance program, and which amounts were not previously applied to reduce any such payment.

(b) If the Executive's employment is terminated by his death or Disability, the Company shall pay (i) any base salary due to the Executive under Section 6(a) through the date of such termination (ii) any earned but unpaid bonus from any prior fiscal year of the Company (iii) all other unpaid amounts, if any, to which the Executive is entitled as of the Date of Termination under any compensation plan or program of the Company, at the time such payments are due, and (iv) an amount equal to the Target Bonus he would have received for the fiscal year that ends on or immediately after the Date of Termination, assuming the Company achieved the target level for which a bonus is paid under the plan described in Section 6(b), prorated for the period beginning on the first day of the fiscal year in which occurs the Date of Termination through the Date of Termination.

(c) If the Executive's employment is terminated by the Company for Cause or by the Executive for other than Good Reason, the Company shall pay the Executive (i) his base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, (ii) any earned but unpaid bonus from any prior fiscal year of the Company and (iii) all other unpaid amounts, if any, to which the Executive is entitled as of the Date of Termination under any compensation plan or program of the Company, at the time such payments are due, and the Company shall have no further obligations to the Executive under this Agreement.

(d) If within one (1) year following a Change in Control, either the Company terminates the Executive's employment without Cause or the Executive terminates his employment for Good Reason, then

(i) the Company shall pay the Executive (I) his base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, (II) any earned but unpaid bonus from any prior fiscal year of the Company, and (III) all other unpaid amounts, if any, to which the Executive is entitled as of the Date of Termination under any compensation plan or program of the Company, at the time such payments are due;

(ii) in lieu of any further salary or other payments to the Executive for periods subsequent to the Date of Termination, the Company shall pay as liquidated damages to the Executive an aggregate amount equal to the product of (A) the sum of (1) the Executive's base salary at the rate in effect of the Date of

Termination and (2) the greater of (I) the average of the annual bonuses actually paid to the Executive by the Company with respect to the two (2) fiscal years which immediately precede the year in which the Date of Termination occurs (provided if there was a bonus paid to the Executive with respect only to one fiscal year that immediately precedes the year in which the Date of Termination occurs, then such single year's bonus shall be utilized in the calculation pursuant to this subclause (I)) and (II) the bonus the Executive would earn based on the Target Bonus applicable for the year of termination and (B) the number two (2.0);

(iii) the Company shall pay the Executive an amount equal to the prorated Target Bonus (prorated in the same manner set forth in Section 13(b) hereof) that would have been paid for the period beginning on the first day of the fiscal year in which the Date of Termination occurs;

(iv) the Company shall continue coverage for the Executive, on the same terms and conditions as would be applicable if the Executive were an active Employee, under the Company's life insurance, medical, health and similar welfare benefit plans (other than group disability benefits) for a period of twenty-four (24) months; provided, however, that if the Company is unable under the terms of any such plan to provide such benefits, then in lieu of such continued coverage, the Company shall pay to the Executive the economic equivalent of such benefit (based on premium costs to the Company). Benefits otherwise receivable by the Executive pursuant to this Section 13(d)(iv) shall be reduced to the extent comparable benefits are actually received by the Executive from a subsequent employer during the period during which the Company is required to provide such benefits, and the Executive shall report to the Company any such benefits actually received by him;

(v) all options, shares of restricted stock, performance shares and any other equity based awards shall be and become fully vested as of the Date of Termination and, notwithstanding any provision to the contrary in the applicable Stock Option Agreement, any such options may be exercised and shall not expire until the earlier of (I) the expiration of the option term as set forth in the Stock Option Agreement or (II) the second anniversary of the Date of Termination; and

(vi) the payments provided for in this Section 13(d) (other than Section 13(d)(iv)) shall be made not later than the thirtieth (30th) day following the Date of Termination.

(e) If either following the first anniversary of or prior to a Change of Control, the Executive terminates his employment for Good Reason or the Company terminates the Executive's employment without Cause, then

(i) the Company shall pay the Executive (I) his base salary through the Date of Termination at the rate in effect at the time Notice of Termination is

given, (II) any earned but unpaid bonus from any prior fiscal year of the Company, and (III) all other unpaid amounts, if any, to which the Executive is entitled as of the Date of Termination under any compensation plan or program of the Company, at the time such payments are due;

(ii) the Company shall pay to the Executive the Executive's base salary in effect as of the date the Notice of Termination is given for a period of twenty-four (24) months from the Date of Termination;

(iii) the Company shall pay the Executive his Target Bonus prorated (in the manner set forth in Section 13(b) hereof) for the period beginning on the first day of the fiscal year in which occurs the Date of Termination through the Date of Termination;

(iv) the Company shall continue coverage for the Executive, on the same terms and conditions as would be applicable if the Executive were an active employee, under the Company's life insurance, medical, health, and similar welfare benefit plans (other than group disability) for a period not to exceed the number of months the Executive will be paid under Section 13(e)(ii) beginning on the Date of Termination; provided, however, that if the Company is unable under the terms of any such plan to provide such benefits, then in lieu of such continued coverage, the Company shall pay to the Executive the economic equivalent of such benefit (based on premium costs to the Company);

(v) benefits otherwise receivable by the Executive pursuant to clause (iv) of this Section 13(e) shall be reduced to the extent comparable benefits are actually received by the Executive from a subsequent employer during the period which the Company is required to provide such benefits, and the Executive shall report to the Company any such benefits actually received by him.

(f) The Executive shall not be required to mitigate the amount of any payment or benefit provided for in this Section 13 by seeking other employment or otherwise, and, except as provided in Sections 13(d)(iv) and 13(e)(iv) and (v) hereof, the amount of any payment or benefit provided for in this Section 13 shall not be reduced by any compensation or benefits earned by the Executive as the result of employment by another employer or by retirement benefits or from any other source.

(g) Release. Prior to making any payment pursuant to Sections

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13(e)(ii) and 13(e)(iii), the Company shall have the right to require the Executive to sign, and the Executive hereby agrees to sign, an agreement to be bound by the terms of Section 16 of this Agreement and a waiver, in the form attached hereto as Exhibit A, of all claims the Executive may have (including any claims under the Age Discrimination in Employment Act), and the Company may withhold payment of such amount until the period during which the Executive may revoke such waiver (normally seven days) has elapsed.

14. Representations and Covenants.  
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(a) The Company represents and warrants that this Agreement has been authorized by all necessary corporate action of the Company and is a valid and binding agreement of the Company enforceable against it in accordance with its terms.

(b) The Executive represents and warrants that he is not a party to any agreement or instrument that would prevent him from entering into or performing his duties in any way under this Agreement. The Executive agrees and covenants that he will obtain, and submit to, such physical examinations as may be necessary to facilitate the Company obtaining an insurance policy for its benefit insuring the life of the Executive.

15. Successors; Binding Agreement.  
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(a) This Agreement is not assignable by the Company except to a successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, provided that such successor expressly assumes and agrees to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

(b) This Agreement is a personal contract and the rights and interests of the Executive hereunder may not be sold, transferred, assigned, pledged, encumbered, or hypothecated by him, except as otherwise expressly permitted by the provisions of this Agreement. This Agreement shall inure to the benefit of and be enforceable by the Executive and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to him hereunder had the Executive continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his devisee, legatee or other designee or, if there is no such designee, to his estate.

16. Confidentiality and Non-Competition Covenants.  
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(a) The Executive covenants and agrees that he will not at any time during or at any time after the end of the Term, directly or indirectly, use for his own account, or disclose to any person, firm or corporation, other than authorized officers, directors and employees of the Company or its subsidiaries, Confidential Information (as hereinafter defined) that is treated as trade secrets by the Company and will not at any time during or for five years following the Date of Termination, directly or indirectly, use for his own account, or disclose to any person, firm or corporation, other than authorized officers, directors and employees of the Company or its subsidiaries, any other Confidential Information. As used herein, "Confidential Information" of the Company means information of any kind, nature or description which is disclosed to or otherwise known to the Executive as a direct or indirect consequence of his association with the Company, which information is not generally known to the public or in the business in which the

Company is engaged or which information relates to specific opportunities within the scope of the Company's business which were considered by the Executive or the Company during the term of this Agreement. Confidential Information that is treated as confidential trade secrets by the Company shall include, but not be limited to, strategic operating plans and budgets, policy and procedure manuals, computer programs, financial forms and information, patient or resident lists and accounts, supplier information, accounting forms and procedures, personnel policies, information pertaining to the salaries, positions and performance reviews of the Company's employees, information on the methods of the Company's operations, research and data developed by or for the benefit of the Company and information relating to revenues, costs, profits and the financial condition of the Company. Confidential Information does not include any information that (i) is generally known to the public or the business in which the Company engages other than as a result of unauthorized disclosure by the Executive, (ii) can be discovered, compiled or ascertained by a third party without substantial burden or expense, or (iii) was known to the Executive prior to accepting employment with the Company. During the Term and for a period of two (2) years following the termination of the Executive's employment, the Executive shall not, directly or indirectly, solicit or induce any person who is then an employee of the Company or its subsidiaries to terminate his or her employment by the Company or its subsidiaries in order to obtain employment by any person, firm or corporation affiliated with the Executive and the Executive shall not or cause any other person, firm or corporation affiliated with the Executive to hire any employee of the Company or its subsidiaries or any other person who was an employee of the Company or its subsidiaries within the twelve (12) month period prior to the Executive's Date of Termination.

(b) The Executive covenants and agrees that any information, materials, ideas, discoveries, techniques or programs developed or discovered by the Executive in connection with the performance of his duties hereunder shall remain the sole and exclusive property of the Company and, to the extent it constitutes Confidential Information, shall be subject to the covenants contained in the preceding paragraph.

(c) The Executive covenants and agrees that during the Term and for a period of one (1) years following the termination of the Executive's employment, the Executive shall not, directly or indirectly, own an interest in, operate, join, control, or participate as a partner, director, principal, officer, or agent of, enter into the employment of, or act as a consultant to, in any case in which he has control or supervision over a significant portion of any entity which competes with the Company and whose principal business is designing, manufacturing and distributing specialty industrial controls, fluid handling and analytical instrumentation products. Notwithstanding anything herein to the contrary, the foregoing provisions of this Section 16(c) shall not prevent the Executive from acquiring securities representing not more than 5% of the outstanding voting securities of any publicly held corporation.

(d) Without limiting the right of the Company to pursue all other legal and equitable remedies available for violation by the Executive of the covenants contained in this Section 16, it is expressly agreed by the Executive and the Company that such other

remedies cannot fully compensate the Company for any such violation and that the Company shall be entitled to injunctive relief, without the necessity of proving actual monetary loss, to prevent any such violation or any continuing violation thereof. Each party intends and agrees that if in any action before any court or agency legally empowered to enforce the covenants contained in this Section 16, any term, restriction, covenant or promise contained herein is found to be unreasonable and accordingly unenforceable, then such term, restriction, covenant or promise shall be deemed modified to the extent necessary to make it enforceable by such court or agency. The covenants contained in Section 16 shall survive the conclusion of the Executive's employment by the Company.

17. Entire Agreement. This Agreement contains all the understandings

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between the parties hereto pertaining to the matters referred to herein, and on the Effective Date shall supersede all undertakings and agreements, whether oral or in writing, previously entered into by them with respect thereto. The Executive represents that, in executing this Agreement, he does not rely and has not relied upon any representation or statement not set forth herein made by the Company with regard to the subject matter, bases or effect of this Agreement or otherwise.

18. Amendment or Modification. Waiver. No provision of this Agreement may

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be amended or waived unless such amendment or waiver is agreed to in writing, signed by the Executive and by a duly authorized officer of the Company. No waiver by any party hereto of any breach by another party hereto of any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time.

19. Notices. Any notice to be given hereunder shall be in writing and shall

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be deemed given when delivered personally, sent by courier or telecopy or registered or certified mail, postage prepaid, return receipt requested, addressed to the party concerned at the address indicated below or to such other address as such party may subsequently give notice of hereunder in writing:

To Executive at:            Brian Jellison  
                                  8044 Heyward Drive,  
                                  Indianapolis, IN 46250

With a copy to:            Peter Weidman, Esq.  
                                  600 West Germantown Pike, Suite 400  
                                  Plymouth Meeting, PA 19462

To the Company at:        Roper Industries, Inc.  
                                  160 Ben Burton Road  
                                  Bogart, Georgia 30622  
                                  Attn: Chairman of the Board of Directors

With a copy to: Thomas R. McNeill, Esq.  
Powell, Goldstein, Frazer & Murphy  
16/th/ Floor  
191 Peachtree Street  
Atlanta, Georgia 30303

Any notice delivered personally or by courier under this Section 19 shall be deemed given on the date delivered and any notice sent by telecopy or registered or certified mail, postage prepaid, return receipt requested, shall be deemed given on the date telecopied or mailed.

20. Severability. If any provision of this Agreement or the application of  
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any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law.

21. Survivorship. The respective rights and obligations of the parties  
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hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

22. Governing Law: Attorney's Fees.  
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(a) This Agreement will be governed by and construed in accordance with the laws of the State of Georgia, without regard to its conflicts of laws principles.

(b) The prevailing party in any dispute arising out of this Agreement shall be entitled to be paid its reasonable attorney's fees and litigation expenses incurred in connection with such dispute from the other party to such dispute.

23. Dispute Resolution. The Executive and the Company shall not initiate  
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legal proceedings relating in any way to this Agreement or to the Executive's employment or termination from employment with the Company until thirty (30) days after the party against whom the claim is made ("respondent") receives written notice from the claiming party of the specific nature of any purported claims and the amount of any purported damages attributable to each such claim. The Executive and the Company further agree that if respondent submits the claiming party's claim to the CPR Institute for Dispute Resolution, JAMS/Endispute, or other local dispute resolution service for nonbinding mediation prior to the expiration of such thirty (30) day period, the claiming party may not institute legal proceedings against respondent until the earlier of: (a) the completion of good-faith mediation efforts or (b) 90 days after the date on which the respondent received written notice of the claimant's claim(s); provided, however, that nothing in this Section 23 shall prohibit either party from pursuing injunctive or other equitable relief against the other party in circumstances in which such relief is appropriate, prior to, contemporaneous with, or subsequent to invoking or participating in these dispute resolution

processes. In all events, the Company shall pay the cost of the mediator, regardless of whether the dispute was or was not resolved or settled through mediation.

24. Headings. All descriptive headings of sections and paragraphs in this

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Agreement are intended solely for convenience, and no provision of this Agreement is to be construed by reference to the heading of any section or paragraph.

25. Withholdings. All payments to the Executive under this Agreement shall

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be reduced by all applicable withholding required by federal, state or local tax laws.

26. Counterparts. This Agreement may be executed in counterparts, each of

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which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ROPER INDUSTRIES, INC.

BY: \_\_\_\_\_  
NAME: \_\_\_\_\_  
TITLE: \_\_\_\_\_

EXECUTIVE

\_\_\_\_\_  
Brian Jellison



September 11, 2000

Mr. Hadj Amari  
4 Ladue Circle  
Pittsford, NY 14534

Dear Hadj:

I am very pleased to offer you the position of Group Vice President, Industrial Controls at Roper Industries. Roper's entire management team was impressed with your experience and, more importantly, with your personality and management style. I know you will fit in well at our company and I am sure you will enjoy working with us.

Salary and Benefits  
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The following statements summarize the proposed financial terms of your employment:

1. Your commencing salary will be \$240,000 to be reviewed January 1, 2002 and thereafter on an annual basis.
2. You will be paid a bonus of \$103,000 in January 2001.
3. You will be included in the Roper Industries Discretionary Annual Bonus Program. Bonuses in this program are paid in the first week of January for results achieved in the preceding fiscal year. If goals are fully met, you will be entitled to a bonus that represents 100% of your annual salary.
4. You will be eligible to participate in Roper's Stock Option Program. On commencing employment, you will be granted 20,000 Roper Stock Options at the prevailing stock price and normal vesting period. Additional options could be made available on an annual basis as Roper continues to grow and your success contributes to Roper's performance.
5. A company car will be provided similar to a Buick Park Avenue with all expenses for business and private use covered, subject to IRS rules.
6. You will be included in the corporation's benefits package, a summary of which is provided as a supplement to this letter.
7. Relocation reimbursement will be provided under the ABB guidelines with which you are already familiar with the exception that we are unable to provide the service to either purchase or market your existing home for sale.
8. You will be eligible to participate in Roper's Deferred Compensation Program, if so desired. This program will be immediately available to you and has no limits to amounts of compensation deferred.
9. You will also be eligible, after a waiting period of six months to participate in Roper's Employee Stock Purchase Plan. This discounted program limits participation to 10% of salary and is capped at stock purchase of \$25,000 per annum.
10. You will be eligible for initiation fees, monthly dues and business expenses to the Athens Country Club, assuming membership is available.

Hadj, a couple of points of clarification:

- (a) You and your family will be immediately eligible for the company's health insurance package.
- (b) There is a six-month waiting period before eligibility into the company's 401(k) plan.

Severance Agreement

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We mutually agreed that in the event of a Change in Control of the company, a layoff from your position as Group Vice President, or termination for reasons other than for cause, you will be provided a severance package for a period of six months.

Starting Date

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Hadj, I hope that the employment package extended in this letter is satisfactory and you will commence employment on November 1, 2000. If you have any questions regarding your employment package, please do not hesitate to call me.

As you are aware, this is a terribly important position we are endeavoring to fill and time is of the essence. I would therefore like to finalize our discussions by September 18, 2000. I, therefore, hope to receive a favorable response in the next few days.

Kind Regards,

Derrick N. Key  
President, CEO and  
Chairman of the Board

February 19, 2001

Mr. C. Tom O'Grady  
30 Southgate Drive  
The Woodlands, TX 77380

Dear Tom:

I am very pleased to offer you the position of Vice President, Mergers and Acquisitions, at Roper Industries, Inc. Roper's entire management team was impressed with your experience and, more importantly, with your personality and management style. I know you will fit in well at our company and I am sure you will enjoy working with us.

This offer is, of course, subject to favorable responses to prior work references and academic accreditation.

Salary and Benefits  
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The following statements summarize the proposed financial terms of your employment:

1. Your commencing annual salary will be \$210,000 to be reviewed January 1, 2002 and thereafter on an annual basis without consideration being given to the sign-on bonus and guaranteed minimum bonus as stipulated below.
2. Sign-on bonus of \$100,000: \$50,000 to be paid on the start date; \$25,000 on the first anniversary of the start date and \$25,000 on the second anniversary of the start date. If you resign, there will be a claw back of the amount paid within the past 12-month period.
3. You will be included in the Roper Industries Discretionary Annual Bonus Program. Bonuses in this program are paid in the first week of January for results achieved in the preceding fiscal year. If goals are fully met, you will be entitled to a bonus that represents 100% of your annual salary. For the first three years, you will be guaranteed a minimum bonus of \$100,000 per year. If, however, the actual bonus amount earned in a particular year is greater than the guaranteed amount, the greater amount will be paid.
4. All unpaid sign-on bonus and unpaid guaranteed bonus amounts will vest immediately, and are payable, in the event of your termination or in the event of a Roper Industries change of control.
5. You will receive one year's salary and bonus as a severance payment if Roper terminates you other than for gross misconduct. Gross misconduct will be defined as a civil or criminal act or ethical misconduct committed against Roper Industries, Inc., its employees, customers or suppliers.
6. You will be eligible to participate in Roper's Stock Option Program. On commencing employment, you will be granted 20,000 Roper Stock Options at the prevailing stock price and normal vesting period. Additional options could be made available on an annual basis as Roper continues to grow and your success contributes to Roper's performance.

7. A company car will be provided similar to a Buick Park Avenue with all expenses for business and private use covered, subject to IRS rules.
8. You will be included in the corporation's benefits package, a summary of which is provided as a supplement to this letter. You will be eligible to participate in all benefits as of your start date with the exception of the 401(k) plan and the Employee Stock Purchase Plan as their eligibility rules do not allow for immediate participation and mandate the six-month waiting periods.
9. You will be eligible to participate from your start date in the Roper Industries, Inc. NonQualified Plan which allows unlimited compensation deferral on a pre-tax basis. After you become eligible for the 401(k) plan and begin participating in it, the NonQual Plan also becomes a vehicle for a continuation of the company match to the max allowed by the plan.
10. You will also be eligible for inclusion in our Executive Reimbursement Insurance Plan in which any out-of-pocket health, dental or vision expenses not covered by our normal plans are reimbursed.
11. Relocation reimbursement will be provided under our normal policy which includes all reasonable moving expenses through the mover with whom Roper has contracted to handle moves and relocations and including such out-of-pocket costs as utility deposits, closing costs, etc. We will also cover the costs of temporary living expenses for up to six months. These reimbursable expenses will also include the following:
  - a) selling costs, selling commission and brokerage fees associated with the buying of new residence and selling of current residence;
  - b) all escrow fees, miscellaneous transaction costs and other fees associated with the buying of new residence and selling of old residence;
  - c) house hunting trips as necessary;
  - d) movement and storage, if necessary, of household goods and automobiles (5); and
  - e) income tax gross up for total value of relocation.
12. You will be eligible for initiation fees, monthly dues and business expenses to the Athens Country Club, assuming membership is available.
13. You will be eligible for four weeks of vacation per year.

Starting Date  
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Tom, I hope that the employment package extended in this letter is satisfactory and you will commence employment on April 1, 2001. If you have any questions regarding your employment package, please do not hesitate to call me.

As you are aware this is an important position we are endeavoring to fill and hope you can accept this offer and return the signed page no later than February 23, 2001.

Kind Regards,

Derrick N. Key  
President, CEO and  
Chairman of the Board

Accepted

\_\_\_\_\_  
C. Tom O' Grady

NAME OF SUBSIDIARY	JURISDICTION OF INCORPORATION/ORGANIZATION
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Abel Equipos, S.A.	Spain
Abel Pumps, L.P.	Delaware
Abel Pumpen GmbH	Germany
Abel GmbH & Co KG	Germany
Acton Research Corporation	Delaware
Amot Controls Corporation	Delaware
Amot Controls Ltd.	United Kingdom
Amot Controls, S.A.	Switzerland
Amot/Metrix Investment Company	Delaware
Amot Sales Corporation	Delaware
Amot Controls GmbH	Germany
Antek Instruments, L.P.	Delaware
Antek GmbH	Germany
Compressor Controls B.V.	Netherlands
Compressor Controls Corporation S.r.l.	Italy
Compressor Controls Corporation (an Iowa Corp)	Iowa
Compressor Controls Corporation (a Delaware Corporation) d/b/a in Iowa as Compressor Controls - CIS/EE)	Delaware
Cornell Pump Company	Delaware
Cornell Pump Manufacturing Corporation	Delaware
Cybor Corporation	California
Cybor International Corp.	Barbados
Dynamco L.P.	Delaware
Fluid Metering, Inc.	Delaware
FTI Flow Technology, Inc.	Delaware
Gatan International, Inc.	Pennsylvania
Gatan, Inc.	Pennsylvania
Gatan Service Corporation	Pennsylvania
Gatan Limited	United Kingdom
Gatan GmbH	Germany
Hansen Technologies Corporation	Illinois
Hansen Technologies Ltd.	United Kingdom
Integrated Designs L.P.	Delaware
ISL Holdings, S.A.	France
ISL Investissement SARL	France
ISL Scientifique de Laboratoire - ISL, S.A.	France
K/S Roper Finance	Denmark
Logitech Limited	United Kingdom
Marumoto Struers KK	Japan
Media Cybernetics Inc.	Delaware
Metrix Instrument Co., L.P.	Delaware
Molecular Imaging Corporation	Arizona

Nippon Roper K.K.	Japan
PAC Denmark ApS	Denmark
PAC GmbH	Germany
Petrotech, Inc.	Delaware
Petrotech International, Inc.	Louisiana
Petroleum Analyzer Company LP	Delaware
Princeton Instruments Limited	United Kingdom
Roper Scientific SARL	France
Roper Capital Deutschland GmbH	Germany
Roper Fundings KG	Germany
Roper Industries Deutschland GmbH	Germany
Roper Holdings, Inc.	Delaware
Roper Holdings, Limited	United Kingdom
Roper Industrial Products Investment Company	Iowa
Roper Industries B.V.	Netherlands
Roper Industries Denmark ApS	Denmark
Roper Industries (Europe) Limited	United Kingdom
Roper Industries Limited	United Kingdom
Roper Industries Southeast Asia Company	Delaware
Roper International, Inc.	Delaware
Roper International Products, LTD	Virgin Islands
Roper Pump Company	Delaware
Roper Scientific B.V.	Netherlands
Redlake MASD, Inc.	Delaware
Roper Scientific, Inc.	Delaware
Roper Scientific GmbH	Germany
Struers A/S	Denmark
Struers GmbH	Germany
Struers Holdings A/S	Denmark
Struers Inc.	Delaware
Struers Limited	United Kingdom
Struers S.A.S.	France
Turbocontrol de Venezuela	Venezuela
Uson L.P.	Delaware
Walter Herzog GmbH	Germany

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors  
Roper Industries, Inc.:

As independent public accountants, we hereby consent to the incorporation of our reports included (or incorporated by reference) in this Form 10-K, into the Company's previously filed Registration Statement File No. 33-71094, 33-77770, 33-78026, 333-36897, 333-73139, 333-35672, 333-35666 and 333-35648.

Arthur Andersen LLP

Atlanta, Georgia  
January 18, 2002