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08-31-1998

100828942

U.S. Patent & TMO/TM Mail Rpt Dt. #54 **Owner of Patents and Trademarks:** Please record the attached original documents or copy thereof.

MEX 8-31-98

Conveying party(ies):

Aerometrics, Inc.
755 N. Mary Avenue
Sunnyvale, CA 94086

Individual(s) Association
 General Partnership Limited Partnership
 Corporation - California
 Other _____

Add'l name(s) of conveying party(ies) attached? Yes No

2. Name and address of receiving party(ies):

Name: Aerometrics, Inc.
Internal Address: _____
Street Address: 500 Cardigan Road, P.O. Box 64384
City: St. Paul State: MN ZIP: 55164

Individual(s) citizenship _____
 Association _____
 Limited Partnership _____
 Corporation - Minnesota
 Other: _____

3. Nature of conveyance:

Assignment Merger
 Security Agreement Change of Name
 Other _____

Execution Date: October 6, 1995

If assignee is not domiciled in the United States, a domestic representative designation is attached: Yes No
(Designations must be a separate document from Assignment)
Additional name(s) & address(es) attached? Yes No

4. Application number(s) or registration number(s):

A. Trademark Application No.(s)

B. Trademark Registration No.(s)

2,111,032	1,946,073	2,074,134
1,956,287	1,777,081	2,102,395

Additional numbers attached? Yes No

5. Name and address of party to whom correspondence concerning document should be mailed:

Name: Dax F. Alvarez
Internal Address:
BLAKELY, SOKOLOFF, TAYLOR & ZAFMAN
Street Address: 12400 Wilshire Boulevard
Seventh Floor
City: Los Angeles State: CA ZIP: 90025

6. Total number of applications and registrations involved: 6

7. Total fee (37 CFR 3.41)..... \$ 165.00
 Enclosed
 Authorized to be charged to deposit account

8. Deposit account number:
02-2666

DO NOT USE THIS SPACE

9. Statement and signature.
To the best of my knowledge and belief, the foregoing information is true and correct and any attached copy is a true copy of the original document.

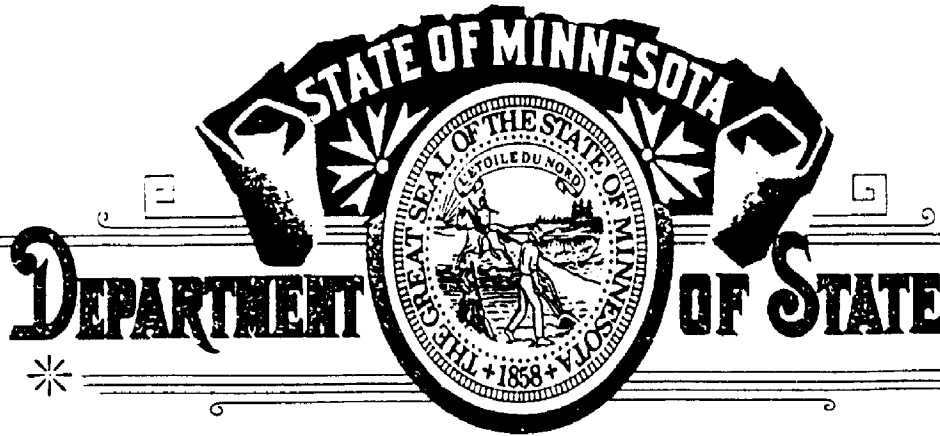
Dax Alvarez Name of Person Signing
[Signature] Signature
8/25/98 Date

Total number of pages including cover sheet, attachments, and document: 35

I hereby certify that this correspondence is being deposited with the United States Postal Service as first class mail in an envelope addressed to: Assistant Commissioner for Trademarks, 2900 Crystal Drive, Arlington, VA 22202-3513, on 8/26/98 (Date of Deposit)

RECAP (Don't)
Name of Applicant, Assignee, or Registered Rep. [Signature]
Signature [Signature] Date 8/26/98

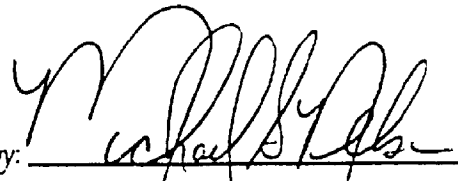
08/25/1998 INBUTEN 08/26/1998 49:00 IP 125:00 IP



This is to acknowledge that the items described below have been accepted by the Secretary of State of Minnesota on the date noted. Those documents will be microfilmed and the original will be returned to the submitter within ten days. The microfilm will be available for public inspection at the office of the Secretary of State.

Description of Item <i>Amendment</i>	Date Accepted <i>10/10/95</i>	RJ No. NOT VALID UNTIL RJ NUMBER IS AFFIXED 057126
Company Name <i>Aerometrics, Inc</i>		

State of Minnesota
Office of the Secretary of State
Corporation Division
180 State Office Building
St. Paul, MN 55155 (612) 296-2803

by: 
Evidence of Filing SC-00184-01



MINNESOTA SECRETARY OF STATE AMENDMENT OF ARTICLES OF INCORPORATION

BEFORE COMPLETING THIS FORM, PLEASE READ INSTRUCTIONS LISTED BELOW.

CORPORATE NAME:(List the name of the company prior to any desired name change)

TSI Domestic International Sales Corporation

This amendment is effective on the day it is filed with the Secretary of State, unless you indicate another date, no later than 30 days after filing with the Secretary of State.

6 October 1995

The following amendment(s) of articles regulating the above corporation were adopted: (Insert full text of newly amended article(s) indicating which article(s) is (are) being amended or added.) If the full text of the amendment will not fit in the space provided, attach additional numbered pages. (Total number of pages including this form 1.)

ARTICLE I

The name of this corporation shall be Aerometrics, Inc.

This amendment has been approved pursuant to *Minnesota Statutes chapter 302A or 317A*. I certify that I am authorized to execute this amendment and I further certify that I understand that by signing this amendment, I am subject to the penalties of perjury as set forth in section 609.48 as if I had signed this amendment under oath.

BY: *Lowell D. Nystrom*
(Signature of Authorized Person) Lowell D. Nystrom,
Its Vice President, Treasurer & Assistant Secretary

INSTRUCTIONS

1. Type or print with black ink.
2. A Filing Fee of: \$35.00, made payable to the Secretary of State.
3. Return completed forms to:

Secretary of State
180 State Office Building
100 Constitution Ave.
St. Paul, MN 55155-1299
(612)296-2803

FOR OFFICE USE ONLY

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED

OCT 10 1995

Lowell D. Nystrom
Secretary of State

ACTION BY THE SOLE SHAREHOLDER

OF

TSI DOMESTIC INTERNATIONAL SALES CORPORATION

THE UNDERSIGNED, being the sole shareholder of TSI Domestic International Sales Corporation, a corporation duly organized and existing under the laws of Minnesota, in lieu of a meeting of the Shareholders, does hereby adopt the following resolutions by unanimous written consent:

Election of Directors

RESOLVED, that the following named persons be and they hereby are elected to the Board of Directors of this Corporation to serve thereon according to its Bylaws until their successors have been duly elected and qualified:

Leroy M. Fingerson
Lowell D. Nystrom
Frank Dorman

Approval of Merger

RESOLVED, that the form, terms and provisions of, and the consummation of the transactions contemplated in, the Agreement and Plan of Merger (the "Merger Agreement") to be entered into by the Corporation, TSI Incorporated, and Aerometrics, Inc., a California corporation, in the form presented to the shareholder be, and they hereby are, approved, and that the President or any Vice President, and if required, the Secretary or any Assistant Secretary of the Corporation be, and each of them hereby is, authorized to execute and deliver in the name and on behalf of the Corporation, the Merger Agreement, in substantially such form with such changes therein as such officer or officer may by his, her, or their execution thereof approve.

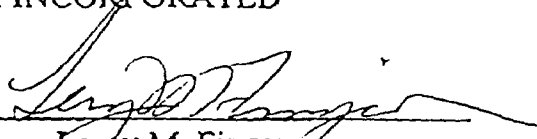
FURTHER RESOLVED, that the proper officers of the Corporation be, and each of them hereby is, in the name and on behalf of the Corporation, authorized to execute and deliver all such further agreements, certificates, documents and other instruments, to make all such payments, and to take all such further action as such officer or officers in his, her or their discretion may consider necessary or

appropriate in order to carry out the transactions contemplated by the foregoing resolution.

Dated effective October 6, 1995.

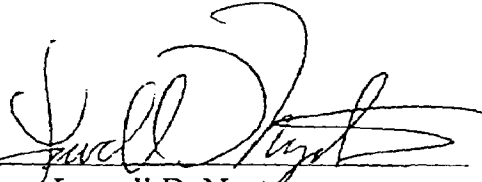
TSI INCORPORATED

By


Leroy M. Fingerson,
Its Chairman

and

By


Lowell D. Nystrom,
Its Vice President

GP:226933 v1

ACTION BY THE DIRECTORS

OF

TSI DOMESTIC INTERNATIONAL SALES CORPORATION

The undersigned, being all of the directors of TSI Domestic International Sales Corporation, a Minnesota corporation, do hereby take the following actions by unanimous written consent in lieu of a meeting of the Board of Directions:

Election of Officers

RESOLVED, that the following named persons be, and they hereby are, elected to the offices set forth opposite their respective names to serve as such officers of the corporation according to its Bylaws until their successors shall have been duly elected and qualified:

Leroy M. Fingerson	President
Lowell D. Nystrom	Vice President, Treasurer and Assistant Secretary
Laura Cochrane	Secretary

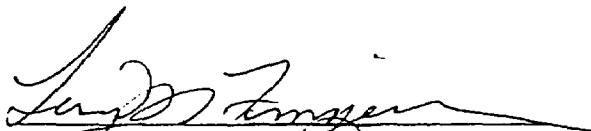
Merger Agreement

RESOLVED, that the form, terms and provisions of, and the consummation of the transactions contemplated in, the Agreement and Plan of Merger (the "Merger Agreement") to be entered into by the Corporation, TSI Incorporated, and Aerometrics, Inc., a California corporation, in the form presented to the Directors be, and they hereby are, approved, and that the President or any Vice President, and if required, the Secretary or any Assistant Secretary of the Corporation be, and each of them hereby is, authorized to execute and deliver in the name and on behalf of the Corporation, the Merger Agreement, in substantially such form with such changes therein as such officer or officers may by his, her, or their execution thereof approve.

FURTHER RESOLVED, that the proper officers of the Corporation be, and each of them hereby is, in the name and on behalf of the Corporation, authorized to execute and deliver all such further agreements, certificates, documents and other instruments, to make all such payments, and to take all such further action as such officer or officers in his, her or their discretion may consider necessary or

appropriate in order to carry out the transactions contemplated by the foregoing resolutions.

Dated effective October 6, 1995.



Leroy M. Fingerson



Lowell D. Nystrom



Frank Dorman

GP:226960 v1

**ACTION BY THE DIRECTORS
OF
TSI DOMESTIC INTERNATIONAL SALES CORPORATION**

The undersigned, being all the directors of TSI Domestic International Sales Corporation, a Corporation duly organized and existing under the laws of the state of Minnesota, do hereby take the following action by unanimous written consent in lieu of a meeting of the Board of Directors:

Election of Officers

RESOLVED, that the following named persons be, and they hereby are, elected to the offices set forth opposite their respective names to serve as such officers of this corporation according to its bylaws until their successor shall have been duly elected and qualified:

Leroy M. Fingerson	Chairman & Chief Executive Officer
William D. Bachalo	President
Lowell D. Nystrom	Vice President, Treasurer & Assistant Secretary
Laura J. Cochrane	Secretary

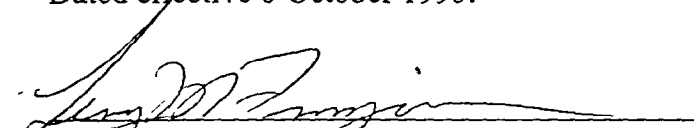
Change of Name in connection with Merger


RESOLVED, that upon the effective date of the Merger referred to in a resolution by this Board dated 6 October 1995, Article I of the Articles of Incorporation of the Corporation shall be revised to read as follows:

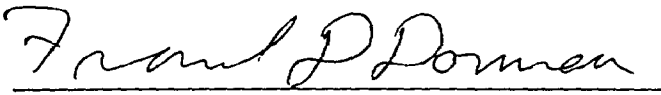
ARTICLE I

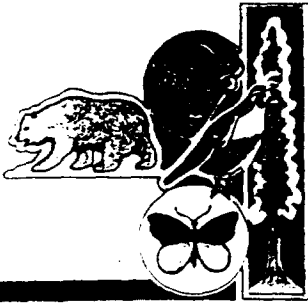
The name of this Corporation shall be AEROMETRICS, INC.

Dated effective 6 October 1995.


Leroy M. Fingerson


Lowell D. Nystrom


Frank D. Dorman



State
of
California
SECRETARY OF STATE

CORPORATION DIVISION

I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute
this certificate and affix the Great
Seal of the State of California this

OCT 13 1995



Bill Jones

Secretary of State

ENDORSED
FILED

In the office of the Secretary of State
of the State of California

OCT 06 1995

Bill Jones
BILL JONES, Secretary of State

ARTICLES OF MERGER

OF

AEROMETRICS, INC.

WITH AND INTO

TSI DOMESTIC INTERNATIONAL SALES CORPORATION

The undersigned corporations, AEROMETRICS, INC., a California corporation ("Aerometrics"), and TSI DOMESTIC INTERNATIONAL SALES CORPORATION, a Minnesota corporation ("TSIDISC") hereby certify pursuant to Section 302A.615 of the Minnesota Business Corporation Act (the "Act") as follows:

FIRST: Attached hereto as Annex A is the Plan of Merger of Aerometrics with and into TSIDISC (the "Plan of Merger").

SECOND: The Plan of Merger has been approved by the shareholders and the Board of Directors of Aerometrics pursuant to the applicable requirements of the California Corporation Code.

THIRD: The Plan of Merger has been approved by the Board of Directors and shareholders of TSIDISC pursuant to Section 302A.613 of the Act.

Dated: October 6, 1995

AEROMETRICS, INC.

By *W.D. Bachalo*

Dr. William D. Bachalo
Its President

Dated: October 6, 1995

TSI DOMESTIC INTERNATIONAL
SALES CORPORATION

By *Lowell Nystrom*

Lowell Nystrom
Its Vice President and Treasurer

ANNEX A

PLAN OF MERGER

OF

AEROMETRICS, INC.

WITH AND INTO

TSI DOMESTIC INTERNATIONAL SALES CORPORATION

This Plan of Merger is entered into this 6th day of October, 1995, by and between AEROMETRICS, INC., a California corporation, ("Aerometrics") and TSI DOMESTIC INTERNATIONAL SALES CORPORATION, a Minnesota corporation, ("TSIDISC").

RECITALS

1. Merger. Aerometrics and TSIDISC propose to merge as provided in this Plan of Merger. TSIDISC will be the surviving corporation in the Merger.
2. Terms and Conditions. The terms and conditions of the proposed Merger are set forth in the Agreement and Plan of Merger dated October 6, 1995, attached hereto and incorporated herein by reference.

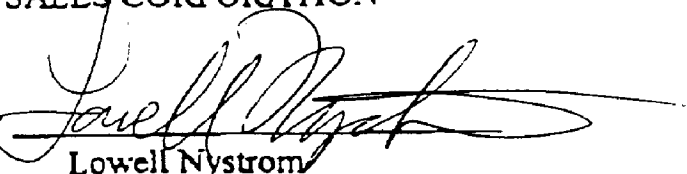
IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

AEROMETRICS, INC.

By 

Dr. William D. Bachalo
Its President

TSI DOMESTIC INTERNATIONAL
SALES CORPORATION

By 

Lowell Nystrom
Its Vice President and Treasurer

PLAN OF MERGER

PLAN OF MERGER, made and entered into as of the 6th day of October, 1995, by and among TSI INCORPORATED, a Minnesota corporation, having its principal place of business at 500 Cardigan Road, P.O. 64394, St. Paul, Minnesota 55164 ("TSI"), TSI DOMESTIC INTERNATIONAL SALES CORPORATION, a Minnesota corporation and a wholly-owned subsidiary of TSI having its principal place of business at 500 Cardigan Road, P.O. 64394, St. Paul, Minnesota 55164 ("Newco), and AEROMETRICS, INC., a California corporation, having its principal place of business at 755 North Mary Avenue, Sunnyvale, California 94086 (the "Company"), and WILLIAM D. BACHALO, an individual residing at 14660 Saltamontes Way, Los Altos Hills, California 94022 (the "Principal Shareholder").

RECITALS

The Boards of Directors of TSI and Newco, TSI in its capacity as a shareholder of Newco and the Principal Shareholder and the Board of Directors of the Company, deeming it advisable for the mutual benefit of TSI, Newco and the Company and their respective shareholders that TSI acquire the Company by the merger of the Company and Newco under the terms and conditions hereinafter set forth (the "Merger"), have approved this Plan of Merger (the "Agreement").

This Plan of Merger, in accordance with the agreement of the parties, sets forth the terms and conditions of the Merger and the mode of carrying the same into effect, as follows:

PLAN OF MERGER

SECTION 1.1 Actions to be Taken. Upon performance of all of the covenants and obligations of the parties contained herein and upon fulfillment (or waiver) of all of the conditions to the obligations of the parties contained herein, at the Effective Time of the Merger (as hereinafter defined) and pursuant to the Business Corporation Act of the State of Minnesota (the "MBCA") and the California Corporation Code (the "CCC"), the following shall occur:

1.1.1 The Company shall be merged with and into Newco, which shall be the surviving corporation (the "Surviving Corporation"). The separate existence and corporate organization of the Company shall cease at the Effective Time of the Merger, and thereupon the Company and Newco shall be a single corporation, the name of which shall be Acrometrics, Inc. Newco, as the Surviving Corporation, shall succeed, insofar as permitted by law, to all of the rights, assets, liabilities and obligations of the Company in accordance with the MBCA and CCC.

1.1.2 The Articles of Incorporation of Newco shall be and remain the articles of incorporation of the Surviving Corporation until amended as provided by law.

1.1.3 The By-Laws of Newco shall be and remain the by-laws of the Surviving Corporation until amended as provided by law.

1.1.4 Until changed in accordance with the articles of incorporation and by-laws of the Surviving Corporation, William D. Bachalo, Leroy M. Fingerson, and Lowell Nystrom shall be the directors of the Surviving Corporation.

1.1.5 Until changed in accordance with the articles of incorporation and by-laws of the Surviving Corporation, the following persons shall be the officers of the Surviving Corporation:

<u>Name</u>	<u>Office</u>
Leroy M. Fingerson	Chairman
William D. Bachalo	President
Lowell Nystrom	Vice President, Treasurer and Assistant Secretary
Laura Cochrane	Secretary

1.1.6 As soon as practicable after the terms and conditions of this Agreement have been satisfied, and upon consummation of the closing referred to in Article IX hereof (the "Closing"), articles of merger consistent with this Agreement in the form prescribed by, and properly executed in accordance with, the MBCA and the CCC, in form and substance satisfactory to the parties hereto and providing for immediate effectiveness of the Merger (the "Articles of Merger"), shall be filed with the Secretary of State of the State of Minnesota and the Secretary of State of the State of California. The Merger shall become effective on the date on which the Articles of Merger are properly filed with the Secretary of State of Minnesota pursuant to the MBCA, so long as the Articles of Merger are filed with Secretary of State of California within six months thereafter pursuant to the CCC. As used in this Agreement, the "Effective Time of the Merger" shall mean the date of filing with the Secretary of State of Minnesota.

SECTION 1.2 Common Stock of Surviving Corporation. Following the Effective Time of the Merger, each of the issued and outstanding shares of common stock of Newco shall, by virtue of the Merger and without any action on the part of TSI continue to be outstanding shares of common stock of the Surviving Corporation. Each share shall be fully paid and non-assessable.

SECTION 1.3 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

1.3.1 The term "Average Price" shall mean the average (rounded to the nearest penny) of each "Mid-Price" (as defined herein) of TSI Common Stock during the Trading Period (as defined herein). The "Trading Period" shall mean the period of forty (40) consecutive trading days ending on and including October 2, 1995; provided, however, that if no trades occur on any of such trading days, the trading days on which no trades occur shall be disregarded and a sufficient number of trading days on which trades did occur and which immediately preceded the 40 consecutive trading days shall be added to the Trading Period so that there will be a total of 40 trading days on which trades occurred. The Mid-Price for those days shall be employed for the calculations described herein. For purposes of this Agreement, the term "Mid-Price" on each trading day shall mean the median between the high and the low trade prices for all of the stock trades of TSI's Common Stock traded on such trading day as quoted on the National Market System of the National Association of Securities Dealers Automated Quotation System (as reported in the Wall Street Journal). No party hereto shall, or shall cause or solicit its officers, directors, employees or agents to, make any trades in TSI Common Stock that have the effect of materially increasing the Average Price.

1.3.2 The term "Number of Outstanding Shares" shall be the number of issued and outstanding shares of the Company Common Stock at the Effective Time of the Merger.

1.3.3 The term "Cash Conversion Number" shall be the dollar amount equal to the result obtained by dividing an amount equal to (i) \$1,045,000 (as it may be adjusted pursuant to Section 1.6 hereof) less (ii) the Option Payment, by the Number of Outstanding Shares.

1.3.4 The term "Number of TSI Shares" shall mean the number of TSI Shares to be issued in the Merger, which number shall be the result obtained by dividing \$1,600,000 (as it may be adjusted pursuant to Section 1.6 hereof) by the Average Price.

1.3.5 The term "Option Payment" shall mean the dollar amount paid by the Company to buy out the option held by Michael Houser.

1.3.6 The term "Share Conversion Number" shall be the number (as it may be adjusted pursuant to Section 1.6 hereof) obtained by dividing the Number of TSI Shares by the Number of Outstanding Shares.

1.3.7 The term "Effective Date" shall mean October 1, 1995 effective as of the opening of business on said date.

SECTION 1.4 Cancellation or Conversion of Company Common Stock. As of the Effective Time of the Merger, by virtue of the Merger and without any action on the part of any Shareholders:

1.4.1 Treasury Shares. The Company has no treasury shares.

1.4.2 Conversion. Except as provided herein with respect to Dissenting Shares (as hereinafter defined) and fractional shares, at the Effective Time of the Merger, each share of Company Common Stock which is issued and outstanding shall be converted into (i) a number of shares of the common stock of TSI, \$.10 par value ("TSI Common Stock"), equal to the Share Conversion Number, (as it may be adjusted pursuant to Section 1.6 hereof and subject to adjustment pursuant to Section 1.5 hereof), and (ii) an amount of cash equal to the Cash Conversion Number (as it may be adjusted pursuant to Section 1.6 hereof).

1.4.3 Fractional Shares. In lieu of the issuance or recognition of fractional shares of TSI Common Stock or interests or rights therein, each holder of shares of Company Common Stock to be converted into TSI Common Stock pursuant to Section 1.4.2 hereof shall be paid an amount in cash equal to such fraction multiplied by the Average Price.

1.4.4 Surrender of Shares. After the Effective Time of the Merger, each holder of an outstanding certificate or certificates theretofore representing shares of Company Common Stock converted into TSI Common Stock pursuant to Section 1.4.2 hereof ("Company Stock Certificates"), upon surrender thereof either to TSI, its representative or Norwest Bank, N.A., TSI's transfer agent (the "Transfer Agent"), shall be entitled to receive (subject to the escrow provisions hereinafter set forth) in exchange therefor (i) the total cash conversion amounts for such shares pursuant to Section 1.4.2 hereof, (ii) any payment due in lieu of fractional shares pursuant to Section 1.4.3 hereof, and (iii) a certificate or certificates representing the number of whole shares of TSI Common Stock into which the shares of Company Common Stock theretofore represented by such surrendered certificate or certificates shall have been converted pursuant to Section 1.4.2 hereof. TSI shall immediately wire the funds representing the cash conversion amount to which the Principal Shareholder is entitled at Closing upon receipt of the certificates of the Principal Shareholder.

Until so surrendered, each outstanding Company Stock Certificate shall be deemed for all purposes, other than as provided below with respect to the payment of dividends or other distributions, if any, in respect of TSI Common Stock, to represent the cash conversion amounts for the shares represented by the certificate plus the number of whole shares of TSI Common Stock into which the shares of Company Common Stock theretofore represented thereby shall have been converted. Until so surrendered, TSI may, at its option, refuse to pay any dividend or other distribution, if any, payable to the holders of shares of TSI Common Stock to the holders of Company Stock Certificates; provided, however, that upon surrender and exchange of such Company Stock Certificates there shall be paid to the record holders of the TSI stock certificates or certificates issued in exchange therefor the amount, without interest, of dividends and other distributions, if any, which have become payable and which have not previously been paid with respect to the number of whole shares of TSI Common Stock then issued, together with, without interest, any payment for fractional shares required by Section

1.4.3 hereof, and, without interest, the cash conversion amount for the shares of Company Common Stock.

Whether or not a Company Stock Certificate is surrendered, from and after the Effective Time of the Merger such certificate shall under no circumstances evidence, represent or otherwise constitute any stock or other interest whatsoever in the Company, the Surviving Corporation or any other person, firm or corporation other than TSI or its successors.

1.4.5 Dissenters. The shares of Company Common Stock held by those shareholders of the Company who have timely and properly exercised their dissenters' rights in accordance with the provisions of the CCC applicable to dissenters' rights (the "Appraisal Laws") are referred to herein as "Dissenting Shares". Each Dissenting Share, the holder of which, as of the Effective Time of the Merger, has not effectively withdrawn or lost his dissenters' rights under the Appraisal Laws, shall not be converted into or represent a right to receive TSI Common Stock and the cash conversion amounts in the Merger, but the holder thereof shall be entitled only to such rights as are granted by the Appraisal Laws. Each holder of Dissenting Shares who becomes entitled to payment for his Company Common Stock pursuant to the provisions of the Appraisal Laws shall receive payment therefor from the Surviving Corporation from funds provided by TSI (but only after the amount thereof shall have been agreed upon or finally determined pursuant to such provisions). If any holder of Dissenting Shares shall effectively withdraw or lose his dissenters' rights under the Appraisal Laws, such Dissenting Shares shall be converted into the right to receive TSI Common Stock and the cash conversion amounts in accordance with the provisions hereof.

1.4.6 TSI Certificates. At or before the Effective Time of the Merger, TSI shall make available to the Transfer Agent certificates for such number of shares of TSI Common Stock as shall be required for exchange in accordance with this Agreement. If, pursuant to the adjustment provided by Section 1.6 hereof, additional shares of TSI Common Stock must be issued, TSI shall make additional certificates available to the Transfer Agent.

SECTION 1.5 Adjustments for TSI Stock Splits, Etc. In the event that, subsequent to the date of this Agreement but prior to the Effective Time of the Merger, the outstanding shares of TSI Common Stock shall have been increased, decreased, changed into or exchanged for a different number or kind of shares or securities and such increase, decrease, change or exchange shall have been effected through a stock dividend, stock split or reverse stock split, then an appropriate and proportionate adjustment shall be made in the manner in which the Share Conversion Number is calculated hereunder.

SECTION 1.6 Adjustments to Merger Consideration Based on Company's Closing Book Value. The parties have agreed that the total merger consideration (hereinafter the "Merger Consideration") would have a value (the "Target Value") equal to \$2,645,000 less the Option Payment, based on the assumption that the net book value

determined in accordance with generally accepted accounting principles, (the "Closing Book Value") of the Company effective as of the Effective Date would be \$1,630,000 less the Option Payment. At the Target Value, the Merger Consideration consists of cash of \$1,045,000 less the Option Payment, and TSI Common Stock having a total value, based on the Average Price, of \$1,600,000.

If the Closing Book Value is greater than an amount equal to (i) \$1,830,000 less (ii) the Option Payment, then the Merger Consideration shall be increased by consideration having a value (the "Increased Value") equal to the excess over said amount. If the Closing Book Value is less than an amount equal to (i) \$1,430,000 less (ii) the Option Payment, then the Merger Consideration shall be reduced by consideration having a value (the "Decreased Value") equal to the deficit below said amount. If the Closing Book value is from \$1,430,000 less the Option Payment, to \$1,830,000 less the Option Payment, inclusive (the "Range"), no Adjustment shall be made.

1.6.1 Proportionate Among Cash and Shares. Where consideration equal in value to the Increased Value or the Decreased Value is added to or subtracted from the Merger Consideration, then the increase or decrease, as the case may be, shall be made by a combination of cash and TSI Common Shares in the same proportion in which cash and TSI Common Shares compose the Merger Consideration at the Target Value. The TSI Common Shares will be valued at the Average Price for purposes of any adjustments made.

1.6.2 Determination of Closing Book Value. Promptly after the Closing Date (as hereinafter defined), the Company, in cooperation with Purchaser, shall prepare its financial statements (the "Closing Statements") for the period ending the Effective Date, including preparation of the balance sheet and statement of income and retained earnings for the period beginning January 1, 1995 and ending on the Effective Date. Said financial statements will consist of a balance sheet with footnotes and a statement of operations, and shall be prepared in accordance with generally accepted accounting principles, subject, however, to the specific provisions set forth below. Representatives (the "Representatives") of the former shareholder(s) of the Company (such representative shall be the Principal Shareholder unless he designates another person or persons) and of TSI shall be entitled to witness and/or participate in any actions material to the preparation of the Closing Statements such as e.g., the counting and valuation of inventory, verification of accounts receivable, and the like.

In preparing the Closing Statements, the following specific provisions shall govern, even if following such provisions would not be in accordance with generally accepted accounting principles:

- (a) **The 4 Units at Dow.** Prior to the date hereof, the Company has delivered 4 Units of its Eclipse particle analyzer product to Dow Chemical ("Dow"), three at Dow's Midland Michigan location, and one at Dow Canada. However, the Company has not yet invoiced the 4 Units to Dow because

the Company has not received a purchase order from Dow. If, within the time period commencing on the date hereof and ending on the date the Closing Statements are first completed (i.e., before the review period starts) the Company receives a purchase order from Dow which permits the Company to invoice some or all of the 4 Units, the Company shall issue an invoice therefor and the amount that is invoiced shall be treated as a receivable for purposes of determining the Closing Book Value. To the extent the Company is not able to invoice some or all of the 4 Units within said time period, the Units not invoiced shall be valued in accordance with generally accepted accounting principles, taking into account, inter alia, a possible requirement to treat the Units as demonstration or development Units, and, if the Units are or can be made saleable, any expenditures required in order to put them in such saleable condition.

TSI and the Company will use their best efforts to have said financial statements including the Closing Balance Sheet completed no later than 45 days after the Closing Date. Following completion of the financial statements, the Representatives of TSI and the former Shareholder(s) shall have twenty days to review said financial statements and all documents and information relevant to the preparation of and supporting said financial statements. Following the completion of said twenty-day period, the Representatives shall meet and determine whether they agree with the Closing Book Value as shown on such annual statements.

If the Representatives agree, the Closing Book Value shall be utilized to make adjustments, if any are required, in accordance with this Section 1.6. If the Representatives do not agree then they shall, for a period of ten days commencing at the end of the twenty-day period, negotiate in an effort to reach agreement as to the Closing Book Value.

If they are unable to reach such agreement, then the Representatives shall appoint an independent and qualified firm of certified public accountants to resolve any disputed items. A "big six" firm which does not provide services, and has not within the preceding three years provided services, to either of the Company or TSI shall be utilized. TSI and Dr. Bachalo shall agree upon the firm to be utilized subject to the foregoing requirements. The firm which is selected shall thereupon attempt to resolve all disputed items within thirty (30) days after said firm's selection, and the recommendations made by said firm shall be final. The expenses charged by said firm shall be borne equally by TSI and the former Shareholders of the Company.

1.6.3 Closing Based on Target Value; Escrow. The closing of the transactions provided hereby shall be made on the assumption that the Closing Book Value will be within the Range, so the value of the Merger Consideration will be \$2,645,000 less the Option Payment. To that end, TSI will deliver cash equal to \$1,045,000 less the Option Payment at the Closing, to be paid as described below, and will direct the Transfer Agent

to have certificates prepared for TSI Common Shares having a value, based on the Average Price, of \$1,600,000.

As described in Section 11.2 hereof, an escrow (the "Escrow") is being established to provide for indemnification claims, if any, which TSI may have against the former Shareholders of the Company. Said escrow shall also be utilized to provide for the Purchase Price Adjustment described herein. To that end, at the Closing, (i) \$300,000 of the cash payable at Closing will be paid into the Escrow, and (ii) stock certificate(s) representing fifteen percent of the Number of TSI Shares (based on the Target Value) (the "Escrowed Shares") will also be delivered to the Escrow Agent, to provide both for any Purchase Price Adjustment pursuant to this section and for any indemnification claims.

After the Purchase Price Adjustment, if any, has been finalized, and distributions or contributions, as provided below, have been made from or to the Escrow, there shall remain in Escrow to provide for any indemnification claims (i) \$100,000 in cash (the "Claims Cash") and (ii) a number of TSI Shares having a value of \$100,000, determined based on the Average Price (the "Claims Shares"). (Hereinafter the Claims Cash and the Claims Shares are sometimes collectively referred to as the "Claims Amounts".) The Claims Amounts will remain in Escrow to be available for any indemnification claims.

1.6.4 Adjustments. For the purposes of all adjustments made pursuant to this Section 1.6.4, the TSI Shares held in Escrow shall be deemed to have a value determined based on the Average Price, notwithstanding the fact that at the time such adjustments are made, shares of TSI Common Stock may be trading at another value.

If the Closing Book Value, as finally determined pursuant to Section 1.6.2 (the "Final Value"), is within the range, no adjustment shall be made to the Merger Consideration. In said event, the Escrowed Shares in excess of the Claims Shares shall promptly be distributed to the former Shareholder(s). The cash held in Escrow in excess of the Claims Cash shall promptly be distributed to the former Shareholder(s).

If the Closing Book Value, as finally determined, results in a Decreased Value, then the total of such Decreased Value shall be broken into a cash component and TSI Common Shares, in the same proportion as these items made up the Merger Consideration at the Target Value. The number of TSI Common Shares constituting the proportionate part of the Decreased Value shall then be returned by the Escrow Agent to TSI. Any remaining TSI Common Shares held by the Escrow Agent shall first be utilized to provide the Claims Shares to be retained in Escrow, and any balance remaining of the TSI Common Shares held by the Escrow Agent shall be distributed to the former Shareholders of the Company. The cash component of the Decreased Value shall promptly be paid by the Escrow Agent from the Escrow to TSI. If the cash then remaining in the Escrow exceeds the Claims Cash, the excess shall promptly be distributed to the former Shareholders. If the amount held in escrow is not sufficient to provide in full for the Decreased Value and the Claims Amounts, the former Shareholders

of the Company shall deliver the deficiency to TSI in the form of cash and TSI Common Shares.

If there is an Increased Value based on the final determination of the Closing Book Value, all of the TSI Common Shares held in the Escrow in excess of the Claims Shares shall be distributed to the former Shareholders. In addition, TSI shall promptly direct the Transfer Agent to issue to the former Shareholders that number of TSI Common Shares which represents the proportionate amount of the Increased Value. TSI shall promptly pay the former Shareholders an amount of cash representing the proportionate amount of the Increased Value. In addition, the cash held in Escrow in excess of the Claims Cash shall promptly be distributed to the former Shareholders.

After the foregoing adjustments are completed, the Claims Cash and the Claims Shares shall continue to be held in Escrow to be available for any indemnification claims.

1.6.5 Conforming Adjustments. Following final determination of Closing Book Value as provided above, the various definitions contained herein which determine the final Merger Consideration shall all be finalized based on the final determination. Thus, the definitions of the Cash Conversion Number, the Number of TSI Shares, and the Share Conversion Number shall all be appropriately adjusted.

SECTION 1.7 Further Assurances. From time to time, on and after the Effective Time of the Merger, as and when requested by TSI or its successors or assigns, the proper officers and directors of the Company immediately before the Effective Time of the Merger shall, at TSI's expense, and for and on behalf and in the name of the Company, or otherwise, execute and deliver all such deeds, bills of sale, assignments and other instruments and shall take or cause to be taken such further or other reasonable actions as TSI or their respective successors or assigns may deem necessary or desirable in order to confirm or record or otherwise transfer to the Surviving Corporation title to and possession of all the properties, rights, privileges, powers, franchises and immunities of the Company and otherwise to reasonably carry out fully the provisions and purposes of this Agreement.

SECTION 1.8 Effective Date. Notwithstanding that the Closing hereunder is held shortly after the Effective Date, it is the intention of the parties that the transactions provided for herein shall be treated as being effective for all purposes on and as of the Effective Date. To this end, all benefits and burdens of the business of the Company from and after the Effective Date shall be for the account of TSI and Newco. Consistent with the foregoing, any profits from operations of the Company in the time period from the Effective Date through the Closing Date (the "Stub Period") shall be for the benefit of TSI and Newco, and any losses of the Company during the Stub Period shall be for the account of TSI and Newco. Consistent with the foregoing, the parties are determining the Closing Book Value as of the Effective Date. The parties agree to report the transactions provided for herein consistent with such Effective Date provisions, including for both book and tax purposes.

THIS AGREEMENT AND PLAN OF MERGER sets forth the terms and conditions of the Merger whereby Aerometrics, Inc. shall be merged with and into TSI Domestic International Sales Corporation.

GP:226704 v1

SECRETARY OF STATE*Certificate of Merger*

I, Joan Anderson Grove, Secretary of State of Minnesota, certify that: the documents required to effectuate a merger between the entities listed below and designating the surviving entity have been filed in this office on the date noted on this certificate; and the qualification of any non-surviving entity to do business in Minnesota is terminated on the effective date of this merger.

Merger Filed Pursuant to Minnesota Statutes, Chapter: 302A

State of Formation and Names of Merging Entities:

MN: AEROMETRICS, INC.

MN: TSI DOMESTIC INTERNATIONAL SALES CORPORATION

State of Formation and Name of Surviving Entity:

MN: TSI DOMESTIC INTERNATIONAL SALES CORPORATION

Effective Date of Merger: October 6, 1995

Name of Surviving Entity After Effective Date of Merger:

TSI DOMESTIC INTERNATIONAL SALES CORPORATION

This certificate has been issued on: October 6, 1995



Joan Anderson Grove
Secretary of State.

OCT. 06 '95

3

EUS 60.00
 EXP 20.00
 TOTL 80.00
 CHCK 20.00
 CHCK 60.00
 MINN SECRETARY
 OF STATE



R08367 16:16 #01

to acknowledge that the items described below have been accepted by the Secretary of State of Minnesota on the date noted. Those documents will be microfilmed and the original will be returned to the submitter within ten days. The microfilm will be available for public inspection at the office of the Secretary of State.

Description of Item <i>Mergers</i>	Date Accepted <i>10/6/95</i>	RJ No. NOT VALID UNTIL RJ NUMBER IS AFFIXED <i>057027</i>
Company Name <i>TSI Domestic International Sales Corporation</i>		

State of Minnesota
 Office of the Secretary of State
 Corporation Division
 180 State Office Building
 St. Paul, MN 55155 (612) 296-2803

by: *[Signature]*
 Evidence of Filing SC-00184-01

2D-706

ARTICLES OF MERGER

OF

AEROMETRICS, INC.

WITH AND INTO

TSI DOMESTIC INTERNATIONAL SALES CORPORATION

The undersigned corporations, AEROMETRICS, INC., a California corporation ("Aerometrics"), and TSI DOMESTIC INTERNATIONAL SALES CORPORATION, a Minnesota corporation ("TSIDISC") hereby certify pursuant to Section 302A.615 of the Minnesota Business Corporation Act (the "Act") as follows:

FIRST: Attached hereto as Annex A is the Plan of Merger of Aerometrics with and into TSIDISC (the "Plan of Merger").

SECOND: The Plan of Merger has been approved by the shareholders and the Board of Directors of Aerometrics pursuant to the applicable requirements of the California Corporation Code.

THIRD: The Plan of Merger has been approved by the Board of Directors and shareholders of TSIDISC pursuant to Section 302A.613 of the Act.

Dated: October 6, 1995

AEROMETRICS, INC.

By W.D. Bachalo
Dr. William D. Bachalo
Its President

Dated: October 6, 1995

TSI DOMESTIC INTERNATIONAL
SALES CORPORATION

By Lowell Nystrom
Lowell Nystrom
Its Vice President and Treasurer

ANNEX A

PLAN OF MERGER

OF

AEROMETRICS, INC.

WITH AND INTO

TSI DOMESTIC INTERNATIONAL SALES CORPORATION

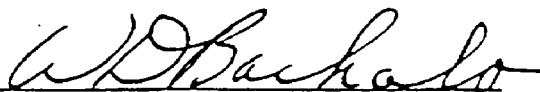
This Plan of Merger is entered into this 6th day of October, 1995, by and between AEROMETRICS, INC., a California corporation, ("Aerometrics") and TSI DOMESTIC INTERNATIONAL SALES CORPORATION, a Minnesota corporation, ("TSIDISC").

RECITALS


1. Merger. Aerometrics and TSIDISC propose to merge as provided in this Plan of Merger. TSIDISC will be the surviving corporation in the Merger.
2. Terms and Conditions. The terms and conditions of the proposed Merger are set forth in the Agreement and Plan of Merger dated October 6, 1995, attached hereto and incorporated herein by reference.

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

AEROMETRICS, INC.

By 
Dr. William D. Bachalo
Its President

TSI DOMESTIC INTERNATIONAL
SALES CORPORATION

By 
Lowell Nystrom
Its Vice President and Treasurer

PLAN OF MERGER

PLAN OF MERGER, made and entered into as of the 6th day of October, 1995, by and among TSI INCORPORATED, a Minnesota corporation, having its principal place of business at 500 Cardigan Road, P.O. 64394, St. Paul, Minnesota 55164 ("TSI"), TSI DOMESTIC INTERNATIONAL SALES CORPORATION, a Minnesota corporation and a wholly-owned subsidiary of TSI having its principal place of business at 500 Cardigan Road, P.O. 64394, St. Paul, Minnesota 55164 ("Newco), and AEROMETRICS, INC., a California corporation, having its principal place of business at 755 North Mary Avenue, Sunnyvale, California 94086 (the "Company"), and WILLIAM D. BACHALO, an individual residing at 14660 Saltamontes Way, Los Altos Hills, California 94022 (the "Principal Shareholder").

RECITALS

The Boards of Directors of TSI and Newco, TSI in its capacity as a shareholder of Newco and the Principal Shareholder and the Board of Directors of the Company, deeming it advisable for the mutual benefit of TSI, Newco and the Company and their respective shareholders that TSI acquire the Company by the merger of the Company and Newco under the terms and conditions hereinafter set forth (the "Merger"), have approved this Plan of Merger (the "Agreement").

This Plan of Merger, in accordance with the agreement of the parties, sets forth the terms and conditions of the Merger and the mode of carrying the same into effect, as follows:

PLAN OF MERGER

SECTION 1.1 Actions to be Taken. Upon performance of all of the covenants and obligations of the parties contained herein and upon fulfillment (or waiver) of all of the conditions to the obligations of the parties contained herein, at the Effective Time of the Merger (as hereinafter defined) and pursuant to the Business Corporation Act of the State of Minnesota (the "MBCA") and the California Corporation Code (the "CCC"), the following shall occur:

1.1.1 The Company shall be merged with and into Newco, which shall be the surviving corporation (the "Surviving Corporation"). The separate existence and corporate organization of the Company shall cease at the Effective Time of the Merger, and thereupon the Company and Newco shall be a single corporation, the name of which shall be Aerometrics, Inc. Newco, as the Surviving Corporation, shall succeed, insofar as permitted by law, to all of the rights, assets, liabilities and obligations of the Company in accordance with the MBCA and CCC.

1.1.2 The Articles of Incorporation of Newco shall be and remain the articles of incorporation of the Surviving Corporation until amended as provided by law.

1.1.3 The By-Laws of Newco shall be and remain the by-laws of the Surviving Corporation until amended as provided by law.

1.1.4 Until changed in accordance with the articles of incorporation and by-laws of the Surviving Corporation, William D. Bachalo, Leroy M. Fingerson, and Lowell Nystrom shall be the directors of the Surviving Corporation.

1.1.5 Until changed in accordance with the articles of incorporation and by-laws of the Surviving Corporation, the following persons shall be the officers of the Surviving Corporation:

<u>Name</u>	<u>Office</u>
Leroy M. Fingerson	Chairman
William D. Bachalo	President
Lowell Nystrom	Vice President, Treasurer and Assistant Secretary
Laura Cochran	Secretary

1.1.6 As soon as practicable after the terms and conditions of this Agreement have been satisfied, and upon consummation of the closing referred to in Article IX hereof (the "Closing"), articles of merger consistent with this Agreement in the form prescribed by, and properly executed in accordance with, the MBCA and the CCC, in form and substance satisfactory to the parties hereto and providing for immediate effectiveness of the Merger (the "Articles of Merger"), shall be filed with the Secretary of State of the State of Minnesota and the Secretary of State of the State of California. The Merger shall become effective on the date on which the Articles of Merger are properly filed with the Secretary of State of Minnesota pursuant to the MBCA, so long as the Articles of Merger are filed with Secretary of State of California within six months thereafter pursuant to the CCC. As used in this Agreement, the "Effective Time of the Merger" shall mean the date of filing with the Secretary of State of Minnesota.

SECTION 1.2 Common Stock of Surviving Corporation. Following the Effective Time of the Merger, each of the issued and outstanding shares of common stock of Newco shall, by virtue of the Merger and without any action on the part of TSI continue to be outstanding shares of common stock of the Surviving Corporation. Each share shall be fully paid and non-assessable.

SECTION 1.3 Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

1.3.1 The term "Average Price" shall mean the average (rounded to the nearest penny) of each "Mid-Price" (as defined herein) of TSI Common Stock during the Trading Period (as defined herein). The "Trading Period" shall mean the period of forty (40) consecutive trading days ending on and including October 2, 1995; provided, however, that if no trades occur on any of such trading days, the trading days on which no trades occur shall be disregarded and a sufficient number of trading days on which trades did occur and which immediately preceded the 40 consecutive trading days shall be added to the Trading Period so that there will be a total of 40 trading days on which trades occurred. The Mid-Price for those days shall be employed for the calculations described herein. For purposes of this Agreement, the term "Mid-Price" on each trading day shall mean the median between the high and the low trade prices for all of the stock trades of TSI's Common Stock traded on such trading day as quoted on the National Market System of the National Association of Securities Dealers Automated Quotation System (as reported in the Wall Street Journal). No party hereto shall, or shall cause or solicit its officers, directors, employees or agents to, make any trades in TSI Common Stock that have the effect of materially increasing the Average Price.

1.3.2 The term "Number of Outstanding Shares" shall be the number of issued and outstanding shares of the Company Common Stock at the Effective Time of the Merger.

1.3.3 The term "Cash Conversion Number" shall be the dollar amount equal to the result obtained by dividing an amount equal to (i) \$1,045,000 (as it may be adjusted pursuant to Section 1.6 hereof) less (ii) the Option Payment, by the Number of Outstanding Shares.

1.3.4 The term "Number of TSI Shares" shall mean the number of TSI Shares to be issued in the Merger, which number shall be the result obtained by dividing \$1,600,000 (as it may be adjusted pursuant to Section 1.6 hereof) by the Average Price.

1.3.5 The term "Option Payment" shall mean the dollar amount paid by the Company to buy out the option held by Michael Houser.

1.3.6 The term "Share Conversion Number" shall be the number (as it may be adjusted pursuant to Section 1.6 hereof) obtained by dividing the Number of TSI Shares by the Number of Outstanding Shares.

1.3.7 The term "Effective Date" shall mean October 1, 1995 effective as of the opening of business on said date.

SECTION 1.4 Cancellation or Conversion of Company Common Stock. As of the Effective Time of the Merger, by virtue of the Merger and without any action on the part of any Shareholders:

1.4.1 Treasury Shares. The Company has no treasury shares.

1.4.2 Conversion. Except as provided herein with respect to Dissenting Shares (as hereinafter defined) and fractional shares, at the Effective Time of the Merger, each share of Company Common Stock which is issued and outstanding shall be converted into (i) a number of shares of the common stock of TSI, \$.10 par value ("TSI Common Stock"), equal to the Share Conversion Number, (as it may be adjusted pursuant to Section 1.6 hereof and subject to adjustment pursuant to Section 1.5 hereof), and (ii) an amount of cash equal to the Cash Conversion Number (as it may be adjusted pursuant to Section 1.6 hereof).

1.4.3 Fractional Shares. In lieu of the issuance or recognition of fractional shares of TSI Common Stock or interests or rights therein, each holder of shares of Company Common Stock to be converted into TSI Common Stock pursuant to Section 1.4.2 hereof shall be paid an amount in cash equal to such fraction multiplied by the Average Price.

1.4.4 Surrender of Shares. After the Effective Time of the Merger, each holder of an outstanding certificate or certificates theretofore representing shares of Company Common Stock converted into TSI Common Stock pursuant to Section 1.4.2 hereof ("Company Stock Certificates"), upon surrender thereof either to TSI, its representative or Norwest Bank, N.A., TSI's transfer agent (the "Transfer Agent"), shall be entitled to receive (subject to the escrow provisions hereinafter set forth) in exchange therefor (i) the total cash conversion amounts for such shares pursuant to Section 1.4.2 hereof, (ii) any payment due in lieu of fractional shares pursuant to Section 1.4.3 hereof, and (iii) a certificate or certificates representing the number of whole shares of TSI Common Stock into which the shares of Company Common Stock theretofore represented by such surrendered certificate or certificates shall have been converted pursuant to Section 1.4.2 hereof. TSI shall immediately wire the funds representing the cash conversion amount to which the Principal Shareholder is entitled at Closing upon receipt of the certificates of the Principal Shareholder.

Until so surrendered, each outstanding Company Stock Certificate shall be deemed for all purposes, other than as provided below with respect to the payment of dividends or other distributions, if any, in respect of TSI Common Stock, to represent the cash conversion amounts for the shares represented by the certificate plus the number of whole shares of TSI Common Stock into which the shares of Company Common Stock theretofore represented thereby shall have been converted. Until so surrendered, TSI may, at its option, refuse to pay any dividend or other distribution, if any, payable to the holders of shares of TSI Common Stock to the holders of Company Stock Certificates; provided, however, that upon surrender and exchange of such Company Stock Certificates there shall be paid to the record holders of the TSI stock certificates or certificates issued in exchange therefor the amount, without interest, of dividends and other distributions, if any, which have become payable and which have not previously been paid with respect to the number of whole shares of TSI Common Stock then issued, together with, without interest, any payment for fractional shares required by Section

1.4.3 hereof, and, without interest, the cash conversion amount for the shares of Company Common Stock.

Whether or not a Company Stock Certificate is surrendered, from and after the Effective Time of the Merger such certificate shall under no circumstances evidence, represent or otherwise constitute any stock or other interest whatsoever in the Company, the Surviving Corporation or any other person, firm or corporation other than TSI or its successors.

1.4.5 Dissenters. The shares of Company Common Stock held by those shareholders of the Company who have timely and properly exercised their dissenters' rights in accordance with the provisions of the CCC applicable to dissenters' rights (the "Appraisal Laws") are referred to herein as "Dissenting Shares". Each Dissenting Share, the holder of which, as of the Effective Time of the Merger, has not effectively withdrawn or lost his dissenters' rights under the Appraisal Laws, shall not be converted into or represent a right to receive TSI Common Stock and the cash conversion amounts in the Merger, but the holder thereof shall be entitled only to such rights as are granted by the Appraisal Laws. Each holder of Dissenting Shares who becomes entitled to payment for his Company Common Stock pursuant to the provisions of the Appraisal Laws shall receive payment therefor from the Surviving Corporation from funds provided by TSI (but only after the amount thereof shall have been agreed upon or finally determined pursuant to such provisions). If any holder of Dissenting Shares shall effectively withdraw or lose his dissenters' rights under the Appraisal Laws, such Dissenting Shares shall be converted into the right to receive TSI Common Stock and the cash conversion amounts in accordance with the provisions hereof.

1.4.6 TSI Certificates. At or before the Effective Time of the Merger, TSI shall make available to the Transfer Agent certificates for such number of shares of TSI Common Stock as shall be required for exchange in accordance with this Agreement. If, pursuant to the adjustment provided by Section 1.6 hereof, additional shares of TSI Common Stock must be issued, TSI shall make additional certificates available to the Transfer Agent.

SECTION 1.5 Adjustments for TSI Stock Splits, Etc. In the event that, subsequent to the date of this Agreement but prior to the Effective Time of the Merger, the outstanding shares of TSI Common Stock shall have been increased, decreased, changed into or exchanged for a different number or kind of shares or securities and such increase, decrease, change or exchange shall have been effected through a stock dividend, stock split or reverse stock split, then an appropriate and proportionate adjustment shall be made in the manner in which the Share Conversion Number is calculated hereunder.

SECTION 1.6 Adjustments to Merger Consideration Based on Company's Closing Book Value. The parties have agreed that the total merger consideration (hereinafter the "Merger Consideration") would have a value (the "Target Value") equal to \$2,645,000 less the Option Payment, based on the assumption that the net book value

determined in accordance with generally accepted accounting principles, (the "Closing Book Value") of the Company effective as of the Effective Date would be \$1,630,000 less the Option Payment. At the Target Value, the Merger Consideration consists of cash of \$1,045,000 less the Option Payment, and TSI Common Stock having a total value, based on the Average Price, of \$1,600,000.

If the Closing Book Value is greater than an amount equal to (i) \$1,830,000 less (ii) the Option Payment, then the Merger Consideration shall be increased by consideration having a value (the "Increased Value") equal to the excess over said amount. If the Closing Book Value is less than an amount equal to (i) \$1,430,000 less (ii) the Option Payment, then the Merger Consideration shall be reduced by consideration having a value (the "Decreased Value") equal to the deficit below said amount. If the Closing Book value is from \$1,430,000 less the Option Payment, to \$1,830,000 less the Option Payment, inclusive (the "Range"), no Adjustment shall be made.

1.6.1 Proportionate Among Cash and Shares. Where consideration equal in value to the Increased Value or the Decreased Value is added to or subtracted from the Merger Consideration, then the increase or decrease, as the case may be, shall be made by a combination of cash and TSI Common Shares in the same proportion in which cash and TSI Common Shares compose the Merger Consideration at the Target Value. The TSI Common Shares will be valued at the Average Price for purposes of any adjustments made.

1.6.2 Determination of Closing Book Value. Promptly after the Closing Date (as hereinafter defined), the Company, in cooperation with Purchaser, shall prepare its financial statements (the "Closing Statements") for the period ending the Effective Date, including preparation of the balance sheet and statement of income and retained earnings for the period beginning January 1, 1995 and ending on the Effective Date. Said financial statements will consist of a balance sheet with footnotes and a statement of operations, and shall be prepared in accordance with generally accepted accounting principles, subject, however, to the specific provisions set forth below. Representatives (the "Representatives") of the former shareholder(s) of the Company (such representative shall be the Principal Shareholder unless he designates another person or persons) and of TSI shall be entitled to witness and/or participate in any actions material to the preparation of the Closing Statements such as e.g., the counting and valuation of inventory, verification of accounts receivable, and the like.

In preparing the Closing Statements, the following specific provisions shall govern, even if following such provisions would not be in accordance with generally accepted accounting principles:

- (a) The 4 Units at Dow. Prior to the date hereof, the Company has delivered 4 Units of its Eclipse particle analyzer product to Dow Chemical ("Dow"), three at Dow's Midland Michigan location, and one at Dow Canada. However, the Company has not yet invoiced the 4 Units to Dow because

the Company has not received a purchase order from Dow. If, within the time period commencing on the date hereof and ending on the date the Closing Statements are first completed (i.e., before the review period starts) the Company receives a purchase order from Dow which permits the Company to invoice some or all of the 4 Units, the Company shall issue an invoice therefor and the amount that is invoiced shall be treated as a receivable for purposes of determining the Closing Book Value. To the extent the Company is not able to invoice some or all of the 4 Units within said time period, the Units not invoiced shall be valued in accordance with generally accepted accounting principles, taking into account, inter alia, a possible requirement to treat the Units as demonstration or development Units, and, if the Units are or can be made saleable, any expenditures required in order to put them in such saleable condition.

TSI and the Company will use their best efforts to have said financial statements including the Closing Balance Sheet completed no later than 45 days after the Closing Date. Following completion of the financial statements, the Representatives of TSI and the former Shareholder(s) shall have twenty days to review said financial statements and all documents and information relevant to the preparation of and supporting said financial statements. Following the completion of said twenty-day period, the Representatives shall meet and determine whether they agree with the Closing Book Value as shown on such annual statements.

If the Representatives agree, the Closing Book Value shall be utilized to make adjustments, if any are required, in accordance with this Section 1.6. If the Representatives do not agree then they shall, for a period of ten days commencing at the end of the twenty-day period, negotiate in an effort to reach agreement as to the Closing Book Value.

If they are unable to reach such agreement, then the Representatives shall appoint an independent and qualified firm of certified public accountants to resolve any disputed items. A "big six" firm which does not provide services, and has not within the preceding three years provided services, to either of the Company or TSI shall be utilized. TSI and Dr. Bachalo shall agree upon the firm to be utilized subject to the foregoing requirements. The firm which is selected shall thereupon attempt to resolve all disputed items within thirty (30) days after said firm's selection, and the recommendations made by said firm shall be final. The expenses charged by said firm shall be borne equally by TSI and the former Shareholders of the Company.

1.6.3 Closing Based on Target Value; Escrow. The closing of the transactions provided hereby shall be made on the assumption that the Closing Book Value will be within the Range, so the value of the Merger Consideration will be \$2,645,000 less the Option Payment. To that end, TSI will deliver cash equal to \$1,045,000 less the Option Payment at the Closing, to be paid as described below, and will direct the Transfer Agent

to have certificates prepared for TSI Common Shares having a value, based on the Average Price, of \$1,600,000.

As described in Section 11.2 hereof, an escrow (the "Escrow") is being established to provide for indemnification claims, if any, which TSI may have against the former Shareholders of the Company. Said escrow shall also be utilized to provide for the Purchase Price Adjustment described herein. To that end, at the Closing, (i) \$300,000 of the cash payable at Closing will be paid into the Escrow, and (ii) stock certificate(s) representing fifteen percent of the Number of TSI Shares (based on the Target Value) (the "Escrowed Shares") will also be delivered to the Escrow Agent, to provide both for any Purchase Price Adjustment pursuant to this section and for any indemnification claims.

After the Purchase Price Adjustment, if any, has been finalized, and distributions or contributions, as provided below, have been made from or to the Escrow, there shall remain in Escrow to provide for any indemnification claims (i) \$100,000 in cash (the "Claims Cash") and (ii) a number of TSI Shares having a value of \$100,000, determined based on the Average Price (the "Claims Shares"). (Hereinafter the Claims Cash and the Claims Shares are sometimes collectively referred to as the "Claims Amounts".) The Claims Amounts will remain in Escrow to be available for any indemnification claims.

1.6.4 Adjustments. For the purposes of all adjustments made pursuant to this Section 1.6.4, the TSI Shares held in Escrow shall be deemed to have a value determined based on the Average Price, notwithstanding the fact that at the time such adjustments are made, shares of TSI Common Stock may be trading at another value.

If the Closing Book Value, as finally determined pursuant to Section 1.6.2 (the "Final Value"), is within the range, no adjustment shall be made to the Merger Consideration. In said event, the Escrowed Shares in excess of the Claims Shares shall promptly be distributed to the former Shareholder(s). The cash held in Escrow in excess of the Claims Cash shall promptly be distributed to the former Shareholder(s).

If the Closing Book Value, as finally determined, results in a Decreased Value, then the total of such Decreased Value shall be broken into a cash component and TSI Common Shares, in the same proportion as these items made up the Merger Consideration at the Target Value. The number of TSI Common Shares constituting the proportionate part of the Decreased Value shall then be returned by the Escrow Agent to TSI. Any remaining TSI Common Shares held by the Escrow Agent shall first be utilized to provide the Claims Shares to be retained in Escrow, and any balance remaining of the TSI Common Shares held by the Escrow Agent shall be distributed to the former Shareholders of the Company. The cash component of the Decreased Value shall promptly be paid by the Escrow Agent from the Escrow to TSI. If the cash then remaining in the Escrow exceeds the Claims Cash, the excess shall promptly be distributed to the former Shareholders. If the amount held in escrow is not sufficient to provide in full for the Decreased Value and the Claims Amounts, the former Shareholders

of the Company shall deliver the deficiency to TSI in the form of cash and TSI Common Shares.

If there is an Increased Value based on the final determination of the Closing Book Value, all of the TSI Common Shares held in the Escrow in excess of the Claims Shares shall be distributed to the former Shareholders. In addition, TSI shall promptly direct the Transfer Agent to issue to the former Shareholders that number of TSI Common Shares which represents the proportionate amount of the Increased Value. TSI shall promptly pay the former Shareholders an amount of cash representing the proportionate amount of the Increased Value. In addition, the cash held in Escrow in excess of the Claims Cash shall promptly be distributed to the former Shareholders.

After the foregoing adjustments are completed, the Claims Cash and the Claims Shares shall continue to be held in Escrow to be available for any indemnification claims.

1.6.5 Conforming Adjustments. Following final determination of Closing Book Value as provided above, the various definitions contained herein which determine the final Merger Consideration shall all be finalized based on the final determination. Thus, the definitions of the Cash Conversion Number, the Number of TSI Shares, and the Share Conversion Number shall all be appropriately adjusted.

SECTION 1.7 Further Assurances. From time to time, on and after the Effective Time of the Merger, as and when requested by TSI or its successors or assigns, the proper officers and directors of the Company immediately before the Effective Time of the Merger shall, at TSI's expense, and for and on behalf and in the name of the Company, or otherwise, execute and deliver all such deeds, bills of sale, assignments and other instruments and shall take or cause to be taken such further or other reasonable actions as TSI or their respective successors or assigns may deem necessary or desirable in order to confirm or record or otherwise transfer to the Surviving Corporation title to and possession of all the properties, rights, privileges, powers, franchises and immunities of the Company and otherwise to reasonably carry out fully the provisions and purposes of this Agreement.

SECTION 1.8 Effective Date. Notwithstanding that the Closing hereunder is held shortly after the Effective Date, it is the intention of the parties that the transactions provided for herein shall be treated as being effective for all purposes on and as of the Effective Date. To this end, all benefits and burdens of the business of the Company from and after the Effective Date shall be for the account of TSI and Newco. Consistent with the foregoing, any profits from operations of the Company in the time period from the Effective Date through the Closing Date (the "Stub Period") shall be for the benefit of TSI and Newco, and any losses of the Company during the Stub Period shall be for the account of TSI and Newco. Consistent with the foregoing, the parties are determining the Closing Book Value as of the Effective Date. The parties agree to report the transactions provided for herein consistent with such Effective Date provisions, including for both book and tax purposes.

THIS AGREEMENT AND PLAN OF MERGER sets forth the terms and conditions of the Merger whereby Aerometrics, Inc. shall be emrged with and into TSI Domestic International Sales Corporation.

GP:226704 v1

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
OCT 06 1995

John Anderson Howe
Secretary of State M