Form PTO-1594
(Rev. 10/02)
OMB No. 0651-0027 (exp. 6/30/2005)

RECORDATION FORM COVER SHEET
TRADEMARKS ONLY

U.S. DEPARTMENT OF COMMERCE
U.S. Patent and Trademark Office

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To the Honorable Commissioner of Patents and Trademarks: Please record the attached original documents or copy thereof.

1. Name of conveying party(ies):

Spectaguard, Inc.

☐ Individual(s) ☐ Association
☐ General Partnership ☐ Limited Partnership
☑ Corporation-State Pennsylvania
☐ Other _____

Additional name(s) of conveying party(ies) attached? ☐ Yes ☑ No

2. Name and address of receiving party(ies)

Name: Spectaguard Acquisition LLC
Internal Address: _____
Street Address: 3606 Horizon Drive
City: King of Prussia State: PA Zip: 19406

☐ Individual(s) citizenship _____
☐ Association _____
☐ General Partnership _____
☐ Limited Partnership _____
☐ Corporation-State _____
☑ Other Delaware Limited Liability Company

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

3. Nature of conveyance:

☑ Assignment ☐ Merger
☐ Security Agreement ☐ Change of Name
☐ Other _____

Execution Date: December 22, 1997

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

A. Trademark Application No.(s) _____

B. Trademark Registration No.(s) 1199136

Additional number(s) attached ☐ Yes ☑ No

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

Name: Kenneth A. Rubenstein, Esq.
Internal Address: Skadden, Arps, Slate, Meagher & Flom LLP
Street Address: Four Times Square
City: New York State: NY Zip: 10036-6522

6. Total number of applications and registrations involved: 1

7. Total fee (37 CFR 3.41).....$ 40.00

☐ Enclosed
☑ Authorized to be charged to deposit account

8. Deposit account number:

19-2385 (Our Ref: 347650-277)

DO NOT USE THIS SPACE

9. Signature.

Kenneth A. Rubenstein		February 11, 2003
Name of Person Signing	Signature	Date

Total number of pages including cover sheet, attachments, and document: 53

Mail documents to be recorded with required cover sheet information to:
Commissioner of Patent & Trademarks, Box Assignments
Washington, D.C. 20231

EXECUTION COPY

CONTRIBUTION AND SALE AGREEMENT

BY AND AMONG

SPECTAGUARD, INC., A PENNSYLVANIA CORPORATION,

SPECTAGUARD, INC., A MASSACHUSETTS CORPORATION,

SPECTAGUARD ELECTRONIC PROTECTION

SYSTEMS, INC., A PENNSYLVANIA CORPORATION,

SPECTAGUARD ACQUISITION LLC, A DELAWARE

LIMITED LIABILITY COMPANY,

JAY T. SNIDER,

WILLIAM C. WHITMORE, JR.

AND STEPHEN E. FLYNN, II

DATED AS OF DECEMBER 22, 1997

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CONTRIBUTION AND SALE AGREEMENT

THIS CONTRIBUTION AND SALE AGREEMENT is dated as of December 22, 1997 by and among SpectaGuard, Inc., a Pennsylvania corporation, SpectaGuard, Inc., a Massachusetts corporation, and SpectaGuard Electronic Protection Systems, Inc., a Pennsylvania corporation (each a "Contributor" and collectively, the "Contributors"), SpectaGuard Acquisition LLC, a Delaware limited liability company ("LLC"), and Stephen E. Flynn, II, Jay T. Snider and William C. Whitmore, Jr. (each individually a "Shareholder" and collectively, the "Shareholders").

WHEREAS, Contributors are engaged in, among other things, the business of providing security-related services, including security guards and electronic security (the business of all Contributors, taken as a whole, the "Business");

WHEREAS, Contributors desire to contribute and sell to LLC, the assets, properties, and rights of Contributors related to such Business upon the terms and conditions of this Agreement in exchange for an interest in LLC, cash and other consideration as set forth more fully herein;

WHEREAS, Shareholders own all of the issued and outstanding capital stock of each of the Contributors;

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the parties hereby agree as follows:

ARTICLE I

CONTRIBUTION AND SALE OF ASSETS

1.1 Description of Assets to be Contributed and Sold. Upon the terms and subject to the conditions set forth in this Agreement, at the Time of Closing (as defined in Section 7.1), Contributors agree to convey, contribute, sell, transfer, assign, and deliver to LLC, and LLC shall receive from Contributors, all right, title, and interest of Contributors at the Time of Closing in and to the assets, properties, and rights of the Contributors with respect to the Business of every kind, nature, and description, personal, tangible and intangible, known or unknown, wherever located (excepting only the Excluded Assets as defined in Section 1.2), as follows:

(a) The machinery, equipment, furniture, fixtures, motor vehicles, other miscellaneous supplies, tools, fixed assets and other tangible personal property used or

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held for use in the Business (the "Related Property") including, without limitation, those items listed on Schedule 1.1(a) hereto;

(b) The inventory, work-in process and raw materials related to the Business (the "Inventory"), including, without limitation, those listed on Schedule 1.1(b) hereto;

(c) All claims and rights under all agreements, contracts (including insurance contracts), contract rights, licenses, purchase and sale orders, quotations, and other executory commitments (collectively, the "Contracts") listed on Schedule 1.1(c) hereto;

(d) The Governmental Permits (as defined in Section 5.15) including, without limitation, those listed on Schedule 1.1(d);

(e) All rights, title and interest to patents, trademarks, patent applications, trademark rights, trade secrets, mask works, know-how, information, proprietary rights, license rights (including those from third parties), service marks, inventions, tradenames, copyrights, processes, technical information, software, source code, object code, manuals and user documentation, licenses, designs, proprietary information and confidentiality agreements, logos, and customer and supplier lists related to the Business, together with the goodwill associated therewith (collectively, the "Proprietary Rights"), including those listed on Schedule 1.1(e) hereto;

(f) All accounts receivable of Contributors including those listed on Schedule 1.1(f) hereto;

(g) All rights, if any, under express or implied warranties from suppliers of Contributors;

(h) All of Contributors' causes of action, judgments, and claims or demands of whatever kind or description arising out of or relating to the Business;

(i) All goodwill of the Business;

(j) The real estate leases and leasehold improvements of Contributors listed on Schedule 1.1(j) hereto ("Leasehold Interests");

(k) Except for the Excluded Assets (as defined in Section 1.2), all deposits and collateral provided by Contributors to third parties, including, without limitation, the collateral provided to insurance providers regarding workers' compensation claims; and

(l) Except for the Excluded Assets, all of the assets reflected on the November 30, 1997 balance sheet contained in the Financial Statements (as defined in Section

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5.12) and thereafter acquired, including cash, prepaid expenses, including prepaid insurance, and all other assets, except those disposed of after November 30, 1997 in the ordinary course of business.

The assets, properties, and rights to be conveyed, sold, transferred, assigned, and delivered to LLC pursuant to this Section 1.1 are sometimes hereinafter collectively referred to as the "Assets."

1.2 Excluded Assets. Notwithstanding the provisions of Section 1.1 hereof, the Assets to be transferred to LLC pursuant to this Agreement shall not include the assets listed on Schedule 1.2 (collectively, the "Excluded Assets").

ARTICLE II

ASSUMED LIABILITIES

2.1 Assumed Liabilities. At the Time of Closing, LLC hereby agrees to assume, satisfy, or perform when due only those liabilities and obligations of Contributors specifically identified on Schedule 2.1 hereto (the "Assumed Liabilities").

2.2 Liabilities Not Assumed. Other than the Assumed Liabilities of Contributors listed on Schedule 2.1 hereto, LLC shall not assume, nor shall LLC, or any affiliate, or any officer, Member, employee, shareholder, or agent of LLC, be deemed to have assumed or guaranteed, any other liabilities or obligations of Contributors.

ARTICLE III

PURCHASE PRICE; ISSUANCE OF INTEREST OF LLC

3.1 Consideration. Upon the terms and subject to the conditions contained in this Agreement, in consideration for contribution and sale of the Assets to LLC, LLC shall deliver to Contributors at the Time of Closing: (a) a promissory note (the "Demand Note") of LLC in the principal amount of $20,121,972 (subject to adjustment as set forth in Section 3.3 below), in the form attached hereto as Exhibit A, (b) cash in the amount of $1,500,000 which shall be delivered into escrow at the Time of Closing pursuant to the terms of an escrow agreement (the "Escrow Agreement"), in the form attached hereto as Exhibit B, (c) a promissory note (the "Subordinated Note") of LLC in the principal amount of $3,500,000, in the form attached hereto as Exhibit C, (d) a promissory note (the "Convertible Note") of LLC in the principal amount of $2,000,000, in the form attached hereto as Exhibit D, and (e) the issuance to Contributors of interests in LLC representing 17.99% in aggregate of all of LLC's

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outstanding limited liability company interests as of the date hereof (which interests are valued at $1,439,200).

3.2 Allocation of Purchase Price. The parties agree to allocate the purchase price among the Assets for all purposes (including financial accounting and tax purposes) in accordance with the allocation schedule to be attached hereto as Schedule 3.2 upon completion of the post-closing audit described in Section 3.4 below. The parties agree that no amounts shall be allocated to personal property or fixed assets in excess of the tax basis of such items which existed immediately prior to the distribution related to the Contributors' "accumulated adjustment accounts" as referred to in Section 3.3(c).

3.3 Adjustments to Purchase Price. The $20,121,972 portion of the purchase price represented by the Demand Note (the "Cash Portion") shall be adjusted as follows: the Cash Portion shall be (a) increased by the positive amount of net income earned by the Contributors during the period from July 1, 1997 through the Time of Closing, which net income shall be calculated in accordance with generally accepted accounting principles ("GAAP") determined in a manner consistent with Contributors' past practice provided such practice complied with GAAP, including those relating to accrual of expenses but subject to the exceptions set forth on Schedule 3.3A; (b) decreased by the amount of any dividends or distributions by the Contributors to their shareholders subsequent to June 30, 1997 (other than Excluded Assets) and any payments to third parties (other than any payments which resulted in an equal reduction of an Assumed Liability or which resulted in the creation of an operating asset (other than an Excluded Asset) of equal amount) (except that total payments with respect to capital lease obligations shall not exceed the required payment obligations as scheduled thereunder) and (c) increased or decreased, as the case may be, by the amount that the portion of the Assumed Liabilities consisting of indebtedness for money borrowed, capital and operating lease obligations and Taxes (other than payroll and withholding Taxes for the current period that are not yet due) at the Time of Closing is less than or exceeds, respectively, $938,828; provided however, that any increase in indebtedness for money borrowed to make a distribution or dividend to Shareholders which decreases the purchase price under clause (b) above, which distribution is intended to reduce the Contributors' "accumulated adjustments accounts" (as such term is defined in Section 1386(e)(1) of the Internal Revenue Code of 1986, as amended), shall not be taken into consideration under this clause (c). An estimate of the adjustments to the Cash Portion at the Time of Closing is attached hereto as Schedule 3.3B. Such adjustments shall be subject to audit as set forth in Section 3.4 hereto and adjusted accordingly (the net cumulative amount of the adjustment, based on the items described in this Section 3.3, is referred to herein as "Post-Closing Adjustment").

3.4 Post Closing Adjustment; Release of Escrow Funds.

(a) Within 90 days after the Time of Closing, the Contributors shall cause to be prepared and delivered to LLC audited combined financial statements of the

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of Closing (the "Post-Closing Financial Statements"), together with a statement certified by the Contributors setting forth in reasonable detail the Post-Closing Adjustment, if any. LLC shall cooperate and instruct its auditors to cooperate with the Contributors and their auditors in completing the audit referred to above. Contributors and LLC each agree to pay one-half of the fees and expenses associated with such audit.

(b) LLC shall have 30 days after the receipt of the Post-Closing Financial Statements to review the Post-Closing Financial Statements to confirm that all such Post-Closing Financial Statements have been prepared in accordance with GAAP, determined in a manner consistent with Contributors' past practice provided such practice complied with GAAP, including those relating to accrual of expenses but subject to the exceptions set forth on Schedule 3.3A and consistent with the estimate contained on Schedule 3.3B. Contributors shall cooperate and instruct their auditors to cooperate with the LLC and its auditors in completing the review referred to above.

(c) Unless LLC objects in writing within such 30 day period, Contributors' determination of the Post-Closing Adjustment shall constitute the Post-Closing Adjustment for purposes hereof. In the event LLC makes such objection within such 30 day period, the Contributors and LLC each agree to use their best efforts to resolve the dispute. In the event such dispute is not resolved within 10 days, LLC or the Contributors may elect to have the dispute resolved by any Big Six accounting firm independent of LLC and the Contributors. In resolving any dispute, the independent accounting firm shall be charged with the task of determining if the Post-Closing Financial Statements, taken as a whole, were prepared in accordance with GAAP, consistent with past practice, provided that such practice complied with GAAP, including those relating to accrual of expenses, and if the Post-Closing Adjustment was properly derived from the Post-Closing Financial Statements and, if not, what adjustments should be made to the Post-Closing Adjustment. The Contributors and LLC each hereby agrees that the results of such independent accounting firm shall be conclusive and binding on each of them and the final determination of the Post-Closing Adjustment as approved by such firm shall prevail. Contributors and LLC each agree to pay one-half of the fees and disbursements of such accounting firm.

(d) Within five (5) days after the Post-Closing Adjustment has been conclusively determined as set forth above, LLC or Contributors, as the case may be, shall pay any amount owing the other as a result of the Post-Closing Adjustment.

3.5 Earnout.

(a) LLC shall pay to Contributors, subject to the provisions of this Section 3.5, an amount equal to the Applicable Percentage (as hereinafter defined) of the revenues of the LLC and its consolidated subsidiaries, if any, during the three-month period ending December 31, 2000 in excess of $100 million on an annualized basis (computed by multiplying the revenues for such three-month period by 4), but in no event more than $2.75

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million, less any amounts previously paid to the Contributors under subsection 3.5(b) (the "Sales Earnout"). If revenues for the three-month period ending December 31, 2000 exceed $175 million on an annualized basis (computed as described above), all of the Sales Earnout shall be payable to Contributors on March 31, 2001, or, in the event the audit for the fiscal year ending December 31, 2000 is not completed by March 31, 2001, promptly after the completion of such audit, but in no event later than June 30, 2001 (such payment date being referred to as the "Payment Date") Any such amounts paid after March 31, 2001 shall bear interest at a rate of 10% per annum from March 31, 2001 until paid. If the revenues for the three-month period ending December 31, 2000 equal or are less than $175 million on an annualized basis (computed as described above), then two-thirds of the Sales Earnout shall be payable on the Payment Date. With respect to the remaining one-third of the Sales Earnout, the Contributors shall be paid on September 30, 2001 an amount equal to the lesser of (i) the remaining one-third of the Sales Earnout, or (ii) one-third of the Applicable Percentage of the revenues for the three-month period ending June 30, 2001 on an annualized basis (computed by multiplying the revenues for such three-month period by 4) in excess of $100 million; provided that the remaining one-third of the Sales Earnout shall bear interest payable to the Contributors from the date the two-thirds Sales Earnout is paid to the date the one-third Sales Earnout is paid at a rate per annum equal to the prevailing rate for certificates of deposit during such time period.

(b) In addition, LLC shall pay to Contributors, subject to the provisions of this Section 3.5, an amount equal to $375,000 if EBITDA (as such term is defined below) for the twelve months ending December 31, 1998 is $5,305,751 or more. Such amount would be payable to Contributors on March 31, 1999, or, in the event the audit for the fiscal year ending December 31, 1998 is not completed by March 31, 1999, promptly after the completion of such audit, but in no event later than June 30, 1999. In addition, LLC shall pay to Contributors, subject to the provisions of this Section 3.5, an amount equal to $375,000 plus an additional $375,000 if this amount was not earned pursuant to the first sentence of this Section 3.5(b) if EBITDA for the twelve months ending December 31, 1999 is $6,720,515 or more. Such amount would be payable to Contributors on March 31, 2000, or, in the event the audit for the fiscal year ending December 31, 1999 is not completed prior to March 31, 2000, promptly after the completion of such audit, but in no event later than June 30, 2000.

(c) Notwithstanding the foregoing, (i) if the revenues of the LLC for the three months ending December 31, 1999 exceed $175 million on an annualized basis (computed as described above), (ii) if there is a Change of Control (as defined below) of LLC or (iii) if there is a Public Offering (as defined below) of the LLC prior to December 31, 2000, then LLC shall, in lieu of the Sales Earnout, pay Contributors on March 31, 2000 or, in the case of a Change of Control or Public Offering, within thirty (30) days of the consummation of such Change of Control or Public Offering, an amount equal to $2.0 million, plus any portion of the $750,000 described in subsection 3.5(b) above that has not been previously paid.

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(d) For purpose of this Section 3.5, "Change of Control" means a transaction in which more than 50% of the voting power or economic interests of the LLC is disposed of to a third party or a sale of all or substantially all of the assets of LLC to a third party, in each case where all payments received by Gryphon SpectaGuard Partners, L.P. ("Gryphon"), other than distributions made to permit members to pay taxes on their allocable share of the taxable income of the LLC, on account of its investment in the LLC, represents an internal rate of return of at least 25%, compounded annually from the date or dates of issuance or issuances to Gryphon of its limited liability company interests in LLC through the date on which such amount is received by Gryphon.

(e) For the purposes of this Section 3.5, "Public Offering" means the closing of the first underwritten public offering of any equity securities of the LLC for the account of the LLC (or any holder of more than 50% of such equity securities) offered on a "firm commitment" or "best efforts" basis pursuant to a Registration Statement on Form S-1 (or its equivalent) filed with the United States Securities and Exchange Commission (or any successor agency) under the Securities Act of 1933, as amended, in which Gryphon participates as a selling stockholder and receives net proceeds from such Public Offering which provide Gryphon, on account of its investment in the LLC, an internal rate of return of at least 25%, compounded annually from the date or dates of issuance or issuances to Gryphon of its limited liability company interests in LLC through the date of such Public Offering.

(f) For purposes of this Section 3.5, "EBITDA" means the LLC's net income before interest, depreciation, amortization, and provision for all federal, state and local taxes, all as determined in accordance with GAAP and as reflected on the LLC's audited financial statements.

(g) For the purposes of this Section 3.5, the LLC hereby covenants to maintain a fiscal year ending December 31.

(h) For purposes of this Section 3.5, the "Applicable Percentage" means the percentage which the maximum amount of the Sales Earnout (after reflecting payments under subsection 3.5(b) hereto) bears to $50,000,000.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF LLC

4.1 Organization. LLC is a limited liability company duly organized, validly existing, and in good standing under the laws of Delaware.

4.2 Authorization. LLC has full organizational power and authority to enter into this Agreement, the Demand Note, the Escrow Agreement, the Subordinated Note, the

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Convertible Note, and the William Whitmore Employment Agreement (collectively the "Transaction Documents") to perform its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. LLC has taken all necessary and appropriate organizational action with respect to the execution and delivery of this Agreement and the other Transaction Documents and this Agreement and the other Transaction Documents constitute valid and binding obligations of LLC enforceable in accordance with their respective terms, except as limited by applicable bankruptcy, insolvency, moratorium, reorganization, or other laws affecting creditors' rights and remedies generally, and except to the extent that the availability of any equitable remedy is subject to the discretion of a court or limited by law.

4.3 Compliance with other Instruments. The execution and delivery of this Agreement and the other Transaction Documents by LLC, the consummation of the transactions contemplated hereby and thereby and the compliance with the terms hereof and thereof by it does not, and as of the Closing will not, conflict with or result in a breach of any terms of, or constitute a default under, its certificate of formation or operating agreement, or any material agreement, obligation, or instrument to which LLC is a party or by which it or any of its properties are bound.

4.4 Brokers' and Finders' Fees/Contractual Limitations. The LLC is not obligated to pay any fees or expenses of any broker or finder in connection with the origin, negotiation or execution of this Agreement or in connection with the transactions contemplated hereby, except as set forth in the Engagement and Investment Letter, the First Wemco Warrant and the Additional Wemco Warrant (as such terms are defined in the Operating Agreement) of even date herewith (the "Operating Agreement") between the LLC and its Members. None of the LLC, nor any officer, director, employee, agent or representative of the LLC are or have been subject to any agreement, letter of intent or understanding of any kind which prohibits, limits or restricts the LLC or any officer, director, employee, agent or representative of the LLC from negotiating, entering into and consummating this Agreement and the transactions contemplated hereby.

4.5 Capitalization and Voting Rights.

(a) Immediately after the consummation of the transactions contemplated hereby and the execution of the Operating Agreement the authorized limited liability company interests of the LLC will consist of 25,000,000 limited liability company interests authorized, of which 8,000,000 limited liability company interests will be issued and outstanding and held beneficially and of record by the persons and in the amounts specified in Exhibit A to the Operating Agreement.

(b) Immediately after the consummation of the transactions contemplated hereby and the execution of the Operating Agreement, except for the First Wemco Warrant, the Additional Wemco Warrant, the Al Berger Option, the William

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Whitmore Option, the rights of first offer set forth in the Operating Agreement, the right of investment set forth in the Engagement and Investment Letter (as all of such terms are defined in the Operating Agreement), and the share option plan for officers, employees and consultants of LLC, there will be no outstanding options, warrants, rights (including conversion or preemptive rights), debentures or other securities convertible into or exchangeable or exercisable for shares of capital stock of the LLC, and there will be no outstanding contracts, commitments or arrangements by which the LLC is or may become bound to issue, repurchase, retire or otherwise acquire (contingent or otherwise) any shares of its capital stock or any security convertible into or exchangeable for any of its capital stock. Except for the Operating Agreement, the LLC is not party or subject to any agreement or understanding, and to the knowledge of the LLC, except for the Operating Agreement, there is no agreement or understanding, between any persons and/or entities which affects or relates to the voting or giving of written consents with respect to any security or by a manager of the LLC.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF EACH OF THE CONTRIBUTORS AND THE SHAREHOLDERS

Each of the Contributors jointly and severally, and each of the Shareholders severally to the extent of his respective aggregate pro rata ownership interest in the Contributors, hereby represent and warrant to LLC and to each and every member of LLC that:

5.1 Organization of Contributors. Each Contributor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has full power and authority to carry on its business as now conducted and as proposed to be conducted and to own its properties and assets. Each Contributor is duly qualified or licensed to transact business as a foreign corporation in good standing in every jurisdiction in which its ownership of property or the conduct of its business requires such qualification or licensing except where the failure to be so qualified or licensed would not have a material adverse effect on its business, properties, assets, operations or financial condition or on its ability to execute and deliver this Agreement and the other Transaction Documents and to consummate the transactions contemplated hereby and thereby.

5.2 Capitalization and Voting Rights.

(a) The entire authorized capital stock of each Contributor consists of:

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(i) SpectaGuard, Inc., a Massachusetts corporation: (x) no shares of preferred stock authorized, issued or outstanding, and (y) 1,000 shares of common stock authorized of which 105.27 shares are issued and outstanding and are held beneficially and of record by the persons and in the amounts specified in Schedule 5.2.

(ii) SpectaGuard, Inc., a Pennsylvania corporation: (x) no shares of preferred stock authorized, issued or outstanding, and (y) 100,000 shares of common stock authorized of which 37,053 shares are issued and outstanding and are held beneficially and of record by the persons and in the amounts specified in Schedule 5.2.

(iii) SpectaGuard Electronic Protection Systems, Inc., a Pennsylvania corporation: (x) no shares of preferred stock authorized, issued or outstanding, and (y) 1,000 shares of common stock authorized of which 105.27 shares are issued or outstanding and are held beneficially and of record by the persons and in the amounts specified in Schedule 5.2.

(b) Except for that certain Shareholders Agreement dated as of December 26, 1991 among the Shareholders, the Contributors and Central Dispatch Corporation, a Pennsylvania corporation, and SpectaGuard Inc., a Delaware corporation (the "Shareholders Agreement"), there are no outstanding options, warrants, rights (including conversion or preemptive rights), debentures or other securities convertible into or exchangeable or exercisable for shares of capital stock of any Contributor, and there are no outstanding contracts, commitments or arrangements by which any Contributor is or may become bound to issue, repurchase, retire or otherwise acquire (contingent or otherwise) any shares of its capital stock or any security convertible into or exchangeable for any of its capital stock. No Contributor is a party or subject to any agreement or understanding, and, to the knowledge of each Contributor, there is no agreement or understanding, between any persons and/or entities which affects or relates to the voting or giving of written consents with respect to any security or by a director of any Contributor.

5.3 Subsidiaries. No Contributor owns, directly or indirectly, any capital stock or equity securities of any other corporation or has any direct or indirect equity or ownership interest in any business corporation, partnership, joint venture or entity.

5.4 Authorization.

(a) All action (corporate and other) on the part of each Contributor and its respective officers, directors and shareholders necessary for the authorization, execution and delivery by each Contributor of this Agreement and the other Transaction Documents and the performance of all obligations of each Contributor hereunder and thereunder has been taken. This Agreement and the other Transaction Documents have been executed and delivered by each of the Contributors and each constitutes a valid and legally binding obligation of each of the Contributors, enforceable in accordance with its respective

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terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting the rights of creditors, and except to the extent that the availability of any equitable remedy is subject to the discretion of a court or limited by law.

(b) This Agreement has been duly executed and delivered by or on behalf of each of the Shareholders. This Agreement constitutes the legal, valid and binding obligation of such Shareholders, enforceable against such Shareholders in accordance with its terms. Neither the execution of this Agreement nor the consummation of the transactions provided for herein by such Shareholders will (i) violate, or constitute a default under, except to the extent waived in writing, any indentures, mortgages, promissory notes, contracts, or other agreements to which any of such Shareholders is a party or by which any of such Shareholders or such Shareholders' properties are bound, (ii) violate any Legal Requirement to which any of such Shareholders is subject, or (iii) require the consent, approval, license or authorization of, notice to, or filing with any third party or governmental authority on the part of such Shareholders.

5.5 Consents and Approvals. Except as set forth on Schedule 5.5, the execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby by the Contributors (including the assignment of the Assets to LLC) do not require the consent, approval, license or authorization of, notice to, or declaration, filing or registration with, any third party or governmental authority and will not result in any breach or default of, the impairment or forfeiture of any of the Company's rights under, or any payments being made by LLC with respect to any of the Assets, including any Governmental Permits, any Contracts involving the payment to or by the Contributors in excess of $50,000 per year or $150,000 over the term thereof, any Proprietary Rights or any Leasehold Interests.

5.6 Compliance with Law. The Contributors have conducted their businesses and are in compliance in all respects with all applicable federal, state and local laws, statutes, licensing requirements, rules and regulations ("Legal Requirements"), and, to the knowledge of each of the Contributors, judicial or administrative decisions applicable to the conduct of their businesses, except for such noncompliance which will not result in (i) any breach or default of or the impairment or forfeiture of any of the Company's rights under any of the Assets or (ii) any material payments being made by LLC. No Contributor has received any citations, complaints, consent orders, compliance schedules or other similar enforcement orders or received any other written notice from any governmental authority or person regarding the violation of, or failure to comply in any material respect with, any Legal Requirements relating to the operations or any assets or properties of any Contributor, or regarding the obligation on the part of any Contributor to undertake or bear the cost of any remedial action.

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5.7 Litigation. Except as set forth in Schedule 5.7:

(a) there are no actions at law, suits in equity or claims pending or, to the knowledge of each of the Contributors, threatened against any Contributor or any of their respective businesses or properties;

(b) there are no governmental proceedings or investigations pending or, to the knowledge of each of the Contributors, threatened against any Contributor;

(c) there is no action, suit or proceeding pending or, to the knowledge of each of the Contributors, threatened which questions the legality or propriety of the transactions contemplated by this Agreement or the other Transaction Documents;

(d) no Contributor is a party to or bound by, and no properties or assets of any Contributor is subject to, any judgments, writs, decrees, injunctions or orders of any governmental authority;

(e) no Contributor is engaged in any present dispute with any of its present or former officers, directors, employees, partners, joint venturers or shareholders, as the case may be, or any representative thereof which dispute could reasonably result in an action against any Contributor; and

(f) there is no action, suit or claim by any Contributor currently pending or that any Contributor intends to initiate.

5.8 Proprietary Rights. Set forth on Schedule 1.1(e) hereto is a complete and accurate list of all Proprietary Rights owned, used or held by each Contributor. The Contributors have sufficient title and ownership (or can obtain such title and ownership without a material adverse effect to the Contributors) of all Proprietary Rights necessary for their respective businesses as now conducted and as proposed to be conducted, without any conflict with or infringement of the rights of others. All of the trademarks and service marks set forth in Schedule 1.1(e) are in full force and effect and the execution and delivery of this Agreement and the other Transaction Documents will not alter or impair such rights. To Contributors' knowledge, there are no other patents, trademarks, service marks, trade names, copyrights, trade secrets, information or proprietary rights for which it would need to obtain title and ownership for the respective businesses of the Contributors as now conducted and as proposed to be conducted. There are no outstanding options, licenses, or agreements of any kind relating to any of the Proprietary Rights, nor are any of the Contributors bound by or a party to any options, licenses or agreements of any kind with respect to the patents, trademarks, service marks, trade names, copyrights, trade secrets, information, licenses, and proprietary rights of any other person or entity. No Contributor has received any written communications alleging that any Contributor has violated or, by conducting its business as

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proposed, would violate any of the patents, trademarks, service marks, trade names, copyrights or trade secrets, information or other proprietary rights of any other person or entity. To Contributors' knowledge, no employee is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or is subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of his or her best efforts to promote the interests of the Contributors in accordance with applicable law or that would conflict with the businesses of the Contributors as proposed to be conducted. Neither the execution nor delivery of this Agreement or the other Transaction Documents, nor the carrying on of the businesses of the Contributors, nor the conduct of the businesses of the Contributors as proposed, will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument known to any of the Contributors under which any of the employees of any Contributor is now obligated.

5.9 Compliance with Other Instruments. No Contributor is in violation or default of any provisions of its respective charter documents or of any instrument, judgment, order, writ, decree or contract to which it is a party or by which it is bound, the violation or default of which would reasonably be expected to have a material adverse effect on such Contributor or which could result in any payments being made by such Contributor. The execution, delivery and performance of this Agreement and the other Transaction Documents and the consummation of the transactions contemplated hereby and thereby by the Contributors will not (i) result in any such violation or default or (ii) violate, be in conflict with or constitute, with or without the passage of time and giving of notice, a default under any such provision, agreement, judgment, order, writ or decree to which any Contributor is bound or (iii) result in the creation of any lien, charge or encumbrance upon any assets of any Contributor, or the suspension, revocation, impairment, forfeiture, or nonrenewal of any material permit, license, authorization, or approval applicable to the business or operations or any of the assets or properties of any Contributor.

5.10 Affiliates. Set forth on Schedule 5.10 hereto is a list of (i) all of the obligations of any Contributor to all officers, directors, shareholders, affiliates and employees thereof, including any member of their immediate families (other than normal accrued wages and travel expense vouchers) and (ii) all of the obligations of such officers, directors, shareholders, affiliates and employees, including any member of their immediate families (other than expense advances, for purposes such as travel, meals, lodging and other similar expenses, made in the ordinary course of business) to any Contributor. Except as set forth in Schedule 5.10, no officer, director or shareholder of any Contributor (a) owns, directly or indirectly, any interest in (except stockholdings of 5% or less for investment purposes in securities of publicly held and traded companies), or is an employee of, any corporation, firm or other business entity that is a competitor, lessor, lessee, customer, franchisee or supplier of, or otherwise is affiliated or competes with, any Contributor, or (b) owns, directly or indirectly, in whole or in part, any real estate, any intangible property or confidential information that is material to the conduct of the business of any Contributor. Except as set

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forth in Schedule 5.10, no member of the immediate family of any officer or director of any Contributor is directly or indirectly interested in any material contract with any Contributor.

5.11 Contracts.

(a) Except as set forth on Schedule 1.1(c), no Contributor is a party to or bound by:

(i) any note, bond, debenture or other evidence of indebtedness, or any contract, agreement, instrument, proposed transaction, judgment, order, writ, decree, commitment or understanding under which it has borrowed any money or issued any note, bond, debenture or other evidence of indebtedness, or any mortgage, pledge, security agreement, deed of trust, financing statement or other document granting any lien, encumbrance or security interest (including liens, encumbrances or security interests upon properties acquired under conditional sales, capital leases and other title retention or security devices), or any guaranty or endorsement (other than endorsements for collection in the ordinary course of business) of, or other contingent obligations in respect of, indebtedness for borrowed money or other liabilities or obligations of others, except as set forth on Schedule 5.18;

(ii) any contract, agreement, instrument, proposed transaction, judgment, order, writ, decree, commitment, arrangement or understanding relating to any joint venture, partnership or sharing of profits or losses with any person or permitting any person to utilize any technology, know-how or proprietary information of a Contributor which involves the payment to, or payment by, the Contributors in excess of $50,000 in any year or $150,000 over the term thereof;

(iii) any contract, agreement, instrument, proposed transaction, judgment, order, writ, decree, commitment, arrangement or understanding for the future purchase or delivery by any Contributor of any materials, equipment, services, or supplies, which (x) involves the payment or receipt by any Contributor of more than $50,000 in any year or $150,000 over the term thereof, (y) by its terms requires any Contributor to purchase the entire output of a supplier or (z) provides that any supplier will be the exclusive supplier of any Contributor or any Subsidiary;

(iv) any contract, agreement, instrument, proposed transaction, judgment, order, writ, decree, commitment, arrangement or understanding for the sale or other disposition by any Contributor of its assets or properties other than in the ordinary course of business, or for the merger or consolidation of any Contributor with any other person or entity;

(v) any contract, agreement, instrument, proposed transaction, judgment, order, writ, decree, commitment, arrangement or understanding containing

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covenants purporting to limit the freedom of any Contributor to compete in any line of business or in any geographic area or to require any Contributor to maintain any information as confidential; or

(vi) any contract, agreement, instrument, proposed transaction, judgment, order, writ, decree, commitment, arrangement or understanding not elsewhere specifically disclosed pursuant to this Agreement involving the payment or receipt by any Contributor of more than $50,000 per year or $150,000 over the term thereof.

(b) Except as set forth in Schedule 5.11, each of the Contracts constitutes a valid and binding obligation of one of the Contributors and is in full force and effect and the consummation of the transactions contemplated by this Agreement and the other Transaction Documents will not (i) result in any breach, default, impairment or forfeiture of any rights thereunder or (ii) require the approval, consent, or act of, or the making of any declaration, filing or registration with, any party or any governmental authority. Each Contributor has fulfilled and performed in all material respects its obligations under each of the Contracts required to be performed prior to the date hereof, and no Contributor is in or, to the knowledge of each of the Contributors, alleged to be in, breach or default under, nor is there, to the knowledge of each of the Contributors, alleged to be any basis for termination of, any of the Contracts. To the knowledge of each of the Contributors, no other party to any of the Contracts has breached or defaulted thereunder, and, to the knowledge of each of the Contributors, no event has occurred and no condition or state of facts exists which, with the passage of time or the giving of notice or both, would constitute such a default or breach by any Contributor or by any such other party. No Contributor has received any oral or written notice from any party to any agreement pursuant to which any Contributor provides in excess of 1,000 hours per week of services to a client (a "Key Agreement") or to any other Contract, which Key Agreements or other Contracts are listed on Schedule 1.1(c) hereto, terminating, or providing Contributors notice of its intent to terminate, such Key Agreement or other Contract. Except as set forth in Schedule 5.11, no Contributor is currently renegotiating any of the Contracts or paying liquidated damages in lieu of performance thereunder.

(c) No Contributor is a party to nor is it bound by any contract, agreement or instrument, or subject to any restriction under its charter documents, which materially adversely affects its business as now conducted or as proposed to be conducted.

(d) No Contributor has engaged since September 15, 1997 in any discussion (i) with any representative of any corporation or corporations regarding the consolidation or merger of such Contributor with or into any such corporation or corporations, (ii) with any corporation, partnership, association or other business entity or any individual regarding the sale, conveyance or disposition of all or substantially all of the assets of such Contributor or a transaction or series of related transactions in which more than fifty percent (50%) of the voting power of such Contributor is disposed of, or (iii) regarding any other form of acquisition, liquidation, dissolution or winding up of such Contributor.

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(e) For the purposes of subsections (a)(iii) and (a)(vi) of this Section 5.11, all indebtedness, liabilities, agreements, understandings, instruments, contracts and proposed transactions involving the same person or entity (including persons or entities the Company has reason to believe are affiliated therewith) shall be aggregated for the purpose of meeting the individual dollar amounts of such subsections.

5.12 Financial Information. Attached as Schedule 5.12 are the audited combined financial statements (balance sheets, statements of earnings, statement of changes in stockholders' equity and statements of cash flows, including notes thereto) of Contributors at June 30, 1994, 1995, 1996 and 1997 and for the fiscal years then ended and the unaudited combined financial statements (balance sheets, statements of earnings, statement of changes in stockholders' equity and statement of cash flows) of Contributors at November 30, 1997 and for the four months then ended (the "Financial Statements"). The Financial Statements have been prepared in accordance with GAAP applied on a consistent basis throughout the periods indicated and with each other, except with respect to the matters set forth on Schedule 3.3A and except that unaudited Financial Statements may not contain all footnotes required by GAAP, and may not contain (i) adjustments which the Contributors, consistent with past practice and in accordance with GAAP, make at year-end and (ii) individual line items for each item of indebtedness. The Financial Statements fairly present the financial condition and operating results of Contributors as of the dates, and for the periods, indicated therein, subject in the case of unaudited Financial Statements to normal year-end adjustments. Except as set forth in the Financial Statements (including the footnotes to the audited Financial Statements), Contributors have no material liabilities, contingent or otherwise, other than (i) liabilities incurred in the ordinary course of business subsequent to June 30, 1997 and (ii) obligations under contracts and commitments incurred in the ordinary course of business and not required under GAAP to be reflected in the Financial Statements, which in both cases, individually or in the aggregate, are not material to the financial condition or operating results of the Contributors.

5.13 Absence of Certain Changes and Events. Except as set forth on Schedule 5.13(a), since June 30, 1997, none of the Contributors has:

(i) received any notices of a default, breach or termination of any Key Agreement, material Contract or Benefit Plan;

(ii) waived, compromised or permitted to lapse any claims or rights of substantial value, or sold, transferred or otherwise disposed of any assets or other properties having a value in excess of $50,000;

(iii) made any capital commitments in excess of $100,000 in the aggregate, except to the extent set forth in the Contributors' capital plan for 1998, a copy of which is attached as Schedule 5.13(b) hereto ;

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(iv) suffered any damage, destruction, loss or claim to or against any property or asset with an aggregate value in excess of $100,000, whether or not covered by insurance;

(v) initiated or maintained any proceedings with respect to its sale, merger, consolidation, liquidation or reorganization other than pursuant to the terms of this Agreement;

(vi) terminated, amended or modified any Key Agreement, material Contract or Benefit Plan;

(vii) modified its method of operating the Business in any material respect or its accounting practices relating thereto;

(viii) made any dividends or distributions to any of the Shareholders or, other than in the ordinary course, any payments to third parties; or

(ix) suffered any other event or condition of any character which materially adversely affects, or may reasonably be expected to so affect, the Business, the Assets or the results of operations of the Contributors.

5.14 Taxes.

(i) Each of the Contributors has duly elected to be treated as an S corporation for federal income tax purposes and all applicable state tax purposes and has qualified as an S corporation since its formation, except that SpectaGuard, Inc., a Pennsylvania corporation, has only been qualified as an S corporation since July 1987. All Taxes (as hereinafter defined) due or payable by Contributors or Shareholders, and all interest and penalties thereon, whether disputed or not, other than Taxes which are not yet due and payable, have been paid in full; all Tax returns, statements, reports, forms and other documents required to be filed in connection therewith have been accurately prepared and duly and timely filed (and no extension of any filing date applicable thereto has been requested or granted, except as set forth in Schedule 5.14 hereto), and all deposits required by law to be made by any of the Contributors or Shareholders with respect to employees' withholding taxes have been duly made. Contributors and Shareholders are not delinquent in the payment of any Tax, assessment or governmental charge or deposit, and Contributors and Shareholders do not have a tax deficiency or claim outstanding or assessed against them, and there is no basis for any such deficiency or claim. No tax is required to be withheld pursuant to Section 1445 of the Internal Revenue Code of 1986, as amended (the "Code") as a result of the transfers contemplated by this Agreement. No recording or filing fees or sales, use, transfer or documentary taxes are payable by LLC in connection with, or as a result of, the transactions provided for by this Agreement under the laws of any of the States in which the Contributors conduct business, including the State of Massachusetts and the Commonwealth of

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Pennsylvania, or any political subdivision thereof. There are no liens for Taxes upon the Assets except liens for current Taxes not yet due. There is no contract, agreement, plan or arrangement, including but not limited to the provisions of this Agreement, covering any employee or independent contractor or former employee or independent contractor of any of the Contributors that, individually or collectively, could give rise to the payment by any of the Contributors of any amount that would not be deductible pursuant to Section 280G or Section 162 of the Code. None of the assets (including the Assets) of the Contributors (x) is property that is required to be treated as owned by any other person pursuant to the so-called "safe harbor lease" provisions of former Section 168(f)(8) of the Code, (y) directly or indirectly secures any debt the interest on which is tax exempt under Section 103(a) of the Code or (z) is "tax exempt use property" within the meaning of Section 168(h) of the Code. The transactions contemplated herein are not subject to the tax withholding provisions of Code Section 3406, or of Subchapter A of Chapter 3 of the Code or of any other provision of law in any jurisdiction.

(ii) For purposes of this Agreement, "Tax" (and, with correlative meaning, "Taxes" and "Taxable") means (x) any net income, alternative or add-on minimum tax, gross income, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, environmental or windfall profit tax, custom, duty or other tax, governmental fee or other like assessment or charge of any kind whatsoever, together with any interest or any penalty, addition to tax or additional amount imposed by any governmental entity (a "Taxing Authority") responsible for the imposition of any such tax (domestic or foreign), (y) any liability for the payment of any amounts of the type described in (x) as a result of being a member of an affiliated, consolidated, combined or unitary group for any Taxable period and (z) any liability for the payment of any amounts of the type described in (x) or (y) as a result of any express or implied obligation to indemnify any other person.

5.15 Governmental Permits. Contributors own, hold or possess all governmental licenses, franchises, permits, privileges, immunities, approvals and other authorizations which are necessary to entitle them to own or lease, operate and use the Assets and to carry on and conduct the Business substantially as currently conducted (herein collectively called "Governmental Permits"). Schedule 1.1(d) sets forth a list and brief description of the Governmental Permits, except for such incidental licenses, permits and other authorizations which would be readily obtainable without undue burden in the event of any lapse, termination, cancellation or forfeiture thereof. Contributors have fulfilled and performed in all material respects their respective obligations under each of the Governmental Permits, and no event has occurred or, to the best knowledge of Contributors, no condition or state of facts exists which constitutes or, after notice or lapse of time or both, would constitute a breach or default by Contributors under any of the Governmental Permits or which permits or, after notice or lapse of time or both, would permit revocation or termination of any of the Governmental Permits, or which may adversely affect in any material respect the rights of Contributors under any of the Governmental Permits. No notice of cancellation, of default or

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of any material dispute concerning any of the Governmental Permits, or of any event, condition or state of facts described in the preceding sentence, has been received by, or is known to, Contributors. Each of the Governmental Permits is valid, subsisting and in full force and effect. Except as set forth on Schedule 5.5, each of the Governmental Permits may be assigned and transferred to LLC in accordance with this Agreement and will continue in full force and effect thereafter, in each case without (i) the occurrence of any breach, default or forfeiture of rights thereunder, or (ii) the need for any consent, approval, or act of, or the making of any filing with, any governmental body, regulatory commission or other person or entity.

5.16 Real Property. None of the Contributors owns any real property.

5.17 Leases.

(a) Schedule 1.1(j) sets forth a list and brief description (including in each case the names of the lessee and lessor, the annual rentals payable, the expiration date thereof, the details of any options to renew and to purchase thereunder and the property covered thereby, and whether any action, consent or notice is required as a result of this Agreement) of every operating lease or agreement under which any of the Contributors is lessee of, or primarily or secondarily liable under, or holds or operates, any real property, owned by any third party and used in the Business. The Contributors are the owners and holders of all the Leasehold Interests purported to be granted to them by the instruments described in Schedule 1.1(j). Contributors have the right to quiet enjoyment to all such real property for the full term of each such lease or similar agreement (and any renewal option related thereto) and the leasehold or other interest of the Contributors in such real property is not subject or subordinate to any security interest, lien or mortgage except for liens for taxes not yet due and payable. No notice of any increase in the assessed valuation of any Leasehold Interest and no notice of any special assessment has been received by any Contributor pertaining to any Leasehold Interest. There are no subleases, concessions or other agreements granting to any party the right of use or occupancy of any portion of any Leasehold Interest.

(b) Schedule 5.17 identifies each lease or other agreement or right under which any of the Contributors is lessee of, or holds or operates, any Related Property owned by a third party and having lease or rent payment in excess of $2,000 per year (indicating in each case the annual rental, the expiration date thereof and the type of property covered). Each of such leases or agreements is in full force and effect and will continue in effect after the Closing subject to the consent, approval or act of, or the making of any filing with, any other party listed on Schedule 5.17.

5.18 Assets. The Assets (excluding the Excluded Assets) constitute all the assets used in the Business and constitute all the assets necessary to operate the Business in the same manner as the Business was operated by Contributors prior to the Time of Closing.

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The Assets are in good and serviceable condition and are suitable for the uses intended. The Contributors have good and marketable title to the Assets, free and clear of any pledges, liens, encumbrances, security interests, equities, charges, and restrictions of any nature whatsoever ("Liens"), except as set forth in Schedule 5.18. By virtue of the deliveries made at the Closing, LLC will obtain good and marketable title to the Assets, free and clear of all Liens, except as set forth on Schedule 5.18 hereto.

5.19 Employees.

(a) Except as set forth in Schedule 5.19(a), no Contributor is a party to or bound by any (i) employee collective bargaining agreement, employment agreement, consulting, advisory or service agreement, deferred compensation agreement, or agreement restricting the ability of any Contributor to compete; (ii) contract or agreement with any officer, director or employee (other than employment agreements disclosed in response to clause (i)); or (iii) Benefit Plan (as such term is defined in Section 5.20 hereof), bonus, profit sharing, deferred compensation, incentive, stock option or stock purchase, or paid time off for sickness plan, program or arrangement with respect to their employees. Except as set forth in Schedule 5.19(a), no Contributor is a party to or bound by any severance plan or program or other severance arrangement for their employees. The consummation of the transactions contemplated by this Agreement will not result in any severance liability to any employee of any of the Contributors.

(b) Set forth in Schedule 5.19(b), are (i) the name of each of the officers and directors and other key, exempt employees (i.e. those employees who earn in excess of $50,000 and are considered "exempt" from the payment of overtime) of each Contributor and (ii) the base payment made to such officer, director or key employee each pay period as of the date hereof and projections for the current fiscal year of other incentive compensation (including bonuses) for each person whose name is set forth therein. Schedule 5.19(b) lists as of the date hereof the names of all other employees of each Contributor, the hourly pay rates of compensation and the job titles for all such employees.

(c) None of the Contributors has used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to political activity, made any direct or indirect unlawful payments to government officials or others from corporate funds or established or maintained any unlawful or unrecorded funds, violated any of the provisions of The Foreign Corrupt Practices Act of 1977, or any rules or regulations thereunder, received any illegal discounts or rebates or been the subject of any investigation by any governmental authority.

(d) No Contributor has engaged in any unfair labor practice, unlawful employment practice or unlawful discriminatory practice in the conduct of its business. Each Contributor has complied in all material respects with all applicable Legal Requirements relating to prices, wages, hours and collective bargaining and has complied in

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all material respects with all applicable Legal Requirements relating to the payment and withholding of taxes and has withheld all amounts required by law or agreement to be withheld from the wages or salaries of employees and is not liable for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing. The relations of each Contributor with their respective employees are satisfactory and no Contributor is a party to or, to the knowledge of each of the Contributors, threatened with any dispute or controversy with a union or with respect to unionization or collective bargaining, involving any of such companies.

(e) No Contributor has made any agreement to any employee, officer or consultant regarding continued employment by LLC after the Closing.

5.20 Employee Benefit Plans.

(a) Each employee benefit plan (as defined in Sections 3(1) and 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), maintained or contributed to by any of the Contributors or employees or former employees of any of the Contributors (each a "Benefit Plan" and collectively the "Benefit Plans") is set forth on Schedule 5.20 hereto and has been established and operated in accordance with its terms and in material compliance with all applicable Legal Requirements, including but not limited to, ERISA and the Code. LLC has been provided with true and complete copies, with respect to each Benefit Plan, of all plan documents, trust agreements, summary plan descriptions, insurance contracts, investment management agreements and third-party service agreements and all other material documents currently in effect and affecting the operation of the Benefit Plans and copies of the two most recent annual reports, if any, on Form 5500 required to be filed in connection with any Benefit Plan or related trust, including all schedules thereto and any opinions of any independent accountants relating thereto. All required governmental filings have been timely made with respect to each Benefit Plan. No Benefit Plan is currently (i) being audited or, to the knowledge of each of the Contributors, investigated or under review by the IRS, the U.S. Department of Labor or the Pension Benefit Guaranty Corporation, nor (ii) subject to any pending or, to the knowledge of each of the Contributors, threatened claim or suit other than normal uncontested claims for benefits for employees or former employees or their dependents. No Contributor or any of its officers, directors, employees or agents is currently subject to any pending or, to the knowledge of each of the Contributors, threatened investigation, claim or suit with respect to any Benefit Plan nor has engaged in any transaction with respect to which such person could be subject to a material civil penalty under Section 502(i) or (l) of ERISA or a material tax imposed under Section 4975 of the Code. No event has occurred and no condition exists that would reasonably be expected to result in a material tax with respect to any Benefit Plan under Section 4980B of the Code or Sections 601 through 608 of ERISA ("COBRA").

(b) There is no other corporation, trade or business that would be treated, together with the Contributors, as a single entity under Section 414 of the Code.

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(c) No Contributor has ever maintained, contributed to or been obligated to contribute to any employee pension benefit plan (as defined in Section 3(2) of ERISA) or multiemployer plan (as defined in Sections 3(37) and 4001(a)(3) of ERISA) which is a defined benefit pension plan subject to Section 412 of the Code or Title IV of ERISA.

(d) All contributions, premiums or other payments due from the Contributors to (or under) any Benefit Plan to provide benefits for any individuals associated with the businesses of the Contributors have been fully paid or adequately provided for on the books and Financial Statements of the Contributors. Except as required by COBRA or other applicable law, no Contributor provides post-retirement or post-employment benefits requiring charges under Statements of Financial Standards Numbers 106 and 112. Except as required by COBRA, no Contributor is a party to any agreement, contract or obligation with any current or former employee (either individually or to employees as a group) that such current or former employee(s) would be provided (at cost to any Contributor) with life insurance or other employee welfare benefits (within the meaning of Section 3(1) of ERISA) upon or after their retirement or other termination of employment.

(e) No payment that is owed or may become due to any employee, officer or director of any Contributor will be non-deductible or subject to tax under Section 280G or Section 4999 of the Code, nor will any Contributor be required to "gross up" or otherwise compensate any person because of the imposition of any excise tax on a payment to such person caused by the completion of the transactions contemplated by this Agreement.

(f) The consummation of the transactions contemplated by this Agreement will not result in the payment, vesting or acceleration of any benefit to employees, officers or directors of any Contributor under the Benefit Plans or any other employment agreements or arrangements.

5.21 Brokers' and Finders' Fees/Contractual Limitations. Except as set forth on Schedule 5.21, no Shareholder or Contributor is obligated to pay any fees or expenses of any broker or finder in connection with the origin, negotiation, or execution of this Agreement or in connection with the transactions contemplated hereby. Except as set forth on Schedule 5.21, none of the Contributors, nor any officer, director, employee, agent, or representative of any of the Contributors (collectively "Representatives") are or have been subject to any agreement, letter of intent, or understanding of any kind which prohibits, limits, or restricts Contributors, the Shareholders or the Representatives from negotiating, entering into and consummating this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby.

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5.22 Environmental and Safety Matters.

(a) Each Contributor is in material compliance with all applicable federal, state and local environmental laws, regulations and ordinances governing its business, properties or assets with respect to all discharges into the ground and surface water, emissions into the ambient air (including laws relating to noise) and generation, accumulation, storage, treatment, transportation, labeling or disposal of waste materials.

(b) As used herein, "Hazardous Material" means any hazardous or toxic substance, pollutant or waste which is regulated by any federal, state or local governmental authority; including, but not limited to, hazardous substances as defined under the Comprehensive Environmental Response, Compensation and Liability Act, as amended, hazardous waste as defined under the Resource Conservation and Recovery Act, as amended, air pollutants regulated under the Clean Air Act as amended, pollutants as defined under the Clean Water Act, as amended, any pesticide as defined by the Federal Insecticide, Fungicide, and Rodenticide Act, and any hazardous chemical substance or mixture or imminently hazardous substance or mixture regulated by the Toxic Substances Control Act.

(c) To the knowledge of the Contributors, no release, emission or discharge of any reportable quantities (as set forth in Title 40, Code of Federal Regulations §302) of Hazardous Material into the environment (including the soil, groundwater, surface water or waterways, and air) is presently occurring on or from any property owned, leased or operated by any Contributor except pursuant to and in compliance with applicable law.

(d) To the knowledge of the Contributors, no reportable quantities (as set forth in Title 40, Code of Federal Regulations §302) of Hazardous Material are located in the soil, groundwater, surface water, or waterways at or under any property owned, leased or operated by any Contributor in quantities or concentrations sufficient to require removal or remediation under the Comprehensive Environmental Response, Compensation and Liability Act, as amended.

(e) No Contributor has ever been held legally responsible by a court of competent jurisdiction for any release of any Hazardous Material; (i) received written notifications from any federal, state or other governmental authority of potential liability for any release of Hazardous Material; or (ii) been required to pay the costs or expenses incurred for the removal or remediation of any Hazardous Material.

(f) No Contributor has shipped any Hazardous Materials in any reportable quantities (as set forth in Title 40, Code of Federal Regulations, §302) to any hazardous waste treatment, storage or disposal facility subject to removal or remediation under the Comprehensive Environmental Response, Compensation and Liability Act or any similar state Superfund law.

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(g) No Hazardous Materials are present in buildings presently leased, owned, or otherwise occupied by any Contributor in amounts or concentrations that could have a material adverse effect upon the business, assets, properties, operations or financial condition of such Contributor if such Hazardous Materials were required by order of any governmental authority to be removed.

(h) All environmental reports prepared on behalf of, or in the possession of the Contributors, regarding property owned, leased or otherwise occupied by the Contributors have been provided to LLC.

5.23 Personal Property. Schedule 1.1(a) sets forth a detailed list of all Related Property owned and in current use by any of the Contributors having an original purchase price per item in excess of $5,000 and not expensed by the Contributors at the time of purchase or fully depreciated before October 30, 1997.

5.24 Insurance; Deposits and Collateral Amounts.

(a) Each of the Contributors has complied with each of its policies of insurance maintained, owned or held by it through the date hereof and has not failed to give notice or present any claim thereunder in a due and timely manner. All of the claims listed on Schedule 5.7 are covered under such insurance policies, which are in full force and effect.

(b) Schedule 5.24 sets forth a list of the deposits and collateral amounts that the Contributors have paid to third parties and the current balances thereof, including, without limitation, that certain collateral provided to Legion and PMA in connection with Contributors' workers' compensation self-insurance program. After reflecting the Excluded Assets, Legion has determined that the collateral Legion will hold on behalf of the Contributors will reasonably satisfy all workers' compensation claims attributable to the period August 10, 1992 through August 10, 1996 and PMA has determined that the collateral PMA holds on behalf of Contributors will reasonably satisfy all workers' compensation claims attributable to the period August 10, 1996 through August 10, 1997.

5.25 Books and Records. The books and records of Contributors to which LLC and its accountants and attorneys have been given access are the true books and records of Contributors and truly and fairly reflect the underlying facts and transactions in all material respects.

5.26 Complete Disclosure. No representation or warranty by Contributors or Shareholders in this Agreement or any of the Transaction Documents, and no exhibit, schedule, certificate, or other writing furnished to LLC pursuant to this Agreement or any of the Transaction Documents or in connection with the transactions contemplated hereby or thereby, contains or will contain any untrue statement of a material fact or omits or will omit

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to state a material fact necessary to make the statements contained herein and therein not misleading.

ARTICLE VI

COVENANTS

6.1 Covenants Against Disclosure. The parties agree to maintain the confidentiality of the terms and conditions of this Agreement, except to the extent required by law. No party shall disseminate any press release or announcement concerning the transactions contemplated by this Agreement or the parties hereto without the prior written consent of each of the Contributors, the Shareholders and LLC, except as required by law.

6.2 Non-Competition.

(a) Commencing at the Time of Closing and continuing for (i) in the case of Contributors, ten (10) years thereafter, (ii) in the case of William C. Whitmore, Jr. during the term of William Whitmore's Employment Agreement (as defined in Section 8.1(i) hereof) and for two years thereafter, (iii) in the case of Jay T. Snider, five (5) years thereafter and (iv) in the case of Stephen E. Flynn, II three (3) years thereafter, each of the Contributors and each of the Shareholders agree individually, that it and he shall not engage (except in his capacity as an officer, manager, member, and/or employee of LLC), directly or indirectly, whether on its or his own account or as a shareholder (other than as a less than 10% shareholder of a publicly-held company), partner, joint venturer, employee, consultant, lender, advisor, and/or agent, of any person, firm, corporation, or other entity, in any or all of the following activities within (A) in the case of the Contributors, the United States or (B) in the case of Messrs. Snider and Flynn, the following jurisdictions: Connecticut, Delaware, the District of Columbia, Maine, Massachusetts, Maryland, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont, Virginia and West Virginia or (C) in the case of Mr. Whitmore, the jurisdictions listed in (B) above and any additional jurisdictions in which LLC conducts the Covered Activities (as defined below) during the term of Mr. Whitmore's employment with the LLC.

(i) Enter into or engage in the business of providing (a) uniformed guard security officers, provided that such business shall not include private correctional institutions; and (b) the business of providing the sale, installation, maintenance and monitoring of burglar, fire alarm, close circuit television and access control systems to commercial institutions, provided that such business shall not include burglar, fire alarm, close circuit television and access control systems for private residences or residential communities or the manufacture and distribution of components for the electronic surveillance industry (collectively, the "Covered Activities").

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(ii) Solicit customers, suppliers, or business patronage which results in competition with LLC or any of its affiliates in the Covered Activities;

(iii) Encourage or solicit any employees of LLC or any of its affiliates, to leave the employment of LLC or any of its affiliates, to work for Contributors, Shareholders or any related party; or

(iv) Promote or assist, financially or otherwise, any person, firm, association, corporation, or other entity engaged in the Covered Activities.

(b) Without limitation, the parties agree and intend that the covenants contained in this Section 6.2 shall be deemed to be a series of separate covenants and agreements, one for each and every county or political subdivision of each applicable state of the United States. If, in any judicial proceeding, a court shall refuse to enforce in such action any of the separate covenants deemed included herein, then at the option of LLC, wholly-unenforceable covenants or components thereof shall be deemed eliminated from the provisions hereof for the purpose of such proceeding to the extent necessary to permit the remaining separate covenants to be enforced in such a proceeding. The parties intend to have covenants enforceable to the fullest extent of the law as to scope, time and geography.

(c) The parties agree that due to the unique nature of the services and capabilities of Contributors and Shareholders, there can be no adequate remedy at law for any breach of their obligations hereunder, that any such breach may allow Contributors, Shareholders and/or third parties to unfairly compete with LLC, or any of its affiliates, resulting in irreparable harm to LLC, or any affiliate and, therefore, that upon any such breach or any threat thereof, LLC shall be entitled to appropriate equitable relief, in addition to whatever remedies it might have at law. Further, LLC shall be entitled to indemnification by Contributors and Shareholders, jointly and severally, from any loss or harm, including, without limitation, attorneys' fees, including attorneys' fees on appeal, and costs of suit, in connection with any breach, or any enforcement, of each of their respective obligations pursuant to this Section 6.2.

(d) Contributors and Shareholders acknowledge, represent and warrant to LLC that the covenants of Contributors and Shareholders in this Section 6.2 are reasonably necessary for the protection of LLC's interests under this Agreement and are not unduly restrictive upon Contributors or Shareholders.

(e) LLC, Contributors and Shareholders agree that LLC shall notify Contributors or Shareholders, as the case may be, of any breach or alleged breach by such entity or person of any provision of this Agreement and, within ten (10) days after the date of mailing of such notice by LLC to such person or entity, such person or entity shall cure such breach or alleged breach. Failure to cure such breach or alleged breach to LLC's satisfaction

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within such time period shall constitute a default under this Agreement and LLC shall be entitled to exercise any of its available rights and remedies.

6.3 Employees. LLC intends to employ all of Contributors employees (other than certain employees whose names are set forth on Schedule 6.3A) on an at-will basis at the Time of Closing pursuant to a notice in the form attached hereto as Exhibit E. Contributors and Shareholders shall each use their best efforts to assist LLC in employing such employees of Contributors. During the six month period following the Closing, upon termination of any of the employees listed on Schedule 6.3B by LLC, the LLC would provide to such terminated employee a severance payment equal to two weeks of the base salary of such employee as of the date hereof for each completed year of employment service to the Contributors, up to 10 weeks total.

6.4 Access to Information. Contributors and Shareholders shall cooperate with the LLC in auditing the financial statements of Contributors, including, but not limited to, executing any and all written representations reasonably required by LLC's accountants. This covenant shall survive the Time of Closing and continue indefinitely.

ARTICLE VII

CLOSING

7.1 Time of Closing. The transactions contemplated by this Agreement shall be completed on the first business day on which the last of the conditions contained in Article VIII hereof is fulfilled or waived (the "Time of Closing"), with the expectation that the Closing shall occur on January 16, 1998 at 9:00 A.M., C.S.T., unless otherwise agreed to by LLC, Contributors and Shareholders. The Closing shall take place at the offices of Katten Muchin & Zavis, 525 West Monroe Street, Suite 1600, Chicago, Illinois 60661, or at such other place or date as may be agreed to by LLC, Contributors and Shareholders. The "Closing" shall mean the deliveries to be made by the parties hereto at the Time of Closing in accordance with this Agreement.

7.2 Deliveries by Contributors. At the Closing, in addition to any deliveries required by Section 8.1 hereof, Contributors shall deliver to LLC all duly and properly executed, the following:

(a) A good and sufficient Bill of Contribution and Sale for the Assets in the form attached hereto as Exhibit F, contributing, delivering, transferring, and assigning to LLC title to all of Contributors' right, title, and interest to the Assets, free and clear of all Liens, except as set forth in Schedule 5.18.

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(b) Opinions of Ballard Spahr Andrews & Ingersoll and Fox, Rothchild O'Brien & Frankel LLP, counsel to Contributors and Shareholders, dated the date of the Closing, substantially in the form attached hereto as Exhibit G.

(c) An Officers' Certificate executed by the President and Chief Financial Officer of Contributors certifying (i) that the conditions specified in Section 8.1 have been satisfied, (ii) that there has been no material adverse change in the Business since June 30, 1997 and (iii) that the Financial Statements accurately reflect the financial condition of Contributors as of the respective dates thereof.

(d) A certificate executed by the Secretary of Contributors, dated as of the Closing, certifying the following matters: (i) resolutions adopted by Contributors' Boards of Directors and by the Shareholders relating to the transactions contemplated by this Agreement; (ii) Articles of Incorporation of Contributors; and (iii) Bylaws of Contributors.

(e) Certificates dated as of a recent date issued by the Secretaries of the States of Massachusetts, Maine, Connecticut, New Hampshire, New Jersey, New York, Delaware, Rhode Island, North Carolina and Virginia and of the Commonwealth of Pennsylvania to the effect that the Contributors are legally existing and in good standing.

7.3 Further Assurances. At or after the Time of Closing, each party shall prepare, execute, and deliver, at the preparer's expense, such further instruments of conveyance, sale, assignment, or transfer, and shall take or cause to be taken such other or further action, as any party shall request of any other party at any time or from time to time in order to perfect, confirm, or evidence in LLC title to all or any part of the Assets or to consummate, in any other manner, the terms and provisions of this Agreement.

ARTICLE VIII

CONDITIONS PRECEDENT TO OBLIGATIONS

8.1 Conditions to Obligations of LLC. Each and every obligation of LLC to be performed at the Closing shall be subject to the satisfaction as of or before the Time of Closing of the following conditions (unless waived in writing by LLC):

(a) Representations and Warranties. The representations and warranties of Contributors and Shareholders set forth in Article V of this Agreement shall have been true and correct when made and shall be true and correct at and as of the Time of Closing as if such representations and warranties were made as of such date and time.

(b) Performance of Agreement. All covenants, conditions, and other obligations under this Agreement which are to be performed or complied with by Contributors

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and Shareholders shall have been fully performed and complied with at or prior to the Time of Closing.

(c) Authorization. All actions necessary to authorize the execution, delivery and performance of this Agreement and the Transaction Documents and the consummation of the transactions contemplated by this Agreement and the Transaction Documents shall have been duly and validly taken; and each of the Contributors shall have full power and right to transfer their respective Assets all in accordance with the terms and conditions set forth in this Agreement.

(d) Absence of Governmental or Other Objection. There shall be no pending or threatened lawsuit challenging the transactions by any body or agency of the federal, state, or local government or by any third party, and the consummation of the transactions shall not have been enjoined by a court of competent jurisdiction as of the Time of Closing. Any applicable waiting period under any applicable federal law shall have expired and all approvals and actions from governmental authorities necessary to consummate the transactions contemplated hereby shall have been obtained.

(e) No Material Adverse Change. There shall not have occurred any material adverse change in the financial condition, Assets, liabilities, business or operations of any of the Contributors taken as a whole.

(f) Absence of Liens. LLC shall have received reports, satisfactory to LLC, from the Secretaries of State of Pennsylvania, Massachusetts, Maine, Connecticut, New Hampshire, New Jersey, New York, Delaware, Rhode Island, North Carolina and Virginia and the Secretary of State of any other jurisdiction in which any assets of the Contributors are located indicating that there are no Liens of record as of a date no more than five days before the Time of Closing with respect to any Asset, other than those set forth on Schedule 5.18, those which will be discharged at the Time of Closing or those which are approved or accepted in writing by LLC. LLC shall have received UCC Termination Statements from any secured creditors releasing all Liens other than as set forth above on the Assets at the Time of Closing.

(g) Approval of Documentation. The form and substance of all certificates, instruments, opinions, and other documents delivered or to be delivered to LLC under this Agreement shall be reasonably satisfactory to LLC and its counsel in all respects.

(h) Permits. LLC shall have received all permits from all appropriate governmental agencies necessary to operate the Business in the same manner as Contributors operated the Business prior to the Time of Closing, including the detective/security licenses, certificate of occupancy and electricians/alarm installer licenses set forth on Schedule 5.15.

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(i) Assignment. LLC shall have received good and sufficient assignments of the Assets and all required consents, in form reasonably satisfactory to LLC, to the transactions contemplated hereby by all third parties to all Contracts which involve the payment to or by Contributors of $50,000 in any year or $150,000 over the term thereof, all Leasehold Interests, all Proprietary Rights and all insurance policies. In addition, there shall have been delivered to LLC consents, in substantially the form attached hereto as Exhibit H, of the third parties to the Key Agreements.

(j) William Whitmore Employment Agreement. William Whitmore and the LLC shall have executed and delivered the William Whitmore Employment Agreement.

(k) Operating Agreement. LLC, Gryphon and each of the other Members of the LLC shall have executed and delivered the LLC Operating Agreement and made the capital contributions to the LLC set forth in Exhibit A thereto.

(l) Bank Agreement. LLC and Antares Leveraged Capital Corp. shall have executed and delivered the Credit Agreement relating to a $33 million credit facility in substantially the form of Exhibit I (the "Credit Agreement").

(m) Benefit Plans. The Contributors shall have terminated its Key Employee Income Plan and its Savings Plan and distributed all amounts held on behalf of, or due, the participants thereunder to such participants.

(n) Bulk Sales Law. At least 10 days prior to the Closing, Contributors shall have made all filings and provided all notices required by any applicable bulk sales law.

(o) Termination of Agreements. The LLC shall have received evidence of the termination of that certain Administrative and Service Agreement between Contributors and Life Safety Solutions, Inc. and of the Shareholders Agreement.

(p) Legion Agreement. LLC shall have received an agreement from Legion related to the workers' compensation policy, in form satisfactory to LLC, to the effect that either all amounts held in escrow relating to such policy shall be held for the benefit of LLC to satisfy workers' compensation claims and that no amounts shall be disbursed from such escrow until all claims have been satisfied or that Legion shall release LLC from any liability relating to such workers' compensation claims.

8.2 Conditions to Obligations of Contributors and Shareholders. Each and every obligation of Contributors and Shareholders to be performed at the Time of Closing shall be subject to the satisfaction as of or before such time of the following conditions (unless waived in writing by Contributors and Shareholders):

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(a) Representations and Warranties. The representations and warranties of LLC set forth in Article IV of this Agreement shall have been true and correct when made and shall be true and correct at and as of the Time of Closing as if such representations and warranties were made as of such date and time.

(b) Performance of Agreement. All covenants, conditions, and other obligations under this Agreement which are to be performed or complied with by LLC shall have been fully performed and complied with at or prior to the Time of Closing.

(c) Absence of Governmental or Other Objection. There shall be no pending or threatened lawsuit challenging the transaction by any body or agency of the federal, state, or local government or by any third party, and the consummation of the transaction shall not have been enjoined by a court of competent jurisdiction as of the Time of Closing.

(d) Operating Agreement. LLC and Gryphon shall have executed and delivered the LLC Operating Agreement, and Gryphon shall have made the capital contributions to the LLC set forth in Exhibit A thereto.

(e) Bank Agreement. LLC and Antares Leveraged Capital Corp. shall have executed and delivered the Credit Agreement.

(f) William Whitmore Employment Agreement. William Whitmore and the LLC shall have executed and delivered the William Whitmore Employment Agreement.

(g) Approval of Documentation. The form and substance of all certificates, instruments, opinions, and other documents delivered or to be delivered to Contributors and Shareholders under this Agreement shall be reasonably satisfactory to Contributors and Shareholders and their counsel in all respects.

(h) Collection of Prepaid Billing. Contributors shall have collected approximately $3.5 million of quarterly and annual prepaid billings.

ARTICLE IX

INDEMNIFICATION

9.1 Survival of Representations and Warranties.

(a) Notwithstanding any investigation conducted at any time with regard thereto by or on behalf of either party, the representations and warranties set forth in Article IV and V of this Agreement shall, absent actual fraud, intentional misrepresentation or

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active concealment, survive the execution, delivery, and performance of this Agreement for a period of three (3) years after the Time of Closing; provided that the representations, warranties of Contributors and Shareholders set forth in Sections 5.2, 5.14, 5.19, 5.20 and 5.22 hereof shall survive indefinitely. In the case of actual fraud, intentional misrepresentation or active concealment, the representations and warranties of such breaching party shall survive indefinitely. All representations and warranties of each party set forth in this Agreement shall be deemed to have been made again by such party at and as of the Time of Closing.

(b) As used in this Article, any reference to a representation, warranty, or covenant contained in any Section of this Agreement shall include the Schedule or Exhibit relating to such Section.

9.2 Indemnification.

(a) Contributors, jointly and severally and each of the Shareholders severally to the extent of his respective aggregate pro rata ownership interest in the Contributors, hereby agree to indemnify and hold harmless LLC and its affiliates, officers, managers, employees and members (other than Contributors or Shareholders) (the LLC and such persons being referred to herein as the "LLC Indemnified Parties") against any and all Loss and Expense (as defined below), asserted against, resulting from, imposed upon, or incurred or suffered by any of the LLC Indemnified Parties directly or indirectly, as a result of or arising from (i) any inaccuracy in or breach or nonfulfillment of any of the representations, warranties, covenants, or agreements made by Contributors or Shareholders in this Agreement, (ii) the operations of the Business or the ownership, use or operation of the Assets prior to the Time of Closing, whether invoiced or not invoiced, liquidated or unliquidated, known or unknown, other than the Assumed Liabilities, (iii) the Benefit Plans, whether asserted by any Governmental Entity, the participants thereof or otherwise, (iv) all Taxes relating to the Contributors, the Shareholders, the Business or the Assets for any period prior to the Time of Closing or arising as a result of the closing of the transactions contemplated hereby, including, without limitation, any Taxes attributable to the Contributors' qualification as S corporations, (v) noncompliance with any applicable bulk sales laws, (vi) any third party legal liability claims which arose prior to Closing including any of the matters listed on Schedule 5.7 hereof, provided however, such indemnification shall apply only if the actual disbursements made on account of such matters exceeds the amount reserved therefor in the Contributors' balance sheet as of June 30, 1997 plus $785,000 and then only to the extent of the excess above such reserve amount plus $785,000; (vii) bad debts on account of receivables attributable to the period prior to the Time of Closing if the actual losses/write off from such bad debts (less recoveries on account thereof) exceeds the amount reserved therefor on the balance sheet as of June 30, 1997 plus $150,000, but only to the extent of the excess above such reserve amount plus $150,000 (viii) all worker's compensation claims attributable to the period August 10, 1992 through August 9, 1996, (ix) all claims relating to the assertion of liability by third parties for acts or omissions to act prior to the Time of

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Closing by Contributors' employees, and (x) any obligation or liability of any Contributor or Shareholder not expressly assumed pursuant to Section 2.1 hereof. Loss and Expense shall mean any and all liabilities, obligations, losses, costs, damages or diminution of value and all reasonable out-of-pocket expenses, including attorney's and accountant fees.

(b) LLC hereby agrees to indemnify and hold harmless Contributors and Shareholders and any of their respective affiliates, officers, and employees (the "Contributors Indemnified Parties") against any and all Loss and Expense asserted against, resulting from, imposed upon or incurred or suffered by any of the Contributors Indemnified Parties directly or indirectly as a result of (i) the failure of LLC to satisfy the Assumed Liabilities when due or (ii) any inaccuracy in or breach of the representations and warranties of LLC hereunder.

(c) For purposes of Sections 9.3, 9.4 and 9.5 hereof, a party seeking indemnification hereunder shall be referred to as an Indemnified Party, and the party against whom the indemnification is sought shall be referred to as the Indemnifying Party.

(d) No indemnification shall be payable by any party hereto unless and until the Loss and Expense incurred by the Indemnified Party shall exceed $100,000 (at which point all amounts in excess of such $100,000 shall be paid) (the "Basket") and in no event shall the aggregate dollar amount received by LLC with respect to (i) claims other than Excess Claims (as such term is defined below) for indemnification by the Contributors and Shareholders under this Article IX exceed $5,000,000 or (ii) all claims (including Excess Claims) for indemnification by Contributors and Shareholders under this Article IX exceed $19,666,667. In no event shall the aggregate dollar amount received by Contributors and Shareholders with respect to claims for indemnification by the LLC under this Article IX exceed $5,000,000. Excess Claims shall mean any claims resulting or arising from any inaccuracy in or breach of the representations and warranties set forth in Sections 5.2, 5.14, 5.19, 5.20 and 5.22, any claims resulting or arising from the matters set forth in subsections (iii), (iv) and (ix) of Section 9.2(a) and any other claims relating to Hazardous Materials or ERISA or employee matters in all cases attributable to the period prior to the Time of Closing. In addition, there shall be no Basket and no limit on the dollar amount received by LLC with respect to claims relating to workers' compensation attributable to the period August 10, 1992 through August 9, 1996.

(e) LLC agrees to seek reimbursement or payment for any Loss or Expense from (i) first, the funds held in the escrow established pursuant to Section 3.1 hereof, (ii) second, the Convertible Note and the Subordinated Note, (iii) third, the limited liability interests of the LLC issued to Contributors (and their transferees) pursuant to Section 3.1 hereof with the value of such interests for such purposes being determined as set forth below and (iv) fourth, the Shareholders. The value of the limited liability interests shall be the fair market value of the interests as of the date of the payment to LLC of such Loss and Expense (taking into account such payment). Such fair market value shall be calculated as if 100% of

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the LLC were sold as a going concern and without regard to any discount for the lack of liquidity or on the basis that the relevant limited liability interests (or successor equity interests) do not constitute a majority or controlling interest in the LLC and assuming, if applicable, the exercise or conversion of all in-the-money warrants, convertible securities, options or other rights to subscribe for or purchase any additional limited liability interests or other equity interests of the LLC or securities convertible or exchangeable into such limited liability interests or other equity interests; and provided, further, that if Contributors or Shareholders shall dispute the fair market value as determined by the Management Committee of the LLC, Contributors or Shareholders may undertake to retain an Independent Expert. The determination of fair market value by the Independent Expert shall be final, binding and conclusive on LLC, the Contributors and the Shareholders. All costs and expenses of the Independent Expert shall be borne by Contributors or Shareholders unless the determination of fair market value by the Independent Expert is more than 5% less favorable to LLC than the fair market value determined by the Management Committee of the LLC, in which event the cost of the Independent Expert shall be shared equally by Contributors or Shareholders and LLC, or more than 10% less favorable to LLC than the fair market value determined by the Management Committee of the LLC, in which event the cost of the Independent Expert shall be borne solely by LLC. Independent Expert means an investment banking firm reasonably agreeable to both the LLC and the Shareholders who does not (and whose affiliates do not) have a financial interest in the LLC or any of its affiliates. In the event the LLC seeks to offset against amounts due under the Subordinated Note or the Convertible Note any Loss and Expense incurred hereunder and the Indemnifying Parties have initiated an arbitration proceeding to contest payment of such Loss and Expense, pending final resolution of such dispute by the arbitrators, LLC shall deposit into a third party escrow any amounts then due under the Subordinated Note or the Convertible Note which amounts shall be released in accordance with the arbitrators' decision or as mutually agreed by LLC and the Indemnifying Parties.

(f) Shareholders' obligations with respect to the indemnification set forth herein shall be several to the extent of their respective pro rata ownership interests in Contributors prior to their dissolution and shall not be joint and several notwithstanding the dissolution of contributors.

9.3 Procedure for Indemnification with Respect to Third-Party Claims.

(a) If any of the Indemnified Parties determines to seek indemnification under this Article IX with respect to any Loss and Expense resulting from the assertion of liability by third parties, such Indemnified Party shall give notice to the Indemnifying Party within 30 days of such Indemnified Party becoming aware of any such Loss and Expense, or of facts upon which any such Loss and Expense will be based; the notice shall set forth such material information with respect thereto as is then reasonably available to such Indemnified Party. In case any such liability is asserted against an Indemnified Party, and such Indemnified Party notifies the Indemnifying Party thereof, the

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Indemnifying Party will be entitled, if it so elects by written notice delivered to such Indemnified Party within 20 days after receiving such Indemnified Party's notice, to assume the defense thereof with counsel satisfactory to such Indemnified Party. Notwithstanding the foregoing, (i) an Indemnified Party shall also have the right to employ its own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless such Indemnified Party shall reasonably determine that there is a conflict of interest between or among such Indemnified Party and any Indemnifying Party with respect to such Loss and Expense in which case the fees and expenses of such counsel will be borne by the Indemnifying Party, (ii) such Indemnified Party shall not have any obligation to give any notice of any assertion of liability by a third party unless such assertion is in writing, and (iii) the rights of any Indemnified Party to be indemnified hereunder in respect of any Loss and Expense resulting from the assertion of liability by third parties shall not be adversely affected by its failure to give notice pursuant to the foregoing unless, and, if so, only to the extent that, the Indemnifying Party is materially prejudiced thereby. With respect to any assertion of liability by a third party that results in a Loss and Expense, the parties hereto shall make available to each other all relevant information in their possession material to any such assertion.

(b) In the event that the Indemnifying Party, within 30 days after receipt of the aforesaid notice of any Loss and Expense, fails to assume the defense of an Indemnified Party against such Loss and Expense, such Indemnified Party shall have the right to undertake the defense, compromise, or settlement of such action on behalf of and for the account, expense, and risk of the Indemnifying Party; provided, however that the Indemnified Party shall keep the Indemnifying Party timely apprised of the status of any claim with respect to such Loss and Expense and shall not settle such claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld.

(c) Notwithstanding anything in this Article IX to the contrary, (i) if there is a reasonable probability that any Loss and Expense may materially adversely affect an LLC Indemnified Party, LLC shall have the right to participate in such defense, compromise, or settlement and (ii) the Contributors and Shareholder shall not, without LLC's written consent (which consent shall not be unreasonably withheld), settle or compromise any Loss and Expense or consent to entry of any judgment in respect thereof.

9.4 Procedure For Indemnification with Respect to Non-Third Party Claims. In the event that an Indemnified Party asserts the existence of a claim giving rise to a Loss and Expense (but excluding claims resulting from the assertion of liability by third parties), it shall give written notice to the Indemnifying Party. Such written notice shall state that it is being given pursuant to this Section 9.4, specify the nature and amount of the claim asserted, and indicate the date on which such assertion shall be deemed accepted and the amount of the claim deemed a valid claim (such date to be established in accordance with the next sentence). If the Indemnifying Party, within 30 days after the giving of notice by such Indemnified Party, shall not give written notice to such Indemnified Party announcing its intent to contest

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such assertion of such Indemnified Party, such assertion shall be deemed accepted and the amount of claim shall be deemed a valid claim. In the event, however, that the Indemnifying Party contests the assertion of a claim by giving such written notice to such Indemnified Party within said period, then the parties shall act in good faith to reach agreement regarding such claim. In the event that arbitration or litigation shall arise with respect to any such claim, the prevailing party in such arbitration or litigation shall be entitled to reimbursement of costs and expenses incurred in connection with such arbitration or litigation including attorney fees, if the parties hereto, acting in good faith, cannot reach agreement with respect to such claim within thirty (30) days after such notice.

ARTICLE X

CONDUCT PRIOR TO THE TIME OF CLOSING

10.1 Access by Gryphon. The Contributors shall afford to Gryphon and its authorized representatives complete access upon reasonable prior notice during normal business hours to the offices, properties, employees and business and financial records of Contributors, and shall furnish to Gryphon or its authorized representatives such additional information concerning Contributors and the operation of the Business as shall be reasonably requested.

10.2 Preserve Accuracy of Representations and Warranties. Each of the parties hereto shall refrain from taking any action which would render any representation or warranty contained in this Agreement inaccurate if such event had occurred prior to the date of this Agreement. Each party shall promptly notify the other of any action, suit or proceeding that shall be instituted or threatened against such party to restrain, prohibit or otherwise challenge the legality of any transaction contemplated by this Agreement.

10.3 Consents and Approvals. Contributors and Shareholders shall use their respective best efforts to obtain all consents from parties to Contracts, Leasehold Interests and other agreements and from governmental authorities, which are necessary and required by the terms thereof, this Agreement, or otherwise for the due and punctual consummation of the transactions contemplated by this Agreement. In such regard, Contributors and Shareholders shall send to all parties and governmental authorities from whom such consents are required by the terms hereof a form of consent (which, in the case of Key Agreements, shall be the form attached hereto as Exhibit H), by no later than December 31, 1997 and shall use reasonable efforts to obtain such consents by January 16, 1998 and to collect at least $3.5 million in quarterly and annual prepaid billing by such date. Contributors shall not be required to make any changes to any Key Agreement in order to obtain any consent and to collect at least $3.5 million in prepaid billings by such date.

10.4 Conduct of Business of Contributors. During the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement or the

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Time of Closing, each Contributor agrees, and each of the Shareholders agrees to cause the Contributors, (except to the extent expressly contemplated by this Agreement or as consented to in writing by the LLC), to carry on its business in the usual, regular and ordinary course in substantially the same manner as heretofore conducted. Each of the Contributors further agrees, and each of the Shareholders agrees to cause the Contributors, to pay debts and Taxes when due subject to good faith disputes over such debts or Taxes, to pay or perform other obligations when due, and to use all reasonable efforts consistent with past practice and policies to preserve intact its present business organizations, keep available the services of its present officers and key employees and preserve its relationships with customers, suppliers, distributors, licensors, licensees, and others having business dealings with it, to the end that its goodwill and ongoing businesses shall be unimpaired at the Time of Closing. Each of the Contributors agrees, and each of the Shareholders agrees to cause each Contributor, to promptly notify the LLC of any event or occurrence not in the ordinary course of its business, and of any event which could have a material adverse effect on any Contributor. Without limiting the foregoing, except as expressly contemplated by this Agreement, no Contributor shall do, cause or permit any of the following, and each Shareholder agrees not to allow, cause or permit any of the Contributors to do, cause or permit any of the following, without the prior written consent of the LLC:

(a) Charter Documents. Cause or permit any amendments to its Articles of Incorporation or Bylaws;

(b) Material Contracts. Enter into any Key Agreement, or Contract involving the payment or receipt of more than $50,000 in any year or $150,000 over the term thereof, or violate, amend or otherwise modify or waive any of the terms of any of its material Contracts or Key Agreements;

(c) Issuance of Securities. Issue, deliver or sell or authorize or propose the issuance, delivery or sale of, or purchase or propose the purchase of, any shares of its capital stock or securities convertible into, or subscriptions, rights, warrants or options to acquire, or other agreements or commitments of any character obligating it to issue any such shares or other convertible securities;

(d) Intellectual Property. Transfer to any person or entity any rights to its Proprietary Rights;

(e) Exclusive Rights. Enter into or amend any agreements pursuant to which any other party is granted exclusive rights of any type or scope;

(f) Dispositions. Sell, lease, license or otherwise dispose of or encumber any of its properties or assets which are material, individually or in the aggregate, to its business;

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(g) Leases. Enter into any operating lease;

(h) Payment of Obligations. Pay, discharge or satisfy in an amount in excess of $50,000 any claim, liability or obligation (absolute, accrued, asserted or unasserted, contingent or otherwise) arising other than in the ordinary course of business, other than the payment, discharge or satisfaction of liabilities reflected or reserved against in the Financial Statements, year-end bonuses to employees and the payments under the deferred compensation plan;

(i) Capital Expenditures. Make any capital expenditures, capital additions or capital improvements in excess of $50,000;

(j) Insurance. Reduce the amount of any material insurance coverage provided by existing insurance policies;

(k) Termination or Waiver. Terminate or waive any right of substantial value;

(l) Employee Benefit Plans; New Hires; Pay Increases. Adopt or amend any employee benefit or stock purchase or option plan, or hire any new , or promote any existing employee to the status of, vice president level or officer level employee, pay any special bonus or special remuneration to any employee or director (except payments made pursuant to written agreements outstanding on the date hereof), or increase the salaries or wage rates of its employees;

(m) Severance Arrangements. Grant any severance or termination pay to any director or officer or to any other employee;

(n) Lawsuits. Commence a lawsuit other than (i) for the routine collection of bills, (ii) in such cases where it in good faith determines that failure to commence suit would result in the material impairment of a valuable aspect of its business, provided that it consults with LLC prior to the filing of such a suit, or (iii) for a breach of this Agreement;

(o) Acquisitions. Acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any assets which are material, individually or in the aggregate, to its and its subsidiaries' business, taken as a whole; and

(p) Taxes. Make or change any election in respect of Taxes, adopt or change any accounting method in respect of Taxes, file any Tax Return or any amendment

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to a Tax Return, enter into any closing agreement, settle any claim or assessment in respect of Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of Taxes except that the fiscal year for SpectaGuard, Inc. a Pennsylvania corporation, may be changed to December 31 and provided that the Contributors may continue to pursue, in due course, any of the foregoing that are in the process as of the date hereof.

10.5 No Other Offers. No Contributor nor any of the Shareholders will solicit, encourage or entertain proposals from or enter into negotiations with or furnish any nonpublic information to any other person or entity regarding the possible sale of the Business, Assets or any of Contributors' capital stock. Contributors shall notify Gryphon promptly of any proposals by third parties with respect to the acquisition of all or any portion of any Contributors' business, assets or capital stock and furnish Gryphon the material terms thereof.

ARTICLE XI

TERMINATION, AMENDMENT AND WAIVER

11.1 Termination. At any time prior to the Time of Closing, this Agreement may be terminated:

11.1.1 by mutual consent duly authorized by Gryphon, on behalf of LLC, and each of the Shareholders;

11.1.2 by either Gryphon, on behalf of LLC, or the Contributors, if, without fault of the terminating party, the Closing shall not have occurred on or before February 28, 1998, (provided, a later date may be agreed upon in writing by the parties hereto, and provided further that the right to terminate this Agreement under this Section 11.1.2 shall not be available to any party whose action or failure to act has been the cause or resulted in the failure of the Closing to occur on or before such date and such action or failure to act constitutes a breach of this Agreement);

11.1.3 by Gryphon, on behalf of LLC, if the Contributors shall breach any representation, warranty, obligation or agreement hereunder and such breach shall not have been cured within ten (10) business days of receipt by the Contributors of written notice of such breach provided that the right to terminate this Agreement by Gryphon under this Section 11.1.3 shall not be available to Gryphon where LLC is at that time in willful breach of this Agreement;

11.1.4 by Contributors if LLC shall breach any representation, warranty, obligation or agreement hereunder and such breach shall not have been cured within ten (10) days following receipt by LLC of written notice of such breach, provided that the right to

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terminate this Agreement by Contributors under this Section 11.1.4 shall not be available to Contributors where Contributors are at that time in willful breach of this Agreement;

11.1.5 by Gryphon, on behalf of LLC, if any permanent injunction or other order of a court or other competent authority preventing the Closing shall have become final and nonappealable; or

11.1.6 by Contributors if any permanent injunction or other order of a court or other competent authority preventing the Closing shall have become final and nonappealable.

11.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 11.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of LLC, Gryphon, Contributors or Shareholders or their respective officers, directors, shareholders or affiliates, except to the extent that such termination results from the breach by a party hereto of any of its representations, warranties or covenants set forth in this Agreement; provided that, the provisions of Section 6.1, Article XII and this Article XI shall remain in full force and effect and survive any termination of this Agreement.

ARTICLE XII

MISCELLANEOUS PROVISIONS

12.1 Notice. All notices and other communications required or permitted under this Agreement shall be delivered to the parties at the address set forth below their respective signature blocks, or at such other address that they designate by notice to all other parties in accordance with this Section 10.1. Any party delivering notice to Contributors or Shareholders shall deliver a copy to Ballard Spahr Andrews & Ingersoll, 1735 Market Street, 51st Floor, Philadelphia, PA 19103 Attn: Richard J. Braemer. Any party delivering notice to LLC shall deliver a copy to: Brobeck, Phleger & Harrison LLP, Two Embarcadero Place, 2200 Geng Road, Palo Alto, CA 94303, Attn: Therese A. Mrozek. All notices and communications shall be deemed to have been received unless otherwise set forth herein: (i) in the case of personal delivery, on the date of such delivery; (ii) in the case of telex or facsimile transmission, on the date on which the sender receives confirmation by telex or facsimile transmission that such notice was received by the addressee, provided that a copy of such transmission is additionally sent by mail as set forth in (iv) below; (iii) in the case of overnight air courier, on the second business day following the day sent, with receipt confirmed by the courier; and (iv) in the case of mailing by first class certified or registered mail, postage prepaid, return receipt requested, on the fifth business day following such mailing.

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12.2 Entire Agreement. This Agreement, the Transaction Documents, the exhibits and schedules hereto and thereto, and the documents referred to herein and therein embody the entire agreement and understanding of the parties hereto with respect to the subject matter hereof, and supersede all prior and contemporaneous agreements and understandings, oral or written, relative to said subject matter.

12.3 Binding Effect; Assignment. This Agreement and the various rights and obligations arising hereunder shall inure to the benefit of and be binding upon Contributors, Shareholders, their successors and permitted assigns, and LLC and its successors and permitted assigns. Neither this Agreement nor any of the rights, interests, or obligations hereunder shall be transferred or assigned by the parties hereto without the prior written consent of the other parties; provided, however, that LLC may transfer its rights, interests or obligations hereunder to an affiliate and to Antares Leveraged Capital Corp. ("Antares") as agent for all Lenders under the Credit Agreement.

12.4 Captions. The Article and Section headings of this Agreement are inserted for convenience only and shall not constitute a part of this Agreement in construing or interpreting any provision hereof.

12.5 Expenses of Transaction; Taxes. The LLC shall bear its own costs and expenses and the reasonable costs and expenses of Gryphon (including the fees and expenses of all of Gryphon's advisors) in connection with this Agreement and the transactions contemplated hereby. Contributors shall pay all applicable sales, use, excise, transfer, documentary and any other similar taxes arising out of the purchase and sale of the Assets.

12.6 Waiver; Consent. This Agreement may not be changed, amended, terminated, augmented, rescinded, or discharged (other than by performance), in whole or in part, except by a writing executed by the parties hereto, and no waiver of any of the provisions or conditions of this Agreement or any of the rights of a party hereto shall be effective or binding unless such waiver shall be in writing and signed by the party claimed to have given or consented thereto. Except to the extent that a party hereto may have otherwise agreed in writing, no waiver by that party of any condition of this Agreement or breach by any other party of any of its obligations or representations hereunder or thereunder shall be deemed to be a waiver of any other condition or subsequent or prior breach of the same or any other obligation or representation by any other party, nor shall any forbearance by the first party to seek a remedy for any noncompliance or breach by any other party be deemed to be a waiver by the first party of its rights and remedies with respect to such noncompliance or breach.

12.7 Third-Party Beneficiaries. Except as otherwise expressly provided for in this Agreement, nothing herein, expressed or implied, is intended or shall be construed to confer upon or give to any person, firm, corporation, or legal entity, other than the parties hereto, any rights, remedies, or other benefits under or by reason of this Agreement. The

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parties hereto expressly acknowledge that Gryphon and Antares and any of their successors, assigns and affiliates shall have the right to rely upon the representations and warranties of Contributors and Shareholders and shall have the right to enforce the indemnity obligations of Contributors and Shareholders contained in Article IX of this Agreement.

12.8 Counterparts. This Agreement may be executed simultaneously in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

12.9 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

12.10 Remedies.

(a) Contributors and Shareholders agree that the Assets are unique and not otherwise readily available to LLC. Accordingly, Contributors and Shareholders acknowledge that, in addition to all other remedies to which LLC is entitled, LLC shall have the right to enforce the terms of this Agreement by a decree of specific performance, provided LLC is not in material default hereunder.

(b) A party hereto may pursue any right or remedy available to it at law or in equity for any claim relating to the transactions contemplated hereunder, and the use of any one right or other remedy by any party hereto shall not preclude or constitute a waiver of its rights to use any or all other remedies; provided, however, that if the Time of Closing occurs, the indemnification provided in Article IX shall be the exclusive remedy for any misrepresentations, breaches of warranty or breaches of, or failure to perform, any covenant or agreement contained in this Agreement, except with respect to (i) any breach or failure for which monetary damages would be an inadequate remedy, or (ii) any equitable right, remedy or claim based on willful misconduct, fraud or mutual mistake or impossibility. In any proceeding by any LLC Indemnified Party to assert or prosecute any claim under, or to otherwise enforce, this Agreement, the Contributors and the Shareholders agree that they shall not assert as a defense or bar to recovery by any such LLC Indemnified Party and hereby waive any right to so assert such defense or bar such recovery, that: (a) prior to the Closing LLC shall have had knowledge of the circumstances giving rise to the claim being pursued by it; or (b) the Contributors and Shareholders have a right of contribution from LLC to the extent that there is any recovery against them.

12.11 Governing Law. This Agreement shall in all respects be construed in accordance with and governed by the laws of the State of Delaware as applied to agreements among Delaware residents entered into and to be performed entirely within Delaware.

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12.12 Attorneys' Fees. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement or to protect the rights obtained hereunder the prevailing party shall be entitled to its reasonable attorneys' fees, including attorneys' fees on appeal, costs, and disbursements in addition to any other relief to which it may be entitled.

12.13 Cooperation and Records Retention. Contributors, Shareholders and LLC shall (i) each provide the other with such assistance as may reasonably be requested by them in connection with the preparation of any Tax return, statement, report, form or other document (hereinafter collectively a "Tax Return"), or in connection with any audit or other examination by any taxing authority or any judicial or administrative proceedings relating to liability for Taxes, (ii) each retain and provide the other, with any records or other information which may be relevant to any such Tax Return, audit or examination, proceeding or determination, and (iii) each provide the other with any final determination of any such audit or examination, proceeding or determination that affects any amount required to be shown on any Tax Return of the other for any period. Without limiting the generality of the foregoing, Contributors, Shareholders and LLC shall retain, until the applicable statute of limitations (including any extensions) have expired, copies of all Tax Returns, supporting work schedules and other records or information which may be relevant to such Tax Returns for all tax periods or portions thereof ending before or including the Time of Closing and shall not destroy or otherwise dispose of any such records without first providing the other party with a reasonable opportunity to review and copy the same. LLC shall keep the original copies of the records at its facilities in King of Prussia, Pennsylvania and elsewhere, if applicable, and, at Contributors' or Shareholders' expense, shall provide copies of the records to Contributors or Shareholders upon their request.

12.14 Arbitration. Any controversy or claim arising out of or relating to this Agreement or the breach hereof shall be settled by binding arbitration as set forth on Exhibit J hereto. Final and binding arbitration will be conducted in Wilmington, Delaware in accordance with the rules and regulations of the American Arbitration Association. The cost of the arbitration filing and hearing fees, and the cost of the arbitrator will be borne one-half by the LLC and one-half by the Contributors. Each party will bear its own costs and the costs of its witnesses. Each party understands and agrees that the arbitration shall be instead of any civil litigation and that each party is waiving its right to a jury trial as to such claims. The parties further understand and agree that the arbitrator's decision shall be final and binding to the fullest extent permitted by law and enforceable by any court having jurisdiction thereof.

12.15 Knowledge of Contributors. References herein to the "knowledge of the Contributors" or the "Contributors' knowledge" shall mean the actual knowledge of Jay T. Snider, William C. Whitmore, Jr., Stephen E. Flynn, II, and Ben Lazar; provided, however, that such persons shall have made due inquiry of those employees of Contributors whom they reasonably believe would have actual knowledge of the facts represented.

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12.16 Payment of Related Party Receivables. All amounts due Contributors from parties affiliated with any of the Shareholders shall be repaid within thirty days of the Closing.

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

SPECTAGUARD, INC.
a Massachusetts corporation

By: _____
Name: Jay T. Snider
Title: Chairman of the Board

SPECTAGUARD ELECTRONIC PROTECTION SYSTEMS, INC.,
a Pennsylvania corporation

By: _____
Name: Jay T. Snider
Title: Chairman of the Board

SPECTAGUARD, INC.,
a Pennsylvania corporation

By: _____
Name: Jay T. Snider
Title: Chairman of the Board

SPECTAGUARD ACQUISITION LLC
a Delaware limited liability company

By: _____
Name: Nicholas Orum
Title: Secretary

_____
Jay T. Snider

_____
William C. Whitmore, Jr.

_____
Stephen E. Flynn, II

[SIGNATURE PAGE TO CONTRIBUTION AND SALE AGREEMENT]

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

SPECTAGUARD, INC.
a Massachusetts corporation

By: _____
Name:
Title:

SPECTAGUARD ELECTRONIC PROTECTION SYSTEMS, INC.,
a Pennsylvania corporation

By: _____
Name:
Title:

SPECTAGUARD, INC.,
a Pennsylvania corporation

By: _____
Name:
Title:

SPECTAGUARD ACQUISITION LLC
a Delaware limited liability company

By: _____
Name: Nicholas Orum
Title: Secretary

_____
Jay T. Snider

_____
William C. Whitmore, Jr.

_____
Stephen E. Flynn, II

[SIGNATURE PAGE TO CONTRIBUTION AND SALE AGREEMENT]

DEC 23 '97 09:51AM BP&H 415 496 2732

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SpectaGuard
Schedule 1.1(e)
ademarks, Software Licenses,
onfidentiality Agreements, Supplier Lists

Description

Trademarks

See Attached For:

U.S. Patent & Trademark
Reg. No. 1,199,136
Registered June 22, 1982 Relating to "SpectaGuard"

Service Mark No. 298,329
Filed Feb. 23, 1981 Relating to "SpectaGuard" and logo

Software Licenses

Team Financial Management Systems, Inc.
Original Agreement dated October 6, 1993

PPM2000, Inc.
Security Intrack Site License
Purchase Order#4342 dated July 9, 1992

Confidentiality Agreements

See Attached List

Supplier List

See Attached List

Customer Lists

See Schedule 1.1(c)