

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

November 13, 2003

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

ROPER INDUSTRIES, INC

(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

DELAWARE

(STATE OR OTHER JURISDICTION OF INCORPORATION)

1-12273

51-0263969

(COMMISSION FILE NUMBER)

(IRS EMPLOYER IDENTIFICATION NO.)

2160 SATELLITE BLVD., SUITE 200, DULUTH, GEORGIA 30097

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

(770) 495-5100

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

Explanatory Note:

On October 21, 2003, Roper Industries, Inc. (the "Company", "Roper" or "we") entered into a stock purchase agreement pursuant to which we have agreed to acquire all of the outstanding capital stock of Neptune Technology Group Holdings Inc. ("Neptune") from the selling shareholders named in the agreement for a cash purchase price of approximately \$475 million, which is net of cash acquired and includes debt assumed. The purpose of this Current Report on Form 8-K is to file certain historical financial statements of Neptune as well as pro forma financial statements of Roper, which give effect to the acquisition and related transactions.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits**(a) Financial Statements of Business Acquired**

The following financial statements of Neptune Technology Group Holdings, Inc. are included as Exhibit 99.1 and are incorporated herein by reference in their entirety:

- (1) the Condensed Consolidated Financial Statements for the nine months ended September 30, 2003, including:
 - (a) the Condensed Consolidated Balance Sheets as of December 31, 2002 and the nine months ended September 30, 2003;
 - (b) the Condensed Consolidated Statements of Operations for the nine months ended September 30, 2003 and September 30, 2002;
 - (c) the Condensed Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Earnings from December 31, 2002 through September 30, 2003;
 - (d) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2003 and September 30, 2002; and
 - (e) the Notes to the Condensed Consolidated Financial Statements; and
 - (2) the Consolidated Financial Statements for the fiscal year ended December 31, 2002, including:
 - (a) the Report of Independent Accountants, dated January 31, 2002;
 - (b) the Consolidated Balance Sheets as of December 31, 2002 and December 31, 2001;
 - (c) the Consolidated Statements of Operations for the fiscal year ended December 31, 2002, the period from November 1, 2001 to October 31, 2001, the period from
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January 1, 2001 to October 31, 2001 and the fiscal year ended December 31, 2000;

- (d) the Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income from December 31, 1999 through December 31, 2002;
- (e) the Consolidated Statements of Cash Flows for the fiscal year ended December 31, 2002, the period from November 1, 2001 to December 31, 2001, the period from January 1, 2001 to October 31, 2001 and the fiscal year ended December 31, 2000; and
- (f) the Notes to Consolidated Financial Statements.

(b) *Pro Forma* Financial Information

- (1) The following Unaudited Pro Forma Financial Statements of Roper Industries, Inc. and Neptune Technology Group Holdings, Inc. are included as Exhibit 99.2 and are incorporated herein by reference in their entirety:
 - (a) Pro Forma Consolidated Balance Sheets as of September 30, 2003;
 - (b) Pro Forma Consolidated Statements of Operations for the year ended October 31, 2002;
 - (c) Pro Forma Consolidated Statements of Operations for the nine months ended September 30, 2003; and
 - (d) the Notes to such financial statements.

(c) Exhibits

- 2.1.* Stock Purchase Agreement, dated as of October 21, 2003, by and among Neptune Technology Group Holdings, Inc., a Delaware corporation, the selling shareholders named in the agreement, and Roper Industries, Inc., a Delaware corporation.
 - 23.1 Consent of PricewaterhouseCoopers, LLP.
 - 99.1 Financial Statements of Neptune Technology Group Holdings, Inc., as described in Item 7(a) of this Current Report on Form 8-K.
 - 99.2 Pro Forma Unaudited Condensed Financial Information of Roper Industries, Inc. and Neptune Technology Group Holdings, Inc., as described in Item 7(b) of this Current Report on Form 8-K.
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*Pursuant to Item 601(b)(2) of Regulation S-K, the Registrant agrees to furnish supplementally to the Securities and Exchange Commission, upon request, any omitted schedules or similar attachments.

SIGNATURE

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

Roper Industries, Inc.

BY: /s/ Martin S. Headley

Martin S. Headley,
Vice President, Chief Financial Officer

Date: November 13, 2003

EXHIBIT INDEX

Exhibit No.	Description
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99.1	Financial Statements of Neptune Technology Group Holdings, Inc., as described in Item 7(a) of this Current Report on Form 8-K.
99.2	Pro Forma Unaudited Condensed Financial Information of Roper Industries, Inc. and Neptune Technology Group Holdings, Inc., as described in Item 7(b) of this Current Report on Form 8-K.

* Pursuant to Item 601(b)(2) of Regulation S-K, the Registrant agrees to furnish supplementally to the Securities and Exchange Commission, upon request, any omitted schedules or similar attachments.

STOCK PURCHASE AGREEMENT

BY AND AMONG

NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.,
THE SHAREHOLDERS OF
NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.
LISTED ON THE SIGNATURE PAGES HERETO

AND

ROPER INDUSTRIES, INC.

Dated as of October 21, 2003

STOCK PURCHASE AGREEMENT

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Exhibit 1.1:	Adjustment Amount
Exhibit 6.11:	Amended Certificate of Designation
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STOCK PURCHASE AGREEMENT

This STOCK PURCHASE AGREEMENT (this "Agreement"), dated as of October 21, 2003, is entered into by and among NEPTUNE TECHNOLOGY GROUP HOLDINGS INC., a Delaware corporation (the "Company"), those Persons listed on Schedule 1 hereto, and ROPER INDUSTRIES, INC., a Delaware corporation (the "Purchaser").

RECITALS

A. As of the date hereof, the outstanding equity securities of the Company consist of shares of (i) Class A Common Stock, par value \$0.01 per share (the "Class A Common Stock"), held by the holders (the "Class A Stockholders") listed on Exhibit A hereto, (ii) Class D Common Stock, par value \$0.01 per share (the "Class D Common Stock"), held by the holders (the "Class D Stockholders" and together with the Class A Stockholders, the "Sellers") listed on Exhibit A hereto and (iii) Series A Participating Convertible Preferred Stock, par value \$0.01 per share (the "Convertible Preferred Stock"), held by the holders (the "Convertible Preferred Stockholders") listed on Exhibit A hereto.

B. After giving effect to the amendment to the Company's charter as contemplated by this Agreement and in accordance with the terms of such amended charter, all of the outstanding shares of Convertible Preferred Stock will, immediately prior to the closing contemplated by this Agreement, either be converted into shares of Class B Common Stock, par value \$0.01 per share (the "Class B Common Stock") and sold pursuant to this Agreement or redeemed by the Company.

C. The outstanding options to purchase equity securities of the Company consist of options (the "Options") to purchase Class A Common Stock held by the holders (the "Option Holders") listed on Exhibit A hereto.

D. The Sellers are, in the aggregate, the owners of 100% of the outstanding shares of Class A Common Stock and Class D Common Stock and, to the extent the Convertible Preferred Stock has been converted into Class B Common Stock as of the closing contemplated by this Agreement, the Convertible Preferred Stockholders will be, in the aggregate, the owners of 100% of the outstanding shares of Class B Common Stock.

E. The Sellers and Convertible Preferred Stockholders desire to sell to Purchaser and Purchaser desires to purchase from the Sellers and Convertible Preferred Stockholders all of the outstanding shares of Class A Common Stock, Class B Common Stock and Class D Common Stock.

F. Pursuant to the terms of the Option Agreements and this Agreement, upon closing of the transactions contemplated by this Agreement, each Option will be cancelled and the holder thereof will be entitled to receive, on a per share basis, with respect to the entire exercisable but unexercised portion of such Option, the same consideration that the Class A Stockholders will receive per share less the applicable exercise price and applicable withholding taxes.

G. As a result of the foregoing, upon consummation of the transactions contemplated hereby Purchaser will acquire ownership of 100% of the outstanding shares of capital stock of the Company and all Options will either be fully exercised or otherwise cancelled.

H. In order to induce Purchaser to enter into this Agreement, concurrently with the execution of this Agreement, each of Charles C. DiLaura, Henry T. Golden, Lawrence M. Russo, Thierry W. Swinson, Kent O. Murray, David Stoddart, Joe Irving Breeding, James W. Nusbaum and Joseph M. Bridges (all of whom are stockholders of the Company) has entered into (a) an employment agreement with the Company and Purchaser and (b) a noncompete agreement with Purchaser.

I. In order to induce Purchaser to enter into this Agreement, concurrently with the execution of this Agreement, Investcorp International, Inc., a Delaware corporation ("III") (which is an affiliate of certain stockholders of the Company), has entered into a Nondisclosure and Nonsolicitation Agreement with Purchaser.

AGREEMENT

NOW, THEREFORE, in consideration of the representations, warranties, covenants and agreements contained in this Agreement, the parties agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. In addition to the other words and terms that may be defined elsewhere in this Agreement, as used in this Agreement, the following words and terms shall have the meanings specified or referred to below:

"Acquisition Proposal" shall have the meaning specified in Section 6.7 of this Agreement.

"Adjustment Amount" shall have the meaning specified in Exhibit 1.1 of this Agreement.

"Affiliate" of any specified Person means any other Person directly or indirectly Controlling or Controlled by or under direct or indirect common Control with such specified Person.

"Agreement" shall mean this Agreement.

"Assignee" shall have the meaning specified in this Agreement.

"Assignor" shall have the meaning specified in Section 3.12(e) of this Agreement.

"Bonus Agreements" shall have the meaning specified in the Bonus Expenses definition.

"Bonus Expenses" shall mean the sum of (a) the aggregate amount payable to or for the benefit of certain employees of the Neptune Companies as a result of the transactions contemplated by this Agreement pursuant to the bonus agreements (the "Bonus Agreements") by and between the Company and such employees, dated April 1, 2003, and listed on Schedule 1.1(a) and (b) Two Hundred Fifty-Nine Thousand Nine Hundred Dollars and Thirty-One Cents (\$259,900.31) payable to Robert Geckle pursuant to item (i) in Schedule 1.1(b).

"Business Day" means any day except Saturday, Sunday or any day on which banks are generally not open for business in the city of New York, New York.

"Certificate of Designation" shall have the meaning specified in Section 3.3(d) of this Agreement.

"Charter" shall have the meaning specified in Section 3.3(d) of this Agreement.

"Class A Common Stock" shall have the meaning specified in the recitals of this Agreement.

"Class B Common Stock" shall have the meaning specified in the recitals of this Agreement.

"Class D Common Stock" shall have the meaning specified in the recitals of this Agreement.

"Class A Stockholders" shall have the meaning specified in the recitals of this Agreement.

"Class D Stockholders" shall have the meaning specified in the recitals of this Agreement.

"Closing" shall have the meaning specified in Section 2.6 of this Agreement.

"Closing Date" shall have the meaning specified in Section 2.6 of this Agreement.

"Closing Date Exhibit A" shall have the meaning specified in Section 7.13 of this Agreement.

"Closing Date Transaction Expense Statement" shall have the meaning specified in Section 7.7 of this Agreement.

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

"Commitment Letter" means that letter agreement, dated the date hereof, between Purchaser and Merrill Lynch Capital Corporation relating to certain financing commitments made by Merrill Lynch Capital Corporation in connection with the transactions contemplated by this Agreement.

"Company" shall have the meaning specified in the preamble of this Agreement.

"Company Contracts" shall have the meaning specified in Section 3.15 of this Agreement.

"Company Option Plan" shall have the meaning specified in Section 3.3(c) of this Agreement.

"Control," "Controlling" or "Controlled by" means, when used with respect to any specified Person, the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

"Convertible Preferred Stock" shall have the meaning specified in the recitals of this Agreement.

"Convertible Preferred Stockholders" shall have the meaning specified in the recitals of this Agreement.

"DAP" means DAP Technologies Ltd., a corporation organized and existing under the federal laws of Canada.

"DAP Option Purchase Expenses" means the aggregate amount (net of any applicable exercise price) paid by the Neptune Companies to consummate the DAP Option Purchase.

"DAP Options" shall have the meaning specified in Section 6.12 of this Agreement.

"DAP Option Purchase" shall have the meaning specified in Section 6.12 of this Agreement.

"Debt" of any Person means all obligations of such Person, without duplication, (a) for borrowed money, (b) evidenced by notes, bonds, debentures or similar instruments, (c) for the deferred purchase price of goods or services (other than trade payables or accruals incurred in the Ordinary Course), (d) under capital leases, (e) for bankers acceptances payable, (f) in the nature of Guarantees of the obligations described in clauses (a) through (e) above of any other Person; provided, however, that surety/performance bonds and undrawn letters of credit in support of surety/performance bonds, workers' compensation insurance obligations and other like obligations shall be excluded from the definition of Debt for purposes of this Agreement.

"Effective Date" means the date that the Securities and Exchange Commission declares the Registration Statement effective.

"Employee Pension Plan" shall have the meaning specified in section 6.9(b) of this Agreement.

"Employee Plan" shall have the meaning specified in Section 3.14 of this Agreement.

"Encumbrances" shall mean all mortgages, liens, pledges, security interests, charges, claims or other encumbrances.

"Environmental Laws" shall have the meaning specified in Section 3.18 of this Agreement.

"ERISA" shall have the meaning specified in Section 3.14 of this Agreement.

"ERISA Affiliate" shall have the meaning specified in Section 3.14 of this Agreement.

"Financial Statements" shall have the meaning specified in Section 3.5 of this Agreement.

"Fully Diluted Number" means the sum of (a) the aggregate number of shares of Class A Common Stock, Class B Common Stock (if any) and Class D Common Stock outstanding as of immediately prior to the Closing, (b) the aggregate number of shares of Class A Common Stock issuable upon exercise of all unexercised vested Options outstanding as of immediately prior to the Closing and (c) provided that the Company notifies Purchaser in writing prior to the Closing that the applicable shareholder approval meeting the requirements of Section 280G(b)(5) of the Code has been obtained, 2,136,257, which represents the number of notional shares set forth in Schedule 1.1(b).

"Funded Indebtedness" means the total required to prepay all of the following as of the applicable date: (i) all amounts payable under the \$220,000,000 senior secured credit facility of the Company's wholly-owned Subsidiary, Neptune Technology Group Inc., a Delaware corporation ("NTGI"), pursuant to the Credit Agreement, dated as of April 1, 2003, with UBS AG, Stamford Branch, as administrative agent for the Lenders party thereto (the "Senior Credit Facility") (including any interest accrued thereon as of the applicable date and all prepayment premiums and penalties and any other fees and expenses payable pursuant to the Senior Credit Facility upon payment in full of the Senior Credit Facility as of the applicable date), (ii) all amounts payable under NTGI's 14% Senior Subordinated Notes due 2010 and related Indenture dated as of April 1, 2003 (the "Subordinated Notes") (including any interest accrued thereon as of the applicable date and all prepayment premiums and penalties and any other fees and expenses payable pursuant to the Subordinated Notes upon payment in full of the Subordinated Notes as of the applicable date), (iii) all amounts payable under the Company's 10% Senior Note due November 2011, all related notes issued as interest payments and related Indenture dated November 1, 2001 (the "Senior Notes") (including any interest accrued thereon as of the applicable date and all prepayment premiums and penalties and any other fees and expenses payable pursuant to such Senior Note and related interest payment notes upon payment in full of such Senior Note and related interest payment notes as of the applicable date), (iv) the Note issued to Kenneth J. Szolosi, dated December 6, 2002, in the aggregate amount of \$1,377,116.89 (including any interest accrued thereon as of the applicable date and all prepayment premiums and penalties and any other fees and expenses payable pursuant to such Note upon payment in full of such Note as of the applicable date), (v) the Note issued to Timothy L. Weidner, dated December 6, 2002, in the aggregate amount of \$1,323,007.02 (including any interest accrued thereon as of the applicable date and all prepayment premiums and penalties and any other fees and expenses payable pursuant to such Note upon payment in full of such Note as of the applicable date), (vi) the Note issued to Jonathan G. Greisz, dated December 6, 2002, in the aggregate amount of \$299,876.08 (including any interest accrued thereon as of the applicable date and all prepayment premiums and penalties and any other fees and expenses payable

pursuant to such Note upon payment in full of such Note as of the applicable date), (vii) all amounts payable under the credit facility pursuant to the Confirmation of Credit, dated August 11, 2003, between DAP and Royal Bank of Canada and (viii) all amounts payable pursuant to any other indebtedness for borrowed money incurred or guaranteed by any of the Neptune Companies (which amounts shall be disclosed to Purchaser in accordance with Sections 3.7(b) and 7.6(a) of this Agreement) (the amounts described in this clause (viii) are referred to herein as the "Supplemental Debt").

"Funds Flow Statement" shall have the meaning specified in Section 7.14 of this Agreement.

"GAAP" means United States generally accepted accounting principles.

"Governmental Entity" means any federal, state or local or foreign government, any political subdivision thereof or any court, administrative or regulatory agency, department, instrumentality, body or commission or other governmental authority or agency, domestic or foreign.

"Governmental Permits" shall have the meaning specified in Section 3.9 of this Agreement.

"Guarantee" means (a) any guarantee of the payment or performance of, or any contingent obligation in respect of, any indebtedness or other obligation of any other Person, (b) any other arrangement whereby credit is extended to one obligor on the basis of any promise or undertaking of another Person (i) to pay the indebtedness of such obligor, (ii) to purchase any obligation owed by such obligor, (iii) to purchase or lease assets (other than inventory in the Ordinary Course) under circumstances that would enable such obligor to discharge one or more of its obligations, or (iv) to maintain the capital, working capital, solvency or general financial condition of such obligor, and (c) any liability as a general partner of a partnership or as a venturer in a joint venture in respect of indebtedness or other obligations of such partnership or venture.

"HSR Act" shall have the meaning specified in Section 3.16 of this Agreement.

"III" shall have the meaning specified in the recitals of this Agreement.

"Insurance Coverage Expenses" shall mean the aggregate amount paid at the Closing to obtain the insurance coverage for the fourth, fifth and sixth years following the Closing Date, if requested under Section 6.5(b) of this Agreement.

"Insurance Coverage Premiums" shall mean the aggregate amount payable to obtain the insurance coverage as required under Section 6.5(b) of this Agreement.

"Intellectual Property" shall have the meaning specified in Section 3.12(a) of this Agreement.

"Laws" means any federal, state, local or foreign law, code, regulation rule or decree.

"Leased Real Property" shall have the meaning specified in Section 3.11(a) of this Agreement.

"Material Adverse Effect" shall have the meaning specified in Section 3.1 of this Agreement.

"NTGI" shall have the meaning specified in the Funded Indebtedness definition.

"Neptune Companies" shall mean the Company and each Subsidiary of the Company.

"Neptune Predecessor Entities" shall mean each of the Neptune Companies, Schlumberger Resource Management Services, Inc., a Delaware corporation, Schlumberger Canada Limited, a corporation amalgamated under the laws of the Province of Ontario, Schlumberger Distribucion S.A. de C.V., a Mexican corporation, Schlumberger Servicios S.A de C.V., a Mexican corporation and each predecessor entity of each of the foregoing.

"Net Cash" means an amount equal to the total amount of cash and cash equivalents of the Neptune Companies as of the close of business on the Settlement Date, as determined in accordance with GAAP, consistently applied..

"Net Funded Indebtedness" means an amount equal to (a) the aggregate amount sufficient to prepay in full all of the Funded Indebtedness as of the Settlement Date less (b) the Net Cash.

"Notional Exercise Price" shall have the meaning specified in Section 2.3(a)(vi) of this Agreement.

"Notional Options" means the notional shares described in item (ii) of Schedule 1.1(b).

"Option Agreements" shall have the meaning specified in Section 3.3(c) of this Agreement.

"Option Exercise Price" shall have the meaning specified in Section 2.3(a)(v) of this Agreement.

"Option Holders" shall have the meaning specified in the recitals of this Agreement.

"Options" shall have the meaning specified in the recitals of this Agreement.

"Ordinary Course" shall mean the ordinary course of business consistent with past practice.

"Owned Real Property" shall have the meaning specified in Section 3.10(a) of this Agreement.

"Patent Agreement" shall have the meaning specified in Section 3.12(e) of this Agreement.

"Permitted Encumbrances" shall have the meaning specified in Section 3.10(a) of this Agreement.

"Per Share Amount" shall mean an amount (carried up to 6 decimal places as designated by the Company) equal to (a) the sum of (i) the Purchase Price, (ii) the Option Exercise Price, and (iii) the Notional Exercise Price divided by (b) the Fully Diluted Number.

"Person" means any individual, corporation, partnership, joint venture, limited liability company, trust, unincorporated organization, Governmental Entity or other legally recognized entity.

"Preferred Stock" shall have the meaning specified in Section 3.3(a) of this Agreement.

"Purchase Price" shall have the meaning specified in Section 2.2 of this Agreement.

"Purchaser" shall have the meaning specified in the preamble of this Agreement.

"Purchaser Indemnified Parties" shall have the meaning specified in Section 10.1 of this Agreement.

"Recapitalization" shall mean the recapitalization of the Company pursuant to the Purchase Agreement, dated as of April 1, 2003, by and among the Company and "Purchasers" named therein.

"Registration Statement" shall have the meaning specified in Section 6.8 of this Agreement.

"Scheduled Leases" shall have the meaning specified in Section 3.11(a) of this Agreement.

"Securities Act" shall have the meaning specified in Section 5.5 of this Agreement.

"Seller Transaction Expenses" means the legal, accounting, financial advisory and other third party advisory or consulting fees and expenses incurred from and after the Settlement Date and prior to the Closing Date for the account of any of the Neptune Companies or any of the Sellers in connection with the transactions contemplated hereby and other related matters (including, without limitation, amounts payable to (a) Gibson, Dunn & Crutcher LLP, (b) III or any Affiliates of III other than payments in respect of Shares pursuant to this Agreement, (c) Barg Coffin Lewis & Trapp, LLP, and (d) White & Case LLP). Notwithstanding the foregoing, the term "Seller Transaction Expenses" shall not include any fees or expenses incurred by any of the Neptune Companies in connection with Purchaser's financing for the transaction contemplated hereby (including, without limitation, any fees and expenses incurred by the Neptune Companies in providing the information requested by Purchaser pursuant to the second sentence of Section 6.10).

"Sellers" shall have the meaning specified in the recitals of this Agreement.

"Seller's Percentage" means as to each Seller, the percentage set forth beside such Seller's name on Exhibit 10.1.

"Senior Credit Facility" shall have the meaning specified in the Funded Indebtedness definition.

"Settlement Date" means August 31, 2003.

"Shareholder Loans" shall have the meaning specified in Section 3.23 of this Agreement.

"Shares" shall have the meaning specified in Section 2.1 of this Agreement.

"Stockholder Agreement" shall mean the Stockholder Agreement, dated April 1, 2003, by and among the Company and certain shareholders of the Company signatory thereto.

"Subordinated Notes" shall have the meaning specified in the Funded Indebtedness definition.

"Subsidiary" shall have the meaning specified in Section 3.4 of this Agreement.

"Supplemental Debt" shall have the meaning specified in the Funded Indebtedness definition.

"Tax Return" means any report, return, declaration, claim for refund, or other information, return or statement required to be supplied to a Governmental Entity in connection with Taxes, including any schedule or attachment thereto and any amendment thereof.

"Taxes" means all taxes, assessments, charges, duties, fees, levies and other governmental charges, including income, franchise, capital stock, real property, personal property, tangible, withholding, employment, payroll, social security, social contribution, unemployment compensation, disability, transfer, sales, use, excise, gross receipts, value-added and all other taxes of any kind, whether disputed or not, and any charges, interest or penalties imposed thereon, and including any obligation to indemnify, assume or otherwise succeed to any Tax liability of any other Person.

"Transaction Payments" shall mean the Bonus Expenses, the Seller Transaction Expenses, the Insurance Coverage Expenses, the Insurance Coverage Premiums, the DAP Option Purchase Expenses and the DAP Purchase Price.

"Treasury Regulations" means the Income Tax Regulations, promulgated under the Code.

"Undesignated Common Stock" shall have the meaning specified in Section 3.3(a) of this Agreement.

ARTICLE II

PURCHASE AND REDEMPTION OF SHARES AND TREATMENT OF OPTIONS

Section 2.1. Agreement for the Purchase and Sale of Shares. Subject to the terms and conditions hereof, at the Closing, (a) the Class A Stockholders and the Class D Stockholders will sell, transfer and deliver to Purchaser, and Purchaser will purchase and acquire from the Class A

Stockholders and the Class D Stockholders all of the outstanding Class A Common Stock and Class D Common Stock, free and clear of all Encumbrances, (b) the Convertible Preferred Stockholders will sell, transfer and deliver to Purchaser, and Purchaser will purchase and acquire from the Convertible Preferred Stockholders all of the outstanding Class B Common Stock issued upon conversion of the Convertible Preferred Stock not otherwise redeemed on the Closing Date in accordance with the Certificate of Designation, free and clear of all Encumbrances (together with the Class A Common Stock and Class D Common Stock, the "Shares"), (c) the Options will be cancelled and (d) the Company will redeem the Convertible Preferred Stock to be redeemed on the Closing Date in accordance with the Certificate of Designation. Notwithstanding any other provision in the Certificate of Designation, the parties agree that, for the purposes of this Agreement, all shares of Convertible Preferred Stock which are converted into shares of Class B Common Stock pursuant to Section 6.1 of the Certificate of Designation shall be deemed converted immediately prior to the Closing and the shares of Class B Common Stock issued pursuant to such conversion shall be deemed issued and outstanding immediately prior to Closing.

Section 2.2. Aggregate Purchase Price. The aggregate cash amount to be paid by Purchaser at the Closing shall be Five Hundred Million Dollars (\$500,000,000) minus the sum of (i) the Net Funded Indebtedness, (ii) the aggregate amount of all Seller Transaction Expenses, (iii) the aggregate amount of all Bonus Expenses, (iv) the aggregate amount of all Insurance Coverage Expenses, (v) Three Million Nine Hundred Thousand Dollars (\$3,900,000), (vi) One Million Seven Hundred Fifty Thousand Dollars (\$1,750,000), (vii) the aggregate amount of all DAP Option Purchase Expenses, (viii) the Adjustment Amount, if any, (ix) the aggregate amount paid by the Company from and after the Settlement Date to redeem or repurchase any shares of Class A Common Stock pursuant to Section 6.1(a)(iv) of this Agreement and (x) the aggregate amount payable to redeem the Convertible Preferred Stock to be redeemed on the Closing Date in accordance with the Certificate of Designation as set forth in Section 2.3(a)(i) (such net cash amount being referred to herein as the "Purchase Price").

Section 2.3. Payment of Purchase Price.

(a) On the Closing Date, Purchaser shall:

(i) on behalf of the Company, pay to each Convertible Preferred Stockholder whose shares of Convertible Preferred Stock are required to be redeemed pursuant to the Certificate of Designation, to such account or accounts as such Convertible Preferred Stockholder specifies to Purchaser in writing at least two Business Days prior to the Closing Date, an amount equal to (A) the aggregate number of shares of Convertible Preferred Stock owned by such Convertible Preferred Stockholder that are to be redeemed in accordance with the Certificate of Designation as of the Closing multiplied by (B) the applicable redemption price per share for such Convertible Preferred Stock as of the Closing Date, calculated pursuant to the Certificate of Designation;

(ii) pay to each Class A Stockholder, to such account or accounts as such Class A Stockholder specifies to Purchaser in writing at least two Business Days prior to the Closing Date, an amount equal to (A) the Per Share Amount multiplied by

(B) the number of shares of Class A Common Stock owned by such Class A Common Stockholder as of the Closing provided, however, that, with respect to any Class A Stockholder who is the obligor on any Shareholder Loan outstanding as of the Closing, the amount payable to such Class A Stockholder shall be reduced by the outstanding principal and accrued interest on such Class A Stockholder's Shareholder Loan through the Closing;

(iii) pay to each Class D Stockholder, to such account or accounts as such Class D Stockholder specifies to Purchaser in writing at least two Business Days prior to the Closing Date, an amount equal to (A) the Per Share Amount multiplied by (B) the number of shares of Class D Common Stock owned by such Class D Common Stockholder as of the Closing;

(iv) pay to each Convertible Preferred Stockholder whose shares of Convertible Preferred Stock are to be automatically converted into Class B Common Stock pursuant to the Certificate of Designation, to such account or accounts as such Convertible Preferred Stockholder specifies to Purchaser in writing at least two Business Days prior to the Closing Date, an amount equal to (A) the Per Share Amount multiplied by (B) the number of shares of Class B Common Stock held by such Convertible Preferred Stockholder as of the Closing;

(v) pay to each Option Holder of vested Options, to such account or accounts as each such Option Holder specifies to Purchaser in writing at least two Business Days prior to the Closing Date, an amount (rounded to the nearest whole cent) equal to (I)(A) the Per Share Amount multiplied by (B) the number of shares of Class A Common Stock issuable on the exercise of such Option owned by such Option Holder as of the Closing minus (II) the aggregate option exercise price for such Option (as set forth on Exhibit A) (the total option exercise price for all such Options cancelled hereunder which have an exercise price per share less than the Per Share Amount is referred to herein as the "Option Exercise Price"); and

(vi) Subject to the Company's prior written notification to Purchaser that applicable shareholder approval meeting the requirements of Section 280G(b)(5) of the Code has been obtained, pay to Robert Geckle, to such account or accounts as Robert Geckle specifies to Purchaser in writing at least two Business Days prior to the Closing Date, an amount (rounded to the nearest whole cent) equal to (I) the product of (A) the Per Share Amount multiplied by (B) 2,136.1257 minus (II) Two Hundred Fifty-Six Thousand Three Hundred Thirty-Five Dollars (\$256,335) (the "Notional Exercise Price") (which represents the product of \$120.00 multiplied by 2,136.1257).

(b) All payments required pursuant to Section 2.3(a) shall be made by wire transfer of immediately available funds (in each case, against delivery of (i) the applicable stock certificates representing the shares of Class A Common Stock, Class D Common Stock, Class B Common Stock and Convertible Preferred Stock, as applicable, being sold or redeemed or (ii) the applicable receipts representing acknowledgment of cancellation of the Options being cancelled, in each case in proper form and duly endorsed for transfer).

(c) With respect to each payment made pursuant to Section 2.3(a)(v) to a Seller who is an employee of any of the Neptune Companies, Purchaser shall be entitled to deduct, withhold and remit to the appropriate Governmental Entities (or cause to be deducted, withheld and remitted) any and all Taxes required by Law with respect to such payment. Any such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the party who otherwise would have received such amounts but for such withholding of Taxes.

Section 2.4. Funds Flow Statement. Notwithstanding anything in this Agreement to the contrary, it is understood that Purchaser shall be fully entitled to rely upon the accuracy of, and to make payments in accordance with, the Funds Flow Statement and shall have no responsibility or liability whatsoever to the Sellers and the Convertible Preferred Stockholders (in their capacity as holders of equity securities and not debt securities of the Company) for any inaccuracies or omissions in the Funds Flow Statement.

Section 2.5. Payments of Other Amounts Payable at Closing. On the Closing Date, Purchaser shall:

(a) on behalf of the Company, pay to such account or accounts as the Company specifies to Purchaser in writing at least two Business Days prior to the Closing Date, the aggregate amount of all Funded Indebtedness as of the Closing Date to the extent not paid prior to the Closing Date;

(b) on behalf of the Company, pay to such account or accounts as the Company specifies to Purchaser in writing at least two Business Days prior to the Closing Date, the aggregate amount of all Seller Transaction Expenses to the extent not paid prior to the Closing Date;

(c) on behalf of the Company, pay to such account or accounts as the Company specifies to Purchaser in writing at least two Business Days prior to the Closing Date, the aggregate amount of all Bonus Expenses to the extent not paid prior to the Closing Date;

(d) on behalf of the Company, pay to such account or accounts as the Company specifies to Purchaser in writing at least two Business Days prior to the Closing Date, the aggregate amount of Insurance Coverage Premiums to the extent not paid prior to the Closing Date; and

(e) on behalf of the Company or any of its direct or indirect Subsidiaries, pay to such account or accounts as the Company specifies to Purchaser in writing at least two Business Days prior to the Closing Date, the aggregate amount of the DAP Purchase Price and DAP Option Purchase Expenses.

Section 2.6. Closing Date. Subject to the terms and conditions hereof, the consummation of the transactions provided for in this Article II (the "Closing") shall take place on the latest of (a) the fifth Business Day after the date on which each of the conditions set forth in Articles VII and VIII have been satisfied or waived by the party or parties entitled to the benefit of such conditions (it being understood that, in the case of a waiver of any conditions for the benefit of the Company, the Sellers and the Convertible Preferred Stockholders, such waiver may be made by the Company on behalf of itself and each of the Sellers and the Convertible

Preferred Stockholders; provided, that only a Convertible Preferred Stockholder required pursuant to Section 2.1 to sell its Class B Common Stock may waive the Purchaser's obligation pursuant to Sections 2.1 and 2.3 to purchase such Class B Common Stock), (b) the date which is the earlier of (1) February 27, 2004 or (2) the first Business Day after the 90th day after the Effective Date, and (c) such other date as Purchaser and the Company (on behalf of itself and the Sellers and the Convertible Preferred Stockholders) mutually agree. The date on which the Closing actually occurs is hereinafter referred to as the "Closing Date." The Company shall provide notice of the proposed Closing Date to the other parties hereto at least two Business Days prior to such date. Such notice shall attach the proposed Funds Flow Statement, and the Company shall update the other parties hereto with respect to any changes in such proposed Funds Flow Statement. The Closing shall take place at the offices of King & Spalding LLP, 191 Peachtree Street, Atlanta, Georgia 30303 or at such other place as Purchaser and the Company (on behalf of itself and the Sellers and the Convertible Preferred Stockholders) mutually agree.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Purchaser as follows:

Section 3.1. Corporate Organization. Each of the Neptune Companies is a corporation or other entity duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization. Each of the Neptune Companies is duly qualified to transact business as a foreign corporation and is in good standing in each other jurisdiction in which the ownership or leasing of its properties or assets or the conduct of its business requires such qualification, except where the failure to so qualify or to be in good standing has not had and would not have a Material Adverse Effect. Schedule 3.1 lists all jurisdictions in which each Neptune Company is duly qualified to conduct business. As used herein, "Material Adverse Effect" means any circumstance, change or effect that, individually or when taken together with all other such circumstances, changes or effects, is materially adverse to the results of operations, financial condition or business of the Company and its Subsidiaries taken as a whole, except for effects and changes (i) resulting from any general national, international or regional economic or financial conditions or securities markets, including any such effects or changes resulting from acts of war (whether or not declared) or terrorism, (ii) generally affecting the industry in which the Company and its Subsidiaries operate and (iii) resulting from the announcement of the transactions contemplated hereby. Each of the Neptune Companies has the requisite corporate power to own or lease and to operate and use its properties and assets and to carry on its business as now conducted. The Company has delivered to Purchaser complete and correct copies of the certificate of incorporation and bylaws (or comparable governing documents) of each of the Neptune Companies, each as in effect on the date hereof.

Section 3.2. Corporate Authority.

(a) The Company has the requisite corporate power to execute and deliver this Agreement and to fulfill its obligations herein. The execution, delivery and performance of this

Agreement by the Company have been duly authorized by all requisite corporate action. This Agreement has been duly executed and delivered by the Company and constitutes the valid and binding obligation of the Company enforceable in accordance with its terms, except that such enforceability (a) may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally, and (b) is subject to general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

(b) Except as set forth in Schedule 3.2, neither the execution and delivery by the Company or any Seller of this Agreement nor the consummation by the Company or any Seller of the transactions contemplated hereby, nor compliance by the Company or any Seller with or fulfillment of its respective obligations hereunder will:

(i) conflict with or violate any provision of the Company's Charter, Certificate of Designation or bylaws;

(ii) materially contravene any Law;

(iii) result in the acceleration of, or entitle any party to accelerate (whether after the giving of notice or lapse of time or both), any debt obligation of any of the Neptune Companies in excess of \$2,500,000 in the aggregate;

(iv) constitute a default under or violate, or result, with giving of notice or lapse of time or both in any default under or violation of, or result in the creation or imposition of, any Encumbrance upon any of the assets or properties any of the Neptune Companies or any of the Shares pursuant to any provision of, any mortgage, lease, agreement, indenture, license or instrument to which any of the Neptune Companies is a party or by which any of them or any of their respective properties or assets is bound, other than conflicts, violations, creations and impositions that would not result in a Material Adverse Effect;

(v) constitute an event permitting modification, amendment or termination of a mortgage, lease, agreement, indenture, license, instrument, order, arbitration award, judgment or decree to which any of the Neptune Companies is a party or by which any of them or any of their assets or properties is bound, other than modification(s), amendment(s) or termination(s) that would not result in a Material Adverse Effect; or

(vi) require the approval, consent, authorization or act of, or the making by any of the Neptune Companies, of any declaration, filing or registration with any Governmental Entity or other Person, except to the extent that the failure to obtain or make any of the foregoing would not result in a Material Adverse Effect.

Section 3.3. Capital Stock.

(a) The authorized capital stock of the Company consists of (i) 1,026,652.6674 shares of Common Stock, par value \$0.01 per share (the "Undesignated Common Stock"), (ii) 897,500 shares of Class A Common Stock, (iii) 128,000 shares of Class B

Common Stock, (iv) 1,152.6674 shares of Class D Common Stock, and (v) 500,000 shares of Preferred Stock, par value \$0.01 per share (the "Preferred Stock"), 127,029.6432 shares of which have been designated as Convertible Preferred Stock.

(b) As of the date hereof, (i) 459,914.4413 shares of Class A Common Stock are outstanding, (ii) 1,152.6674 shares of Class D Common Stock are outstanding, (iii) 127,029.6432 shares of Convertible Preferred Stock are outstanding, (iv) no other shares of Preferred Stock are outstanding and (v) no shares of Undesignated Common Stock or Class B Common Stock are outstanding. As of the date hereof, all of the outstanding shares of Class A Common Stock are held by the Class A Stockholders in the respective amounts listed on Exhibit A hereto. As of the date hereof, all of the outstanding shares of Class D Common Stock are held by the Class D Stockholders in the respective amounts listed on Exhibit A hereto. As of the date hereof, all of the Convertible Preferred Stock is held by the Convertible Preferred Stockholders in the respective amounts listed on Exhibit A hereto.

(c) As of the date hereof, the Options consist of stock options to purchase 32,328.2891 shares of Class A Stock pursuant to stock option agreements ("Option Agreements") entered into pursuant to the 2001 Stock Incentive Plan of the Company as amended and restated (the "Company Option Plan"). As of the date hereof, all of the Options are held by the Option Holders in the respective amounts listed on Exhibit A hereto and, as of the Closing, 100% of such Options are expected to be exercisable pursuant to Section 3(b) of the Option Agreements governing such Options. The exercise price of each Option is listed on Exhibit A hereto. Except for this Agreement, the Options and as disclosed in Schedule 3.3(c), there are no agreements, warrants, puts, calls, rights, options or other commitments of any character to which the Company is a party relating to the issuance, sale, purchase, redemption, conversion, exchange, registration, voting or transfer of any shares of capital stock of the Company.

(d) All of the outstanding shares of Class A Common Stock, Class D Common Stock and Convertible Preferred Stock are duly authorized, validly issued, fully paid and nonassessable, free of any preemptive or subscription rights (except as set forth in Schedule 3.3(d)), and, upon delivery to Purchaser pursuant to Article II hereof, the then outstanding shares of Class A Common Stock, Class B Common Stock and Class D Common Stock hereof will be free of any preemptive or subscription rights and, to the Company's knowledge, free and clear of all Encumbrances, other than those contained in the Company's Second Amended and Restated Certificate of Incorporation as filed with the Delaware Secretary of State (the "Charter") including the Certificate of Designation with respect to the Convertible Preferred Stock as filed with the Delaware Secretary of State as amended pursuant to Section 6.11 (the "Certificate of Designation") and other than limitations imposed by federal and state securities laws.

(e) There are no dividends which have accrued or been declared but are unpaid on any of the capital stock of the Company. declared but are unpaid on any of the capital stock of the Company.

(f) All of the information on Exhibit A is true and complete as of the date hereof. All of the information on the Closing Date Exhibit A shall be true and complete as of the Closing Date.

(g) All of the information on the Funds Flow Statement shall be true and complete as of the Closing Date.

Section 3.4. Subsidiaries. Schedule 3.4 lists each Subsidiary of the Company. As used in this Agreement, "Subsidiary" means any corporation, partnership, joint venture or other legal entity of which the Company owns, directly or indirectly, 50% or more of the stock or other equity interests the holders of which generally are entitled to vote for the election of the board of directors or other governing body of such corporation, partnership, joint venture or other legal entity. Except as set forth in Schedule 3.4, there are no agreements, warrants, puts, calls, rights, options, subscriptions, preemptive rights or other commitments of any character to which any of the Neptune Companies is a party or by which any of the Neptune Companies is bound which obligates any of the Neptune Companies to issue, deliver or sell any outstanding or additional shares of capital stock of any Subsidiary or any securities or instruments convertible into or exchangeable for any such outstanding or additional shares of capital stock. Each outstanding share of capital stock of each Subsidiary that is a corporation or other ownership interest of each Subsidiary is duly authorized, validly issued, fully paid and nonassessable and free of preemptive rights, and (except as set forth in Schedule 3.4) each such share is owned by the Company or another Subsidiary, free and clear of Encumbrances, except any Encumbrances arising under the Senior Credit Facility and limitations composed by federal and state securities laws. Except for the Subsidiaries, no Neptune Company owns any equity interest in any Person.

Section 3.5. Financial Statements. The Company has delivered to Purchaser (a) the audited consolidated balance sheet of the Company and its Subsidiaries for each of the two fiscal years ended as of December 31, 2001 and December 31, 2002, and the related audited consolidated statements of operations, changes in stockholders' equity and cash flows of the Company and its Subsidiaries at December 31, 2002 and 2001, and results of operations and cash flows for the Company and its Subsidiaries for the year ended December 31, 2002, the period November 1, 2001 to December 31, 2001, the period January 1, 2001 to October 31, 2001 and the year ended December 31, 2001, together with all related notes and schedules thereto and (b) the unaudited consolidated balance sheet of the Company and its Subsidiaries as of and for the month ended August 31, 2003 and the related consolidated statements of operations, changes in stockholders' equity and cash flows of the Company and its Subsidiaries at August 31, 2003, and results of operations and cash flows for the Company and its Subsidiaries for the eight months ended August 31, 2003, together with all related notes and schedules thereto (collectively the "Financial Statements"). The Financial Statements have been prepared from, and are in accordance with, the books and records of the Company and its Subsidiaries. The Financial Statements were prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present, in all material respects, the consolidated financial position of the Company and its Subsidiaries as of the applicable dates thereof and for the applicable periods then ended (subject, in the case of unaudited financial statements, to normal year-end and quarter end adjustments and the absence of notes to such statements). Since December 31, 2002, there has been no material change in any accounting (or tax accounting) policy, practice or procedure of the Company or any of its Subsidiaries.

Section 3.6. Absence of Certain Changes. Except as described in Schedule 3.6 and except for the transactions permitted by this Agreement, since December 31, 2002:

(a) as of the date hereof, there has not been a Material Adverse Effect;

(b) the business of the Neptune Companies has been conducted, in all material respects, in the Ordinary Course; and

(c) none of the Neptune Companies has taken any of the following actions:

(i) amended its certificate of incorporation or bylaws or other organizational documents;

(ii) split, combined or reclassified any shares of its capital stock or declared, set aside or paid any dividends or made any other distributions (whether in cash, stock or other property) in respect of such shares, except for dividends and distributions payable by a Subsidiary of the Company to another Subsidiary of the Company or to the Company;

(iii) redeemed, purchased or otherwise acquired for any consideration any outstanding shares of its capital stock or securities carrying the right to acquire or which are convertible into or exchangeable or exercisable for such capital stock, except in connection with the Recapitalization and except for the cancellation of Options and the redemption or repurchase of shares of Class A Common Stock in connection with termination of employment;

(iv) issued, authorized for issue, transferred, sold or delivered any shares of its capital stock (or options or other securities convertible into or exchangeable or exercisable for, with or without additional consideration, such capital stock) or any other interest therein, except in connection with the exercise of Options or conversion of the Convertible Preferred Stock;

(v) incurred any indebtedness for borrowed money, except the issuance of the Subordinated Notes, borrowings under the Senior Credit Facility, and borrowings not in excess of \$2,000,000 in the Ordinary Course;

(vi) made any acquisition or disposition of stock or other securities or other ownership interests or assets of any Person except (A) acquisitions or dispositions of inventory, equipment and services in the Ordinary Course and (B) other acquisitions or dispositions of assets not in excess of \$2,500,000;

(vii) created, assumed or suffered to be incurred any Encumbrance on any of its properties or assets other than in connection with the Senior Credit Facility, Permitted Encumbrances and other Encumbrances not in excess of \$1,000,000;

(viii) since the Settlement Date, made any payment with respect to any portion of the Funded Indebtedness other than payments required to be made pursuant to the terms of any note or other document related to the Funded Indebtedness, in which

case such required payment will be the minimum amount required to be paid pursuant thereto;

(ix) except in connection with the Recapitalization, made any payment or distribution to any Seller or any Affiliate of any Seller other than payments or distributions required to be made pursuant to any contract, license, agreement, commitment, arrangement, understanding or other instrument disclosed in Schedule 3.23 of this Agreement and made in the Ordinary Course;

(x) amended, supplemented or modified any agreement material to the Neptune Companies taken as a whole except in the Ordinary Course; or

(xi) committed to do any of the foregoing.

Section 3.7. No Undisclosed Liabilities.

(a) Except as set forth in the Financial Statements, none of the Neptune Companies are subject to any claims, obligations or liabilities of any nature (whether accrued, absolute, contingent or otherwise) of the type required to be reflected on a balance sheet prepared in accordance with GAAP, other than (a) obligations pursuant to or in connection with this Agreement or the transactions contemplated hereby, (b) liabilities and obligations incurred in the Ordinary Course (c) liabilities incurred in connection with the Recapitalization and (d) other liabilities not exceeding \$1,000,000 in the aggregate.

(b) Except as set forth on Schedule 3.7, as of the Settlement Date, no Neptune Company had any Debt outstanding other than the Funded Indebtedness. Schedule 3.7 sets forth the amount, if any, of Supplemental Debt which was outstanding as of the Settlement Date.

Section 3.8. Taxes. Except as set forth in Schedule 3.8:

(a) each of the Neptune Companies has timely filed or caused to be timely filed all Tax Returns (taking into account applicable extension periods) to the extent required to be filed by the Neptune Companies under applicable Law;

(b) all Taxes due have been paid in full and no Neptune Company is currently the beneficiary of any extension of time within which to file a Tax Return;

(c) all Tax Returns are true, complete and accurate in all material respects and have been prepared in substantial compliance with all applicable Laws;

(d) there are no Encumbrances (other than Permitted Encumbrances) on any of the assets of the Neptune Companies that arose in connection with any failure (or alleged failure) to pay any Tax;

(e) no taxing authority in a jurisdiction where any Neptune Company does not file Tax Returns has claimed in writing that a Neptune Company is or may be subject to taxation by that jurisdiction;

(f) each Neptune Company has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, leased employee, independent contractor, creditor, stockholder, or other third party;

(g) no foreign, federal, state, or local Tax audits or administrative or judicial Tax proceedings are pending or being conducted with respect to any Neptune Company, and no Neptune Company has received from any federal, foreign, state, or local taxing authority any (i) notice indicating an intent to open or reopen an audit or other review, (ii) request for information related to Tax matters, or (iii) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted, or assessed by any taxing authority against any Neptune Company;

(h) the Neptune Companies have delivered to Purchaser correct and complete copies of all federal income Tax Returns, examination reports, and statements of deficiencies assessed against or agreed to by any Neptune Company filed or received since December 31, 2001;

(i) no Neptune Company has waived any statute of limitations with respect to Taxes or agreed to any extension of time with respect to the assessment of Taxes;

(j) all accounting periods and methods used by each Neptune Company for Tax purposes are permissible periods and methods, and no Neptune Company is or will be required to make any adjustment to its income under Section 481 of the Code in connection with a change in accounting method used in taxable years for which Tax Returns have been filed prior to the date hereof;

(k) no Neptune Company has made any payment, is obligated to make any payment, or is a party to any agreement, contract, arrangement, or plan that, has resulted or would result, separately or in the aggregate, in any payment not deductible under Section 280G of the Code;

(l) no Neptune Company is a party or bound by any Tax allocation or sharing agreement;

(m) no Neptune Company (i) has been a member of an affiliated group filing a consolidated federal income Tax return in any taxable year (other than the group of which the Company is the Common Parent) or (ii) has liability for the Taxes of any Person (other than a Neptune Company) under Treasury Regulation Section 1.1502-6 or any similar provision of state, local, or foreign Law, as a transferee or successor, by contract, or otherwise;

(n) the Company has not been a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code; and

(o) the unpaid Taxes of the Neptune Companies (i) did not, as of the date of the most recent Financial Statements, exceed the reserve for Tax liability (rather than any reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth on the balance sheet included with the most recent Financial Statements and (ii) do not

exceed that reserve as adjusted for the passage of time through the Closing Date in accordance with the past custom and practice of the Neptune Companies in filing their Tax Returns.

Section 3.9. Governmental Permits. Each of the Neptune Companies has all governmental notifications, licenses, franchises, permits, privileges, immunities, approvals and other authorizations or documents which are reasonably necessary for the ownership, leasing, operation and use of its assets and properties and which are reasonably required for their carrying on and conducting their respective businesses in all material respects (considered as a whole) as currently conducted (herein collectively called "Governmental Permits"). Each Governmental Permit is valid and in full force and effect in all material respects and, to the knowledge of the Company, no suspension or cancellation of any of them is threatened. The execution of the transactions contemplated by this Agreement shall not adversely affect in any material respect any Governmental Permit held by any of the Neptune Companies.

Section 3.10. Owned Real Property.

(a) All real property owned by any of the Neptune Companies is identified in Schedule 3.10 and is hereinafter referred to as the "Owned Real Property". The Neptune Company shown on such Schedule 3.10 as owning such Owned Real Property holds good, marketable fee title to the Owned Real Property shown as so owned, free of all Encumbrances except (i) for easements, covenants, restrictions and other matters that do not impair in any material respect the use, or enjoyment of the property, (ii) for liens for Taxes not yet due and payable or being contested in good faith by appropriate proceedings, (iii) for liens of carriers, warehousemen, mechanics, materialmen and other similar liens incurred in the Ordinary Course and not yet delinquent (the matters set forth in the foregoing clauses (i), (ii) and (iii) are referred to herein as "Permitted Encumbrances"), (iv) liens created pursuant to the Senior Credit Facility, and (v) as set forth in Schedule 3.10.

(b) As of the date hereof, the Company does not have actual knowledge that any improvements on the Owned Real Property do not conform in any respect to applicable zoning and other land use ordinances and building codes or are not in compliance with any applicable Laws except where the failure to conform or comply would not have a Material Adverse Effect. As of the date hereof, to the actual knowledge of the Company, there are no pending or any threatened condemnation, eminent domain or similar proceeding with respect to any of the Owned Real Property that would have a Material Adverse Effect.

Section 3.11. Real Property Leases.

(a) Schedule 3.11 contains an accurate and complete list of all real property leased by any of the Neptune Companies (the "Scheduled Leases"). The applicable Neptune Company holds good and valid leasehold title to each of the properties which are the subject of the Scheduled Leases (the "Leased Real Property"), in each case free of all Encumbrances, except for liens created pursuant to the Senior Credit Facility and Permitted Encumbrances.

(b) Except as disclosed in Schedule 3.11, there are no existing material defaults under any Scheduled Lease, and no event has occurred which with notice or lapse of time, or both, would constitute a material event of default under any Scheduled Lease.

(c) To the knowledge of the Company, no portion of the Leased Real Property, or any building or improvement located thereon, violates, in any material respect, any Law, including those Laws relating to zoning, building, land use, environmental, health and safety, fire, air, sanitation and noise control.

(d) The Owned Real Property and the Leased Real Property constitute all of the material real property occupied or operated by the Neptune Companies in the operation of their businesses.

Section 3.12. Intellectual Property.

(a) Schedule 3.12 lists all patents, patent applications, registered trademarks, trademark applications, registered service marks, service mark applications, trade names and registered copyrights which are material to the business of the Neptune Companies taken as a whole (the "Intellectual Property").

(b) The right, title or interest of the Neptune Companies in each item of Intellectual Property is free and clear of Encumbrances, other than liens created pursuant to the Senior Credit Facility, Permitted Encumbrances and other Encumbrances not in excess of \$1,000,000.

(c) To the knowledge of the Company, none of the Neptune Companies has received written notice that is still pending to the effect that any of the Neptune Companies has infringed any patent, trademark, service mark, trade name, copyright, brand name, logo, symbol or other intellectual property right of any third party and there is no action pending or, to the Company's knowledge, threatened against any of the Neptune Companies claiming that any of the Neptune Companies has infringed or misappropriated any Intellectual Property of any third party, except in each case for matters which would not have a material adverse effect on the use of such intellectual property by the Neptune Companies or which could reasonably be expected to expose the Neptune Companies to damages in excess of \$1,000,000.

(d) The Neptune Companies have not notified in writing any other Person that such Person is infringing any Intellectual Property, except for matters which would not have a Material Adverse Effect.

(e) The Company has delivered to Purchaser a true and complete copy of the Patent Assignment Agreement (the "Patent Agreement"), dated as of September 26, 2003, among Schlumberger S.A. ("Assignor"), Schlumberger Sema, Inc. and Neptune Technology Group Inc. ("Assignee"). On or prior to October 3, 2003, Assignee paid Assignor \$1,750,000 in accordance with Section 1.4 of the Patent Agreement.

Section 3.13. Labor Relations. Except as set forth on Schedule 3.13,

(a) no Neptune Company is a party to any collective bargaining agreement, contract or legally binding commitment to any trade union or employee organization or group in respect of or affecting employees; (b) no Neptune Company is currently engaged in any negotiation with any trade union or employee organization; (c) no Neptune Company has engaged in any unfair labor practice within the meaning of the National Labor Relations Act, and, there is no pending or, to the knowledge of the Company, threatened complaint regarding any alleged unfair labor

practices as so defined; (d) there is no strike, labor dispute, work slow down or stoppage pending or, to the knowledge of the Company, threatened against any Neptune Company; (e) there is no grievance or arbitration proceeding arising out of or under any collective bargaining agreement which is pending or, to the knowledge of the Company, threatened against any Neptune Company; (f) no Neptune Company has experienced any material work stoppage; and (g) no Neptune Company is subject of any union organization effort.

Section 3.14. Employee Benefit Plans. As used in this Agreement, the term "Employee Plan" means any pension, retirement, profit-sharing, deferred compensation, stock purchase, stock option, bonus or incentive plan, any medical, vision, dental or other health plan, any life insurance plan, vacation, severance, disability or other employee benefit plan, program, policy, or arrangement, whether written or unwritten, including, without limitation, any "employee benefit plan" as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), which any of the Neptune Companies maintains or contributes to or for which any of the Neptune Companies has any actual, contingent, primary or secondary liability. Except as set forth in Schedule 3.14, no Neptune Company, or any entity which is considered to be one company with any of such Companies pursuant to Section 1001 of ERISA or Section 414 of the Internal Revenue Code of 1986, as amended (the "Code") (an "ERISA Affiliate") has sponsored, maintained or had any obligation with respect to any Employee Plan which is a defined benefit plan as defined in Section 3(35) of ERISA, or contributed to, participated in or had any obligation with respect to, any multiemployer plan within the meaning of Section 3(37) of ERISA. Each Employee Plan that purports to be qualified under Section 401(a) of the Code and any trust under any such Employee Plan that purports to be exempt from income tax under Section 501(a) of the Code has received one or more favorable determination letters from the U.S. internal revenue service to such effect or there is currently pending a request for such determination letter, or the deadline for filing a request for such determination letter has not yet expired. To the knowledge of the Company, each Employee Plan intended to be qualified under Section 401 of the Code has been administered in all material respects according to its terms, and, to the knowledge of the Company, nothing has occurred which would be reasonably likely to adversely affect its qualified status or the qualified status of any related trust. The Employee Plans are in compliance in all material respects with all other Laws (including, without limitation, ERISA and the Code) applicable to Employee Plans. All material reports and material disclosures relating to the Employee Plans required to be filed with or furnished to any Governmental Entity have been filed or furnished in a timely manner and in accordance with applicable Laws. With respect to any Employee Plan, no prohibited transaction (within the meaning of Section 406 of ERISA and/or Section 4975 of the Code) exists which could subject any of the Neptune Companies or any "disqualified person" to any excise tax or penalty pursuant to Section 502(1) of ERISA or under Section 4975 of the Code, except in each case as have not resulted or would not result in damages to the Neptune Companies in excess of \$1,000,000. Each of the Neptune Companies has made full and timely payment of all amounts which are required to be paid as contributions to each Employee Plan that is an employee pension benefit plan (as defined in Section 3(2) of ERISA). Each of the Neptune Companies has complied in all material respects with the continuation coverage requirements of Part 6 of Title I of ERISA, as amended. There is no contract, agreement, plan or arrangement with any person which provides for any payment to any employee by any of the Neptune Companies, which payment would not be deductible under Code Sections 162(m)(i) or 404 or would fail to be deductible by reason of Section 280G of the Code.

Section 3.15. Certain Contracts. Except as set forth in Schedule 3.15, none of the Neptune Companies is a party to, or bound by, nor are any of their respective properties subject to, or bound by any contract, license, agreement, commitment, arrangement, understanding, or other instrument (in each case whether oral or written) relating to the following ("Company Contracts"):

(a) payments by or to any of the Neptune Companies of more than \$2,500,000 in any 12-month period (other than the Funded Indebtedness);

(b) the employment of any officer or employee (other than any contract which is terminable without liability upon notice of 90 days or less), or any contract of employment with a former officer or employee, in each case pursuant to which payments in excess of \$125,000 in any 12-month period are required to be made by any of the Neptune Companies after the date hereof;

(c) any outstanding indebtedness or guarantees for borrowed money by any of the Neptune Companies, other than borrowings under the Funded Indebtedness and borrowings not in excess of \$1,000,000 in the Ordinary Course;

(d) except for guarantees of obligations between or among the Neptune Companies and except pursuant to the Funded Indebtedness, any guarantee or other contingent liability in respect of any indebtedness or obligation of any Person outside of the Ordinary Course;

(e) any collective bargaining agreement;

(f) any agreement prohibiting, partially restricting, or otherwise limiting the ability of any Neptune Company to compete, solicit customers, or otherwise conduct any business anywhere in the world;

(g) through the date hereof, capital expenditures other than those forecasted in the current operating budget;

(h) any joint venture or partnership agreement providing for the sharing of profits;

(i) any agreement requiring the consent of any party thereto to the consummation of the transactions contemplated by this Agreement where the failure to obtain such consent could cause a Material Adverse Effect;

(j) any executory agreement relating to the acquisition or sale of any company, business, division, or other enterprise;

(k) any material agreement for the purchase and sale of any goods or services at rates or terms which are materially different from generally available rates or terms;

(l) any agreement that provides for an increased payment, bonus or benefit, or accelerated vesting, upon the execution hereof or the Closing or in connection with the transactions contemplated hereby;

(m) any agreement granting to any Person an option or a first refusal, first-offer or similar preferential right to purchase or acquire any assets of any of the Neptune Companies;

(n) any agreement with any agent, distributor or representative that is not terminable without penalty on sixty (60) days' or less notice; and

(o) any agreement providing for the indemnification or holding harmless of any officer, director, manager employee or Seller.

True, correct and complete copies of all Company Contracts have been made available to Purchaser. To the knowledge of the Company, there is no existing material default or breach by any Neptune Company under any material Company Contract (or event or condition that, with notice or lapse of time or both could constitute a material default or material breach).

Section 3.16. Governmental Consents and Approvals. Except as set forth in Schedule 3.16 or as may be required under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended (the "HSR Act"), no filing with, or notice to, and no permit, authorization, consent or approval of any Governmental Entity is necessary for the execution and delivery by the Company of this Agreement or the consummation of the transactions contemplated hereby, except where the failure to obtain such permits, authorization, consents or approvals or to make such filings or give such notice would not have a Material Adverse Effect.

Section 3.17. Litigation.

(a) Except as set forth in Schedule 3.17(a), there is no suit, claim, action, proceeding or investigation pending or, to the knowledge of the Company, threatened against any of the Neptune Companies or any of their respective properties or assets before any Governmental Entity which could reasonably be expected to expose the Neptune Companies to damages in excess of \$1,000,000. Except as set forth in Schedule 3.17(a), no Neptune Company is subject to any writ, injunction or decree of any Governmental Entity.

(b) Except for the lawsuits listed on Schedule 3.17(b), to the knowledge of the Company, no Neptune Company has been a party to any suit, claim, action, proceeding or investigation relating to asbestos. Except as may be otherwise specified in Schedule 3.17(b), each of the lawsuits listed on Schedule 3.17(b) has been dismissed with respect to all of the Neptune Companies.

Section 3.18. Environmental Matters. Except as set forth in Schedule 3.18, (a) each of the Neptune Companies is in compliance in all material respects with all applicable Environmental Laws; (b) each of the Neptune Companies has all of the material permits and material licenses required by all applicable Environmental Laws; (c) none of the Neptune Companies is aware of any proposed new requirements of any applicable Environmental Law which would require the expenditure of more than \$1,000,000 to bring any Neptune Company

into compliance with the new requirement; (d) none of the Neptune Companies is subject to any notice of violation, enforcement proceeding, compliance order, consent decree or injunction issued by any Governmental Entity relating to any Environmental Law which could reasonably be expected to expose the Neptune Companies to damages or require expenditure of more than \$1,000,000; (e) none of the Neptune Companies has been notified in writing that it may be a responsible party or potentially responsible party under or in violation of or out of compliance with any Environmental Law which could reasonably be expected to expose the Neptune Companies to damages or require expenditure of more than \$1,000,000; (f) to the knowledge of the Company, there are no events or facts that would cause any of the Neptune Companies to be such a responsible party or potentially responsible party or in violation of or not in compliance with any Environmental Law which could reasonably be expected to expose the Neptune Companies to damages or require expenditure of more than \$1,000,000; (g) to the knowledge of the Company, no real property owned or operated by any of the Neptune Companies is contaminated with any hazardous substance to an extent or in a manner or condition now requiring remediation under any Environmental Law which could reasonably be expected to expose the Neptune Companies to damages or require expenditure of more than \$1,000,000; and (h) none of the Neptune Companies manufactures any product containing asbestos and none of the Neptune Predecessor Entities has in the past manufactured any water meter or water meter reading system containing asbestos. As used herein, "Environmental Laws" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. ss. 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. ss. 6901, the Federal Water Pollution Control Act, 33 U.S.C. ss. 1201, the Clean Water Act, 33 U.S.C. ss. 1321, the Clean Air Act, 42 U.S.C. ss. 7401 and the Toxic Substances Control Act, 15 U.S.C. ss. 2601, in each case, as amended from time to time, or any other enforceable federal, state, local or foreign law, ordinance, regulation or rule dealing with the protection of natural resources or the environment or public health and safety.

Section 3.19. Insurance. Schedule 3.19 lists all currently effective material insurance policies or binders of insurance which relate to the business of the Neptune Companies (excluding insurance funded Employee Plans).

Section 3.20. Finders. Except as set forth on Schedule 3.20, no Neptune Company will be obligated to pay any fee or commission to any broker, finder or similar intermediary for or on account of the transactions contemplated by this Agreement.

Section 3.21. Title to Assets. Except as set forth on Schedule 3.21, the Neptune Companies have good title to all of their respective property and assets that are material to the Neptune Companies taken as a whole, free and clear of all Encumbrances except Permitted Encumbrances.

Section 3.22. Transactions with Affiliates. Except as set forth on Schedule 3.22 or on Exhibit A hereto, no officer or director of any Neptune Company, no Person with whom any such officer or director has any direct or indirect relation by blood, marriage or adoption, no entity in which any such officer, director or Person owns any beneficial interest (other than a publicly held corporation whose stock is traded on a national securities exchange or in the over-the counter market and less than five percent of the stock of which is beneficially owned by all such officers, directors and Persons in the aggregate), no Affiliate of any of the foregoing, no

current or former Affiliate of any Neptune Company, and no Seller has any interest in: (a) any contract, arrangement or understanding with, or relating to, any Neptune Company or the properties or assets of any Neptune Company; (b) any loan, arrangement, understanding, agreement or contract for or relating to any Neptune Company or the properties or assets of any Neptune Company; or (c) any property (real, personal or mixed), tangible or intangible, used or currently intended to be used by any Neptune Company. Schedule 3.22 also sets forth a complete list as of the date hereof, of all accounts receivable, notes receivable and other receivables and accounts payable owed to or due from any Affiliate (other than a Subsidiary) of any Neptune Company.

Section 3.23. Notes. All notes receivable (the "Shareholder Loans") of any of the Neptune Companies owing by any director, officer or employee of any Neptune Company or any Seller has been paid in full prior to the date hereof or shall have been paid as of the Closing. Schedule 3.23 sets forth a complete list of all Shareholder Loans and the outstanding balance and applicable interest rate under each Shareholder Loan as of the date hereof.

Section 3.24. Product and Service Warranties. To the knowledge of the Company, there are no facts or circumstances that would cause any of the Neptune Companies to be subject to any extraordinary product recall or warranty exposure in excess of the aggregate net amount reserved for warranty expenses on the Company's consolidated balance sheet as of August 31, 2003 plus \$3,000,000.

Section 3.25. Closing Date Transaction Expense Statement. The Closing Date Transaction Expense Statement shall be true and accurate.

ARTICLE IV

INDIVIDUAL REPRESENTATIONS AND WARRANTIES OF THE SELLERS AND THE CONVERTIBLE PREFERRED STOCKHOLDERS

Section 4.1. Representations of Convertible Preferred Stockholders. Each Convertible Preferred Stockholder severally (as to himself, herself or itself and not as to any other Convertible Preferred Stockholder) hereby represents and warrants to Purchaser as follows:

(a) Each Convertible Preferred Stockholder has full legal right, power, capacity and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby and, for Convertible Preferred Stockholders other than natural persons, such Convertible Preferred Stockholder is duly organized, validly existing and in good standing (to the extent applicable) under the laws of its jurisdiction of organization and has taken all corporate action necessary to authorize the execution, delivery and performance by such Convertible Preferred Stockholder of this Agreement and the consummation of the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by such Convertible Preferred Stockholder and constitutes a valid and legally binding obligation of such Convertible Preferred Stockholder enforceable against such Convertible Preferred Stockholder in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to enforcement of creditors'

rights generally, and (ii) is subject to general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

(b) Each Convertible Preferred Stockholder has good title to the aggregate number and class of shares of capital stock of the Company listed beside its name on Exhibit A and such shares are the only shares of capital stock of the Company owned by such Convertible Preferred Stockholder. Except for this Agreement and the transactions contemplated hereby, and except as provided in the Certificate of Designation and the Preferred Stock Registration Rights Agreement entered into in connection with the Recapitalization, there are no agreements, arrangements, warrants, options, puts, calls, or other rights, of any character to which such Convertible Preferred Stockholder is a party or by which any shares of capital stock of the Company or options convertible into capital stock of the Company owned by such Convertible Preferred Stockholder are bound relating to the issuance, sale, purchase, redemption, conversion, exchange, registration, voting or transfer of any such shares or options, other than those which, pursuant to their terms, will terminate immediately on the Closing Date. As of the Closing Date, the shares of Class B Common Stock, if any, to be sold by the Convertible Preferred Stockholder will be transferred to Purchaser free of any preemptive or subscription rights and free and clear of all Encumbrances (other than those contained in the Charter, including the Certificate of Designation, and other than such limitations as may be imposed by federal and state securities laws).

Section 4.2. Representations of Sellers. Each Seller severally (as to himself, herself or itself and not as to any other Seller) hereby represents and warrants to Purchaser as follows:

(a) Each Seller has full legal right, power, capacity and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby and, for Sellers other than natural persons, such Seller is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has taken all corporate action necessary to authorize the execution, delivery and performance by such Seller of this Agreement and the consummation of the transactions contemplated hereby. This Agreement has been duly authorized, executed and delivered by such Seller and constitutes a valid and legally binding obligation of such Seller enforceable against such Seller in accordance with its terms, except that such enforceability (i) may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally, and (ii) is subject to general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

(b) Each Seller has good title to the aggregate number and class of shares of capital stock of the Company or options convertible into capital stock of the Company listed beside its name on Exhibit A and such shares or options are the only shares of capital stock of the Company or options convertible into capital stock of the Company owned by such Seller. Except for this Agreement and the transactions contemplated hereby, and except as provided in the Certificate of Designation and the Registration Rights Agreement, dated March 26, 2003, there are no agreements, arrangements, warrants, options, puts, calls, or other rights, of any character to which such Seller is a party or by which any shares of capital stock of the Company or options convertible into capital stock of the Company owned by such Seller are bound relating to the issuance, sale, purchase, redemption, conversion, exchange, registration, voting or transfer

of any such shares or options, other than those which, pursuant to their terms, will terminate immediately on the Closing Date. As of the Closing Date, the shares or options to be sold by the Seller will be transferred to Purchaser free of any preemptive or subscription rights and free and clear of all Encumbrances (other than those contained in the Charter, including the Certificate of Designation, and other than such limitations as may be imposed by federal and state securities laws).

(c) The execution, delivery and performance by Seller of this Agreement and the consummation by Seller of the transactions contemplated hereby do not or shall not (as the case may be), and with the passing of time or the giving of notice or both do not or shall not:

(i) violate, conflict with, result with the giving of notice or lapse of time or both in a breach of the terms, conditions or provisions of, or constitute a default, an event of default or an event creating rights of acceleration, amendment, termination or cancellation or a loss of rights under, or result in the creation or imposition of any Encumbrance upon, any of the assets or properties of such Seller or any of the Neptune Companies, any articles of organization, bylaws, trust agreement, partnership agreement or certificate of partnership or other constitutive documents of such Seller, or, except as would not prevent or materially delay the consummation of the transactions contemplated hereby, any note, instrument, agreement, mortgage, lease, license, franchise, Governmental Permit or judgment, order, award or decree to which such Seller is a party or by which the Seller is bound, or any Law affecting such Seller; or

(ii) except for compliance with the HSR Act, require the approval, consent, authorization or act of, or the making by such Seller of any declaration, filing or registration with, any Governmental Entity or other Person.

(d) Except as set forth in Schedule 3.20, Seller has not made any arrangement which would obligate Purchaser or the Company to pay any fee or commission (or reimburse expenses) to any broker, finder or similar intermediary for or on account of the transactions contemplated by this Agreement.

(e) Except as set forth on Schedule 3.23 or Exhibit A hereto, no Seller (nor any Affiliate thereof) has any contract, arrangement, agreement or contract with any of the Neptune Companies.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to the Company, the Sellers and the Convertible Preferred Stockholders as follows:

Section 5.1. Organization. Purchaser is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation. Purchaser has delivered to the Company true and correct copies of its certificate of incorporation and bylaws as in effect on the date hereof and as proposed to be in effect immediately prior to the Closing Date.

Section 5.2. Authority Relative to this Agreement. Purchaser has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Purchaser and the consummation of the transactions contemplated hereby have been duly and validly authorized and approved by all necessary corporate action and no other corporate proceedings on the part of Purchaser are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Purchaser and constitutes a valid and binding agreement of Purchaser, enforceable against it in accordance with its terms, except that such enforceability (a) may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting or relating to enforcement of creditors' rights generally, and (b) is subject to general principles of equity (regardless of whether enforceability is considered in a proceeding at law or in equity).

Section 5.3. Noncontravention. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (a) conflict with or result in any violation of any provision of the articles of incorporation or bylaws (or equivalent governing instruments) of Purchaser or any of its Subsidiaries, (b) except as set forth on Schedule 5.3, require any consent, approval or notice under, or conflict with or result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, any of the terms, conditions or provisions of any contracts of Purchaser or any of its Subsidiaries or (c) subject to the approvals, filings and consents referred to in Section 5.4, violate any legal requirements applicable to Purchaser or any of its Subsidiaries, except, in the case of clauses (b) and (c), with respect to matters that would not impair the ability of Purchaser to perform its obligations under this Agreement in any material respect or otherwise delay in any material respect or prevent the consummation of any of the transactions contemplated by this Agreement.

Section 5.4. Governmental Consents. No consent, approval or authorization of, or declaration or filing with, any Governmental Entity on the part of Purchaser or any of its Subsidiaries that has not been obtained or made is required in connection with the execution or delivery by Purchaser of this Agreement or the consummation by Purchaser of the transactions contemplated hereby, other than (a) compliance with the notification and waiting period requirements of the HSR Act, (b) such filings as may be required by any applicable state securities or "blue sky" laws or state takeover laws, and (c) consents, approvals, authorizations, declarations or filings that, if not obtained or made, would not impair the ability of Purchaser to perform its obligations under this Agreement in any material respect or otherwise delay in any material respect or prevent the consummation of any of the transactions contemplated hereby.

Section 5.5. Investment Intent. Purchaser is purchasing the shares of capital stock of the Company pursuant to Article II solely for its own account and with no intention of distributing or reselling such shares or any part thereof, or interest therein, in any transaction that would be in violation of the Securities Act of 1933, as amended (the "Securities Act"), or any other securities laws of the United States of America or any state thereof.

Section 5.6. Status as Accredited Investor. Purchaser is an "accredited investor" (as that term is defined in Rule 501 of Regulation D under the Securities Act). Purchaser has such knowledge and experience in business and financial matters so that Purchaser is capable of

evaluating the merits and risks of an investment in the shares being acquired hereunder. Purchaser understands the full nature and risk of an investment in such shares. Purchaser further acknowledges that it has had access to the books and records of the Company, is generally familiar with the business being conducted by the Company and has had an opportunity to ask questions concerning the Company and the Company's securities.

Section 5.7. Financial Capability; Solvency.

(a) Purchaser has entered into the Commitment Letter for the purpose of ensuring that it has, immediately prior to the Closing, funds sufficient to consummate the transactions contemplated hereby. The Commitment Letter is in full force and effect. Purchaser acknowledges and agrees that its obligations to consummate the transactions contemplated hereby are not contingent upon its ability to obtain any third party financing.

(b) Immediately following the Closing, the Company will be Solvent. For purposes of this Agreement, "Solvent" when used with respect to the Company, means that, immediately following the Closing Date, (i) the amount of the Present Fair Salable Value of its assets will, as of such date, exceed all of its liabilities, contingent or otherwise, as of such date, (ii) the Company will not have, as of such date, an unreasonably small amount of capital for the business in which it is engaged or will be engaged and (iii) the Company will be able to pay its Debts as they become absolute and mature, taking into account the timing of and amounts of cash to be received by it and the timing of and amounts of cash to be payable on or in respect of its indebtedness. The term "Solvency" shall have its correlative meaning. For purposes of the definition of "Solvent," (A) "Debt" means liability on a "Claim;" and (B) "Claim" means (i) any right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (ii) the right to an equitable remedy for breach on performance if such breach gives rise to a right to payment, whether or not such equitable remedy is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured. "Present Fair Salable Value" means the amount that may be realized if the aggregate assets of the Company (including goodwill) are sold as an entirety with reasonable promptness in an arms length transaction under present conditions for the sale of comparable business enterprises.

Section 5.8. No Outside Reliance. Purchaser has not relied on nor is it relying on any statement, representation or warranty concerning the Company, any of its Subsidiaries or the Sellers or the Convertible Preferred Stockholders other than those expressly made in this Agreement.

ARTICLE VI

ADDITIONAL COVENANTS

Section 6.1. Conduct of Business of the Neptune Companies. For the period commencing on the date hereof and ending on the Closing Date, except as expressly contemplated by this Agreement, or set forth in Schedule 6.1, or otherwise consented to in

advance in writing by Purchaser (which consent shall not be unreasonably withheld), the Company hereby agrees that:

(a) None of the Neptune Companies shall:

(i) amend its articles of incorporation or bylaws or other organizational documents;

(ii) issue, authorize for issue, transfer, sell or deliver any shares of its capital stock (or options or other securities convertible into or exchangeable or exercisable for, with or without additional consideration, such capital stock) or any other interest therein, except in connection with the exercise of Options or conversion of Convertible Preferred Stock;

(iii) split, combine or reclassify any shares of its capital stock or declare, set aside or pay any dividends or make any other distributions (whether in cash, stock or other property) in respect of such shares, except for dividends and distributions payable by a Subsidiary of the Company to another Subsidiary of the Company (except DAP) or to the Company;

(iv) redeem, purchase or otherwise acquire for any consideration any outstanding shares of its capital stock or securities carrying the right to acquire or which are convertible into or exchangeable or exercisable for, with or without additional consideration, such capital stock, except the redemption or repurchase of shares of Class A Stock from employees in connection with the termination of such employee's employment (in which event, the Company and the Sellers will prior to the Closing Date amend Exhibit A to reflect such redemption or repurchase);

(v) incur any indebtedness for borrowed money, except borrowings under the Funded Indebtedness and other borrowings not in excess of \$1,000,000;

(vi) create any Subsidiary or make any acquisition or disposition of stock or other securities or assets of any Person except acquisitions or dispositions of inventory and equipment in the Ordinary Course;

(vii) merge or consolidate with any corporation or other entity;

(viii) (A) create, grant, assume or suffer to be incurred any Encumbrance of any kind on any of its properties or assets other than liens created pursuant to the Senior Credit Facility and Permitted Encumbrances and other Encumbrances not to exceed \$1,000,000, (B) incur any liability or obligation (absolute, accrued or contingent), except liabilities and obligations incurred in the Ordinary Course and other liabilities and obligations not in excess of \$1,000,000, (C) make any commitment for any capital expenditure to be made on or following the date hereof other than capital expenditures that are not materially in excess of those forecasted in the Company's current operating budget;

(ix) enter into, amend, supplement or modify any agreement material to the Neptune Companies taken as a whole except in the Ordinary Course;

(x) other than in the Ordinary Course, dispose of or permit to lapse any right to the use of any patent, trademark, trade name, service mark, license or copyright of any Neptune Company which is material to the business of the Neptune Companies taken as a whole (including any of the Intellectual Property), or dispose of or disclose to any Person, any material trade secret, formula, process, technology or know-how of any Neptune Company not heretofore a matter of public knowledge;

(xi) increase in any manner the base compensation of, or enter into any new bonus or incentive agreement or arrangement with, any of its Affiliates, employees, officers, directors or consultants, except in the Ordinary Course of business consistent with past practice;

(xii) adopt, amend or terminate any Employee Plan or increase the benefits provided under any Employee Plan, or promise or commit to undertake any of the foregoing in the future or enter into any new collective bargaining agreement;

(xiii) make any payment with respect to any portion of the Funded Indebtedness other than payments required to be made pursuant to the terms of the Funded Indebtedness, in which case such required payment will be the minimum amount required to be paid pursuant thereto;

(xiv) make any payment or distribution to any Seller or any Affiliate of any Seller other than (A) payments or distributions required to be made pursuant to any contract, license, agreement, commitment, arrangement, understanding or other instrument disclosed in Schedule 3.22 of this Agreement and made in the Ordinary Course and (B) payments or distributions in respect of salary, benefits and other compensation paid or provided in the Ordinary Course to Class A Stockholders who are employees of a Neptune Company in their capacity as such employees; or

(xv) commit, authorize or agree to do or do, as applicable, any of the foregoing; and

(b) Each of the Neptune Companies shall:

(i) conduct its business in the Ordinary Course;

(ii) use its commercially reasonable efforts to preserve intact the goodwill and business organization of each Neptune Company, keep the officers and employees of each Neptune Company available to Purchaser and preserve the relationships and goodwill of each Neptune Company with customers, distributors, suppliers, employees and other Persons having business relations with any Neptune Company;

(iii) maintain its existence and good standing in its jurisdiction of organization and in each jurisdiction in which the ownership or leasing of its property or the conduct of its business requires such qualification; and

(iv) duly and timely, including applicable extensions, file or cause to be filed all material reports and returns required to be filed with any Governmental Entity and promptly pay or cause to be paid when due, including applicable extensions, all Taxes, assessments and governmental charges, including interest and penalties levied or assessed, unless contested in good faith by appropriate proceedings.

In connection with the continued operation of the Neptune Companies during the period commencing on the date hereof and ending on the Closing Date, the Company shall confer, and shall cause the Neptune Companies to confer, in good faith on a regular and frequent basis with Purchaser regarding operational matters and the general status of on-going operations of the Neptune Companies to the extent reasonably requested by Purchaser. Each Seller hereby acknowledges that Purchaser does not and shall not waive any right it may have hereunder as a result of such consultations.

Section 6.2. Confidentiality. Any information provided to Purchaser or its representatives pursuant to this Agreement shall be held by Purchaser and its representatives in accordance with, and shall be subject to the terms of, the Confidentiality Agreement dated February 1, 2003 by and between Purchaser and III. Notwithstanding any conditions of confidentiality imposed by this Agreement or such Confidentiality Agreement, the parties (and each employee, representative, or other agent of the parties) may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated herein and all materials of any kind (including opinions or other tax analyses) provided to such party relating to such tax treatment and tax structure; provided, however, that no party (and no employee, representative, or other agent thereof) shall disclose any information that is not necessary to understanding the tax treatment and tax structure (as such terms are used in Sections 6011 and 6112 of the Code and the regulations thereunder) of the transactions contemplated herein (including the identity of the parties, any information that could lead another to determine the identity of the parties, any pricing or financial information (except to the extent such pricing or financial information is related to the transaction's tax treatment or tax structure), any other term or detail not relevant to the transaction's tax treatment or the tax structure, or any other information to the extent that such disclosure could result in a violation of any federal or state securities law). The foregoing is not intended to waive the attorney-client privilege or other privileges, including the tax advisor privilege under Section 7525 of the Code.

Section 6.3. Certain Efforts. Each of the parties hereto shall use his, her or its reasonable best efforts to perform such party's obligations hereunder and to take, or cause to be taken, or do, or cause to be done, all things necessary, proper, or advisable under applicable Law to obtain all regulatory approvals and to cause the transactions contemplated hereby to be completed in accordance with the terms hereof and shall cooperate fully with each other party and their respective officers, directors, employees, agents, counsel, accountants, and other designees in connection with any steps required to be taken as a part of their respective obligations under this Agreement, including without limitation:

(a) Promptly upon execution and delivery of this Agreement, each of Purchaser, the Company and the Sellers will use their reasonable best efforts to prepare and file as promptly as possible, or cause to be prepared and filed, with the appropriate Governmental Entity, a notification with respect to the transactions contemplated by this Agreement pursuant to the HSR Act, supply all information requested by such Governmental Entity in connection with the HSR Act notification and cooperate with each other in responding to any such request. Each of the parties shall cooperate with each other in promptly filing any other necessary applications, reports or other documents with any Governmental Entity having jurisdiction with respect to this Agreement and the transactions contemplated hereby, and in seeking necessary consultation with and prompt favorable action by such Governmental Entity. Notwithstanding any provision of this Agreement to the contrary, Purchaser shall not be required under the terms of this Agreement to dispose of or hold separate all or any portion of the businesses or assets of Purchaser or any of its Affiliates or any of the Neptune Companies in order to remedy or otherwise address the concerns (whether or not formally expressed) of any Governmental Entity under the HSR Act or any other antitrust statute or regulation.

(b) In the event any claim, action, suit, investigation, or other proceeding by any Governmental Entity or other Person is commenced which questions the validity or legality of the transactions contemplated hereby or seeks damages in connection therewith, the parties agree to cooperate and use all reasonable efforts to defend against such claim, action, suit, investigation, or other proceeding and, if an injunction or other order is issued in any such action, suit, or other proceeding, to use all reasonable efforts to have such injunction or other order lifted, and to cooperate reasonably regarding any other impediment to the consummation of the transactions contemplated hereby; and

(c) Each party shall give prompt written notice to the others of (i) the occurrence, or failure to occur, of any event which occurrence or failure would be likely to cause any representation or warranty of such party contained in this Agreement or any agreement or document contemplated hereby to be untrue or inaccurate at any time from the date hereof until the Closing or that will or may result in the failure to satisfy any of the conditions specified in Articles VII and VIII and (ii) any failure of any party hereto to comply with or satisfy any covenant, condition, or agreement to be complied with or satisfied by it hereunder. No such notification shall limit or otherwise affect the terms of this Agreement or the Schedules delivered by the parties pursuant to this Agreement on the date hereof.

(d) The Company will use its reasonable best efforts to obtain, prior to the Closing Date, shareholder approval meeting the requirements of Section 280G(b)(5) of the Code and Treasury Regulations Section 1.280G-1 (as if such Treasury Regulations were effective prior to January 1, 2004) with respect to the acceleration of the vesting of the Options (as contemplated by this Agreement). Within a reasonable period of time prior to seeking such shareholder approval, the Company will deliver to Purchaser and its counsel a copy of (i) the consent form on which such approval will be obtained and (ii) the disclosure statement that will accompany such form.

Section 6.4. No Public Announcement. Prior to the Closing Date, neither Purchaser, the Company nor any Seller shall, without the approval of Purchaser and the Company (which shall not be unreasonably withheld), make any press release or other public announcement to the

financial community, government agencies or the general public concerning the transactions contemplated by this Agreement, except as and to the extent that any such party shall be so obligated by Law or applicable rules of the New York Stock Exchange, in which case Purchaser and the Company shall be advised, and Purchaser and the Company shall use their reasonable efforts to give the other party the advance opportunity to review and comment on such release or announcement.

Section 6.5. Directors' and Officers' Indemnification.

(a) Purchaser agrees that (i) the certificate of incorporation or the bylaws of the Company and its Subsidiaries immediately after the Closing shall contain provisions with respect to indemnification and exculpation from liability that are at least as favorable to the beneficiaries of such provisions as those provisions that are set forth in the certificate of incorporation and bylaws of the Company and its Subsidiaries, respectively, on the date of this Agreement, which provisions shall not be amended, repealed or otherwise modified for a period of six years following the Closing in any manner that would adversely affect the rights thereunder of Persons who at or prior to the Closing were directors, officers, employees or agents of the Company or any of its Subsidiaries, unless such modification is required by law and (ii) all rights to indemnification as provided in any indemnification agreements with any current or former directors, officers and employees of the Company or any of its Subsidiaries as in effect as of the date hereof with respect to matters occurring at or prior to the Closing shall survive the Closing.

(b) The parties agree that the Company (or a third party at the direction of the Company) will pay an amount sufficient to enable the Company to purchase "tail" coverage for a period of three years following the Closing Date (or such longer period, up to a maximum of six years after the Closing Date as shall be requested in writing by the Company to Purchaser at least five (5) Business Days prior to the Closing Date) under the directors and officers liability insurance policy of the Company, as in effect on the Closing Date.

(c) In the event Purchaser or the Company or any of their respective successors or assigns (i) consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any Person, Purchaser shall use its reasonable best efforts to ensure that proper provisions shall be made so that the successors and assigns of Purchaser or the Company (as applicable) assume the obligations set forth in this Section 6.5.

(d) This Section 6.5, which shall survive the Closing and shall continue for the periods specified herein, is intended to benefit any Person or entity referenced in this Section 6.5 or indemnified hereunder, each of whom may enforce the provisions of this Section 6.5 (whether or not parties to this Agreement).

(e) Notwithstanding any provision in this Agreement or the insurance policies contemplated by this Section 6.5, no provision or indemnification right in such insurance policies shall limit in any way the right of any Purchaser Indemnified Party or the obligation of any Seller pursuant to Article X of this Agreement.

Section 6.6. Investigation of the Company by Purchaser. From the date hereof until Closing or termination of this Agreement pursuant to Article IX hereof, which ever occurs earlier, upon reasonable advance notice, the Company shall afford to the officers and authorized representatives of Purchaser (including, without limitation, independent public accountants and attorneys) reasonable access during normal business hours to the offices, properties, senior management, and business and financial records (including Tax Returns filed and those in preparation) of the Neptune Companies, and shall furnish to Purchaser or its authorized representatives such additional information concerning the Neptune Companies and their respective properties, assets, businesses and operations as shall be reasonably requested. Nothing in this Section shall be interpreted so as to grant Purchaser the right to perform invasive or subsurface investigations of the properties or locations of any of the Neptune Companies.

Section 6.7. No Solicitation; Acquisition Proposals. The Company and each of the Sellers agree that from the date hereof through the Closing Date or the date of termination of this Agreement in accordance with Article IX, as the case may be, neither the Company nor any Seller will, directly or indirectly, through any officer, director, employee, leased employee, partner, stockholder, agent, or Affiliate or otherwise, except in furtherance of the transactions contemplated by this Agreement (a) solicit, initiate, or encourage submission of proposals or offers from any Person relating to any transactions contemplated herein or to the direct or indirect purchase of a material amount of the assets of, or any equity interest in, or any merger, consolidation, or business combination with, any Neptune Company (collectively, an "Acquisition Proposal"), (b) participate in any discussions or negotiations regarding, or furnish to any other Person any information with respect to, or otherwise cooperate in any way with or assist, facilitate, or encourage, any Acquisition Proposal by any Person, (c) enter into any agreement, arrangement, or understanding with respect to an Acquisition Proposal, or (d) sell, transfer, or otherwise dispose of, or enter into any agreement, arrangement, or understanding with respect to, any interest in the assets, capital stock or other equity interests of any Neptune Company.

Section 6.8. Registration Statement on Form S-3. As promptly as reasonably practicable but not later than November 14, 2003, Purchaser will prepare and file with the Securities and Exchange Commission a registration statement on Form S-3 or any other similar form (the "Registration Statement") registering debt and equity securities, which may be sold by Purchaser from time to time, and Purchaser will use its commercially reasonable efforts to cause such Registration Statement to be declared effective as promptly as possible after filing.

Section 6.9. Employee Benefit Plans.

(a) Prior to the Closing Date, the Neptune Companies shall make all required contributions and pay all premiums required under each Employee Plan, including any employer matching and profit sharing contributions, and periodic premium payments for retired employee health benefits. Purchaser acknowledges that, on and after the Closing, the Neptune Companies shall remain liable for all accumulated postretirement benefit obligations of the Neptune Companies under Financial Accounting Standard No. 106.

(b) Prior to the Closing Date, the Neptune Companies shall take all action required (i) to make any amendments to the Employee Plans required to comply with applicable

Law for periods on or before the Closing Date; (ii) to provide pro rata matching and non-elective contributions from January 1, 2004, to the Closing Date for each Employee Plan that is a pension plan as defined in ERISA Section 3(2) ("Employee Pension Plan"); and (iii) to file or furnish all documentation related to the Employee Plans that are required to be filed with or furnished to any Governmental Entity to comply with applicable Laws for periods on or before the Closing Date. Prior to the Closing Date, the Neptune Companies shall provide to Purchaser all documentation reasonably requested by Purchaser related to all Employee Pension Plans. After the Closing, Purchaser agrees to assume sponsorship of the Employee Pension Plans sponsored by the Neptune Companies in accordance with their respective terms.

(c) With respect to employees of the Neptune Companies (and their dependents and beneficiaries where appropriate), Purchaser shall as of the Closing: (i) provide coverage under its employee benefit plans that is no less favorable than the plans it makes available to other similar employees of Purchaser including Group RRSP or other retiree arrangements for DAP employees; (ii) recognize such employees' employment service with the Neptune Companies (including credit for service with predecessor employers as currently recognized under the applicable Neptune Company plan) for participation, vesting and benefit eligibility purposes under any employee benefit plan Purchaser may provide to such employees; (iii) not require such employees, in the plan year in which the Closing occurs, to satisfy any deductible, co-payment, out of pocket maximum or similar requirements under Purchaser's plans to the extent of amounts previously credited for such purposes under the applicable Neptune Company plan, but, if the Closing occurs after January 1, 2004, Purchaser will credit such employees with payments toward the deductible, co-payment and out-of-pocket maximum of Purchaser's plan provided that such employee provides Purchaser with documentation that is reasonably satisfactory to Purchaser; (iv) not apply to such employees any waiting periods, pre-existing condition exclusions and requirements to show evidence of good health contained in Purchaser's plans under the definitions of the Health Insurance Portability and Accountability Act of 1996; and (v) honor in full all accrued vacation not taken for the calendar year in which the Closing occurs.

(d) The Neptune Companies shall be permitted to pay its respective employees bonuses with respect to the calendar year 2003 in the Ordinary Course upon prior written consent of Purchaser, which consent shall not be unreasonably withheld. In the event such bonuses become payable after the Closing, Purchaser shall cause the Neptune Companies to pay such bonuses.

Section 6.10. Interim Financials; Cooperation with Financing. During the period prior to the Closing Date, the Company shall provide to Purchaser consolidated monthly balance sheets, statements of operations, stockholders' equity (deficiency), and cash flow within twenty (20) Business Days after the end of each month. Further, the Company shall, and shall cause the other Neptune Companies to, cooperate in connection with the arrangement of Purchaser's financing including, without limitation, (a) cooperating with Purchaser to provide the banks and other institutions arranging or providing Purchaser's financing all information (financial and other) with respect to the Neptune Companies and the transactions contemplated by this Agreement reasonably requested by Purchaser, (b) causing the Company's senior officers and other Company representatives to be available to Purchaser and the banks and other institutions arranging or providing Purchaser's financing to participate in due diligence sessions and to

participate in presentations related to any transaction comprising Purchaser's financing, including "road show" presentations to rating agencies, potential lenders and other investors, (c) assisting in the preparation of one or more appropriate offering documents and assisting Purchaser and the banks and other institutions arranging or providing Purchaser's financing in preparing other appropriate marketing materials, in each case to be used in connection with such financing, and (d) requesting the Company's independent auditors to prepare and deliver "comfort letters", dated the date of each offering document used in connection with any transaction comprising Purchaser's financing (with appropriate bring down comfort letters delivered on the closing date for each financing), in compliance with professional standards.

Section 6.11. Charter and Stockholder Agreement. The Sellers shall, and shall cause the Neptune Companies to, take all appropriate steps to terminate the Stockholder Agreement, which termination shall be effective as of the Closing and to amend the Certificate of Designation to the effect attached hereto as Exhibit 6.11. Each Seller hereby agrees to waive (and agrees to cause the Company to waive) any rights of first refusal or other rights to acquire, bid for or otherwise purchase any Class A Common Stock, Class B Common Stock, Class D Common Stock, Convertible Preferred Stock or Options or approve the transactions contemplated by this Agreement, as the case may be.

Section 6.12. DAP. Prior to the Closing, the Company or one of its direct or indirect Subsidiaries shall take all actions necessary in order to purchase and/or cancel (the "DAP Option Purchase") all of the options outstanding as of the date hereof (the "DAP Options") to purchase shares of DAP from the holders of such options. The DAP Option Purchase shall be effected solely through a cash payment to be made on or before the Closing Date and pursuant to documents which are reasonably satisfactory to Purchaser.

ARTICLE VII

CONDITIONS TO OBLIGATIONS OF PURCHASER

The obligation of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions:

Section 7.1. No Misrepresentation or Breach of Covenants and Warranties.

(a) The Company shall have performed in all material respects all agreements required to be performed by it at or prior to Closing.

(b) (i) The representations and warranties of the Company, the Sellers and the Convertible Preferred Stockholders contained in Sections 3.2(a), 3.3, 3.4, 3.7(b), 3.18(h), 3.20, 4.1(a), 4.1(b), 4.2(a), 4.2(b) and 4.2(d) shall be true and correct as of the date hereof and shall be true and correct as of the Closing Date as though made on and as of the Closing Date and (ii) the remaining representations and warranties of the Company and the Sellers contained in Article III and Article IV shall have been true and correct as of the date hereof and shall be true and correct as of the Closing Date as though made on and as of the Closing Date (except for representations and warranties that speak as of a specific date prior to the Closing Date which need only be true

and correct as of such earlier date); provided, however, that the condition in this Section 7.1(b)(ii) shall be deemed satisfied unless any and all inaccuracies in such representations and warranties, in the aggregate, result in a Material Adverse Effect (ignoring for the purposes of this Section 7.1(b)(ii) any qualifications by Material Adverse Effect or otherwise by material adversity and any materiality qualification or words of similar import contained in such representations or warranties). Notwithstanding anything herein to the contrary, the representation and warranty contained in Section 3.7(b) shall be deemed to be true and accurate as of the date hereof and as of the Closing Date so long as the calculations reflected in the Funds Flow Statement accurately take into consideration the full amount of the Funded Indebtedness as of the Settlement Date.

(c) Each Seller shall have performed in all material respects all agreements required to be performed by such Seller at or prior to Closing.

(d) The Purchaser shall have received a certificate executed by the Company and the Sellers as to compliance with this Section 7.1.

Section 7.2. Resignations of Directors. The Company shall have furnished Purchaser with signed resignations, effective as of the Closing, of each director of each Neptune Company, other than those directors of the Neptune Companies identified at least two (2) Business Days prior to the Closing as Persons whose resignations are not required by Purchaser.

Section 7.3. Litigation.

(a) As of the Closing Date, there shall be no Law, injunction, writ, preliminary restraining order, restraining order or decree of any nature of any court or other Governmental Entity of competent jurisdiction that is in effect that restrains or prohibits the consummation of the transactions or other material obligations of the parties hereto as contemplated hereby; and

(b) No proceeding or lawsuit shall have been commenced before any court or other Governmental Entity for the purpose of obtaining such injunction, writ, preliminary restraining order, restraining order or decree; provided that this condition set forth in this Section 7.3(b) shall be deemed satisfied unless proceeding with the Closing is likely to result in a Material Adverse Effect.

Section 7.4. Governmental Approvals. The filing and waiting period requirements of the HSR Act shall have been complied with to the extent applicable. Similarly, the filing and waiting period requirements (and, if required, governmental approvals) under the Laws of Canada and Mexico shall have been complied with (or obtained) to the extent applicable. All other required authorizations, consents and approvals of (or filings with) any Governmental Entity shall have been obtained or made except for those authorizations, consents and approvals which if not obtained would not have a Material Adverse Effect.

Section 7.5. No Material Adverse Effect. The Neptune Companies shall not have suffered a Material Adverse Effect or any development likely to result in a Material Adverse Effect from the date of this Agreement through the Closing Date. Purchaser shall have received a certificate executed by the Company as to compliance with this Section 7.5.

Section 7.6. Closing Date Payoff Letters; Release of Liens. The Company shall have delivered to Purchaser:

(a) evidence reasonably satisfactory to Purchaser of the aggregate amount that would have been necessary to prepay in full the Funded Indebtedness as of the Settlement Date;

(b) evidence reasonably satisfactory to Purchaser of the aggregate amount of principal outstanding and interest accrued under the Senior Credit Facility, the Subordinated Notes and the Supplemental Debt through the Closing Date; and

(c) (i) a payoff letter from the administrative agent for the lenders party to the Senior Credit Facility which includes (A) the aggregate amount outstanding of indebtedness under the Senior Credit Facility on the Closing Date (including any interest accrued thereon, any prepayment premiums and penalties and any accrued fees and expenses associated with the prepayment of the Senior Credit Facility, in each case, outstanding as of and payable on the Closing Date) and (B) an agreement that, if such aggregate amount so identified is paid to the administrative agent, on the Closing Date, the administrative agent on behalf of the lenders, will release any and all Encumbrances granted to the lenders under the Senior Credit Facility and will take all actions reasonably requested to evidence such release and (ii) upon satisfaction of the relevant requirements set forth in the Indenture related to the Subordinated Notes, an instrument from the trustee under the Indenture acknowledging satisfaction and discharge of the Indenture, on the terms set forth in Section 8.03 of the Indenture; provided that, acceptance by Purchaser of such payoff letter and instrument on the Closing Date shall evidence satisfaction of the condition set forth in this Section 7.6(b).

Section 7.7. Closing Date Transaction Expense Statement. The Company shall have delivered to Purchaser a statement from the Company (executed by the President and the Chief Financial Officer of the Company) (the "Closing Date Transaction Expense Statement") which sets forth, by payee, the amount of Transaction Payments which have been or will be made to any Person by the Company after the Settlement Date and which further specifically sets forth (i) the aggregate amount of such portion of the Transaction Payments which have been or will be paid to such Person after the Settlement Date but prior to the Closing Date and (ii) the aggregate amount of such portion of the Transaction Payments which are to be paid to such Person on the Closing Date. In addition to the Closing Date Transaction Expense Statement, the Company shall have delivered to Purchaser documents which confirm to the reasonable satisfaction of Purchaser that upon payment of the respective amounts specified in such Statement, each Person that is to be paid in accordance with such Statement shall have been paid in full by the Neptune Companies and the Sellers for all services rendered and expenses incurred, to or on behalf of the Neptune Companies, on or prior to the Closing Date.

Section 7.8. Stockholder Agreement. All necessary actions shall have been taken by the Sellers to terminate the Stockholder Agreement as of the Closing.

Section 7.9. Redemption. The Convertible Preferred Stock shall be redeemed concurrently with the Closing in accordance with Section 2.3(a)(i) of this Agreement to the extent required pursuant to the Certificate of Designation.

Section 7.10. Stock and Option Certificates. In accordance with Section 2.3(b) of this Agreement, the Sellers and the Company shall have delivered to Purchaser (a) stock certificates representing all of the issued and outstanding shares of Class A Common Stock, Class B Common Stock and Class D Common Stock and Convertible Preferred Stock (including the Convertible Preferred Stock to be redeemed on the Closing Date in accordance with the Certificate of Designation) and accompanying stock powers duly executed by the applicable Seller, evidencing the transfer of such shares to Purchaser or the Company, as applicable, and (b) documentation reasonably satisfactory to Purchaser that all of the outstanding Options shall be terminated as of the Closing.

Section 7.11. General. All corporate proceedings required to be taken on the part of any Neptune Company in connection with the transactions contemplated by this Agreement shall have been taken. Purchaser shall have received copies of such customary good standing certificates and incumbency certificates in connection with the transactions contemplated hereby.

Section 7.12. FIRPTA Affidavit. The Company shall have delivered to Purchaser an affidavit (which shall be signed under penalties of perjury, dated as of the Closing Date, and in form and substance required by Treasury Regulation ss. 1.897-2(h) so that Purchaser shall be exempt from withholding any portion of the Purchase Price under Section 1445 of the Code) stating that the Company is not and has not been during the period specified in Section 897(c)(1)(A)(ii) of the Code a United States real property holding corporation.

Section 7.13. Closing Date Exhibit A. The Company shall have delivered to Purchaser a final form of Exhibit A which is certified by the Company and the Sellers as being true and correct as of the Closing Date (the "Closing Date Exhibit A").

Section 7.14. Funds Flow Statement. The Company shall have delivered to Purchaser a statement (the "Funds Flow Statement") setting forth (i) the calculation of the Fully Diluted Number and the Per Share Amount and (ii) the amount of each payment to be made pursuant to Sections 2.3 and 2.5. The Funds Flow Statement shall be accompanied by acknowledgements signed by each Seller, Convertible Preferred Stockholder, Option Holder and Robert Geckle in the form of Exhibit 7.14.

Section 7.15. DAP. The Company or one of its direct or indirect Subsidiaries shall have consummated the DAP Option Purchase and provided reasonably satisfactory evidence of such to Purchaser.

ARTICLE VIII

CONDITIONS PRECEDENT TO OBLIGATIONS OF THE COMPANY, THE SELLERS AND THE CONVERTIBLE PREFERRED STOCKHOLDERS

The obligations of the Company, the Sellers and the Convertible Preferred Stockholders to consummate the transactions contemplated by this Agreement shall be subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions:

Section 8.1. No Misrepresentation or Breach of Covenants and Warranties.

(a) Purchaser shall have performed in all material respects all agreements required to be performed by it at or prior to Closing; and

(b) each of the representations and warranties of Purchaser contained in Article V of this Agreement shall be true and correct in all material respects on the Closing Date as though made on the Closing Date.

Section 8.2. Litigation.

(a) As of the Closing Date, there shall be no Law, injunction, writ, preliminary restraining order, restraining order or decree of any nature of any court or other Governmental Entity of competent jurisdiction that is in effect that restrains or prohibits the consummation of the transactions or other material obligations of the parties hereto as contemplated hereby; and

(b) No proceeding or lawsuit shall have been commenced before any court or other Governmental Entity for the purpose of obtaining such injunction, writ, preliminary restraining order, restraining order or decree; provided that this condition set forth in this Section 8.2(b) shall be deemed satisfied unless proceeding with the Closing is likely to result in a Material Adverse Effect.

Section 8.3. Governmental Approvals. The filing and waiting period requirements of the HSR Act shall have been complied with to the extent applicable. Similarly, the filing and waiting period requirements (and, if required, governmental approvals) under the Laws of Canada and Mexico shall have been complied with (or obtained) to the extent applicable. All other required authorizations, consents and approvals of (or filings with) any Governmental Entity shall have been obtained or made except for those authorizations, consents and approvals which if not obtained would not have a Material Adverse Effect.

ARTICLE IX

TERMINATION

Section 9.1. Termination. This Agreement may be terminated and the transaction contemplated hereby may be abandoned at any time prior to the Closing Date:

(a) by written consent of Purchaser and the Company (on behalf of itself, the Sellers and the Convertible Preferred Stockholders);

(b) by Purchaser or the Company (on behalf of itself, the Sellers and the Convertible Preferred Stockholders) if:

(i) any court or other Governmental Entity of competent jurisdiction shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting such transaction and such order, decree, ruling or other action shall have become final and nonappealable; or

(ii) the Closing shall not have occurred on or prior to February 27, 2004; provided, however, that the right to terminate the Agreement under this Section 9.1(b)(ii) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to occur on or before such date;

(c) by Purchaser in the event of a material breach by the Company or the Sellers of this Agreement which has not been cured within 30 days after the giving of written notice to the Company or which is incapable of being cured prior to February 27, 2004;

(d) by the Company (on behalf of itself, the Sellers and the Convertible Preferred Stockholders) in the event of a material breach by Purchaser of this Agreement, which has not been cured within 30 days after the giving of written notice to Purchaser or which is incapable of being cured prior to February 27, 2004; or

(e) by the Company (on behalf of itself, the Sellers and the Convertible Preferred Stockholders) in the event the Effective Date has not occurred on or prior to February 1, 2004.

(f) No party may terminate this Agreement pursuant to Sections 9.1(b), (c), or (d) if the failure of the condition (or failure of the condition to be reasonably capable of being satisfied within the applicable time period) giving rise to the right to terminate results from the breach by such party of any of its obligations in this Agreement. If this Agreement is terminated pursuant to this Section 9, all obligations of the parties under this Agreement shall be terminated without liability or penalty on the part of any party or its officers, directors or shareholders to any other party; provided, however, that no such termination shall relieve any party from liability for damages resulting from any breach by such party of this Agreement or otherwise limit any remedy available to a party or parties on account of any such breach.

ARTICLE X

INDEMNIFICATION

Section 10.1. Article III Indemnification Obligations. Each Seller shall, pro rata according to each Seller's Seller's Percentage, indemnify, defend and hold harmless Purchaser and its Affiliates, each of their respective officers, directors, employees, agents and representatives and each of the heirs, executors, successors and assigns of any of the foregoing (the "Purchaser Indemnified Parties") from, against, and in respect of, any and all claims, liabilities, obligations, damages, losses, costs, expenses, penalties, fines and judgments (at equity or at law, including statutory and common) and damages whenever arising or incurred (including amounts paid in settlement, costs of investigation and reasonable attorneys' fees and expenses) arising out of or relating to any breach or inaccuracy of any representation or warranty made by any Seller or the Company in Sections 3.3, 3.4 and 3.7(b) of this Agreement.

Section 10.2. Article IV Indemnification Obligations. Each Seller and each Convertible Preferred Stockholder shall severally indemnify, defend and hold harmless the Purchaser Indemnified Parties from, against, and in respect of, any and all claims, liabilities, obligations,

damages, losses, costs, expenses, penalties, fines and judgments (at equity or at law, including statutory and common) and damages whenever arising or incurred (including amounts paid in settlement, costs of investigation and reasonable attorneys' fees and expenses) arising out of or relating to any breach or inaccuracy of any representation or warranty made by such Seller or such Convertible Preferred Stockholder in Sections 4.1(a), 4.1(b), 4.2(a) or 4.2(b), as applicable, of this Agreement.

Section 10.3. Claims Period. All claims by any Purchaser Indemnified Party pursuant to Section 10.1 and Section 10.2 must be made on or before the first anniversary of the Closing Date.

Section 10.4. Limitations. Notwithstanding anything in this Article X, the aggregate amount of indemnification obligations with respect to any Seller or Convertible Preferred Stockholder shall be limited to the amount such Seller or Convertible Preferred Stockholder receives as payment pursuant to Sections 2.3(a)(i) through 2.3(a)(iv), as applicable.

ARTICLE XI

MISCELLANEOUS

Section 11.1. Amendment and Modification. This Agreement may be amended only by a written agreement signed by Purchaser, the Sellers and the Company, as well as any Convertible Preferred Stockholder adversely affected by such amendment, at any time prior to the Closing Date with respect to any of the terms contained herein.

Section 11.2. Non-Survival of Representations and Warranties. Except for the representations and warranties in Sections 3.3, 3.4, 3.7(b), 4.1(a), 4.1(b), 4.2(a) and 4.2(b) of this Agreement, which shall survive for a period of one year following the Closing Date, the respective representations and warranties of Purchaser, the Convertible Preferred Stockholders and the Company contained in Articles III, IV and V of this Agreement shall terminate at, and not survive, the Closing.

Section 11.3. Partial Invalidity. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in the case that any provision contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein unless the deletion of such provision or provisions would result in such a material change as to cause completion of the transactions contemplated hereby to be unreasonable.

Section 11.4. Execution in Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement, and shall become binding when one or more counterparts have been signed by each of the parties and delivered to each of the Company and Purchaser.

Section 11.5. Assignment; Successors and Assigns. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto without the prior written consent of the other parties except that Purchaser may, without the obligation to obtain the prior written consent of any other party, assign this Agreement or all or any part of its rights or obligations hereunder to one (1) or more direct or indirect wholly-owned subsidiaries of Purchaser (in all or any of which cases Purchaser shall remain responsible for the performance of all of its obligations under this Agreement). Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors or permitted assigns, heirs, legatees, distributees, executors, administrators and guardians.

Section 11.6. Titles and Headings. Titles and headings to sections herein are inserted for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement. Unless otherwise specified herein, all references to Articles, Sections, Exhibits and Schedules shall refer to the Articles, Sections, Exhibits and Schedules, respectively, of this Agreement. Unless this Agreement states otherwise, all references to dollars in this Agreement shall refer to United States dollars.

Section 11.7. Schedules and Exhibits. The schedules and exhibits referred to in this Agreement shall be construed with and as an integral part of this Agreement to the same extent as if the same had been set forth verbatim herein. Except as expressly set forth herein, disclosure of any fact or item in any schedule hereto shall, to the extent reasonably apparent by cross-reference from the face of such schedule and relevant to any other schedule or schedules, be deemed to be disclosed in such other schedule or schedules, notwithstanding the lack of a specific cross-reference.

Section 11.8. Knowledge. In each provision of this Agreement in which a representation or warranty is qualified to the "knowledge" of a Person or to the "best of the knowledge" of a person, unless otherwise stated in such provision, each such phrase means that the Person does not have actual knowledge after due investigation thereof of any state of facts which is different from the facts described in the warranty or representation. With respect to the Company, such knowledge shall refer solely to the "knowledge" of one or more of the Persons identified in Schedule 11.8. In Article III of this Agreement where a representation or warranty is qualified to the "actual knowledge" of a Person each such phrase means that the Person does not have actual knowledge of any state of facts which is different from the facts described in the warranty or representation. With respect to the Company, such actual knowledge shall refer solely to the "actual knowledge" of one or more of those Persons identified in Schedule 11.8.

Section 11.9. Waivers. Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the party or parties entitled to the benefit thereof, in each case in writing. The failure of any party hereto to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

Section 11.10. Waiver of Jury Trial. Each party acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each such party hereby irrevocably and unconditionally waives any right such party may have to a trial by jury in respect of any litigation directly or indirectly arising out of or relating to this Agreement or the transactions contemplated hereby. Each party certifies and acknowledges that (i) no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of litigation, seek to enforce the foregoing waiver, (ii) each party understands and has considered the implications of this waiver, (iii) each party makes this waiver voluntarily, and (iv) each party has been induced to enter into this agreement by, among other things, the mutual waivers and certifications in this Section 11.10.

Section 11.11. Expenses. In accordance with Section 2.5(b), to the extent applicable, the Company will pay all costs and expenses incurred by the Company or the Sellers in connection with the transactions contemplated by this Agreement (including, without limitation, attorneys', accountants', brokers', finders', and investment banking fees and expenses). Purchaser shall bear all such costs and expenses incurred by Purchaser in connection with the transactions contemplated by this Agreement. The fees and expenses related to any filing made pursuant to the HSR Act shall be paid one half by Purchaser and one half by the Company.

Section 11.12. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given (a) upon receipt if given by delivery in Person; or (b) on the next business day when sent by overnight courier service, to the parties at the following addresses (or such other address for a party as shall be specified by like notice):

If to Purchaser, to:

Roper Industries, Inc.
2160 Satellite Blvd.
Duluth, Georgia 30097
Attention: C. Thomas O'Grady
Shanler D. Cronk

with a copy to:

King & Spalding LLP
191 Peachtree Street
Atlanta, Georgia 30303-1763
Attention: Russell B. Richards

If to the Company, to:

Neptune Technology Group Holdings Inc.
c/o Neptune Technology Group Inc.
1600 Alabama Highway 229
Tallasse, Alabama 36078
Attention: Charles DiLaura (if prior to the Closing Date)
James Mannebach (if after the Closing Date)

with a copy to:

Investcorp International, Inc.
280 Park Avenue
36th Floor West
New York, New York 10017
Attention: Kevin Nickelberry

and

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, New York 10166-0193
Attention: E. Michael Greaney

If to the Sellers or the Convertible Preferred Stockholders, to:

the addresses set forth on Exhibit A hereto;

with a copy to:

Gibson, Dunn & Crutcher LLP
200 Park Avenue
New York, New York 10166-0193
Attention: E. Michael Greaney

Section 11.13. Entire Agreement. This Agreement (including the exhibits and other documents referred to herein) and the Confidentiality Agreement embody the entire agreement and understanding of the parties hereto in respect of the subject matter hereof and thereof and supersede all prior agreements and understandings, both written and oral, among the parties, or between any of them, with respect to the subject matter hereof and thereof.

Section 11.14. No Third Party Beneficiaries. Except as expressly provided in Section 6.5, this Agreement is not intended to, and does not, create any rights or benefits of any party other than the parties hereto.

Section 11.15. Governing Law; Jurisdiction; Forum. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to principles of conflicts or choice of laws. Any case, proceeding or action concerning any dispute arising out of or relating to this Agreement must be brought in a court situated in the State of Delaware, and each party hereto consents and submits to the jurisdiction of any state or federal court sitting in the State of Delaware for any such case, proceeding or action. Each party hereto waives any objection to the laying of venue in such courts and any claim that any such action has been brought in an inconvenient forum. To the extent permitted by law, any judgment in respect of a dispute arising out of or relating to this Agreement may be enforced in any other jurisdiction within or outside the United States by suit on the judgment, a certified copy of such judgment being conclusive evidence of the fact and amount of such judgment.

Section 11.16. No Implied Representations. Notwithstanding any other provision of this Agreement, Purchaser acknowledges and agrees that neither the Company, the Sellers, nor any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding the Company and its Subsidiaries except as expressly set forth in this Agreement, and Purchaser is not relying on any information concerning the Company and its Subsidiaries except as so expressly set forth in this Agreement. Without limiting the foregoing, it is further expressly understood and agreed that any projections or estimates that may have been furnished to the Purchaser or its Affiliates or advisors are not and shall not be deemed to be representations or warranties of the Company or any other Person.

[Signature Pages Immediately Follow]

IN WITNESS WHEREOF, each of the parties has caused this Stock Purchase Agreement to be duly executed as of the day and year first above written.

NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.

By: /s/ Charles C. DiLaura

Name: Charles C. DiLaura
Title: President

ROPER INDUSTRIES, INC.

By: /s/ C. T. O'Grady

Name: C. T. O'Grady
Title: VP, Mergers & Acquisitions

(signatures continue on next page)

[Signature page to Stock Purchase Agreement]

CLASS A SELLERS:

ANDALUSIA LIMITED

By: /s/ Peter Yates

Name: Martonmere Services Ltd.
Title: Director

CLAIBORNE LIMITED

By: /s/ Peter Yates

Name: Martonmere Services Ltd.
Title: Director

FOSTERS LIMITED

By: /s/ Peter Yates

Name: Martonmere Services Ltd.
Title: Director

PETERMAN LIMITED

By: /s/ Peter Yates

Name: Martonmere Services Ltd.
Title: Director

INVESTCORP NEPTUNE LIMITED
PARTNERSHIP

By: /s/ Ebrahim H. Ebrahim

Name: Meter International
Limited
Title: Sole General Partner

EQUITY NEA LIMITED

By: /s/ Sydney J. Coleman

Name: The Director Ltd.
Title: Director

METER EQUITY LIMITED

By: /s/ Sydney J. Coleman

Name: The Director Ltd.
Title: Director

METER HOLDINGS LIMITED

By: /s/ Sydney J. Coleman

Name: The Director Ltd.
Title: Director

METER INVESTMENTS LIMITED

By: /s/ Sydney J. Coleman

Name: The Director Ltd.
Title: Director

NEPTUNE EQUITY LIMITED

By: /s/ Sydney J. Coleman

Name: The Director Ltd.
Title: Director

NEPTUNE IIP LIMITED

By: /s/ Sydney J. Coleman

Name: The Director Ltd.
Title: Director

NEPTUNE INTERNATIONAL LIMITED

By: /s/ Sydney J. Coleman

Name: The Director Ltd.
Title: Director

TRIDENT EQUITY LIMITED

By: /s/ Sydney J. Coleman

Name: The Director Ltd.
Title: Director

WATER EQUITY LIMITED

By: /s/ Sydney J. Coleman

Name: The Director Ltd.
Title: Director

WATER HOLDINGS LIMITED

By: /s/ Sydney J. Coleman

Name: The Director Ltd.
Title: Director

WATER INVESTMENTS LIMITED

By: /s/ Sydney J. Coleman

Name: The Director Ltd.
Title: Director

(signatures continue on next page)

[Signature page to Stock Purchase Agreement]

/s/ Charles C. DiLaura

CHARLES C. DILAURA

/s/ Joe Irving Breeding

JOE IRVING BREEDING

/s/ Joseph M. Bridges

JOSEPH M. BRIDGES

/s/ Kent O. Murray

KENT O. MURRAY

/s/ Thierry Swinson

THIERRY SWINSON

/s/ David Stoddart

DAVID STODDART

/s/ Henry T. Golden

HENRY T. GOLDEN

[Signature page to Stock Purchase Agreement]

/s/ Lawrence M. Russo

LAWRENCE M. RUSSO

/s/ James W. Nusbaum

JAMES W. NUSBAUM

(signatures continue on next page)

[Signature page to Stock Purchase Agreement]

CLASS D SELLERS:

INVESTCORP INVESTMENT EQUITY LIMITED

By: /s/ Sydney J. Coleman

Name: The Director Ltd.
Title: Director

BALLET LIMITED

By: /s/ Rishi Kapoor

Name: Rishi Kapoor
Title: Authorized Representative

DENARY LIMITED

By: /s/ Stephen J. Atkinson

Name: Stephen J. Atkinson
Title: Authorized Representative

GLEAM LIMITED

By: /s/ Christopher J. Carolan

Name: Christopher J. Carolan
Title: Authorized Representative

HIGHLANDS LIMITED

By: /s/ Meredith I. Brody

Name: Meredith I. Brody
Title: Authorized Representative

NOBLE LIMITED

By: /s/ Mufeed Rajab

Name: Mufeed Rajab
Title: Authorized Representative

OUTRIGGER LIMITED

By: /s/ Stephen Ritchie

Name: Stephen Ritchie
Title: Authorized Representative

QUILL LIMITED

By: /s/ Kevin O'Shea

Name: Kevin O'Shea
Title: Authorized Representative

RADIAL LIMITED

By: /s/ John Ord

Name: John Ord
Title: Authorized Representative

SHORELINE LIMITED

By: /s/ Salman Javed

Name: Salman Javed
Title: Authorized Representative

ZINNIA LIMITED

By: /s/ Harin Wijeyeratne

Name: Harin Wijeyerante
Title: Authorized Representative

(signatures on next page)

[Signature page to Stock Purchase Agreement]

CONVERTIBLE PREFERRED STOCKHOLDERS:

DLJ INVESTMENT PARTNERS II, L.P.

By: DLJ Investment Partners II, Inc.,
its Managing General Partner

By: /s/ Charles W. Harper

Name: Charles W. Harper
Title: Principal

DLJ INVESTMENT PARTNERS, L.P.

By: DLJ Investment Partners II, Inc.,
its Managing General Partner

By: /s/ Charles W. Harper

Name: Charles W. Harper
Title: Principal

DLJIP II HOLDINGS, L.P.

By: DLJ Investment Partners II, Inc.,
its General Partner

By: /s/ Charles W. Harper

Name: Charles W. Harper
Title: Principal

(signatures continue on next page)

YORK STREET MEZZANINE PARTNERS, L.P.

By: York Street Capital Partners, L.L.C.,
its general partner

By: /s/ Christopher A. Layden

Name: Christopher A. Layden
Title: MD

(signatures continue on next page)

964536 ONTARIO LIMITED

By: /s/ J. Mark MacDonald

Name: J. Mark MacDonald
Title: Authorized Signatory

(signatures continue on next page)

METROPOLITAN LIFE INSURANCE COMPANY

By: /s/ Susan Garrett

Name: Susan Garrett
Title: Director

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements of Roper Industries, Inc. on Form S-8 (Nos. 33-71094, 33-77770, 33-78026, 333-36897, 333-73139, 333-35666, 333-35672, 333-35648, 333-59130, 333-105919, 333-105920) of our reports dated January 31, 2003 relating to the financial statements of Neptune Technology Group Holdings, Inc., and Water Management which appear in this Form 8-K which is incorporated by reference in this Form 8-K.

/s/ PricewaterhouseCoopers, LLP

PricewaterhouseCoopers, LLP
Atlanta, Georgia
November 13, 2003

NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2003

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NEPTUNE TECHNOLOGY GROUP HOLDINGS INC. AND SUBSIDIARIES
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NINE MONTHS ENDED SEPTEMBER 30, 2003

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NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(AMOUNTS IN THOUSANDS)

	SEPTEMBER 30, 2003	DECEMBER 31, 2002
	(UNAUDITED)	
ASSETS		
Current assets:		
Cash	\$ 24,159	\$ 17,046
Receivables, less allowance for doubtful accounts of \$187 and \$150	25,677	29,289
Inventories	14,631	11,623
Deferred taxes on income	3,320	2,185
Other current assets	6,053	5,024
	-----	-----
Total current assets	73,840	65,167
Property, plant and equipment, net	26,085	25,993
Other assets	9,399	12,650
Deferred taxes on income	1,043	--
Intangible assets	180,644	190,867
Goodwill	77,231	74,013
	-----	-----
Total assets	\$ 368,242	\$ 368,690
	=====	=====
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 10,360	\$ 10,402
Accrued liabilities	16,604	15,869
Current portion of long-term debt	10,000	--
	-----	-----
Total current liabilities	36,964	26,271
Postretirement benefits	2,827	2,603
Deferred taxes on income	7,578	5,700
Long term debt	277,304	200,529
	-----	-----
Minority interest in equity of consolidated affiliates ...	324,673	235,103
Redeemable preferred stock	4,512	3,130
STOCKHOLDERS' EQUITY	29,017	--
Common stock	10	10
Additional paid-in capital	119,990	119,990
Note receivable from issuance of common stock	(382)	(482)
Treasury stock	(120,770)	--
Accumulated other comprehensive income (loss)	1,763	(282)
Retained earnings	9,429	11,221
	-----	-----
Total stockholders' equity	10,040	130,457
	-----	-----
Total liabilities and equity	\$ 368,242	\$ 368,690
	=====	=====

The accompanying notes are an integral part of these condensed consolidated financial statements.

NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(AMOUNTS IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
Revenues	\$ 147,473	\$ 138,681
Cost of goods sold	83,773	79,991
Gross profit	63,700	58,690
Selling, general and administrative	21,844	17,803
Research and engineering	3,477	3,760
Amortization expense	12,151	10,989
Operating income	26,228	26,138
Interest expense	14,867	9,784
Loss on extinguishment of debt	9,329	1,353
Other (income) expense	2,556	(440)
Income (loss) before income taxes and minority interest in consolidated subsidiary	(524)	15,441
Income taxes	451	5,814
Income (loss) before minority interest	(975)	9,627
Minority interest in consolidated subsidiary	(817)	(780)
Net income (loss)	\$ (1,792)	\$ 8,847

The accompanying notes are an integral part of these condensed consolidated financial statements.

NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND
COMPREHENSIVE EARNINGS (UNAUDITED)
(AMOUNTS IN THOUSANDS)

	COMMON STOCK		TREASURY STOCK	ADDITIONAL PAID-IN CAPITAL	NOTE RECEIVABLE FROM ISSUANCE OF COMMON STOCK	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE EARNINGS	TOTAL
	CLASS A	CLASS D						
Balance at December 31, 2002	\$9	\$1	\$ -	\$119,990	\$(482)	\$11,221	\$ (282)	\$ 130,457
Net loss						(1,792)		(1,792)
Currency translation adjustments							2,045	2,045
Comprehensive income								253
Management loan collection					100			100
Shares repurchase	--	--	(120,770)					(120,770)
Balance at September 30, 2003	\$9	\$1	\$(120,770)	\$119,990	\$(382)	\$ 9,429	\$1,763	\$ 10,040

The accompanying notes are an integral part of these condensed consolidated financial statements.

NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(AMOUNTS IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
Cash flows from operating activities		
Net income (loss)	\$ (1,792)	\$ 8,847
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	4,298	3,988
Amortization	12,151	10,989
Loss on extinguishment of debt	9,329	1,353
Deferred taxes on earnings	(300)	4,577
Exchange rates translation adjustment	1,329	(294)
Other, net	4,192	3,789
Minority interest in subsidiaries	1,382	2,305
Net cash provided by operating activities	30,589	35,554
Cash flows from investing activities		
Payments to acquire 33% of DAP	--	(5,878)
Capital expenditures	(4,254)	(4,450)
Other, net	(148)	(128)
Net cash used in investing activities	(4,402)	(10,456)
Cash flows from financing activities		
Debt borrowings	260,000	25,000
Debt payments	(180,252)	(41,635)
Sales of preferred stock	29,017	--
Cost of debt financing	(7,885)	--
Common stock shares repurchase	(120,770)	--
Other, net	100	527
Net cash provided by (used in) financing activities	(19,790)	(16,108)
Effect of exchange rates on cash and cash equivalents	716	(119)
Net increase in cash	7,113	8,871
Cash, beginning of period	17,046	5,850
Cash, end of period	\$ 24,159	\$ 14,721

The accompanying notes are an integral part of these condensed consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements for the nine-month periods ended September 30, 2003 and 2002 are unaudited. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows of Neptune Technology Group Holdings, Inc. ("Neptune" or "the Company") and its subsidiaries for all periods presented.

Neptune's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, reported amounts of revenues and expenses, and the disclosure of contingent assets and liabilities to prepare these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Actual results could differ from those estimates.

The results of operations for the nine-month periods ended September 30, 2003 are not necessarily indicative of the results to be expected for the full fiscal year. These reports should be read in conjunction with the Company's consolidated financial statements and the notes.

2. RECAPITALIZATION

In April of 2003, the company completed a recapitalization transaction of \$301,450. The transaction was funded through a new term loan B of \$190,000, the issuance of \$70,000 of new senior subordinated notes, the issuance of \$30,000 of preferred stock, and \$11,450 of cash. The proceeds from this transaction were used to repurchase 53.8933% of Class A and Class D stock of \$120,770, repay \$160,050 of term loan B borrowings, repay \$11,000 of term loan A borrowings, repurchase options from management and employees of \$762, and pay fees and expenses related to the transaction of \$8,868.

Redeemable Preferred Stock

The Company issued 127,029.6432 shares of \$.01 par value participating convertible preferred stock with a face value of \$30,000. The Company received proceeds of \$30,000 net of approximately \$983 of issuance costs. The shares are convertible into conversion (common equivalent) shares at the holder's option at defined conversion rates. The shares are entitled to a minimum liquidation preference of the greater of (a) \$236.17 per share plus an annual accretion of 10%, or (b) the amount per share the holders would receive based on an as-converted common stock valuation. At September 30, 2003 the estimated minimum liquidation preference was approximately \$42,000. These shares may receive dividends upon the approval of the Board of Directors in the amount equal to any dividends declared per share of common stock. There are no mandatory dividends related to these shares. This issuance is redeemable upon the consummation of any sale of the company in which there is a change in ownership of greater than 20%, as well as recapitalization of the company. Shares are redeemable for a price equal to 101% of the minimum liquidation preference plus any declared and unpaid dividends at redemption date.

New Senior Subordinated Notes

In connection with the recapitalization the company sold \$70,000 of senior notes to DLJIP II Holdings, L.P., DLJ Investment Partners, L.P., DLJ Investment Partners II, L.P., 964536 Ontario Limited, York Street Mezzanine Partners, L.P., and Metropolitan Life Insurance Company. These notes have a maturity date of October 1, 2010 and bear an interest rate of 14%, payable on April 1 and October 1 until the maturity date. Payment of interest in excess of 12% may be paid by the issuance of additional securities pursuant to the provisions of the indenture. The Company incurred \$2,692 of issuance costs related to these notes.

New Term B Debt

In connection with the recapitalization, the Company entered into a term loan agreement with UBS AG. The agreement calls for up to \$190,000 of borrowings with a maturity date of March 31, 2010. Borrowings under the term loan bear interest at LIBOR + 4.25%. At September 30, 2003 the new term B debt has an interest rate of 5.58%. The company also has a revolving credit facility of \$30,000, of which none was drawn on this facility at September 30, 2003, other than the support for letters of credit with a value of \$7,318. The Company incurred approximately \$5,193 of issuance costs related to this agreement.

3. CRITICAL ACCOUNTING POLICIES

The remainder of the company's critical accounting policies can be reviewed in detail in Note 2 of the Company's financial statements for the year ended December 31, 2002.

Stock Based Compensation

The Company accounts for its stock-based compensation plans under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB No. 25").

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. For SFAS No. 123 purposes, the fair value of each option grant and stock based award has been estimated as of the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	SEPTEMBER 30,	
	2003	2002
Expected life (years)	5	6
Risk-free interest rate	3%	4.25%
Dividend yield	None	None
Expected volatility	0%	0%

NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 NINE MONTHS ENDED SEPTEMBER 30, 2003
 (amounts in thousands except share and per share data)

The estimated fair value of the options granted during 2003 and 2002 is \$31.30 and \$30.88, respectively. The Company issued 1,000 stock options during 2003 and 5,000 in 2002. Had compensation cost been determined consistent with SFAS No. 123, utilizing the assumptions detailed above, the Company's pro forma net income (loss) and pro forma basic and diluted earnings (loss) per share would have decreased to the following amounts (in thousands, except share data):

	NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
Net income (loss):		
As reported	\$(1,792)	\$8,847
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	127	172
Pro forma - for SFAS No. 123	\$(1,919)	8,675

4. INVENTORIES

	SEPTEMBER 30, 2003	DECEMBER 31, 2002
Finished goods	\$ 4,042	\$ 1,476
Work-in process	4,412	4,683
Raw materials	6,177	5,464
	\$14,631	\$11,623

5. GOODWILL AND INTANGIBLE ASSETS

The following present an evolution of the goodwill and intangible assets balance since December 31, 2002:

Goodwill	
Balance at December 31, 2002	\$ 74,013
Earnout provision related to DB Microware Acquisition	225
Currency Translation Adjustment	2,993
Balance at September 30, 2003	\$ 77,231
Intangible Assets	
Balance at December 31, 2002	\$ 190,867
Amortization Expense	(10,223)
Balance at September 30, 2003	\$ 180,644

NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2003
(amounts in thousands except share and per share data)

6. LONG-TERM DEBT

	SEPTEMBER 30, 2003	DECEMBER 31, 2002
Revolving Credit Facility	\$ --	\$ --
New Term Loan B (see note 2)	185,000	--
Term Loan A (see note 2)	--	11,000
Term Loan B (see note 2)	--	160,050
Senior Subordinated Debt (see note 2)	70,698	--
Senior Subordinated Notes	28,457	26,466
Notes payable to seller of DB Microwave	3,149	3,013
	-----	-----
	287,304	200,529
Less Current Portion	10,000	--
	-----	-----
	\$277,304	\$200,529
	=====	=====

The aggregate principal amounts due under the Company's debt agreements and a note payable to a seller are as follows:

2004 \$	
10,000	
2005	
10,000	
2006	
12,500	
2007	
18,149	
2008	
15,000	
2009 and thereafter	
221,655 --	

\$287,304	
=====	

7. INCOME TAXES

Pretax income subject to US and foreign income taxes for each of the periods presented was as follows:

	NINE MONTHS ENDED SEPTEMBER 30,	
	2003	2002
United States of America	\$ (7,280)	\$11,114
Foreign	6,756	4,327
	-----	-----
	\$ (524)	\$15,441
	=====	=====

The effective tax rate for the nine months ended September 30, 2003 is not meaningful due to foreign tax expense and certain state taxes more than offsetting United States Federal tax benefits. The effective tax rate for the nine months ended September 30, 2002 reflects the effects of state taxes.

8. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities." The primary objectives of FIN 46 are to provide guidance on the identification of entities for which control is achieved through means other than voting rights (variable interest entities or VIEs) and how to determine when and which business enterprises should consolidate the VIE (the primary beneficiary). This new model for consolidation applies to an entity which either (i) the equity investors (if any) do not have a controlling financial interest or (ii) the equity investment at risk is insufficient to finance support from other parties. In addition, FIN 46 requires that both the primary and all other enterprises with a significant variable interest in a VIE make additional disclosures. FIN 46 has an effective date of December 31, 2003 for VIEs, which were in existence prior to February 1, 2003. The Company does not believe it is

a primary beneficiary on a

VIE or holds any significant interests or involvement in a VIE and does not expect there to be an impact on the Company's consolidated financial statements.

In May of 2003 the FASB issued SFAS 150 - "Accounting for Financial Instruments with Characteristics of Liabilities, Equity, or Both" that clarifies liability or equity classification for different financial instruments including mandatorily redeemable shares, put options and forward purchase contracts, and obligations that can be settled with shares. This standard will be effective for the first fiscal period beginning after December 15, 2003. The Company's current classification of redeemable preferred stock will not be affected by the adoption of SFAS 150 since its redemption is not at specified or determinable dates.

9. COMMITMENTS AND CONTINGENCIES

LADWP SETTLEMENT AGREEMENT

In 1998 the Environmental Law Foundation (ELF) filed suit against Schlumberger under California's False Claims Act (FCA). The ELF complaint alleged that Schlumberger sold water meters to the Los Angeles Department of Water and Power ("LADWP") from 1990 to 1998 that were constructed from an alloy that allowed up to 8% lead content, whereas the LADWP contract specifications for water meters limited lead content to 6%. The meters sold by Schlumberger to LADWP were the national standard for water meters containing an average of 7% lead. The ELF and LADWP claims were settled in January 2001. The terms of the settlement are that the Company would provide LADWP 120,000 free non-lead water meters of specified sizes over a period of 24 months, at the rate of 5,000 meters per month. An accrual of \$5,800 was recorded in 1998. In May 2001, cash settlements of \$620 and \$750 were paid to LADWP and to the Environmental Law Foundation, respectively. The balance of \$4,430 would be used to provide the delivery of 120,000 meters to LADWP over a 24-month period. The shipments of 5,000 meters per month began in May 2001 and were completed by April 2003. At December 31, 2002, the liability for this settlement was \$638. Since all of the shipments were completed by April 2003, there is no remaining liability for this settlement at September 30, 2003. The company has fully complied with all of the terms of the settlement.

RUEDA LITIGATION

Rueda is a consolidated lawsuit brought in Los Angeles Superior Court as a class action by the customers of LADWP with allegedly "out-of-specification" water meters installed by LADWP at their properties. When it was filed in August 2000, Rueda alleged causes of action for: (i) violations of the California Business and Professions Code, (ii) negligence per se, (iii) negligence, (iv) nuisance and (v) violations of the California Consumer Legal Remedies Act. In May 2002, the Court granted summary adjudication in favor of the Company with regard to all of Plaintiffs' claims except those under the California Business and Professions Code and held that the plaintiffs had offered no evidence of property damage giving rise to a triable issue of material fact. In January 2003, the Court granted class certification with regard to Plaintiffs' remaining claims under the Business and Professions Code.

As a result of a mediation with a retired federal judge, the Company and Plaintiffs reached a settlement in principal of Rueda in June, 2003. A class action settlement agreement was executed in October 2003 and preliminarily approved by the Los Angeles Superior Court on October 14, 2003. The settlement requires that the Company pay a total of \$3,900 and respond to specified future bid requests from LADWP over the next 60 months in such a manner that LADWP, if it

chooses to accept those bids, is provided certain additional in savings as compared to the best direct purchase price for the same products obtained by another public water system customer of the Company in the six months prior to LADWP bid.

The final approval hearing for the class action settlement is scheduled for January 23, 2004. Notice of the settlement was published on October 24, 2003. Any objections to the settlement or requests for exclusion from the settlement must be filed with the Los Angeles Superior Court by December 15, 2003.

At September 30, 2003 the Company has fully reserved the \$3,900 necessary for the Rueda settlement. Payment will be required after final approval by the Court of all settlement terms.

10. SUBSEQUENT EVENTS

On October 21, 2003 Roper Industries, Inc. announced that it has signed a definitive agreement to acquire Neptune Technology Group Holdings Inc from Investcorp for total consideration of approximately \$475 million, net of cash acquired and including debt assumed. The acquisition includes Neptune Technology Group Inc, DAP Technologies and DB Microware and is expected to close in early 2004, subject to customary closing conditions including antitrust review and clearance.

NEPTUNE TECHNOLOGY GROUP
HOLDINGS INC.
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.
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DECEMBER 31, 2002 AND 2001
(DOLLAR AMOUNTS IN THOUSANDS)

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REPORT OF INDEPENDENT ACCOUNTANTS

To the board of directors and shareholders of
Neptune Technology Group Holdings Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, changes in stockholders' equity and comprehensive income, and cash flows present fairly, in all material respects, the financial position of Neptune Technology Group Holdings Inc. and its subsidiaries (the "Company") at December 31, 2002 and 2001, and the results of their operations and their cash flows for the year ended December 31, 2002, and for the period from November 1, 2001 to December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, on November 1, 2002, Neptune Technology Group Holdings, Inc. adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets."

/s/ PricewaterhouseCoopers, LLP

PricewaterhouseCoopers, LLP
Atlanta, Georgia
January 31, 2003

REPORT OF INDEPENDENT ACCOUNTANTS

To the board of directors and shareholders of
Schlumberger Ltd.

In our opinion, the accompanying combined statements of operations, changes in stockholders' equity and comprehensive income, and cash flows for the period from January 1, 2001 to October 31, 2001 and for the year ended December 31, 2000 present fairly, in all material respects, the results of operations and cash flows of Water Management (the "Company") for the period from January 1, 2001 to October 31, 2001 and for the year ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers, LLP

PricewaterhouseCoopers, LLP
Atlanta, Georgia
January 31, 2003

NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS

(AMOUNTS IN THOUSANDS)

	SUCCESSOR DECEMBER 31,	
	2002	2001
	-----	-----
ASSETS		
Current assets:		
Cash	\$ 17,046	\$ 5,850
Receivables, less allowance for doubtful accounts of \$150 and \$519	29,289	24,891
Inventories (Note 4)	11,623	9,427
Deferred taxes on income (Note 12)	2,185	3,487
Other current assets (Note 5)	5,024	1,881
	-----	-----
Total current assets	65,167	45,536
Property, plant and equipment, net (Note 6)	25,993	24,569
Investment in unconsolidated affiliate	--	5,696
Other assets (Note 7)	12,650	15,168
Deferred taxes on income (Note 12)	--	401
Intangible assets (Note 8)	190,867	195,116
Goodwill (Note 8)	74,013	60,256
	-----	-----
Total assets	\$ 368,690	\$ 346,742
	=====	=====
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 9,108	\$ 6,025
Accrued liabilities (Note 10)	15,869	8,523
Current portion of long-term debt (Note 11)	--	4,400
Income taxes payable	1,294	74
	-----	-----
Total current liabilities	26,271	19,022
Postretirement benefits (Note 13)	2,603	2,229
Other liabilities	--	733
Notes payable (Note 3)	3,013	--
Deferred taxes on income (Note 12)	5,700	--
Long term debt (Note 11)	171,050	155,600
Senior subordinated notes (Note 11)	26,466	50,833
	-----	-----
	235,103	228,417
	-----	-----
Minority interest in equity of consolidated affiliates (Note 3)	3,130	--
Commitments and contingencies (Note 16)		
Stockholders' equity		
Preferred stock \$0.01 par value, authorized 500,000 shares, none outstanding as of December 31, 2002 and 2001	--	--
Class A common stock, \$0.01 par value, 997,500 shares authorized, issued and outstanding as of December 31, 2002 and 2001	9	9
Class D common stock, \$0.01 par value, 2,500 shares authorized, issued and outstanding as of December 31, 2002 and 2001	1	1
Common stock, \$0.01 par value, authorized 1,500,000 shares, none outstanding as of December 31, 2002 and 2001	--	--
Additional paid-in-capital	119,990	119,990
Note Receivable from issuance of common stock	(482)	(1,034)
Accumulated other comprehensive loss	(282)	(35)
Accumulated equity (deficit)	11,221	(606)
	-----	-----
Total stockholders' equity	130,457	118,325
	-----	-----
Total liabilities and equity	\$ 368,690	\$ 346,742
	=====	=====

The accompanying notes are an integral part of these financial statements.

NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(AMOUNTS IN THOUSANDS)

	SUCCESSOR		PREDECESSOR	
	YEAR ENDED DECEMBER 31, 2002	PERIOD FROM NOVEMBER 1, 2001 TO DECEMBER 31, 2001	PERIOD FROM JANUARY 1, 2001 TO OCTOBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
Revenues	\$ 189,544	\$ 27,498	\$ 130,951	\$ 147,607
Cost of goods sold (Note 4)	109,211	20,024	78,196	82,235
Gross profit	80,333	7,474	52,755	65,372
Selling, general and administrative	25,791	3,184	21,102	18,862
Research and engineering	4,857	649	3,817	4,094
Amortization expense	15,145	2,368	2,546	2,897
Operating income	34,540	1,273	25,290	39,519
Interest expense	12,880	2,394	1,154	760
Loss on extinguishment of debt	1,353	--	--	--
Other (income) expense, net	(928)	(134)	342	461
Income (loss) before income taxes and minority interest in consolidated subsidiary	21,235	(987)	23,794	38,298
Income taxes (benefit) (Note 12)	7,833	(381)	10,597	16,806
Income (loss) before minority interest	13,402	(606)	13,197	21,492
Minority interest in consolidated subsidiary (Note 3)	(1,575)	--	--	--
Net income (loss)	\$ 11,827	\$ (606)	\$ 13,197	\$ 21,492

The accompanying notes are an integral part of these financial statements.

NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND
COMPREHENSIVE INCOME
(AMOUNTS IN THOUSANDS)

	EQUITY

PREDECESSOR:	
Balance at December 31, 1999	\$ 61,251
Net income	21,492
Foreign currency translation adjustment	(767)
Net distributions to Schlumberger	(27,040)

Balance at December 31, 2000	54,936
Net income	13,197
Foreign currency translation adjustment	(322)
Transfer of investment from Schlumberger	2,273
Net distributions to Schlumberger	(13,757)

Balance at October 31, 2001	\$ 56,327
	=====

	COMMON STOCK		ADDITIONAL	NOTE	ACCUMULATED	ACCUMULATED	TOTAL
	CLASS A	CLASS D	PAID-IN-	RECEIVABLE	OTHER	DEFICIT	STOCK-
	-----	-----	CAPITAL	FROM ISSUANCE	COMPREHENSIVE	-----	HOLDERS'
	-----	-----	-----	OF COMMON	INCOME (LOSS)	-----	EQUITY
	-----	-----	-----	STOCK	-----	-----	-----
SUCCESSOR:							
Balance at November 1, 2001 (reflects issuance of common stock in connection with the Acquisition)	\$ 9	\$ 1	\$ 118,956	\$ --	\$ --	\$ --	118,966
Net loss						(606)	(606)
Foreign currency translation adjustment					(35)		(35)
Comprehensive loss							----- (641)
Notes receivable from issuance of common stock	---	---	1,034	(1,034)			---
	---	---	-----	-----	-----	-----	-----
Balance at December 31, 2001	9	1	119,990	(1,034)	(35)	(606)	118,325
Net income						11,827	11,827
Foreign currency translation adjustment					(247)		(247)
Comprehensive income							----- 11,580
Repayment of notes receivable from issuance of common stock	---	---	-----	552			----- 552
	---	---	-----	-----	-----	-----	-----
Balance at December 31, 2002	\$ 9	\$ 1	\$ 119,990	\$ (482)	\$ (282)	\$ 11,221	\$ 130,457
	===	===	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

NEPTUNE TECHNOLOGY GROUP HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(AMOUNTS IN THOUSANDS)

	SUCCESSOR		PREDECESSOR	
	YEAR ENDED DECEMBER 31, 2002	PERIOD FROM NOVEMBER 1, 2001 TO DECEMBER 31, 2001	PERIOD FROM JANUARY 1, 2001 TO OCTOBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
Cash flows from operating activities				
Net income (loss)	\$ 11,827	\$ (606)	\$ 13,197	\$ 21,492
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation	5,294	774	4,172	5,185
Minority interest in consolidated subsidiary	1,582	--	--	--
Amortization of goodwill	--	--	2,546	2,897
Amortization of intangibles	11,852	1,874	--	--
Amortization of debt issuance cost, other fees	3,293	493	--	--
Loss on extinguishment of debt	1,353	--	--	--
Deferred taxes on earnings	4,763	(381)	(173)	1,259
Non-cash paid-in kind interest	3,318	833	--	--
Changes in operating assets and liabilities:				
Accounts receivable	(1,390)	(4,024)	(1,385)	1,242
Inventory	743	2,848	2,040	(2,513)
Accounts payable and accrued liabilities	6,674	6,551	194	887
Payables to related parties	--	(758)	(908)	1,842
Income tax payable	924	74	1,190	521
Other assets and liabilities, net	(2,478)	1,459	(1,647)	43
Net cash provided by operating activities	47,755	9,137	19,226	32,855
Cash flows from investing activities				
Payments to acquire company, net of cash acquired	(7,399)	(314,161)	--	--
Payments to acquire 33.3% of DAP, net of cash acquired	(5,171)	(5,880)	--	--
Capital expenditures	(5,852)	(555)	(3,325)	(4,964)
Other	(166)	(1,031)	2,296	(684)
Net cash used in investing activities	(18,588)	(321,627)	(1,029)	(5,648)
Cash flows from financing activities				
Proceeds from credit facilities	25,000	161,000	--	--
Proceeds from Investcorp capital contributions	--	120,000	--	--
Proceeds from senior subordinated notes	--	50,000	--	--
Proceeds from short term management loan	552	--	--	--
Payment on credit facilities	(13,950)	--	--	--
Payment on senior subordinated notes	(27,685)	--	--	--
Payment of early redemption penalty	(1,353)	--	--	--
Payments on revolver	--	(1,000)	--	--
Payments of financing fees	(782)	(11,660)	--	--
Distributions to Schlumberger	--	--	(17,136)	(26,873)
Net cash provided by (used in) financing activities	(18,218)	318,340	(17,136)	(26,873)
Effect of exchange rates on cash and cash equivalents	247	--	--	--
Net increase in cash	11,196	5,850	1,061	334
Cash, beginning of period	5,850	--	345	11
Cash, end of period	\$ 17,046	\$ 5,850	\$ 1,406	\$ 345
Supplemental information:				
Cash paid for income taxes	\$ 354	\$ --	\$ 9,799	\$ 17,226
Cash paid for interest	\$ 9,646	\$ 960	\$ --	\$ --
Note payable issued on acquisition	\$ 3,000	\$ --	\$ --	\$ --

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION

ACQUISITION

The financial statements include the accounts of Neptune Technology Group Holdings Inc. ("Neptune" or the "Company"). The Company is a holding company whose primary asset consists of a 100% investment in Neptune Technology Group Inc. ("Neptune TG"). On November 1, 2001, the Company acquired, through an Asset Purchase Agreement between Schlumberger Resource Management Services, Inc. ("Schlumberger"), a division of Schlumberger Limited, and Neptune Acquisition I Corp., a newly formed entity created by affiliates of Investcorp S.A. ("Investcorp"), representing the water meter and meter reading systems business of Schlumberger. Immediately following the completion of this acquisition, Neptune Acquisition I Corp. merged into Neptune TG. The Company was capitalized with \$120,000 of common equity contributed by affiliates of Investcorp and Neptune management and \$50,000 in principal amount of subordinated indebtedness (the "Senior Subordinated Notes") purchased by Cromwell Finance Limited ("Cromwell Finance"), an affiliate of Investcorp.

The aggregate purchase price for the Acquisition was \$331,701 inclusive of \$25,821 of direct costs related to the Acquisition. \$15,000 of the direct costs represented amounts paid to a related party (see note 15). The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at November 1, 2001:

Current assets	\$ 36,365
Property, plant and equipment	24,787
Investment in DAP	5,880
Other assets	19,091
Intangible assets	196,990
Goodwill	60,256

Total assets acquired	343,369
Current liabilities	(8,756)
Other liabilities	(2,912)

Net assets acquired	\$ 331,701
	=====

Of the \$196,990 of acquired intangible assets, \$33,670 was assigned to registered trademarks that are considered to be intangible assets with indefinite useful lives and are not subject to amortization. The remaining \$163,320 of acquired intangible assets has a weighted average useful life of approximately 21 years. The intangible assets that make up that amount include customer relationships of \$128,000 (24 year weighted-average useful life), technology of \$24,390 (15 year weighted-average useful life), software of \$2,200 (3 year weighted-average useful life) and contractual arrangements of \$8,730 (5 year weighted-average useful life). Contractual agreements represent contracts for the company to supply product to its utility customers as well as an agreement to purchase production components from a former related party.

The \$60,256 of goodwill and \$196,990 of intangible assets are deductible for income tax purposes.

The Company financed the Acquisition by the issuance of the \$120,000 in common equity and \$50,000 in principal amount of Senior Subordinated Notes, which were used to capitalize Neptune TG in exchange for Neptune's common stock. The remaining financing was provided by \$161,000 of borrowings by Neptune TG under the \$190,000 senior secured Credit Facility (see Note 11).

CAPITALIZATION

The Company is authorized to issue up to 3,000,000 shares of stock among the following classes.

Preferred Stock. The Company's Board of Directors (Board) may issue up to 500,000 shares of \$0.01 par value preferred stock, with such voting powers, preferences and other rights or restrictions as determined by the Board. As of December 31, 2002 the Company had not issued any preferred shares.

Class A Common Stock. In connection with the Acquisition, the Company authorized and issued 997,500 shares of par value, \$0.01 Class A Common Stock.

Class D Common Stock. In connection with the Acquisition, the Company authorized and issued 2,500 shares of par value, \$0.01 Class D Common Stock.

Common Stock. The Company is authorized to issue up to 1,500,000 shares of \$0.01 par value Common Stock. As of December 31, 2002, the Company had not issued any shares of Common Stock.

Voting rights are limited to Class D Common and Common shareholders, except for any rights to vote that may be afforded Class A Common shareholders under applicable law. All of the shares of stock are subject to certain limitations on transfer. Class A Common shareholders have certain "Tag-Along Rights" to participate in any sale of Class D Common shares outside permitted transfers as defined.

NATURE OF BUSINESS

The Company provides engineering, manufacturing, marketing, sale, maintenance and repair and installation of water meters and metering systems. The Company's primary markets are the United States, Canada, and Mexico.

PRESENTATION AND PREDECESSOR INFORMATION

Neptune Technology Group Holdings Inc. is referred to as the "Successor" for the period November 1, 2001 to December 31, 2001 and thereafter, and the "Company" for all periods presented.

For the period from January 1, 2001 to October 31, 2001 and the year 2000 ("fiscal 2000") (the "predecessor periods"), the accompanying financial statements include the manufacturing, sales and distribution operations in the United States of America and the sales and distribution centers in Canada and Mexico of Water Management, the water metering and management businesses of Schlumberger. Although the Company was not a separate company, the accompanying financial statements are presented as if the Company had existed as an entity separate from its parent, Schlumberger. The financial statements include the historical assets, liabilities, revenues, and expenses that were directly related to the Company's businesses of Schlumberger during the predecessor periods presented and have been prepared using Schlumberger's historical bases in the assets and liabilities and the historical results of operations of the Company.

Certain amounts of Schlumberger's corporate assets, liabilities and expenses, including centralized research and engineering, legal, accounting, employee benefits, real estate, insurance services, information technology services, treasury and other corporate and infrastructure costs, although not directly attributable to the Company's operations, have been allocated to the Company on a basis that the Company and Schlumberger considered to be a reasonable reflection of the utilization of services provided or the benefit received by the Company (see Note 15). However, the financial information included herein may not reflect the financial position, operating results, changes in equity and cash flows of the Company had the Company been a separate, stand-alone entity during the predecessor periods presented. All significant intercompany accounts and transactions within the Company have been eliminated.

Because the Company was not operated as a separate, stand-alone entity during the predecessor periods presented, and in many cases the Company's results were included in the consolidated financial statements of Schlumberger on a divisional basis, there are no separate meaningful historical equity accounts for the Company. Changes in stockholders' equity represent Schlumberger's contribution of its net investment in the Company after giving effect to the net earnings of the Company plus net cash transfers to and from Schlumberger and other transfers from Schlumberger.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America.

PRINCIPLES OF CONSOLIDATION

The accompanying financial statements present the consolidated financial position of the Company and its subsidiaries as of December 31, 2002 and 2001, respectively and their consolidated results of operations and cash flows for the successor and predecessor periods presented. All significant intercompany balances and transactions have been eliminated.

REVENUE RECOGNITION

Revenue from product sales is recognized when title and risk of loss pass to the customer, which is generally upon delivery.

Revenue from software sales is primarily licensing software, providing software support and maintenance and providing professional services to our customers. Software revenue is recorded in accordance with the guidance provided by Statement of Position (SOP) 97-2, "Software Revenue Recognition, with Respect to Certain Transactions," and SOP 81-1, "Accounting for Performance of Construction-Type and Certain Product-Type Contracts." Revenues attributed to the sale of software are as follows:

Year ended 2000	\$ 400
10 month period ended October 31, 2001	184
2 month period ended December 31, 2001	78
Year ended 2002	857

Shipping and Handling costs are included in cost of goods sold.

RECLASSIFICATIONS

Certain reclassifications of prior year information have been made to conform to current year reporting.

ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Company grants credit to its customers and distributors, who are primarily in the water and utility business, in the normal course of business.

Financial instruments which potentially subject the Company to concentration of risk consist primarily of accounts receivable. The Company performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for uncollectible accounts receivable based on expected collectibility. The Company's customers are not concentrated in a specific geographic region.

CASH AND CASH EQUIVALENTS

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

INVENTORY

Inventories are stated at lower of average cost, or market. Included in inventory are \$33 of absorbed administrative costs at December 31, 2002 and 2001. For both the 12 months ended December 31, 2002 and 2001, \$367 of administrative costs related to inventory were included in cost of goods sold.

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Expenditures for replacements and improvements are capitalized. Maintenance and repairs are charged to operating expenses as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to income.

Estimated useful lives are as follows:

Buildings and improvements	15 years
Machinery and equipment	5-10 years
Furniture and fixtures	5 years
Computer equipment	3 years

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews the appropriateness of the carrying value of its long-lived assets, including property, plant and equipment and intangible assets with finite lives, whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. For assets held for use, if the total of the expected future undiscounted cash flows is less than the carrying amount of the asset, a loss is recognized for the difference in the fair value and carrying value of the assets. For assets held for sale, a loss is recognized for the difference between the estimated fair value, net of costs to sell, and the carrying value of the assets.

GOODWILL

Goodwill for the predecessor periods presented was amortized on a straight-line basis over 25 years. Goodwill related to the Acquisition and the 2002 business combinations (Note 3) is not amortized in accordance with Statements of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets". Amortization of goodwill for the predecessor periods January 1, 2001 to October 31, 2001 and the year ended December 31, 2000 was \$2,546 and \$2,897, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of cash, accounts receivable and trade accounts payable and accrued expenses are not materially different than their carrying amounts as reported at December 31, 2002 and 2001 due to the short-term nature of these accounts. The December 31, 2002 debt balances under the credit facility approximate the fair value on the basis of the variable interest related to such debt. The fair value of the senior subordinated debt is estimated using a discounted cash flow analysis based upon the interest rates of United States Treasury notes.

TAXES ON INCOME

Taxes on income are computed in accordance with the tax rules and regulations of the taxing authorities where the income is earned. Taxable income may differ from pre-tax income for financial accounting purposes. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements using enacted tax rates during the period such differences are expected to reverse.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company's operating results for the predecessor periods have been included in Schlumberger's consolidated US and state income tax returns and in tax returns of Schlumberger's foreign subsidiaries. The provision for income taxes reflected in the Company's financial statements for the predecessor periods has been determined on a separate return basis.

RESEARCH AND DEVELOPMENT

Research and development costs include salaries and benefits, contract services, supplies, and other costs related to various products under development. Research and development costs are expensed in the period incurred and totaled \$4.9 million, \$4.5 million, and \$4.1 million for the years ended December 31, 2002, 2001, and 2000, respectively.

DEFERRED FINANCING COSTS

Deferred financing costs are amortized over a period of 5 to 7 years, the terms of the relating debt instruments, utilizing the effective interest method. Amortization of deferred financing costs for the year ended December 31, 2002 and for the period November 1, 2001 to December 31, 2002 was \$2,293 and \$327, respectively.

STOCK COMPENSATION

As permitted by SFAS No. 123 "Accounting for Stock-Based Compensation," the Company continues to apply intrinsic value accounting for its stock options plans. The Company has adopted the disclosure-only provisions of SFAS No. 123 and SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an Amendment of FASB Statement No. 123." The Company's pro forma net income (loss) based upon the fair value at the grant dates for awards under the plans are disclosed below.

The Company applies intrinsic value accounting for its stock option plans. If the Company had elected to recognize compensation expense based upon the fair value at the grant dates for awards under the plan, the Company's net income (loss) would have been reduced as follows:

	2002 -----	2001 -----
Net income (loss)	\$ 11,827	\$ (606)
Deduct		
Total additional stock-based employee compensation cost, net of tax, that would have been included in net income (loss) under fair value method	197	32
	-----	-----
Pro forma net income (loss)	\$ 11,630 =====	\$ (638) =====

The weighted average fair value of options granted using the Black-Scholes pricing model was \$30.88 and \$31.80 for the period ended December 31, 2002 and 2001, respectively.

The fair value was determined using a Black-Scholes option pricing model with the following weighted average assumptions:

	2002 -----	2001 -----
Dividend yield	None	None
Volatility	0%	0%
Risk-free interest rate	4.25%	4.4%
Expected life	6 years	7 years

TRANSLATION OF NON-US CURRENCIES

For foreign subsidiaries, the local currency is the functional currency. Assets and liabilities are translated into U.S. dollars at the rate of exchange existing at year-end. Income statement amounts are translated at the weighted average exchange rate for the period with resulting translation adjustments being charged or credited to other comprehensive income. Transaction gains and losses are included in the statement of income.

DEFERRED REVENUE

Deferred revenues arise primarily as a result of performance obligations related to sales of hand-held unit maintenance contracts as well as meter reading and route optimization software. These sales do not meet the criteria for recognition under SOP 97-2 and SOP 81-1 as of the balance sheet date.

OTHER COMPREHENSIVE INCOME

Comprehensive income equals net income plus other comprehensive income. Other comprehensive income refers to revenues, expenses, gains and losses that are reflected in stockholders' equity but excluded from net income. The principal component comprising other comprehensive income is foreign currency translation adjustment. Other comprehensive income and the effects on earnings are detailed in the Company's accompanying Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

CONCENTRATIONS OF RISK

None of the Company's customers represented more than 10% of sales during the periods presented. No one vendor accounted for more than 10% of total costs of products sold for the periods presented. The Company has readily available alternate vendors for the majority of its raw materials.

NEW ACCOUNTING PRONOUNCEMENTS

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development, and (or) normal use of the asset.

The Company is required and plans to adopt the provisions of SFAS No. 143 on January 1, 2003. Upon initial application, entities are required to recognize a liability for any existing asset retirement obligations adjusted for cumulative accretion to the date of adoption of this Statement. An asset retirement cost would be capitalized as an increase to the carrying amount of the associated long-lived asset, and would be subject to depreciation. The cumulative effect, if any, of

initially applying this Statement will be recognized as a change in accounting principle. The Company does not believe there are any obligations meeting the criteria of the standard.

In December of 2002, the Company elected early adoption of SFAS No. 145 "Rescission of FASB Statement No. 4, 44 and 64, Amendment to FASB Statement No. 13, and Technical Corrections of April 2002." Under the new accounting standard, gains and losses incurred upon the extinguishment of debt may no longer qualify for extraordinary treatment and are now included as a component of income or loss before taxes. The Company has adopted SFAS No. 145 in the financial statements and accordingly has included in income before income taxes a loss of \$1,353 for the year ended December 31, 2002 related to the extinguishment of debt.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Exit or Disposal Activities." SFAS No. 146 addresses the recognition, measurement, and reporting of costs that are associated with exit and disposal activities, including costs related to terminating a contract that is not a capital lease and termination benefits that employees who are involuntarily terminated receive under the terms of a one-time benefit arrangement that is not an ongoing benefit arrangement or an individual deferred-compensation contract. SFAS No. 146 supercedes Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" and requires liabilities associated with exit and disposal activities to be expensed as incurred. SFAS No. 146 will be effective for exit or disposal activities of the Company that are initiated after December 31, 2002. As the company does not currently have any restructuring programs in process, management does not expect the adoption of this statement to have a material impact on the Company's financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. This interpretation does not prescribe a specific approach for subsequently measuring the guarantor's recognized liability over the term of the related guarantee. This interpretation also incorporates, without change, the guidance in FASB Interpretation No. 34, Disclosure of Indirect Guarantees of Indebtedness of Others, which is being superceded. As of December 31, 2002 the company has adopted the disclosure provisions of this interpretation and there was no impact from this adoption.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities." The primary objectives of FIN 46 are to provide guidance on the identification of entities for which control is achieved through means other than voting rights (variable interest entities or VIEs) and how to determine when and which business enterprises should consolidate the VIE (the primary beneficiary). This new model for consolidation applies to an entity which either (i) the equity investors (if any) do not have a controlling financial interest or (ii) the equity investment at risk is insufficient to finance support from other parties. In addition, FIN 46 requires that both the primary and all other enterprises with a significant variable interest in a VIE make additional disclosures. FIN 46 has an effective date of December 31, 2003. The Company does not

believe it is a primary beneficiary on a VIE or holds any significant interests or involvement in a VIE and does not expect there to be an impact on the Company's consolidated financial statements.

3. BUSINESS COMBINATIONS

DB Microware, Inc.

On December 6, 2002, the Company acquired 100% of the outstanding stock of DB Microware, Inc ("DB") for \$7,000 in cash, \$3,000 in a note payable due December 31, 2007, and \$504 in direct costs related to the acquisition. Additionally, in conjunction with the acquisition, there is a contingent payment of up to \$14,000 over a period of five years based on attaining certain earnings objectives. As these contingencies are realized, the excess purchase price over the fair value of the net tangible assets will be increased accordingly. Results of operations for DB subsequent to December 6, 2002 are included in the consolidated statement of operations for the year ended December 31, 2002.

The acquisition of DB Microware, Inc. further enhances Neptune's systems capabilities and strengthens Neptune's position in the growing Automatic Meter Reading market. DB Microware, Inc. provides a suite of field management tools including meter reading, service work orders, and route optimization software to many of the largest utility companies in the United States.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at December 6, 2002:

Cash	\$ 105
Other current assets	1,386
Property, plant and equipment	52
Other assets	760
Intangible assets	6,518
Goodwill	6,197

Total assets acquired	15,018
Current liabilities	(1,231)
Other liabilities	(3,283)

Net assets acquired	\$ 10,504
	=====

Of the \$6,518 of acquired intangible assets, \$4,518 was assigned to its computer software products, which is being amortized over its estimated useful life of 4 years. The remaining \$2,000 of acquired intangible assets was assigned to customer contracts and is being amortized over a useful life of 2 years.

Goodwill acquired in this transaction is not tax deductible.

DAP Technologies, Inc.

In conjunction with the Acquisition on November 1, 2001, Neptune Acquisition I Corp. entered into a Stock Purchase Agreement with Schlumberger Canada Limited to purchase a 33.3% interest in DAP Technologies, Ltd. ("DAP") for cash consideration of \$5,880. On January 31, 2002, the Company exercised its option to purchase an additional 33.3% of DAP Technologies, Inc. stock for cash consideration of \$6,067, including \$168 in other direct costs, bringing Neptune's total investment to \$11,819. The additional equity purchase resulted in Neptune owning 66.6% of DAP and accordingly, DAP is reported as a consolidated subsidiary effective January 31, 2002. The excess of the total purchase price over the Company's proportionate interest in the net assets of DAP was assigned to goodwill.

The acquisition of the controlling interest in DAP Technologies, Inc. further strengthens Neptune's position in the meter reading systems market. DAP is a leading designer and manufacturer of fully rugged mobile computers for use in applications such as utility meter reading as well as a variety of industrial field related uses.

The following table summarizes the estimated fair values of the proportionate interest of assets acquired and liabilities assumed at January 31, 2002:

Cash	\$	896
Other current assets		5,060
Property, Plant and Equipment		872
Intangible Assets		1,077
Goodwill		7,285

Total assets acquired		15,190
Current liabilities		(1,520)
Other liabilities (including minority interest)		(1,851)

Net assets acquired	\$	11,819
		=====

Of the \$1,077 of acquired intangible assets, \$543 was assigned to its technology products, which is being amortized over its estimated useful life of 5 years. The remaining, \$534 was assigned to customer contracts, and is being amortized over an estimated useful life of 1.5 years.

Goodwill acquired in this transaction is 75% deductible for Canadian tax purposes.

The following pro forma information presents certain financial statement data as if the acquisitions occurred as of the beginning of fiscal year 2002 and 2001:

	2002	2001
	-----	-----
REVENUES	\$ 189,544	\$ 158,449
Acquisitions		
DAP Technologies	1,320	11,961
DB Microware	864	1,288
	-----	-----
TOTAL	\$ 191,728	\$ 171,698
	=====	=====
Net Income	11,827	12,591
Acquisitions		
DAP Technologies	69	1,840
DB Microware	(695)	(118)
	-----	-----
TOTAL	\$ 11,201	\$ 14,313
	=====	=====

4. INVENTORIES

Inventories at December 31, 2002 and 2001 consist of the following:

	DECEMBER 31,	
	2002	2001
	-----	-----
Finished goods	\$ 1,476	\$1,295
Work-in process	4,683	4,147
Raw materials	5,464	3,985
	-----	-----
	\$11,623	\$9,427
	=====	=====

In connection with the Acquisition on November 1, 2001, in accordance with the purchase method of accounting, inventory balances were increased to reflect estimated fair value by \$3,287. As of December 31, 2001, \$3,215 had been expensed through cost of goods sold, as a non-cash charge, based upon inventory turnover. The remainder was expensed through cost of goods sold during 2002.

Additionally, during 2002, the Company increased inventory balances by \$361 to reflect estimated fair value related to the purchase of the additional equity interest in DAP Technologies, Inc. The total amount was expensed through cost of goods sold, as a non-cash charge, during fiscal year 2002.

5. OTHER CURRENT ASSETS

Other current assets at December 31, 2002 and 2001 consist of the following:

	DECEMBER 31,	
	2002	2001
	-----	-----
Prepaid management fees	\$1,000	\$1,000
Prepaid insurance	814	657
Prepaid taxes	1,607	57
Other	1,603	167
	-----	-----
	\$5,024	\$1,881
	=====	=====

Prepaid management fees represent fees paid to Investcorp International, Inc. an affiliate of Investcorp. Through its officers, employees, and affiliates, Investcorp International, Inc. provides management advisory services, strategic planning services, and consulting services. These services consist of advice concerning management, finance, marketing, strategic planning, and such other services as shall be requested from time to time by the Board of Directors of Neptune. Five years of management fees at \$1.0 million per year for a total of \$5.0 million were paid by Neptune to Investcorp at the closing on November 1, 2001 (see note 7).

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2002 and 2001 consist of the following:

	DECEMBER 31,	
	2002	2001
	-----	-----
Land	\$ 642	\$ 605
Building and improvements	6,287	5,899
Machinery and equipment	25,097	18,839
	-----	-----
Total cost	32,026	25,343
Less accumulated depreciation	(6,033)	(774)
	-----	-----
Property, plant and equipment, net	\$ 25,993	\$ 24,569
	=====	=====

Depreciation expense aggregated \$5,294 for the year ended December 31, 2002, \$774 for the period November 1, 2001 to December 31, 2001, \$4,172 for the period from January 1, 2001 to October 31, 2001 and \$5,185 for fiscal 2000.

Property, plant and equipment was increased by \$8,117 to reflect estimated fair value at November 1, 2001, the date of the Acquisition.

7. OTHER ASSETS

Other assets at December 31, 2002 and 2001 consist of the following:

	DECEMBER 31,	
	2002	2001
	-----	-----
Prepaid management fees	\$ 2,834	\$ 3,834
Deferred financing costs	9,816	11,334
	-----	-----
	\$12,650	\$15,168
	=====	=====

In connection with the Acquisition, the Company prepaid a management fee of \$5,000 to Investcorp International, Inc., (of which \$4,000 was classified as a long term Other Asset). This amount is being amortized on a straight-line basis over a five-year period, the term of the related agreement. The total amount amortized for the year ended December 31, 2002 and the period November 1, 2001 to December 31, 2001 was \$1,000 and \$166, respectively.

8. GOODWILL AND INTANGIBLE ASSETS

Intangible assets, net of accumulated amortization, at December 31, 2002 and 2001 consist of the following:

	2002	2001
	-----	-----
Goodwill	\$ 74,013	\$ 60,256
	=====	=====
Intangible assets not subject to amortization:		
Tradenames	\$ 33,670	\$ 33,670
Intangible assets subject to amortization:		
Customer relationships	121,690	127,098
Technology	27,129	24,086
Contractual agreements	7,032	8,184
Software	1,346	2,078
	-----	-----
Total intangibles assets, net	\$190,867	\$195,116
	=====	=====

The results for the year ended December 31, 2002 and the two-month period ended December 31, 2001 include the effect of adopting SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets" in conjunction with the Acquisition. SFAS No. 141 provides that all business combinations initiated after June 30, 2001 shall be accounted for using the purchase method. In addition, it provides that the cost of an acquired entity must be allocated to the assets acquired, including identifiable intangible assets, and liabilities assumed based on their estimated fair values at the acquisition date. Under SFAS No. 142, goodwill and intangible assets that are deemed to have indefinite lives are not amortized, but are subject to impairment testing. Impairment testing is required to be performed at adoption and at least annually thereafter. On an ongoing basis (absent any impairment indicators), the Company plans to perform impairment testing as of December 31 of each year. Effective November 1, 2001, the Company ceased all amortization of goodwill. Upon adoption of SFAS No. 142, the Company also tested goodwill for impairment by comparing the fair value of each reporting unit with its carrying value. The fair

value was determined using an earnings multiple approach. The Company's transitional impairment test did not result in impairment of goodwill. Additionally, no impairment charge was recorded as a result of the annual impairment test. Amounts assigned to indefinite-life intangible assets, primarily trade names, have a carrying value of \$33,670. There was no impairment charge recorded related to the trade names.

Accumulated amortization equaled \$13,724 and \$1,874 at December 31, 2002 and 2001, respectively.

The following table represents a rollforward of goodwill balances:

Neptune Acquisition Goodwill at November 1, 2001	\$ 60,256

Goodwill at December 31, 2001	60,256

2002 Acquisitions:	
DB Microware	6,702
DAP Technologies, Inc.	7,285
Currency Translation Adjustment	(230)

Ending balance	\$ 74,013
	=====

The following table reflects consolidated results adjusted as though the adoption of SFAS No. 142 occurred as of January 1, 2000:

	SUCCESSOR	PREDECESSOR	
	PERIOD FROM NOVEMBER 1 2001 TO DECEMBER 31, 2001	PERIOD FROM JANUARY 1 2001 TO OCTOBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
	-----	-----	-----
Net income:			
As reported:	\$(606)	\$13,197	\$21,492
Goodwill amortization, net of tax	--	1,412	1,626
	-----	-----	-----
As adjusted	\$(606)	\$14,609	\$23,118
	=====	=====	=====

Amortization expense for the year ended December 31, 2002 was \$11,852. Estimated annual amortization expense for each of the five succeeding fiscal years is as follows:

FISCAL YEAR ENDING	

2003	\$13,685
2004	12,772
2005	8,744
2006	8,650
2007	7,515
	\$51,366

9. ACCOUNTS PAYABLE

Accounts payable at December 31, 2002 and 2001 consist of the following:

	DECEMBER 31,	
	2002	2001
	-----	-----
Supplier payable	\$7,111	\$5,423
Interest payable	1,997	602
	-----	-----
Total accounts payable	\$9,108	\$6,025
	=====	=====

10. ACCRUED LIABILITIES

Accrued liabilities at December 31, 2002 and 2001 consist of the following:

	DECEMBER 31,	
	2002	2001
	-----	-----
Payroll, vacation and employee benefits	\$ 4,195	\$2,663
Pension and defined contribution	1,993	337
Warranty	1,285	1,062
Legal settlement	638	2,164
Taxes payable	1,256	--
Deferred revenue	1,924	--
Other	4,578	2,297
	-----	-----
	\$15,869	\$8,523
	=====	=====

The following represents an evaluation of the Company's warranty liability as shown above:

	2002	2001
	-----	-----
Beginning balance - January 1	\$1,062	\$ 1,094
Accruals	103	60
Payments made	--	(90)
Adjustments	120	(2)
	-----	-----
Ending Balance - December 31	\$1,285	\$ 1,062
	=====	=====

Adjustments of \$120 in 2002 relate to the acquisition of DAP Technologies

11. DEBT

Credit Facility

	DECEMBER 31, 2002	DECEMBER 31, 2001
	-----	-----
Current facility		
Revolving credit facility	\$ --	\$ --
Term Loan A	11,000	20,000
Term Loan B	160,050	140,000
	-----	-----
	171,050	160,000
Less current portion	--	4,400
	-----	-----
Total long-term portion	\$171,050	\$155,600
	=====	=====

In connection with the Acquisition, on November 1, 2001, Neptune TG entered into a senior secured credit facility (the "Credit Facility"). The Credit Facility provides for a \$30,000 Revolving Credit Facility, with a maturity date of November 1, 2006 and a \$160,000 term loan facility (the "terms loans"), which is divided into two tranches, Term Loan A and Term Loan B, with maturity dates of November 1, 2006 and 2008, respectively. The term loans were fully drawn as a part of the Acquisition with principal balances of \$20,000 and \$140,000 for Term Loan A and Term Loan B, respectively. During 2002, the Company made payments of \$9,000 on Term Loan A and \$4,950 on Term Loan B, a portion of which related to amounts due in 2003 and 2004. Additionally, the Company amended its Credit Facility to borrow an additional \$25,000 under Term Loan B. The additional borrowings were used to paydown a portion of the senior subordinated notes.

Borrowings under the Revolving Credit Facility bear interest at LIBOR plus 3.00% (plus applicable margins determined by Neptune TG's leverage ratio). In addition, a commitment fee of 0.50% is charged on all unused amounts. At December 31, 2002, the interest rate for the Revolving Credit Facility was 4.92%.

Term Loans A and B bear interest at LIBOR plus 3.00% (plus applicable margins determined by Neptune TG's leverage ratio) and LIBOR plus 3.50%, respectively. At December 31, 2002, Term Loans A and B had interest rates of 4.92% and 5.42%, respectively. The weighted average borrowing rate for the term loans for the years ended December 31, 2002 as well as the Predecessor period from November 1, 2001 through December 31, 2001 are as follows:

	2002	PREDECESSOR PERIOD
	----	-----
Term A	5.11%	5.96%
Term B	5.51%	5.67%

The Company has provided full, unconditional, joint and several guarantees of the Credit Facility. In addition, the Credit Facility is collateralized by a first-priority lien on substantially all of the domestic tangible and intangible assets of the Company and a 65% pledge of the stock of the foreign subsidiaries of the Company.

The Credit Facility contains certain covenants and restrictions on actions by Neptune TG, including limitations on capital expenditures and payment of dividends. In addition, the Credit Facility requires that Neptune TG comply quarterly, beginning March 31, 2002, with specified financial ratios, including a maximum leverage ratio and a minimum interest coverage ratio.

As of December 31, 2002 and 2001 the Company had \$1,275 and \$6, 205, respectively, of letters of credit outstanding. There were no drawings on these letters. These letters of credit represent requirements related to the company's insurance and workers compensation arrangements and for one raw material supplier.

The Company recognized interest expense of \$9,562 and \$1,561 for the year ended December 31, 2002 and the period November 1, 2001 to December 31, 2001 relating to the Credit Facility.

Senior Subordinated Notes

On November 1, 2001, the Company sold senior notes to Cromwell Finance pursuant to a Senior Note Indenture. The senior note agreements, in the aggregate, provide for \$50,000 in borrowings, with a maturity date of November 1, 2011. The senior notes bear an interest rate of 10% and are paid-in-kind each May 15 and November 15 commencing May 15, 2002, until the maturity date. Interest shall be payable at a rate of 12% per annum on any overdue principal or interest. The estimated fair value of the senior subordinated notes at December 31, 2002 was \$27,400.

In conjunction with the amendment to the Credit Facility, the Company repaid \$27,685, including \$1,388 of paid-in-kind interest, of the senior subordinated notes prior to maturity resulting in a charge of \$1,353 due to the payment of an early redemption premium. The senior note agreements include certain restrictions, which, among other things, limit indebtedness and payment of dividends. The Company recognized interest expense of \$3,318 and \$833 for the year ended December 31, 2002 and for the period November 1, 2001 to December 31, 2001 relating to the senior notes.

The aggregate principal amounts due under the credit facility, the senior subordinated notes, and the note payable to the seller as described in Note 3, are as follows:

2003	\$	--
2004		--
2005		7,150
2006		7,150
2007		4,663
2008 and thereafter		181,566

Total		\$200,529
		=====

12. TAXES ON INCOME

Pretax income subject to US and foreign income taxes for each of the periods presented was as follows:

	SUCCESSOR		PREDECESSOR	
	YEAR ENDED DECEMBER 31, 2002	PERIOD FROM NOVEMBER 1, 2001 TO DECEMBER 31, 2001	PERIOD FROM JANUARY 1, 2001 TO OCTOBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
United States of America	\$13,616	\$(1,252)	\$23,716	\$ 38,425
Foreign	7,619	265	78	(127)
Pretax (loss) income	\$21,235	\$ (987)	\$23,794	\$ 38,298

The following table shows the components of current and deferred income tax expense by taxing jurisdiction, both domestic and foreign:

	SUCCESSOR		PREDECESSOR	
	YEAR ENDED DECEMBER 31, 2002	PERIOD FROM NOVEMBER 1, 2001 TO DECEMBER 31, 2001	PERIOD FROM JANUARY 1, 2001 TO OCTOBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
Current				
United States - federal	\$ 2,519	\$ --	\$ 8,725	\$13,530
United States - state	549	--	1,864	2,907
Foreign	2	--	181	186
	3,070	--	10,770	16,623
Deferred				
United States - federal	1,983	(398)	(38)	112
United States - state	308	(59)	(8)	28
Foreign	2,472	76	(127)	43
	4,763	(381)	(173)	183
Total income tax expense (benefit)	\$ 7,833	\$ (381)	\$ 10,597	\$16,806

The principal components of net deferred tax assets and liabilities are as follows:

	DECEMBER 31,	
	2002	2001
	-----	-----
Current		
Inventory	\$ 94	\$ 234
Accruals not yet deductible for tax returns	1,286	1,989
Pension	--	67
Loss carryforwards	--	890
Other	805	307
	-----	-----
	\$ 2,185	\$ 3,487
	=====	=====
Noncurrent		
Intangible assets	\$(3,503)	\$ (456)
Property, plant and equipment	(304)	4
Post-retirement benefits	971	853
Accruals not yet deductible for tax returns	(2,097)	--
Other	(767)	--
	-----	-----
	\$(5,700)	\$ 401
	=====	=====

Reconciliation between the US federal income tax rate and the effective tax rate is:

	SUCCESSOR		PREDECESSOR	
	YEAR ENDED DECEMBER 31, 2002	PERIOD FROM NOVEMBER 1, 2001 TO DECEMBER 31, 2001	PERIOD FROM JANUARY 1, 2001 TO OCTOBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
	-----	-----	-----	-----
Statutory tax rate	34.00%	(35.00)%	35.00%	35.00%
State income taxes, net of federal benefit	3.30	(3.25)	4.55	4.55
Non-deductible goodwill	--	--	4.01	3.03
Other	(.39)	(.35)	.98	1.30
	-----	-----	-----	-----
	36.91%	(38.60)%	44.54%	43.88%
	=====	=====	=====	=====

13. PENSION AND OTHER BENEFIT PLANS

DEFINED BENEFIT PENSION PLANS

For the predecessor periods presented, Schlumberger and its US subsidiary sponsored several defined benefit pension plans that covered substantially all employees. The benefits were based on years of service and compensation on a career-average pay basis. These plans are fully funded with a trustee with respect to past and current service. Charges to expense are based upon costs computed by independent actuaries. The funding policy is to annually contribute amounts that are deductible for federal income tax purposes. These contributions are intended to provide for benefits earned to date and those expected to be earned in the future. For the predecessor periods presented

the pension assets related to the Company's pension expense and accrued liabilities have been allocated by Schlumberger based on the proportion of the Company's pension liability compared to total plan liability for the Schlumberger Plans. Allocated pension expense for the 2001 and 2000 predecessor periods was \$0 and \$1,524 respectively. No allocation was necessary for the 2001 predecessor period due to the funded status of the plan.

In connection with the Acquisition, on November 1, 2001, Schlumberger retained the related pension assets and liabilities. Benefits vested by Neptune employees under the Schlumberger defined benefit plan will be administered by Schlumberger.

DEFINED CONTRIBUTION PLAN

For the predecessor periods presented, Schlumberger sponsored a 401(k) defined contribution plan covering substantially all employees. Each year, participants could contribute up to 15% of pretax compensation subject to certain limitations. Schlumberger matched a minimum 50% of the employee pretax contributions up to 6% plus discretionary contributions. Contributions for Company employees totaled approximately \$1,113 for the year ended December 31, 2000.

In connection with the Acquisition, Schlumberger approved a payment of \$572 into the Schlumberger 401(k) plan representing Schlumberger's match of 75% of the first 6% on Neptune employee contributions during the period January 1, 2001 to October 31, 2001. Once the funding was completed, Neptune employees, upon authorization, rolled the vested balances into the Neptune 401(k) plan.

The Neptune 401(k) plan was established on November 1, 2001 and covers substantially all employees. Each year participants can contribute up to 15% of pretax compensation and the Company can match a minimum 50% of these contributions up to the first 6%. The Company has the option to make higher discretionary matches in profitable years. Matching Company contributions vest ratably over five years. The Company funded a matching contribution of \$107 and \$829 for the years 2001 and 2002, respectively.

In addition, under the terms of the Neptune 401(k) plan, a special contribution and a transition contribution were granted to certain qualifying Neptune employees. The purpose of the special contribution and transition contribution was to compensate Neptune employees for the discontinuance of the Schlumberger defined benefit plan as Neptune did not adopt such a plan on November 1, 2001. The special contribution grants additional Company matching of employees' pretax compensation based on a formula of age plus years of service for the term of employment. The transition contribution also grants additional Company matching for a maximum period of five years to those employees whose age plus years of service equaled 55 or higher as of November 1, 2001. For 2001, the Company funded a special contribution and transition contribution of \$145 and \$46, respectively. For 2002, the Company funded a special contribution and transition contribution of \$845 and \$252, respectively.

POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

In connection with the Acquisition, on November 1, 2001, Neptune established a new retiree healthcare plan for all employees not eligible for benefits under Schlumberger's postretirement plan. Under the terms of the Asset Purchase Agreement, all Neptune employees who satisfied the retirement eligibility requirements as of the November 1, 2001 Acquisition date will be covered by Schlumberger's postretirement plan.

The principal actuarial assumptions used to measure costs for the year ended December 31, 2002 and the period November 1, 2001 to December 31, 2001 was a discount rate of 6.5% and 7.0%, respectively, and an overall medical cost trend rate of 9.5% graded to 5.0% over the next six years and thereafter.

Net periodic postretirement benefit cost for the year ended December 31, 2002 and the period November 1, 2001 to December 31, 2001 included the following components:

	DECEMBER 31, 2002 -----	PERIOD NOVEMBER 1, 2001 TO DECEMBER 31, 2001 -----
Service cost - benefits earned during the period	\$148	\$25
Interest cost on accumulated postretirement benefit obligation	156	25
	----	---
Postretirement benefit cost	\$304	\$50
	====	===

The change in accumulated postretirement benefit obligation for the year ended December 31, 2002 and the period from November 1, 2001 to December 31, 2001 was as follows:

	DECEMBER 31, 2002 -----	PERIOD NOVEMBER 1, 2001 TO DECEMBER 31, 2001 -----
Accumulated postretirement benefit obligation	\$2,229	\$2,179
Service cost	148	25
Interest cost	156	25
Net actuarial loss	228	--
Acquisition	70	--
	-----	-----
Accumulated postretirement benefit obligation	\$2,831	\$2,229
	=====	=====

The components of the accumulated postretirement benefit obligation on December 31, 2002 and 2001 were as follows:

	2002	2001
	-----	-----
Retirees	\$ --	\$ --
Fully eligible	787	--
Actives (not eligible)	2,044	2,229
	-----	-----
	\$2,831	\$2,229
	=====	=====

There are no plan assets associated with the postretirement benefit obligation at December 31, 2002 and 2001. The following is the reconciliation of the funded status:

	2002	2001
	-----	-----
Accumulated postretirement benefit obligation in excess of plan assets	\$ 2,831	\$2,229
Unrecognized net actuarial loss	(228)	--
	-----	-----
Accrued benefit liability	\$ 2,603	\$2,229
	=====	=====

14. STOCK COMPENSATION PLANS

In connection with the Acquisition, the Company adopted the Management Stock Incentive Plan (the "Plan"). The Plan is administered by a committee of the Board of Directors (the "Compensation Committee"), which has broad authority to administer and interpret the Plan. Options to purchase common stock granted to an employee pursuant to an individual Stock Option Agreement may include a provision terminating the option upon termination of employment under certain circumstances or accelerating the receipt of benefits upon the occurrence of specified events, including, at the discretion of the Compensation Committee, any change of control of Neptune, as defined by the Plan.

Options granted under the Plan vest over a period of seven years and expire 30 days thereafter. Vesting may be accelerated in the event of an initial public offering or the sale of the Company. Vesting may be deferred based on failing to meet or exceed performance targets, which are based on the Company's earnings before interest, taxes, depreciation and amortization, as defined in each grantee's individual Stock Option Agreement.

Upon the termination of an optionee's employment, the Company has certain rights to repurchase the common stock purchased by the optionee as a result of the exercise of option(s).

Class A Common Stock option transactions during fiscal year 2002 and the period November 1, 2001 to December 31, 2001 are summarized as follows (share amounts in thousands):

	SHARES RESERVED FOR ISSUANCE UNDER THE PLAN	SHARES GRANTED	SHARES AVAILABLE FOR GRANT	PRICE	WEIGHTED- AVERAGE PRICE
Balance at November 1, 2001	--	--	--	\$ --	\$ --
Options granted	75	64	11	120	120
Options exercised	--	--	--	--	--
Options forfeited	--	--	--	--	--
Balance at December 31, 2001	75	64	11	120	120
Options granted	--	5	(5)	120	120
Options exercised	--	--	--	--	--
Options forfeited	--	(1)	1	120	120
Balance at December 31, 2002	75	68	7	\$120	\$120
	====	====	====	====	====

In accordance with the stock purchase plan, the purchase price of the shares of common stock, subject to options under the Plan, must be no less than the fair market value of the common stock at the date of grant.

For options outstanding and exercisable at December 31, 2002, the exercise price ranges and average remaining lives were:

EXERCISE PRICE	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	SHARES OUTSTANDING AT DECEMBER 31, 2002	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	AVERAGE EXERCISE PRICE	SHARES OUTSTANDING AT DECEMBER 31, 2002	AVERAGE EXERCISE PRICE
\$120	68	7	\$120	9	\$120

PREDECESSOR STOCK COMPENSATION PLANS

During the predecessor periods presented, key employees of the Company were granted stock options under the Schlumberger stock option plans. On November 1, 2001, in connection with the Acquisition, employees who maintained vested stock options under such plans had 180 days to either exercise or forfeit the options. In addition, Schlumberger maintained a Discounted Stock Purchase Plan. Under the terms of this plan, employees could choose each year to have up to 10% of their annual earnings withheld to purchase Schlumberger common stock. On June 30, 2001, employees purchased Schlumberger stock for the amount of their withholding balance on that date. Withholdings for the purchase of Schlumberger stock for the period July 1, 2001 to November 1, 2001, the date of the Acquisition, were refunded to Neptune employees.

Schlumberger applied APB 25 and related Interpretations in accounting for its stock options plans. No compensation cost was recognized for its stock option plans and its employee stock purchase plan.

15. RELATED PARTY TRANSACTIONS

At December 31, 2001, the Company had recorded notes receivable (as a reduction of additional paid-in-capital), of \$1,034 representing loans to certain executives of the Company for purchases of common stock in conjunction with the Acquisition on November 1, 2001. Of this amount, \$552 was repaid by the executives in the first quarter of 2002. At December 31, 2002, the amount remaining of \$482 is due to the Company within 180 days following (i) an initial public offering by the Company or (ii) the consummation of certain transactions resulting in a 50% or greater change in economic beneficial ownership of the Company. The notes bear an annual interest rate of 3.93%.

In 2001 The Company paid \$15,000 of direct acquisition costs to Investcorp International Inc, an affiliate of Investcorp. \$5,000 represented prepaid management fees, as described in note 7, \$5,700 was paid for loan financing advisory agreement fees, and \$4,300 was paid for asset acquisition advisory agreement fees.

In connection with the Acquisition, on November 1, 2001, the Company paid \$11,660 of financing costs related to the Credit Facility. Of this amount, \$5,700 was paid to Investcorp as described above.

For the predecessor periods presented, the financial statements include allocations of certain corporate expenses, including centralized research and engineering, legal, accounting, employee benefits, real estate, insurance services, information technology services, treasury and other corporate and infrastructure costs. These allocations have been determined on a basis that Schlumberger and the Company considered to be a reasonable reflection of the utilization of services provided or the benefit received by the Company. The allocation methods include relative sales, headcount, square footage, transaction processing costs, adjusted operating expenses and others. These allocations resulted in charges of \$8,316 and \$7,133 being recorded in the Company's results of operations for the period January 1, 2001 to October 31, 2001 and the year 2000, respectively.

Prior to November 1, 2001, the Company participated in Schlumberger's centralized treasury and cash processes. Cash was managed either through zero balance accounts or an interest-bearing offsetting mechanism.

In certain countries, for the predecessor periods presented, there were formal tax sharing arrangements between the Company and the respective entity of Schlumberger. In certain countries, for the predecessor periods presented, the Company was a division of the Schlumberger legal entity that is the ultimate taxpayer in that jurisdiction.

16. COMMITMENTS AND CONTINGENCIES

LEASES AND LEASE COMMITMENTS The Company leases office space and automobiles under lease agreements with varying expirations dates ranging from one to five years. Total rental expense was \$504 for fiscal year 2002, \$53 for the period November 1, 2001 to December 31, 2001, \$421 for the period January 1, 2001 to October 31, 2001, and \$1,299 for fiscal year 2000. Future minimum rental commitments under non-cancelable leases are as follows:

2003	\$282
2004	149
2005	45
2006	6

	\$482
	=====

WATER METER LITIGATION

The Company has been involved in litigation with environmental groups in California and with the Los Angeles District of Water and Power (LADWP) over the constitution and specifications of its water meters. The following is a summary of this activity:

PROPOSITION 65 SETTLEMENT AGREEMENT

In May 1997, two citizens groups sued six water meter manufacturers under California's Proposition 65 and the California Unfair Competition Law. The complaint alleged that manufacturers of standard brass water meters, including Schlumberger, violated Proposition 65 by selling their standard brass meters in California because the meters "discharged or released" lead into a "source of drinking water" at levels prohibited by Proposition 65. The case was settled by Schlumberger in May of 2000.

Under the settlement the Company is required to stop selling traditional brass water meters in California by May of 2004. A reserve of \$1,200 was recorded in 1997. Payments on this settlement, totaling \$1,205, were completed by May 2000.

LADWP SETTLEMENT AGREEMENT

In 1998, as a direct result of the above litigation, the Environmental Law Foundation (ELF) filed suit against Schlumberger under California's False Claims Act (FCA). The ELF complaint alleged that Schlumberger sold water meters to the Los Angeles Department of Water and Power ("LADWP") from 1990 to 1998 that were constructed from an alloy that allowed up to 8% lead content, whereas the LADWP contract specification for water meters limited lead content to 6%. The meters sold by Schlumberger to LADWP were the national standard for water meters containing an average of 7% lead.

The ELF and LADWP claims were settled in January 2001. The terms of the settlement are that the Company will provide LADWP 120,000 free non-lead water meters of specified sizes over a period of 24 months, at the rate of 5,000 meters per month. A reserve of \$5,800 was recorded in 1998. In May 2001, cash settlements of \$620 and \$750 were paid to LADWP and to the Environmental Law Foundation, respectively. The balance of \$4,430 is being used to provide the delivery of 120,000 meters to LADWP over a 24 month period. The shipments of 5,000 meters per month began in

May 2001 with 25,000 meters remaining to be delivered as of December 31, 2002. At December 31, 2002 and 2001, the remaining liability recorded for this settlement is \$638 and \$2,897, respectively.

RUEDA LITIGATION

Rueda is an amalgamated lawsuit based on alleged property damage suffered by customers of LADWP whose property is serviced by the water meters sold to LADWP from 1990 through 1998. The lawsuit relates only to the meters, which are the subject of the above LADWP litigation and settlement. The allegations included in the lawsuit are (i) violation of the California Business and Professional Code; (ii) negligence per se; and (iii) negligence and public nuisance. The Plaintiffs allege that their property value have been diminished because the Company sold LADWP meters that did not meet specifications due to their lead content. To prove their claims, the plaintiffs will have to demonstrate that lead leaches from the meters supplied by the Company in greater quantities than it would have leached from the meters specified by LADWP and that any such increased leaching has impacted their property values. Based on motions for judgment filed by the Company, the Court granted the motion for summary adjudication on the negligence per se and negligence and public nuisance causes of action. On January 24, 2003, the Court granted class-action status for the remaining cause of action relating to the violation of the California Business and Professional Code. The Company is currently evaluating the potential impact of the class certification order and cannot determine the amount, if any, of potential exposure at this time.

PRO FORMA UNAUDITED CONDENSED FINANCIAL INFORMATION OF
ROPER INDUSTRIES, INC. AND NEPTUNE TECHNOLOGY GROUP HOLDINGS, INC.

We derived the following unaudited pro forma consolidated financial data set forth below by the application of pro forma adjustments to the historical financial statements of Roper Industries, Inc. (as incorporated by reference) and Neptune Technology Group Holdings Inc. ("Neptune") appearing elsewhere in this Current Report on Form 8-K.

The pro forma condensed financial information for Roper Industries, Inc. and subsidiaries reflects the impact of the Neptune acquisition ("Neptune Acquisition") and DAP Technologies Ltd minority interest acquisition ("DAP Acquisition") collectively the "Transactions", on our income statements from continuing operations for the fiscal year ended October 31, 2002 and the nine-month period ended September 30, 2003, had the Transactions been consummated immediately prior to these periods. For the purpose of presenting a combined income statement for the year ended October 31, 2002, the audited income statements of Neptune for the year ended December 31, 2002 have been utilized. Additionally, this information also presents the impact of Neptune on our balance sheet as of September 30, 2003, had the Transactions been consummated immediately prior to that date.

The unaudited pro forma consolidated financial data has been prepared giving effect to the Neptune Acquisition and the DAP Acquisition, which have been accounted for in accordance with SFAS No. 141, "Business Combinations." The total purchase price will be allocated to the net assets of Neptune based upon estimates of fair value. The pro forma adjustments are based on a preliminary assessment of the value of Neptune's tangible and intangible assets by management. The final purchase price allocation will be based on a formal valuation analysis by an outside appraisal firm and may include an adjustment to the amounts recorded for the value of property and equipment, identifiable intangible assets and goodwill, as well as changes in cash consideration based on changes in cash, indebtedness and working capital on the closing date. A final valuation is in process and should be obtained shortly after the completion of the acquisition.

The adjustments to the unaudited pro forma consolidated statement of operations are based upon available information and certain assumptions that we believe are reasonable and exclude certain non-recurring charges that will be incurred in connection with: (1) amortization of estimated inventory fair value step-up of approximately \$4 million from the acquisition expected to impact 2004 cost of sales; and (2) the write-off of approximately \$15.6 million of debt extinguishment costs, net of tax, related to the pay off to Roper's current senior notes and related deferred financing costs. The pro forma condensed financial information should be read in conjunction with the historical financial statements of Roper and Neptune and the related notes thereto. The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the results of operations that would have resulted had the acquisition described above been consummated at the date indicated, nor is it necessarily indicative of the results of operations of future periods.

Roper Industries, Inc. and Subsidiaries
Pro Forma Consolidated Balance Sheet (unaudited)
September 30, 2003
(in thousands)

	Roper -----	Neptune -----	Pro Forma entries -----	Pro Forma -----
Cash and cash equivalents	\$ 14,510	\$ 24,159	(\$24,159)(2)	\$ 14,510
Accounts receivable, net	120,344	25,677	0	146,021
Inventories	95,233	14,631	4,000(2)	113,864
Other current assets	5,238	9,373	(1,000)(2)	13,611
	-----	-----	-----	-----
Total current assets	235,325	73,840	(21,159)	288,006
Property, plant and equipment, net	51,908	26,085	0	77,993
Goodwill	482,465	77,231	169,369(2)	729,065
Other intangible assets, net	36,852	180,644	61,356(2)	278,852
Other noncurrent assets	29,127	10,442	13,400(5) (9,398)(2)	43,571
	-----	-----	-----	-----
Total assets	\$835,677	\$368,242	\$213,568	\$1,417,487
	=====	=====	=====	=====
Accounts payable	\$ 33,791	\$ 10,360	\$ 0	\$ 44,151
Accrued liabilities	54,722	16,604	13,750(2)	85,076
Income taxes payable	3,093	0	(8,400)(3)	(5,307)
Current portion of long-term debt	1,027	10,000	12,500(1)	23,527
	-----	-----	-----	-----
Total current liabilities	92,633	36,964	17,850	147,447
Long-term debt	287,470	277,304	40,696(1)	605,470
Other noncurrent liabilities	13,846	10,405	21,475(2)	45,726
	-----	-----	-----	-----
Total liabilities	393,949	324,673	80,021	798,643
Minority interest	0	4,512	(4,512)(4)	0
Redeemable preferred stock	0	29,017	(29,017)(4)	0
	-----	-----	-----	-----
Total equity	441,728	10,040	(15,600)(3) 192,716(1) (10,040)(4)	618,844
	-----	-----	-----	-----
Total liabilities and equity	\$835,677	\$368,242	\$213,568	\$1,417,487
	=====	=====	=====	=====

See accompanying notes to the unaudited pro forma consolidated balance sheet

Roper Industries, Inc. and Subsidiaries
Notes to Unaudited Pro Forma Consolidated Balance Sheet
(in thousands)

- (1) The pro forma consolidated balance sheet gives effect to the following pro forma adjustments and reflects incurrence of debts, payment of acquisition consideration to the sellers of Neptune and the DAP minority interest, repayment of existing Roper and Neptune debt and fees and expenses incurred in connection with the Transactions.

Sources of funds

New revolving credit facility	\$ 27,970
Five-year term loan facility	450,000
Senior Subordinated Convertible Notes	150,000
Issuance of common stock	192,716

Total sources of funds	\$820,686
	=====

Uses of funds

Net cash consideration for Neptune acquisition	\$475,000
Cash and stock consideration in connection with the DAP acquisition	9,216
Estimated fees and expenses	25,000
Extinguish existing Roper long-term debt	287,470
Debt extinguishment costs	24,000

	\$820,686
	=====

(2) The Neptune and DAP acquisitions will be accounted for as a purchase in accordance with SFAS No. 141, "Business Combinations." Under purchase accounting, the estimated acquisition consideration will be allocated to Neptune's assets and liabilities based on their relative fair values. The consideration remaining will be allocated to identifiable intangibles with a finite life and amortized over that life, as well as to goodwill and identifiable intangibles with an infinite life, which will be evaluated on an annual basis to determine impairment and adjusted accordingly. The pro forma adjustments were based upon a preliminary assessment of value by management of Neptune's tangible and intangible assets. The final purchase price allocation is in process and may include an adjustment of the total consideration payable at closing, as well as in the amount recorded for any changes in value of property and equipment, identifiable intangible assets, and goodwill determined by an outside appraisal shortly after completion of the Transactions.

Total acquisition consideration allocation:	
Net cash paid for Neptune acquisition	\$ 475,000
Cash and stock consideration paid for the DAP acquisition	9,216
Estimated acquisition expenses	11,600

Total acquisition consideration	495,816
Less: Net book value of assets acquired	(296,315)

Excess purchase price to be allocated	\$ 199,501
	=====

Preliminary allocations:

Inventory step-up	\$ 4,000
Deferred tax liability	(21,475)
Restructuring and other incremental liabilities	(13,750)
Incremental identifiable intangible assets	61,356
Incremental goodwill	169,369

	\$ 199,501
	=====

Amortization of intangible assets, if applicable, will occur over their estimated useful lives, which we estimate will range from two to twenty-five years. The major categories of Neptune intangible assets are estimated as follows:

Assets subject to amortization:	
Customer relationships	\$ 147,000
Technology	32,000
Software	8,000
Contracts	19,000
Assets not subject to amortization:	
Trade names	36,000

	\$ 242,000
	=====

- (3) Represents the estimated costs associated with extinguishing Roper's current senior notes and the write-off of deferred financing costs associated with those notes and Roper's existing revolving credit facility which will also be extinguished in conjunction with this transaction. The extraordinary expense associated with early extinguishment of Roper's current senior notes is tax deductible and a tax benefit of \$8,400 has been recognized at the federal statutory rate.
- (4) Reflects the elimination of Neptune's historical share capital, retained earnings, minority interest and other equity accounts pursuant to the application of purchase accounting in accordance with SFAS No. 141, "Business Combinations."
- (5) Debt issuance costs of \$13,400 are being amortized over the weighted average life of the associated financings.

Roper Industries, Inc. and Subsidiaries
Pro Forma Consolidated Statement of Operations (unaudited)
Year Ended October 31, 2002
(in thousands)

	Roper ----- (2)	Neptune ----- (2)	Pro Forma entries -----	Pro Forma -----
Net sales	\$617,462	\$189,544	\$ 0	\$807,006
Cost of good sold	283,707	109,211	0	392,918
Gross profit	----- 333,755	----- 80,333	----- 0	----- 414,088
Selling, general and administrative expenses	218,210	45,793	1,900(4)	265,903
Operating profit	----- 115,545	----- 34,540	----- (1,900)	----- 148,185
Interest expense	18,506	12,880	(4,886)(5)	26,500
Euro debt currency loss	4,093	0	0	4,093
Loss on extinguishment of debt	0	1,353	0(3)	1,353
Other income	3,381	928	0	4,309
Earnings from continuing operations before income taxes	----- 96,327	----- 21,235	----- 2,986	----- 120,548
Income taxes	29,889	7,833	1,045(6)	38,767
Net earnings from continuing operations	----- \$ 66,438 =====	----- \$ 13,402 =====	----- \$ 1,941 =====	----- \$ 81,781 =====
Net earnings per share from continuing operations				
Basic	\$ 2.13			\$ 2.32
Diluted	2.09			2.28
Average shares outstanding				
Basic	31,210		3,998(7)	35,208
Diluted	31,815		3,998(7)	35,813

See accompanying notes to the unaudited Pro Forma
Consolidated Statement of Operations

Roper Industries, Inc. and Subsidiaries
Pro Forma Consolidated Statement of Operations (unaudited)
Nine-Months Ended September 30, 2003
(in thousands)

	Roper -----	Neptune -----	Pro forma entries -----	Pro Forma -----
Net sales	\$487,562	\$147,473	\$ 0	\$635,035
Cost of good sold	230,504	83,773	0	314,277
Gross profit	257,058	63,700	0	320,758
Selling, general and administrative expenses	178,262	37,472	600(4)	216,334
Operating profit	78,796	26,228	(600)	104,424
Interest expense	12,653	14,867	(7,920)(5)	19,600
Loss on Extinguishment of debt	0	9,329	0 (3)	9,329
Other expense	(195)	(2,556)	0	(2,751)
Earnings from continuing operations before income taxes	65,948	(524)	7,320	72,744
Income taxes	19,784	451	2,562 (6)	22,797
Net earnings from continuing operations	----- \$ 46,164 =====	----- \$ (975) =====	----- \$ 4,758 =====	----- \$ 49,947 =====
Net earnings per share from continuing operations				
Basic	\$ 1.47			\$ 1.41
Diluted	1.45			1.39
Average shares outstanding				
Basic	31,482		3,998(7)	35,480
Diluted	31,844		3,998(7)	35,842

See accompanying notes to the unaudited Pro Forma
Consolidated Statement of Operations

Roper Industries, Inc. and Subsidiaries
Notes to Unaudited Pro Forma Consolidated Statement of Operations

- (1) The unaudited pro forma consolidated financial statements have been prepared to reflect the application of purchase accounting under SFAS No. 141, "Business Combinations" for the Neptune and DAP Acquisitions.
- (2) Because of differing fiscal 2002 year-ends for Roper and Neptune, the pro-forma consolidated Statement of Operations for fiscal year ended October 31, 2002 utilizes the audited income statement of Neptune for the calendar year ended December 31, 2002. For fiscal 2003, both Neptune and Roper report on a calendar year basis and common reporting periods are used for the Consolidated Statement of Operations for the nine-months ended September 30, 2003.
- (3) During the year ended October 31, 2002, and the nine-months ended September 30, 2003, Neptune recorded losses on early extinguishment of debt of \$1,353,000 and \$9,329,000, respectively. These losses were associated with financing arrangements typical of private equity group ownership. These losses are required to be presented in the proformas under Article 11 of Regulation S-X. These amounts will not recur for Roper. The table below reflects the proforma earnings from continuing operations before income taxes adjusted to exclude these losses (in thousands):

Year Ended Nine- Months Ended Oct. 31, 2002 Sept. 30, 2003 - -----
Proforma earnings from continuing operations before income taxes \$120,548 \$72,744 Loss on extinguishment of debt 1,353 9,329 ----- -----
----- Adjusted earnings from continuing operations before income taxes \$121,901 \$82,073 =====
=====

- (4) Reflects the net adjustment to the historical amortization expense of Neptune from the elimination of certain non-recurring management fees and financing expenses, partially offset by additional intangibles amortization from management's estimate of the effects of applying SFAS No. 141 to identifiable finite-lived intangible assets.
- (5) Reflects the net change in interest expense to give effect to (i) borrowings under Roper's proposed new senior revolving credit facility, (ii) the issuance of \$450 million of a five year term-note facility, (iii) a 4.5% coupon on \$150 million of senior subordinated convertible notes, (iv) the amortization of \$13.4 million of debt issuance costs over an average of 4 years and (v) the elimination of both Roper and Neptune's interest expense under their current financing structures. For every 1/8% change in the interest rates on the debt, the effect on interest expense of the combined entities is approximately \$800 thousand.
- (6) Tax effects of the pro forma adjustments have been calculated based on the applicable statutory rate of 35%.
- (7) Reflects the issuance of common stock to finance the Neptune Acquisition and the use of treasury stock in the DAP Acquisition. The total issuance is assumed to be 3,998,000 shares of Roper's common stock with a market value of \$201.7 million based on a market price of \$50.46 per share. The price per share reflects the average closing price of Roper Industries, Inc. stock for the two days prior to filing the S-3 registration. For every \$1 movement in the price of Roper Industries, inc. stock, there is an approximately 80,000 share differential in the number of shares required for the equity funding portion of these transactions.