

Form PTO-1594 (Rev. 01-09)  
OMB Collection 0651-0027 (exp. 02/28/2009)

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

### RECORDATION FORM COVER SHEET TRADEMARKS ONLY

To the Director of the U. S. Patent and Trademark Office: Please record the attached documents or the new address(es) below.

**1. Name of conveying party(ies):**

Caldon Company

- Individual(s)
- General Partnership
- Corporation- State: \_\_\_\_\_
- Other \_\_\_\_\_
- Association
- Limited Partnership

Citizenship (see guidelines) Pennsylvania, USA

Additional names of conveying parties attached?  Yes  No

**3. Nature of conveyance )/Execution Date(s) :**

Execution Date(s) December 8, 2005

- Assignment
- Security Agreement
- Other asset sale and purchase agreement
- Merger
- Change of Name

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

Additional names, addresses, or citizenship attached?  Yes  No

Name: Nuflo Technologies, Inc.

Internal Address: \_\_\_\_\_

Street Address: 1333 W. Loop South

City: Houston

State: Texas

Country: USA Zip: 77027

- Association Citizenship \_\_\_\_\_
- General Partnership Citizenship \_\_\_\_\_
- Limited Partnership Citizenship \_\_\_\_\_
- Corporation Citizenship Delaware, USA
- Other \_\_\_\_\_ Citizenship \_\_\_\_\_

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)

**4. Application number(s) or registration number(s) and identification or description of the Trademark.**

A. Trademark Application No. (s)

B. Trademark Registration No. (s)

2,904,400

Additional sheet(s) attached?  Yes  No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

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

Name: Ansel M. Schwartz

Internal Address: \_\_\_\_\_

Street Address: 201 N. Craig Street, Suite 304

City: Pittsburgh

State: Pennsylvania Zip: 15213

Phone Number: 412-621-9222

Fax Number: 412-621-8640

Email Address: ams2100@aol.com

**6. Total number of applications and registrations involved:**

1

**7. Total fee (37 CFR 2.6(b)(6) & 3.41)** \$40.00

- Authorized to be charged to deposit account
- Enclosed

**8. Payment Information:**

Deposit Account Number 19-0737

Authorized User Name Ansel M. Schwartz

9. Signature: Ansel Schwartz  
Signature

10/7/10  
Date

Ansel M. Schwartz

Name of Person Signing

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

50

Documents to be recorded (including cover sheet) should be faxed to (571) 273-0140, or mailed to:  
Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

CH \$40.00 190737 2904400

## ASSET SALE AND PURCHASE AGREEMENT

This ASSET SALE AND PURCHASE AGREEMENT is made and entered into as of the 8<sup>th</sup> day of December 2005, by and among CALDON COMPANY, a Pennsylvania limited liability partnership ("Caldon") and CALDON, INC., a Pennsylvania corporation and a limited partner of Caldton (the "Limited Partner") (Caldon and the Limited Partner are sometimes individually referred to herein as a "Seller" and collectively as the "Sellers"), and NUFLO TECHNOLOGIES, INC., a Delaware corporation (the "Buyer").

### BACKGROUND

A. Caldton is engaged in the business of designing, manufacturing, marketing and servicing ultrasonic flow measurement and monitoring systems for the nuclear power, petroleum, defense, hydroelectric and other industries (the "Business").

B. Caldton and the Limited Partner are parties to an Agency Agreement dated January 20, 1989 (the "Agency Agreement"), pursuant to which the Limited Partner (i) entered into agreements as agent for the benefit of Caldton and (ii) holds the legal ownership of certain Intellectual Property (as defined herein) for the benefit of Caldton.

C. The Limited Partner is a party to this Agreement for the purposes of transferring all right, title and interest in the assets and rights, tangible and intangible, which it holds as agent for the benefit of Caldton and the Business.

D. Buyer desires to acquire from Sellers, and Sellers desire to transfer to Buyer, the Purchased Assets (as hereinafter defined), and in connection therewith, Buyer is willing to assume the Assumed Liabilities (as hereinafter defined), all in accordance with and subject to the terms and conditions hereinafter provided (the "Transaction").

E. Sellers and Buyer (sometimes referred to herein individually as a "Party" and collectively as the "Parties") desire to state the terms and conditions of the Transaction, including the mode of carrying out the same, the consideration to be exchanged by the Parties in connection with the Transaction and such other matters as the Parties consider to be necessary or desirable.

NOW, THEREFORE, in consideration of the foregoing premises and of the mutual and independent promises and undertakings hereinafter set forth, and subject to the terms and conditions hereinafter provided, the Parties, intending to be legally bound hereby, agree as follows:

### ARTICLE I.

#### Definitions and Certain Usages

1.1 Defined Terms. Initially capitalized words and phrases set forth below in this Section 1.1 have the following meanings:

"AAA" has the meaning give to it in Section 6.6(a)(ii).

"Accounts Receivable" means, at the relevant time, all accounts and notes receivable from customers in respect of sales of products and services relating to the Business.

"Affiliate" means, when used with reference to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, the referent Person. For purposes of this definition, "control," when used with respect to any specified Person, means the power to direct or cause the direction of the management and/or policies of such Person, directly or indirectly, whether through ownership of voting securities or other voting rights, by contract or otherwise (and the words "controlling" and "controlled" have meanings correlative of the foregoing).

"Agency Agreement" has the meaning given to it in the recitals.

"Agreement" means this Asset Sale and Purchase Agreement (including the Exhibits and Schedules hereto), as the same may, from time to time, be amended, modified or supplemented in accordance with its terms.

"Applicable Legal Requirements" means, with respect to any Person, any federal, foreign, state or local law (whether statutory or common law), rule, regulation, code or ordinance, and any administrative, judicial or arbitral decision, order, ruling, judgment, award, writ or decree to which such Person and/or all or a portion of the business or assets of such Person is subject.

"Arbiter" has the meaning given to it in Section 2.8(c).

"Assumed Contracts" means those Contracts identified on Schedule 1.1(a) hereto.

"Assumed Liabilities" means (a) all liabilities and obligations of Sellers arising under the terms of the Assumed Contracts, (b) all items which comprise each account balance under the caption "Liabilities" in the Reference Balance Sheet (but only to the extent such items are included in Final Net Working Capital), (c) liabilities incurred by Sellers in the Ordinary Course of Business (but only to the extent included in Final Net Working Capital), and which do not constitute a breach of any representation, warranty and covenant contained herein, subsequent to the date of the Reference Balance Sheet for the account or benefit of Buyer or, of the property, other assets and business of the Business to be transferred to Buyer pursuant to this Agreement, provided, however, the Assumed Liabilities shall not include (i) the Retained Liabilities, (ii) any Tax liability of Sellers or their Affiliates, (iii) all attorneys' and accountants fees and expenses and any other fees and expenses incurred by Sellers or their Affiliates in connection with the consummation of the transactions contemplated hereby, (iv) any liability or obligations arising out of or relating to the Excluded Assets, and (v) any inter-company liabilities.

"Balance Sheet Date" means August 31, 2005.

"Benefit Plan" means any "employee benefit plan," as such term is defined in Section 3(3) of ERISA, and all other employee compensation and benefit plans, programs, arrangements and contracts of Caldor (including all bonus, profit sharing, severance, retention,

change of control, incentive compensation, welfare, cafeteria and deferred compensation plans maintained by Caldon or to which Caldon has or had any obligation to contribute, contributes or has contributed and any holiday, personnel or vacation plan or practice), whether or not terminated prior to the date of this Agreement.

"Bill of Sale, Assignment and Assumption Agreement" means the agreement, in the form mutually agreed upon by the Parties, to be entered into at Closing by and between Sellers and Buyer.

"Books and Records" means all books and records (in whatever form or medium) that pertain to the Business, including, but not limited to, the following: (i) all computer files and programs, retrieval programs, operating data and plans, (ii) all production records, customer lists, item specifications, product literature, sales records, warranty information, and pricing models and schedules, and (iii) all schematics, drawings, blueprints, plans, specifications and similar documentation, but excluding any of the foregoing that are part of the Excluded Assets.

"Business" has the meaning given to it in Paragraph A of the Background hereto.

"Business Day" means any day other than a Saturday, Sunday or any other day on which commercial banks located in Pittsburgh, Pennsylvania are permitted or required by law to be closed.

"Buyer" has the meaning given to it in the introductory paragraph hereto.

"Buyer COBRA Period" has the meaning give to it in Section 4.5(b)(v).

"Buyer Loss" and "Buyer Losses" have the meanings given to them in Section 5.2(d) hereof.

"Buyer Party" and "Buyer Parties" have the meanings given to them in Section 5.2 hereof.

"Buyer's Standard Cost" means the standard cost used in Buyer's financial records computed on a full absorption basis in accordance with GAAP. This standard cost includes all material, direct labor and an allocated share of indirect costs required to manufacture the product. Material cost includes the cost of raw materials, purchased parts and third party manufacturing costs. Direct labor includes the cost of wages, payroll taxes and employee benefits for the manufacturing personnel building the product. Indirect costs include freight (associated with material, consumable shop materials, supplies and tools), manufacturing building operating costs (such as rent, utilities, repairs, property taxes and insurance), shop equipment costs (such as depreciation, repair and equipment rental), and indirect labor (for receiving, shipping, purchasing, planning, scheduling and supervision). Indirect costs are generally allocated to inventory using an overhead rate per direct labor hour spent manufacturing the product. Buyer's Standard Cost specifically does not include scrap expense, Buyer's corporate overhead and Buyer's general and administrative expense.

"Caldon Designated Employees" has the meaning given to it in Section 4.5(a)(i) hereof.

"Caldon Employees" has the meaning given to it in Section 3.2(u)(vii) hereof.

"Caldon Ltd." means Caldton Ltd., an English corporation, and wholly-owned subsidiary of Caldton.

"Capitalized Lease Obligations" means, for any applicable period, the obligations of such Person that are required to be classified and accounted for as capital lease obligations under GAAP, together with all obligations to make termination payments under such capitalized lease obligations.

"Charter Documents" means, with respect to Sellers or Buyer, as the case may be, (i) the articles of incorporation, certificate of incorporation, certificate of limited partnership, or other organizational document required by the laws of the jurisdiction in which such Party is organized in order for it to commence its existence, and (ii) the bylaws, partnership agreement, or other document governing the internal affairs of such Party.

"Claim" and "Claims" have the meanings given to them in Section 5.3(a) hereof.

"Claim Expiration Date" has the meaning given to it in Section 5.3(e) hereof.

"Closing" has the meaning given to it in Section 2.1 hereof.

"Closing Date" has the meaning given to it in Section 2.1 hereof.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder.

"Constituent of Concern" means any substance defined as a hazardous substance, hazardous waste, hazardous material, pollutant or contaminant by any Environmental Law, any petroleum hydrocarbon and any degradation product of a petroleum hydrocarbon, asbestos, PCB or similar substance, the generation, recycling, use, treatment, storage, transportation, Release, disposal or exposure of or to which is subject to regulation under any Environmental Law.

"Contracts" means all rights and obligations of Sellers under all contracts, agreements, purchase orders and sale orders relating to the Business, including (a) all orders and agreements for the sale of products or services of the Business, (b) all agreements for the purchase or delivery of Utilities, Inventory, supplies, parts or maintenance services, and (c) all equipment or facility leases.

"Conveyance Documents" means the Bill of Sale, Assignment and Assumption Agreement, the Patent Assignment, the Trademark Assignment and all other instruments and documents required (or reasonably requested by Buyer) for the sale, assignment, conveyance, grant, transfer and delivery by Sellers to Buyer of the Purchased Assets pursuant to this Agreement.

"Disclosure Schedule" means the attached list of disclosures and exceptions relating to the representations and warranties of the Parties.

"Dispute" has the meaning given to it in Section 6.6(a) hereof.

"Disputing Parties" has the meaning given to it in Section 6.6(a)(i) hereof.

"Earnout Agreement" has the meaning given to it in Section 2.3(a) hereof.

"Environmental Claims" means administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, citations, summonses, notices of non-compliance or violation, requests for information, investigations or proceedings relating in any way to the Release of Constituents of Concern or any Environmental Law, including (a) Environmental Claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any Environmental Law, and (b) Environmental Claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from Constituents of Concern or arising from an alleged injury or threat of injury to human health and safety or the environment.

"Environmental Law" means any Applicable Legal Requirement relating to (a) the protection of the environment (including, without limitation, air, water, surface water, ground water, drinking water, surface land and subsurface land), (b) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, protection, Release or disposal of pollutants, contaminants, wastes or chemicals or any toxic, radioactive, ignitable, corrosive or otherwise hazardous substance or material, including asbestos and asbestos containing materials, or (c) the effect of any of the foregoing on human health or safety.

"Environmental Permits" means all licenses, authorizations, certificates and approvals of Governmental Authorities relating to or required by Environmental Laws.

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

"ERISA Affiliate" means any Person that, together with Caldon, would be considered a single employer within the meaning of Section 4001 of ERISA or Section 414 of the Code.

"Escrow Agreement" has the meaning given to it in Section 2.3(b).

"Escrow Amount" has the meaning given to it in Section 2.3(b).

"Estimated Net Working Capital Amount" has the meaning give to it in Section 2.8(a)(i).

"Estimated Working Capital Certificate" has the meaning given to it in Section 2.8.

"Excluded Assets" means the following that shall not be included in the sale and purchase hereunder, are excluded from the Purchased Assets and shall remain the property of Sellers:

(a) all rights of Sellers to any Tax refunds, Tax abatements and Tax carry forwards or carrybacks relating to Taxes imposed on Sellers or that relate to the operation of the Business or the ownership of the Purchased Assets prior to the Closing Date;

(b) all Charter Documents of Sellers;

- (c) all rights of Sellers under this Agreement and the Conveyance Documents;
- (d) all Contracts which are not Assumed Contracts, a list of which is attached as Schedule 1.1(b);
- (e) all personnel records, Caldon's partnership Tax records and any other records that either Seller is required by Applicable Legal Requirements to retain in its possession;
- (f) the rights and assets described in Schedule 1.1(c);
- (g) all inter-company Accounts Receivable;
- (h) receivables related to COBRA;
- (i) the capital stock of Caldon Ltd.;
- (j) all claims, causes of action, rights of recovery or set-off and defenses and all other rights relating to the Excluded Assets and the Retained Liabilities; and
- (k) the Limited Partner's ownership interest in Caldon.

"Final Net Working Capital" has the meaning given to it in Section 2.8(c).

"Final Working Capital Certificate" has the meaning given to it in Section 2.8(b).

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States subject to the exceptions set forth on Schedule 1.1(d).

"Governmental Authority" means any foreign, federal, state or local governmental authority charged with the administration or enforcement of any Applicable Legal Requirement.

"Governmental Authorizations" means all licenses, permits, certificates, and other authorizations and approvals required under all Applicable Legal Requirements to which the Business and/or any of the Purchased Assets are subject.

"Hire Date" has the meaning given to it in Section 4.5(b)(ii) hereof.

"Indebtedness" means with respect to any Person, at any date, without duplication, (a) all obligations of such Person for borrowed money, including all principal, interest, premiums, fees, expenses, overdrafts and penalties with respect thereto, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade payables incurred in the Ordinary Course of Business, (d) all obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (e) all Capitalized Lease Obligations, (f) all other obligations of a Person which would be required to be shown as indebtedness on a balance sheet of such Person prepared in accordance with GAAP, and (g) all indebtedness of any other Person of the type referred to in clauses (a) to (f) above

directly or indirectly guaranteed by such Person or secured by any assets of such Person, whether or not such Indebtedness has been assumed by such Person.

"Indemnified Party" and "Indemnified Parties" have the meanings given to them in Section 5.3(a) hereof.

"Indemnifying Party" has the meaning given to it in Section 5.3(b) hereof.

"Intellectual Property" means all trade names, assumed names, service marks, trademarks, logos, patents, copyrights, trade secrets, proprietary technical information, engineering analyses, test results, know-how, proprietary designs or processes, inventions, research in progress, technical reports, manufacturing drawings, domain names, websites, computer programs and software (including any registrations or applications for registration or renewal of any of the foregoing), and all similar rights and assets that are necessary for, or used in the operation of, the Business.

"Inventory" means all raw materials, work in process and finished goods, including any such items that are in transit, held at the premises of others or paid for and not delivered.

"Lawsuits" has the meaning given to it in Section 4.15.

"Legal Proceedings" has the meaning given to it in Section 3.1(e) hereof.

"Lien" means any restriction, adverse claim, charge, mortgage, deed of trust, pledge, security interest, option, right of first refusal, right of first offer, right to purchase, or other encumbrance on or against or with respect to property.

"Limited Partner" has the meaning set forth in the first paragraph of this Agreement.

"Net Working Capital" means the amount determined by subtracting Working Capital Liabilities from Working Capital Assets.

"Non-Active Employees" has the meaning given to it in Section 4.5(a)(i).

"Non-Caldon Designated Employees" has the meaning given to it in Section 4.5(a)(i) hereof.

"Non-Competition Agreement" means the Non-Competition Agreement substantially in the form of Exhibit A hereto.

"Ordinary Course of Business" means, with respect to any Person, the ordinary course of business of such Person, consistent with such Person's past practice and custom, including, with respect to any category, quantity or dollar amount, term and frequency of payment, delivery, accrual, expense or any other accounting entry.

"Party" and "Parties" have the meanings given to them in Paragraph C of the Background hereof.



"Patent Assignment" means the Patent Assignment in the form mutually agreed upon by the Parties.

"PBGC" has the meaning given to it in Section 3.2(r)(xii).

"Permitted Encumbrances" means, without duplication, (a) Liens for Taxes not yet due and payable, (b) interests of licensors of tangible personal property and Intellectual Property licensed to either Seller, and (c) interests of lessors of real estate or equipment or other tangible personal property leased to either Seller.

"Person" includes an individual, corporation, partnership, limited liability company, business or other trust, unincorporated association or other entity.

"Personal Property" means all machinery, equipment, computer hardware, tools, dies, vehicles, furniture, fixtures, office supplies, sales display equipment, product displays, and other tangible personal property (other than Inventory) owned or held under lease by either Seller that is necessary for, or used in the operation of, the Business.

"Prepaid Expenses" means all rights to properties, credits, services or other tangible benefits resulting from the prepayment by either Seller of expenses relating to the Business.

"Purchase Price" has the meaning given to it in Section 2.3(a)(iii) hereof.

"Purchased Assets" means all of each Seller's assets, properties, rights and interests (other than the Excluded Assets), including but not limited to, all of each Seller's right, title and interest in and to the following assets and property:

- (a) all cash and cash equivalents;
- (b) all Personal Property;
- (c) all Inventory;
- (d) all Accounts Receivable;
- (e) all Prepaid Expenses;
- (f) all third party indemnities where either Seller is an Indemnified Party;
- (g) all rights of either Seller to manufacturers' warranties and indemnities with respect to any Purchased Assets;
- (h) the Assumed Contracts;
- (i) the Intellectual Property and the goodwill associated therewith;
- (j) each Seller's name including the goodwill associated therewith and with the Business;

- (k) the Books and Records;
- (l) the Governmental Authorizations, to the extent that they are assignable to Buyer;
- (m) all telephone numbers currently assigned to the Business, to the extent that they are assignable to Buyer;
- (n) all rights of each Seller pertaining to any causes of action, lawsuits, judgments, claims, demands, counterclaims, setoffs or defenses either Seller may have with respect to the Business, the Assumed Liabilities or any of the Purchased Assets; and
- (o) all other assets, properties and rights of every kind and nature of either Seller or in which either Seller has an interest on the Closing Date, known or unknown, fixed or unfixed, accrued, absolute, contingent or otherwise, whether or not specifically referred to in this Agreement.

"Real Property" has the meaning given to it in Section 3.2(o)(i) hereof.

"Reference Balance Sheet" means the balance sheet of Caldon as of August 31, 2005.

"Reference Financial Statements" means the consolidated balance sheets of Caldon as of December 31, 2004 and August 31, 2005, together with the related statements of income and cash flows, for the periods then ended.

"Release" means any release, spill, emission, discharge, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration into the environment (including ambient air, surface water, groundwater and surface or subsurface strata) or into or out of any property, including the movement of Constituents of Concern through or in the air, soil, surface water, groundwater or property.

"Retained Liabilities" means all liabilities and obligations of either Seller that are not Assumed Liabilities, including all liabilities set forth on Section 3.2(h) of the Disclosure Schedule.

"Returns" means returns, declarations, reports, claims for refund, information returns or other documents (including any related or supporting schedules, statements or information) and including any amendment thereof filed or required to be filed in connection with the determination, assessment or collection of Taxes of any party or the administration of any Applicable Legal Requirements relating to any Taxes.

"Schedule 4.11 Letter of Credit" has the meaning given to it in Section 4.11.

"Selected Representations" has the meaning given to it in Section 5.3(d) hereof.

"Seller" and "Sellers" have the meanings given to them in the introductory paragraph hereto.

“Seller Loss” and “Seller Losses” have the meanings given to them in Section 5.1(b) hereof.

“Seller Party” and “Seller Parties” have the meanings given to them in Section 5.1 hereof.

“Sellers Material Adverse Effect” means any state of facts, event, effect or change in circumstances that, individually or together with any other state of facts, event, effect or change in circumstances, (a) is materially adverse to or materially impairs the ability of either Seller to perform its obligations under this Agreement, or (b) is, or is reasonably expected to be, materially adverse to or impairs, or is reasonably expected to impair, the value, condition or use and enjoyment by Buyer of the Purchased Assets taken as a whole or the value or condition, financial or otherwise, of the Business taken as a whole.

“Tax” means any form of taxation, assessment, levy, duty or other charge imposed by any Governmental Authority, including interest and penalties, and any tax, levy, duty or other charge based on income or profits, gross receipts, accumulated earnings, sales, use or occupation, capital stock or franchise, real or personal property, or employment or payroll. The foregoing includes any alternative or add-on minimum Tax, ad valorem or value-added Tax, transfer Tax, social security Tax (including national insurance contributions), payroll, disability or unemployment Tax, stamp Tax or customs or excise Tax.

“Taxing Authority” means any Governmental Authority having jurisdiction over the assessment, determination, collection or other imposition of any Tax.

“Third-party Legal Proceeding” means any Legal Proceeding in which at least one Person other than a Party is a participant.

“Trademark Assignment” means the Trademark Assignment in the form mutually agreed upon by the Parties.

“Transaction” has the meaning given to it in Paragraph D of the Background hereto.

“Trust” has the meaning given to it in Section 4.14.

“U.K. Assets” means the assets of Caldon Ltd. listed in Schedule 1.1(e) hereto.

“U.K. Employees” has the meaning given to it in Section 4.5(a)(ii).

“U.K. Lease” means that certain lease dated June 5, 2003, by and between Richard and Tessa Affleck as landlord and Caldon Ltd. as tenant for the lease of certain office space at the Bullpen Tiebridge Farm Houghton near Stockbridge Hampshire for the term January 28, 2003 through January 28, 2006.

“Utilities” has the meaning given to it in Section 3.2(o)(i).

“Warranty Claims” has the meaning given to it in Section 4.13.

“Working Capital Assets” shall mean all current assets determined according to GAAP, including but not limited to the following: cash, bank deposits, credits, Prepaid Expenses, deposits and retentions held by third parties plus Accounts Receivable, Inventory (less an allowance for obsolescence), advances to employees, prepaid items related to Assumed Contracts, other receivables from employees, and estimated earnings in excess of billings for all sales contracts, as such items would be reflected on a consolidated balance sheet of Caldon prepared in accordance with GAAP, but without giving effect to any purchase accounting adjustments as a result of the acquisition of the Purchased Assets or the assumption of the Assumed Liabilities.

“Working Capital Liabilities” shall mean all current liabilities determined in accordance with GAAP, including but not limited to the following: accounts payable, accrued expenses, accrued warranty expenses, accrued expenses – weld-leak repairs and interest thereon, un invoiced receivings, deferred revenue, billings in excess of costs, prepaid service and maintenance agreements, deposit liabilities, employee income tax withholdings, and other employee insurance and trust fund withholdings, of Caldon as of the Closing Date, as such items would be reflected on a consolidated balance sheet of Caldon prepared in accordance with GAAP, but without giving effect to any purchase accounting adjustments as a result of the acquisition of the Purchased Assets or the assumption of the Assumed Liabilities. In no event will Working Capital Liabilities include (a) the “weld-leak” payment obligation referred to in Section 2.5(a)(xii) or (b) any amounts which constitute Retained Liabilities.

1.2 Certain Usages. As used in this Agreement:

(a) the meanings of words and phrases used herein are equally applicable to the singular and plural forms of those terms where appropriate, and references herein to the masculine, feminine or neuter gender include each other gender unless the context indicates otherwise;

(b) the word “dollar” or the symbol “\$” refers to the legal tender of the United States of America;

(c) the words “herein,” “hereof,” “hereto,” “hereunder” and similar words refer to this Agreement; and

(d) the captions and headings contained in this Agreement are for convenience of reference only and shall not expand, limit or otherwise affect the provisions of this Agreement or the interpretation or applicability of such provisions.

## ARTICLE II.

### The Closing; Sale and Purchase of the Purchased Assets

2.1 The Closing. Subject to the satisfaction of all closing conditions, the consummation of the sale and purchase of the Purchased Assets (the “Closing”) shall take place at the offices of Eckert Seamans Cherin & Mellott, LLC, 600 Grant Street, 44<sup>th</sup> Floor, Pittsburgh, Pennsylvania

15219, on January 3, 2006 (the "Closing Date"). The purchase and sale of the Purchased Assets shall be effective as of 12:01 a.m. (prevailing eastern time) on January 1, 2006.

## 2.2 Sale and Purchase of the Purchased Assets.

(a) Upon the terms and subject to the conditions set forth in this Agreement, at the Closing, Sellers shall sell, assign, convey, transfer and deliver to Buyer (by the execution and delivery of the Conveyance Documents to Buyer), and Buyer shall purchase from Sellers, all of the Purchased Assets free and clear of all Liens other than Permitted Encumbrances; provided, however, with respect to any property or asset constituting part of the Purchased Assets for which a consent to assignment, transfer or other disposition is required, notwithstanding anything to the contrary contained herein, until such consent is obtained, this Agreement shall not constitute an agreement to sell, assign, convey, transfer or deliver such property or asset, and each Seller agrees (i) to cooperate with Buyer in obtaining such consent and (ii) to enter into any reasonable arrangement consistent with the terms of this Agreement designed to provide Buyer with the benefits and burdens of the ownership of such property or asset.

(b) At Closing, each Seller shall execute and deliver, and cause the parties thereto other than Buyer to execute and deliver the Non-Competition Agreement.

## 2.3 Consideration.

(a) In consideration of the sale, assignment, conveyance, transfer and delivery by Sellers to Buyer of the Purchased Assets and the performance and compliance by Sellers of all covenants and agreements to be performed and complied with by Sellers pursuant to this Agreement, Buyer shall (i) assume the Assumed Liabilities, (ii) subject to Section 2.3(b), pay to Caldon (for itself and on behalf of the Limited Partner) the amount of \$10,216,000, and (iii) enter into the Earnout Agreement set forth in Exhibit B (the "Purchase Price").

(b) Notwithstanding the foregoing, Buyer shall deposit the amount of \$500,000 (the "Escrow Amount") in an escrow account with Aligned Partners Trust Company pursuant to an escrow agreement substantially in the form of Exhibit C (the "Escrow Agreement") to secure the indemnification obligations of Sellers pursuant to this Agreement. The Escrow Amount may be used by Buyer to satisfy any amounts which are payable to Buyer pursuant to Article V and which have not otherwise been satisfied by Sellers. Upon the expiration of 18 months after the Closing Date, the balance of the Escrow Amount shall be paid to Caldon (for itself on behalf of the Limited Partner), less any amounts, which relate to unresolved claims. Upon settlement or resolution of such unresolved claims, the balance of the Escrow Amount, if any, shall be paid to Caldon.

2.4 Method of Payment. At the Closing, Buyer shall pay the Purchase Price to be paid to Caldon in cash by wire transfer to an account specified by Caldon by notice given to Buyer not later than two Business Days prior to the date of the Closing.

2.5 Conditions to Closing.

(a) The obligations of Buyer to consummate the Closing are subject to the satisfaction (or waiver by Buyer) at or prior to Closing of the following conditions:

~~(i)~~ Sellers shall have executed and delivered to Buyer a certificate stating that (A) all representations and warranties made by Sellers in Section 3.2 hereof are accurate, true and correct in all material respects (or, if any such representation is qualified by "materiality," "material adverse effect" or words of similar import, then in all respects) as of the Closing Date, and (B) Sellers have performed and complied in all material respects with all covenants and agreements to be performed and complied with by Sellers at or prior to the Closing Date;

~~(ii)~~ Sellers shall have delivered to Buyer an opinion of Eckert Seamans Cherin & Mellott, LLC, counsel to Sellers, in a form reasonably satisfactory to both Parties;

~~(iii)~~ Sellers shall have executed and delivered the Bill of Sale, Assignment and Assumption Agreement, the Escrow Agreement and the Earnout Agreement;

~~(iv)~~ Sellers shall have executed and delivered all other Conveyance Documents;

~~(v)~~ the Non-Competition Agreement shall have been executed and delivered by Sellers and the other parties thereto;

~~(vi)~~ Buyer, if it so elects, shall have been authorized to file UCC Financing Statements with the office of the Secretary of State of the Commonwealth of Pennsylvania with respect to the Purchased Assets;

~~(vii)~~ Sellers shall have delivered UCC-3 termination statements and lien releases with respect to the Liens listed in Schedule 2.5(a)(vii) hereto;

~~(viii)~~ Sellers shall have delivered the third party consents and/or authorizations listed in Schedule 2.5(a)(viii) hereto; **MACOLA ✓**

(ix) Sellers and their Affiliates shall have changed their names to names not similar to "Caldon";

(x) each Seller shall have delivered a tax clearance certificate pursuant to Pa. Stat. Ann. 72 Section 1403;

(xi) the U.K. Assets (other than any employment agreements included therein) shall have been transferred to Buyer or an Affiliate of Buyer free and clear of any Lien;

(xii) Buyer shall have received evidence reasonably satisfactory to Buyer that the Exelon Generation Company, LLC "weld-leak" payment obligation has been satisfied in full on or before the Closing;

(xiii) employment letters signed by senior management of Caldon listed in Schedule 2.5(a)(xiii) in a form acceptable to Buyer;

(xiv) Sellers shall have delivered to Buyer an estoppel certificate from Winston & Strawn LLP that provides that all payments due to date under the Letter Agreement dated December 9, 1994, as amended, have been paid in full and that Sellers are not in default under the terms of such agreement;

(xv) Caldon shall have delivered a certificate of its general partner certifying Caldon's authority to enter into and consummate the Transaction;

(xvi) the Limited Partner shall have delivered evidence of its authority to enter into and consummate the Transaction;

(xvii) the oral agreement with Bradford Capital Funds pursuant to which Bradford Capital Funds provides a line of credit to Caldon and the Agreement for Multiphase Flowmeter Technology dated March 9, 1998 between Foster-Miller, Inc. and the Limited Partner shall have been terminated, any outstanding amounts due thereunder shall have been paid by Caldon and any liens related thereto shall have been released;

(xviii) Caldon shall have delivered an agreement in a form reasonably acceptable to Buyer in which Garry J. Ventura, Donald R. Augenstein and Ernest M. Hauser shall have individually agreed that in the event any of such persons voluntarily resign, retire or are terminated by Buyer "With Cause" prior to the expiration of two years after the Closing Date, such person shall forfeit all rights to receive any future payments under the Earnout Agreement entered into in connection with the Transaction;

(xix) each of Garry J. Ventura, Donald R. Augenstein and Ernest M. Hauser shall have entered into non-competition agreements with the Buyer for a period of one year from the Closing Date, in a form reasonably satisfactory to the parties thereto;

(xx) Calvin R. Hastings shall have entered into a non-competition agreement with the Buyer for a period of two years from the Closing Date, in a form reasonably satisfactory to the parties thereto; and

(xxi) a lease agreement for the office facility located at 1070 Banksville Avenue shall be entered into for a period of six months from the Closing Date on terms substantially similar to the terms set forth in that certain Commercial Lease between Alpark Terrace, Inc. and the Limited Partner.

(b) The obligations of Sellers to consummate the Closing are subject to the satisfaction (or waiver by Sellers) at or prior to the Closing of the following conditions:

(i) Buyer shall have executed and delivered to Sellers a certificate stating that (A) all representations and warranties made by Buyer in Section 3.1 hereof are accurate, true and correct in all material respects (or, if any such representation is qualified by "materiality," "Material Adverse Effect" or words of similar import, then in all respects) as of the Closing Date, and (B) Buyer has performed and complied in all material respects with all covenants and agreements to be performed and complied with by Buyer at or prior to the Closing Date;

(ii) Buyer shall have delivered to Sellers an opinion of Porter & Hedges, L.L.P., counsel to Buyer, in a form reasonably satisfactory to both Parties;

(iii) Buyer shall have paid the Purchase Price to Caldon in the manner specified in Section 2.4 hereof;

(iv) Buyer shall have executed and delivered the Conveyance Documents, the Escrow Agreement, the Non-Competition Agreement and the Earnout Agreement; and

(v) Buyer shall have delivered a certificate of its secretary certifying Buyer's authority to enter into and consummate the Transaction.

2.6 Allocation of Purchase Price. The total Purchase Price shall be allocated among the Purchased Assets in the manner set forth on Schedule 2.6 hereto which the Parties acknowledge and agree has been (or will be) prepared in accordance with Section 1060 of the Code and the regulations thereunder. Each Seller and Buyer agree to adhere to such allocations for the purposes of all federal, state and local Returns filed by them after the date of the Closing, including the determination by Sellers of taxable gain or loss on the sale of the Purchased Assets hereunder and the determination by Buyer of its tax basis with respect to the Purchased Assets, and agree to record the transactions contemplated hereby on their respective Tax Books and Records, and otherwise act, consistent with such allocations. In any proceeding related to the determination of any Tax, neither Buyer nor any Seller shall contend that such allocation or the method thereof is not correct.

2.7 Excluded Assets. Anything in this Agreement to the contrary notwithstanding, the Excluded Assets, and all related rights, liabilities and obligations, are not part of the Transaction and shall remain the property of, and be retained by, Sellers.

2.8 Adjustment of Purchase Price. Not less than seven (7) Business Days prior to the Closing Date, Caldon shall deliver to Buyer a certificate signed by the chief executive of Caldon setting forth an itemized calculation of Caldon's Net Working Capital as of December 31, 2005 (the "Estimated Working Capital Certificate"). The Estimated Working Capital Certificate shall be delivered together with such supporting data as may be reasonably necessary for Buyer to verify the information set forth in the Estimated Working Capital Certificate. Buyer's



representatives shall be entitled to review such supporting data and shall have full access to all books, records and other documents used in the preparation of the Estimated Working Capital Certificate by Caldon. For purposes of the Closing, but without prejudice to any party's rights under this Section 2.8, Net Working Capital shall be calculated in accordance with the data set forth in the Estimated Working Capital Certificate.

(a) (i) If the Net Working Capital as specified in the Estimated Working Capital Certificate (the "Estimated Net Working Capital Amount") is a positive number, then Buyer shall pay to Caldon on the Closing Date, in cash, the amount of the Estimated Net Working Capital Amount, as additional consideration for the Purchased Assets; or (ii) if the Estimated Net Working Capital Amount is a negative number, then Caldon shall pay to Buyer, in cash, the absolute value of the Estimated Net Working Capital Amount, in both cases by adjustment to the Purchase Price.

(b) Not later than ninety (90) days following the Closing Date, Buyer shall deliver to Caldon a certificate (the "Final Working Capital Certificate") setting forth an itemized statement of Caldon's Net Working Capital as of the Closing Date. The Final Working Capital Certificate shall be delivered together with such supporting data as may be reasonably necessary for Caldon to verify the information set forth in the Final Working Capital Certificate. Caldon's representatives shall be entitled to review such supporting data and shall have full access to all books, records and other documents used in the preparation of the Final Working Capital Certificate by Buyer.

(c) During the 30-day period following the delivery of the Final Working Capital Certificate, Buyer and Caldon will in good faith attempt to agree upon such adjustments, if any, to the matters set forth in the Final Working Capital Certificate as are necessary or appropriate to reflect all information then available which is relevant to the calculation of Net Working Capital as of the Closing Date. During such period, each party shall provide the other with such additional backup information and access to relevant books, records and documents as may reasonably be requested. If on or before the last day of such 30-day period, Caldon notifies Buyer in writing that it disputes the accuracy of the data set forth in the Final Working Capital Certificate and that such dispute has not been resolved (such notice to set forth in reasonable detail Caldon's calculation of Net Working Capital as of the Closing Date and the amount in dispute), such dispute shall promptly be submitted for determination to a partner in the office of a national accounting firm selected jointly by Buyer and Caldon. The partner in the applicable firm accepting such assignment is hereinafter referred to as the "Arbiter." In resolving any disputed item, the Arbiter may not assign a value to any particular item greater than the greatest value for such item claimed by either party or less than the smallest value for such item claimed by either party, in each case, as presented to the Arbiter. Each of Buyer and Caldon covenants and agrees to cooperate fully with the Arbiter and to provide to the Arbiter such information, documents and records as he or she may request. The Arbiter shall be requested to complete his or her determination as soon as possible but in any event within 90 days after the date of his or her engagement. All decisions of the Arbiter shall be final and binding on the parties hereto. Any difference between the amount of Net Working Capital presented in the Final Working Capital Certificate (the "Final Net Working Capital"), whether agreed to by Buyer and

Caldon, or determined by the Arbiter, and the amount of Net Working Capital presented in the Estimated Working Capital Certificate shall be settled as follows:

(i) If the Final Net Working Capital is greater than the Estimated Net Working Capital, then Buyer shall pay Caldton, in cash, the resulting difference; or

(ii) if the Final Net Working Capital is less than the Estimated Net Working Capital, then Caldton shall pay Buyer, in cash, the resulting difference.

Any amounts owed to a party pursuant to the preceding sentence shall be paid by the other party by wire to a United States bank account designated by the owed party, together with interest thereon at the 90 day London Interbank Offered Rate as of the date of payment.

(d) The Arbiter shall have authority to charge either party with the fees and costs of the Arbiter if the Arbiter finds such allocation to be justified. In all other cases Buyer and Caldton shall each bear one-half of the fees and costs of the Arbiter, and each party shall bear its own costs incurred in connection with the submission of such disputes to the Arbiter.

### ARTICLE III.

#### Representations and Warranties

3.1 Representations and Warranties of Buyer. Except as disclosed on the Disclosure Schedule bearing a number corresponding to the applicable Section of this Agreement, Buyer represents and warrants to Sellers as follows:

(a) Organization, Power and Authority. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the full power and authority to carry on its business.

(b) Due Authorization. This Agreement, and each other agreement, certificate and other writing executed and delivered (or to be executed and delivered) by Buyer hereunder, and the taking by Buyer of all actions to be taken by it in connection with the transactions contemplated by this Agreement, have been duly authorized by the board of directors of Buyer, and no other proceedings on the part of Buyer are necessary to authorize the execution and delivery by Buyer of this Agreement and each other agreement, certificate and other writing executed and delivered by Buyer hereunder and the taking by Buyer of all actions to be taken by it in connection with the transactions contemplated by this Agreement.

(c) Due Execution and Delivery; Binding Effect. Buyer has the requisite power and authority to enter into, execute and deliver this Agreement, and each other agreement, certificate and other writing executed and delivered (or to be executed and delivered) by Buyer hereunder, and to perform fully its obligations hereunder and

thereunder. This Agreement, and each other agreement, certificate and other writing executed and delivered (or to be executed and delivered) by Buyer hereunder, has been (or will be) duly executed and delivered by Buyer and is (and will be) the valid and binding obligation of Buyer, enforceable against it in accordance with each of their respective terms, except as such validity, binding effect and enforceability may be limited or otherwise affected by applicable bankruptcy, insolvency, reorganization, fraudulent transfer and moratorium laws, and laws and related judicial doctrines of similar application, from time to time in effect limiting or affecting creditors' rights and remedies generally. The execution and delivery by Buyer of this Agreement, and each other agreement, certificate and other writing executed and delivered (or to be executed and delivered) by Buyer hereunder, and the taking by Buyer of the actions to be taken by it in connection with the Transaction do not and will not:

(i) constitute a breach or violation of, or a default under (or an event which, with the giving of notice, the passage of time or both, would constitute a default under) any of the terms or conditions of the Charter Documents of Buyer;

(ii) require the filing with, notice to, or consent, authorization or approval of, any Governmental Authority or any other Person;

(iii) constitute a breach or violation of, or a default under (or an event which, with the giving of notice, the passage of time or both, would constitute a default under) any indenture, mortgage, loan agreement, contract or other instrument to which Buyer is a party or by which its properties are bound, or any Applicable Legal Requirement by which Buyer or any of its properties is bound.

(d) Finders' Fees. There is no investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Buyer who might be entitled to any fee or other commission in connection with the transactions contemplated by this Agreement.

(e) Legal Proceedings. No complaint, suit, action or judicial, regulatory or governmental action, proceeding or investigation (each a "Legal Proceeding") is pending, or, to the knowledge of Buyer, threatened, against Buyer that challenges, or is reasonably expected to prevent, delay or otherwise interfere with, the Transaction.

3.2 Representations and Warranties of Sellers. Except as disclosed on the Disclosure Schedule bearing a number corresponding to the applicable Section of this Agreement, Sellers jointly and severally represent and warrant to Buyer as follows:

(a) Organization; Power and Authority. Each Seller is duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has the full power and authority to carry on its business. Each Seller is duly qualified to conduct its business as a foreign entity and is in good standing in each jurisdiction where such qualification is necessary to carry on its business as now conducted.

(b) Equity Ownership. Section 3.2(b) of the Disclosure Schedule sets forth the equity ownership of Caldon.

(c) Due Authorization. This Agreement, and each other agreement, certificate and other writing executed and delivered (or to be executed and delivered) by each Seller hereunder, and the taking by each Seller of all actions to be taken by it in connection with the transactions contemplated by this Agreement, have been duly authorized by all required partnership or corporate action, as the case may be, and no other proceedings on the part of either Seller are necessary to authorize the execution and delivery by each Seller of this Agreement and each other agreement, certificate, and other writing executed and delivered by each Seller hereunder and the taking by each Seller of all actions to be taken by it in connection with the transactions contemplated by this Agreement.

(d) Due Execution and Delivery; Binding Effect. Each Seller has the requisite power and authority to enter into, execute and deliver this Agreement, and each other agreement, certificate and other writing executed and delivered (or to be executed and delivered) by such Seller hereunder, and to perform fully its obligations hereunder and thereunder. This Agreement, and each other agreement, certificate and other writing executed and delivered (or to be executed and delivered) by each Seller hereunder, has been (or will be) duly executed and delivered by each Seller and is (and will be) the valid and binding obligation of such Seller, enforceable against it in accordance with each of their respective terms, except as such validity, binding effect and enforceability may be limited or otherwise affected by applicable bankruptcy, insolvency, reorganization, fraudulent transfer and moratorium laws, and laws and related judicial doctrines of similar application from time to time in effect limiting or affecting creditors' rights and remedies generally. The execution and delivery by each Seller of this Agreement, and each other agreement, certificate and other writing executed and delivered (or to be executed and delivered) by each Seller hereunder, and the taking by each Seller of the actions to be taken by it in connection with the Transaction do not and will not:

(i) constitute a breach or violation of, or a default under (or an event which, with the giving of notice, the passage of time or both, would constitute a default under) any of the terms or conditions of the Charter Documents of either Seller;

(ii) require the filing with, notice to, or consent, authorization or approval of, any Governmental Authority or any other Person; or

(iii) constitute a breach or violation of, or a default under (or an event which, with the giving of notice, the passage of time or both, would constitute a default under) any indenture, mortgage, loan agreement, contract or other instrument to which either Seller is a party or by which its properties are bound, or any Applicable Legal Requirement by which either Seller, or any of its properties, is bound.

(e) Title and Sufficiency of Purchased Assets. Each Seller has good and marketable title to, or holds valid leasehold interests in, or licenses for, all of the Purchased Assets to be sold, assigned, transferred and delivered by such Seller to Buyer, free and clear of all Liens other than Liens to be released at or prior to the Closing and Permitted Encumbrances. The Purchased Assets constitute all properties and assets

necessary to operate the Business as it has been historically operated. Section 3.2(e) of the Disclosure Schedule sets forth a list of all bank accounts and brokerage accounts of the Sellers, together with their respective account numbers.

(f) Subsidiaries. Except as set forth in Section 3.2(f) of the Disclosure Schedule, neither Seller owns any capital stock or other equity or ownership or proprietary interest in any corporation, partnership, association, trust, joint venture or other entity.

(g) Financial Statements.

(i) Caldor has heretofore furnished Buyer with a true and complete copy of the Reference Financial Statements. The Reference Financial Statements have been derived from the Books and Records of Caldor, have been prepared in accordance with GAAP and fairly present in all material respects the financial position of Caldor at the respective dates thereof and the results of the operations and cash flows of Caldor for the periods indicated.

(ii) The books of account (including financial records), minute books, partnership books and other records of each Seller, all of which have been made available to Buyer, are complete and correct in all material respects.

(h) No Undisclosed Liabilities. There are no liabilities, contingent or otherwise, of either Seller of the type required to be reflected as liabilities on a balance sheet prepared in accordance with GAAP including the footnotes thereto other than (a) liabilities fully provided for in the Reference Financial Statements (including the footnotes thereto), (b) liabilities specifically disclosed in Section 3.2(h) of the Disclosure Schedule, and (c) other undisclosed liabilities incurred by Caldor since the Balance Sheet Date in the Ordinary Course of Business.

(i) Tax Matters. All Returns required to be filed by either Seller on or before Closing in connection with the Purchased Assets and the Business or otherwise, including but not limited to payroll and unemployment taxes, have been timely filed with the appropriate governmental agencies in all jurisdictions in which such Returns are required to be filed and all of the foregoing are true, correct and complete and all Taxes due from either Seller related thereto have been fully paid or adequate provisions made therefore, and no issues have been raised or proposed by any Taxing Authority with respect to any Return. No Tax audit or other proceeding is pending or threatened against either Seller with respect to the Business or otherwise. Section 3.2(i) of the Disclosure Schedule lists all income and franchise Returns filed with respect to either Seller for all taxable periods since inception, specifies the jurisdictions in which each such Return has been filed, lists the types of Returns (other than income and franchise Returns) filed in each jurisdiction, and indicates any Returns that currently are the subject of audit.

(j) Absence of Certain Changes. Except as specifically disclosed in Section 3.2(j) of the Disclosure Schedule, since the Balance Sheet Date, Caldron has conducted the Business in the Ordinary Course of Business and there has not (i) been any event, occurrence, development or circumstances which has had or which is reasonably expected to have a Sellers Material Adverse Effect or would have constituted a violation of any covenant of either Seller hereunder (including Section 4.1) had such covenant applied to it since the Balance Sheet Date, or (ii) occurred any damage, destruction or casualty loss resulting in losses exceeding \$25,000 in the aggregate (whether or not covered by insurance) with respect to any asset owned or operated by either Seller.

(k) Contracts.

(i) Except as specifically disclosed in Section 3.2(k)(i) of the Disclosure Schedule, neither Seller is a party to or bound by any Contract that is of a type described below:

(A) any lease (whether of real or personal property, but excluding personal property leases with annual rental obligations of \$5,000 or less or that may be terminated without penalty within 90 days or less);

(B) except pursuant to purchase orders issued in the Ordinary Course of Business, any agreement for the purchase of materials, supplies, goods, services, equipment or other assets that provides for aggregate payments by either Seller of \$10,000 or more;

(C) any sales, distribution or other similar agreement providing for the sale by either Seller of materials, supplies, goods, services, equipment or other assets that provides for aggregate payments to either Seller of \$10,000 or more;

(D) any partnership, joint venture or other similar agreement or arrangement;

(E) any Contract pursuant to which any third party has rights to own or use any material asset of either Seller, including any Intellectual Property;

(F) any agreement relating to the acquisition or disposition of any business (whether by merger, sale of stock, sale of assets or otherwise) or granting to any Person a right of first refusal, first offer or other right to purchase any of the material assets of either Seller;

(G) any agreement relating to Indebtedness;

(H) any material license, franchise or similar agreement;

(I) any agency, dealer, sales representative, marketing or other similar agreement;

(J) any agreement with (x) any equity owner of either Seller or any other Affiliate of either Seller or (y) any partner or officer of either Seller or with any "associate" or any member of the "immediate family" (as such terms are respectively defined in Rules 12b-2 and 16a-1 of the Securities Exchange Act of 1934) of any such partner or officer;

(K) any management service, consulting or any other similar type of agreement;

(L) any warranty, guaranty or other similar undertaking with respect to any contractual performance that (x) provides for a warranty or guaranty term greater than one year or eighteen (18) months from the date of delivery, whichever comes first, (y) provides for liquidated damage or performance penalty provisions in excess of 5% of the respective contract amount, or (z) does not expressly negate liability of either Seller for special, consequential, punitive or similar types of damages;

(M) any employment, consulting, independent contractor, deferred compensation, severance, retention, change in control, bonus, retirement or other similar agreement or plan in effect as of the date hereof and entered into or adopted by either Seller;

(N) any Contract involving foreign currency transactions entered into for the purpose of hedging any currency or pricing risk;

(O) all confidentiality agreements not made in the Ordinary Course of Business and all non-competition agreements to which either Seller is a party; or

(P) any advance or loan to any current or former officer, director or employee of either Seller other than travel advances made in the Ordinary Course of Business;

(Q) any other agreement, commitment, arrangement or plan not made in the Ordinary Course of Business of either Seller that is material to the Business.

(ii) Each Contract disclosed in or required to be disclosed in Section 3.2(k)(i) of the Disclosure Schedule is a valid and binding agreement of Sellers and, to the knowledge of each Seller, each other party thereto, enforceable in accordance with its respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting enforcement of creditors' rights generally and by general principles of equity (whether applied in a proceeding at law or in equity). Neither Seller nor, to the knowledge of either Seller, any other party to any such Contract is in

default or breach (with or without due notice or lapse of time or both) in any material respect under the terms of any such Contract. To the knowledge of each Seller, there is no event, occurrence, condition or act which, individually or in the aggregate, with the giving of notice or the passage of time or both, or the happening of any other event or condition, could reasonably be expected to become a material default or event of default under any such Contract. Caldon has delivered or made available to Buyer true and complete originals or copies of all Contracts disclosed in or required to be disclosed in Section 3.2(k)(i) of the Disclosure Schedule.

(iii) With respect to all customer orders received and booked prior to the Closing Date, so long as either Seller, prior to Closing, or Buyer, subsequent to Closing, performs in a timely manner and pursuant to the terms of such order, no liquidated damages or similar penalties are or will be due in connection with such order.

(l) Insurance Coverage. Section 3.2(l) of the Disclosure Schedule contains a list of all of the insurance policies and fidelity bonds covering the assets, Business, operations, employees and officers of Sellers. There is no material claim by either Seller pending under any of such policies or bonds as to which either Seller has received any refusal of coverage or any notice that a defense will be afforded with reservation of rights. All premiums due and payable under all such policies and bonds have been paid, and Sellers have complied with the terms and conditions of all such policies and bonds. Such policies of insurance and bonds (or other policies and bonds providing substantially similar insurance coverage) are in full force and effect. Sellers have no knowledge of any threatened termination of, or material premium increase with respect to, any of such policies or bonds.

(m) Litigation.

(i) There is no action, suit, investigation, arbitration or administrative or other proceeding pending or, to the knowledge of either Seller, threatened, against either Seller before any court or arbitrator or any Governmental Authority or which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement and any other agreements to which either Seller will be a party at Closing. There are no outstanding judgments, orders, injunctions, decrees, stipulations or awards (whether rendered by a court, administrative agency, arbitral body or Governmental Authority) against either Seller.

(ii) All claims, whether in contract or tort, for defective or allegedly defective products or workmanship pending or, to the knowledge of either Seller, threatened, against either Seller are listed or described on Section 3.2(m)(ii) of the Disclosure Schedule.



(n) Compliance with Applicable Legal Requirements; Governmental Authorizations.

(i) Sellers have complied and are in compliance with all Applicable Legal Requirements. To the knowledge of each Seller, there is no fact, circumstance, condition or situation existing which, after notice or lapse of time or both, would constitute noncompliance by either Seller or give rise to any future liability of either Seller with respect to any Applicable Legal Requirements heretofore or currently in effect. Neither the use, condition nor other aspect of any of the assets of the Business or other right, property or asset used in or associated with the Business is or has been in violation of any Applicable Legal Requirements. Neither Seller has received notice of any violation of any Applicable Legal Requirements, or any potential liability under any Applicable Legal Requirements, relating to the operation of the Business or to any of its assets, operations, processes, results or products, nor is either Seller aware of any such violation or potential liability.

(ii) Section 3.2(n)(ii) of the Disclosure Schedule sets forth a list of each Governmental Authorization issued and held by or on behalf of either Seller or required to be so issued and held to carry on the Business as currently conducted. Sellers are the authorized legal holders of the Governmental Authorizations, and each Governmental Authorization is valid and in full force and effect. Sellers are not in default under, and to the knowledge of either Seller, no condition exists that with notice or lapse of time or both could constitute a default or could give rise to a right of termination, cancellation or acceleration under, any Governmental Authorization held by either Seller.

(o) Assets; Condition of Assets.

(i) Neither Seller owns real property in fee simple. Section 3.2(o)(i) of the Disclosure Schedule sets forth a list of all real property that is leased by the Limited Partner or Caldor Ltd. for use by the Business as of the date hereof (the "Real Property"). Caldor does not lease any real property. Each of the Limited Partner or Caldor Ltd. have a valid leasehold interest in the Real Property (with a right of quiet enjoyment therein subject to the terms and conditions of the applicable lease), and all rents due under the leases creating such leasehold interest in the Real Property have been paid through the date hereof. Neither the Limited Partner nor Caldor Ltd. nor, to the knowledge of either Seller, any other party to any such lease of the Real Property is in default or breach (with or without due notice or lapse of time or both) in any material respect under the terms of any such lease. Neither Seller has received any notice of any appropriation, condemnation or like proceeding, or of any violation of any applicable zoning law or order relating to or affecting the Real Property, and to either Seller's knowledge, no such proceeding has been threatened or commenced. To either Seller's knowledge, each parcel of Real Property has adequate Utilities (as hereinafter defined) of a capacity and condition to permit the use of such Real Property for the use and in the manner it is being used as of

the date hereof. For purposes of this Agreement, the term "Utilities" means all of the following: water distribution and service facilities; sanitary sewers and associated installations; storm sewers; storm retention ponds and other drainage facilities; electrical distribution and service facilities; telephone, and similar communication facilities; natural gas distribution and service facilities; fire protection facilities; and all other utility lines, conduit, pipes, ducts, shafts, equipment, apparatus and facilities.

(ii) The Personal Property of each Seller, and all improvements located on Real Property leased by the Limited Partner and Caldon Ltd., are in all material respects in good repair and operating condition (subject to normal maintenance requirements and normal wear and tear excepted).

(p) Intellectual Property.

(i) Section 3.2(p)(i) of the Disclosure Schedule sets forth a list of (i) all issued patents and all registered copyrights, trademarks, service marks and domain names included in the Intellectual Property owned by either Seller, (ii) all pending patent applications and all applications for the registration of copyrights, trademarks, and service marks included in the Intellectual Property owned by either Seller, (iii) all material trade and corporate names owned or used by either Seller, (iv) all other material Intellectual Property licensed by or to either Seller, and (v) all custom computer software owned or used by either Seller as of the date of this Agreement.

(ii) Except as disclosed in Section 3.2(p)(ii) of the Disclosure Schedule:

(A) Subject to the Agency Agreement, the Limited Partner owns and possesses all right, title, and interest in, free and clear of all Liens (other than license agreements executed in the Ordinary Course of Business and Permitted Encumbrances), or has a right to use, all of the material Intellectual Property necessary for the conduct of the Business.

(B) To the knowledge of each Seller, the conduct of the Business as currently conducted does not infringe upon any Intellectual Property of any third party. There is no claim, suit, action or proceeding that is either pending or, to the knowledge of either Seller, threatened, that, in either case, involves a claim of infringement by either Seller of any Intellectual Property of any third party, or challenging the ownership, right to use, or the validity of any Intellectual Property listed or required to be listed in Section 3.2(p)(i) of the Disclosure Schedule. Neither Seller has knowledge of any basis for any such claim of infringement or knowledge of any continuing infringement by any other Person of any of the Intellectual Property listed or required to be listed in Section 3.2(p)(i) of the Disclosure Schedule;

(C) No Intellectual Property right listed or required to be listed in Section 3.2(p)(i) of the Disclosure Schedule is subject to any outstanding order, judgment, decree, stipulation or agreement restricting the use thereof by either Seller or restricting the licensing thereof by either Seller to any Person, other than with respect to standard and customary restrictions associated with commercially available third party software to which either Seller has a valid right to use in connection with the Business;

(D) Neither Seller has entered into any agreement to indemnify any other Person against any charge of infringement of any Intellectual Property; and

(E) Sellers have duly maintained all registrations for the Intellectual Property listed in Section 3.2(p)(i) of the Disclosure Schedule.

(q) Environmental Matters.

(i) Except as disclosed in Section 3.2(q) of the Disclosure Schedule:

(A) Sellers have not, and to each Seller's knowledge no other party has, generated, recycled, used, treated or stored on, transported to or from, or Released on, the Real Property any Constituents of Concern, except in compliance with Environmental Laws;

(B) Sellers have not disposed of Constituents of Concern generated at any Real Property to any off-site facility except in compliance with Environmental Laws;

(C) Each Seller has been and is in compliance with (x) Environmental Laws and (y) the requirements of Environmental Permits with respect to the Real Property;

(D) There are no pending or, to the knowledge of either Seller, threatened Environmental Claims against either Seller or any Real Property;

(E) Sellers have no knowledge of any facts, circumstances, conditions or occurrences regarding Caldon's operations or with respect to any Real Property that could reasonably be expected to (x) form the basis of an Environmental Claim against either Seller or (y) cause any Real Property or assets of either Seller to be subject to any new restrictions on its ownership, occupancy, use or transferability under any Environmental Law;

(F) There are no underground storage tanks located on any Real Property;

(G) Neither Seller nor any Real Property is listed or, to the knowledge of either Seller, proposed for listing on the National Priorities List under CERCLA or on any similar federal, state or foreign list of sites requiring investigation or clean-up, and neither Seller has received any requests for information pursuant to 104(e) of CERCLA or any state counterpart or equivalent; and

(H) Sellers have obtained all required Environmental Permits. There are no Environmental Permits of Sellers that are nontransferable or require consent, notification or other action by a Governmental Authority to remain in full force and effect following the consummation of the transactions contemplated hereby.

(ii) Caldon has delivered to Buyer true and complete copies of all material environmental investigations, studies, audits, tests, reviews or other analyses commenced or conducted by or on behalf of Sellers in their possession that relate to the business of Caldon.

(r) Employee Benefit Plans and Material Documents.

(i) Section 3.2(r) of the Disclosure Schedule sets forth a list of all Benefit Plans. With respect to each Benefit Plan subject to ERISA, Caldon has delivered or made available to Buyer a true and complete copy of each such Benefit Plan. With respect to each Benefit Plan not subject to ERISA, Caldon has delivered or made available to Buyer a true and complete copy of each such Benefit Plan including each related material document (including a written summary of any such Benefit Plan that is not in writing). Neither Seller has an express or implied commitment to create, incur liability with respect to or cause to exist any Benefit Plan or to modify any Benefit Plan, other than as required by Applicable Legal Requirements.

(ii) None of the Benefit Plans provides for the payment of separation, severance, termination, retention, change of control or similar-type benefits to any person or provides for or promises retiree medical or retiree life insurance benefits to any current or former employee or officer of either Seller, except for group health plan continuation coverage pursuant to Sections 601-608 of ERISA and Section 4980B of the Code.

(iii) Each Benefit Plan is in compliance with, and has been operated in accordance with, its terms and each Seller has satisfied all of its Applicable Legal Requirements and contractual obligations with respect to each such Benefit Plan.

(iv) Each Benefit Plan or trust which is intended to be qualified or exempt from taxation under Section 401(a), 401(k) or 501(a) of the Code has received a favorable determination letter from the IRS that it is so qualified or exempt, and, to the knowledge of each Seller, nothing has occurred since the date

of such determination letter that would adversely affect the qualified or exempt status of any such Benefit Plan or related trust.

(v) There has been no non-exempt prohibited transaction (within the meaning of Section 406 of ERISA or Section 4975 of the Code) with respect to any Benefit Plan. Neither Seller has incurred any liability for any excise tax arising under the Code with respect to a Benefit Plan and, to the knowledge of each Seller, no fact or event exists which could, individually or in the aggregate, reasonably be expected to give rise to such liability.

(vi) All contributions, premiums or payments required to be made with respect to any Benefit Plan have been made on or before their due dates.

(vii) Neither Seller has maintained, contributed to, sponsored or had an obligation to contribute to a Benefit Plan subject to Title IV of ERISA, Section 302 of ERISA or Section 412 of the Code within six years prior to the Closing Date.

(viii) Neither Seller has maintained, contributed to, sponsored or had an obligation to contribute to a Benefit Plan that is a "multiemployer plan" within the meaning of Section 3(37) of ERISA within six years prior to the Closing Date.

(ix) As to any Benefit Plan intended to be qualified under Section 401 of the Code, there has been no termination or partial termination of the Benefit Plan within the meaning of Section 411(d)(3) of the Code.

(x) There are no actions, suits, or claims pending (other than routine claims for benefits) or, to the knowledge of either Seller, threatened against, or with respect to, any of the Benefit Plans or their assets;

(xi) No act, omission or transaction has occurred which would result in imposition on either Seller or any of its assets (A) breach of fiduciary duty liability damages under Section 409 of ERISA, (B) a civil penalty assessed pursuant to subsections (c), (i) or (l) of Section 502 of ERISA, or (C) a tax imposed pursuant to Chapter 43 of Subtitle D of the Code;

(xii) To the knowledge of each Seller, there is no matter pending (other than routine qualification determination filings) with respect to any of the Plans before the Internal Revenue Service, the Department of Labor, the Pension Benefit Guaranty Corporation ("PBGC"), or other Governmental Authority;

(xiii) With respect to any employee benefit plan, within the meaning of Section 3(3) of ERISA, which is not listed in Section 3.2(r) of the Disclosure Schedule but which is sponsored, maintained, or contributed to, or has been sponsored, maintained, or contributed to within six years prior to the Closing Date, by any ERISA Affiliate (A) no withdrawal liability, within the meaning of Section 4201 of ERISA, has been incurred, which withdrawal liability has not been satisfied, (B) no liability to the PBGC has been incurred by any ERISA

Affiliate, which liability has not been satisfied, (C) no accumulated funding deficiency, whether or not waived, within the meaning of Section 302 of ERISA or Section 412 of the Code has been incurred, (D) all contributions (including installments) to such plan required by Section 302 of ERISA and Section 412 of the Code have been timely made, and (E) no other action has been taken or omitted to be taken, and no condition exists, which could result in an imposition of a Lien on the Purchased Assets in connection with any such employee benefit plan.

(xiv) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not (A) require either Seller to make a larger contribution to, or pay greater benefits or provide other rights under, any Plan, Benefit Program, or Agreement than it otherwise would, whether or not some other subsequent action or event would be required to cause such payment or provision to be triggered, (B) create or give rise to any additional vested rights or service credits under any Benefit Plan, or (C) require either Seller to make a payment or provide or accelerate the provision of a benefit or any other form of compensation to any Person performing services for the Business that, in the aggregate, would be reasonably likely to result in the imposition of the sanctions imposed under Sections 280G and 4999 of the Code, whether or not some other subsequent action or event would be required to cause such payment, acceleration or provision to be triggered.

(s) Affiliate Transactions.

(i) There are no outstanding payables, receivables, loans, advances and other similar accounts between either Seller, on the one hand, and any of their Affiliates, on the other hand, relating to the Business.

(ii) To the knowledge of each Seller, no Affiliate, employee or officer of either Seller possesses, directly or indirectly, any ownership interest in, or is a director, officer or employee of, any Person which is a supplier, customer, lessor, lessee, licensor, or competitor of either Seller. Ownership of 1% or less of any class of securities of a Person whose securities are registered under the Securities Exchange Act of 1934 will not be deemed to be an ownership interest for purposes of this Section.

(t) Customer, Supplier and Employee Relations. Section 3.2(t) of the Disclosure Schedule includes a complete and correct list of (i) the ten largest customers of the Business in terms of total revenues of Caldon in calendar year 2005 and (ii) the ten largest suppliers from whom the Sellers have purchased equipment or supplies in calendar year 2005. None of such customers or suppliers has canceled, terminated or otherwise materially altered or notified either Seller of any intention to cancel, terminate or materially alter its relationship with Caldon. Caldon's relationship with its workforce is satisfactory. Caldon has not experienced any material labor difficulties during the last five years.

(u) Other Employment Matters.

(i) All employees who provide services in connection with the Business are employed by Caldon, except the U.K. Employees.

(ii) Caldon is not a party to any labor or collective bargaining agreement.

(iii) No labor organization or group of Caldon employees has made a pending demand for recognition, there are no representation proceedings or petitions seeking a representation proceeding presently pending or, to the knowledge of Sellers, threatened to be brought or filed with the National Labor Relations Board or other labor relations tribunal, and there is no organizing activity involving Caldon pending or, to the knowledge of Sellers, threatened by any labor organization or group of employees. No works council or other form of employee representative has been certified as a bargaining representative of any of the Caldon Employees or the U.K. Employees.

(iv) There are no (A) strikes, work stoppages, slow-downs, lockouts or arbitrations or (B) grievances or other labor disputes pending or, to the knowledge of Sellers, threatened against or involving Caldon.

(v) There are no complaints, charges or claims against Caldon pending or, to the knowledge of Sellers, threatened to be brought or filed with any Governmental Authority based on, arising out of, in connection with, or otherwise relating to the employment by Caldon, of any Person, including any claim for workers' compensation.

(vi) Caldon is in compliance with all Applicable Legal Requirements in respect of employment and employment practices and the terms and conditions of employment and wages and hours, and has not, and is not, engaged in any unfair labor practice.

(vii) Section 3.2(u)(vii) of the Disclosure Schedule contains a complete and accurate list, as of the date of this Agreement, of the following information for each employee or officer of Caldon, including each employee on leave of absence or layoff status (the "Caldon Employees"): name; job title; and service credited for purposes of vesting and eligibility to participate under any pension, retirement, profit-sharing, thrift-savings, deferred compensation, stock bonus, stock option or other stock award, cash bonus, employee stock ownership, severance pay, insurance, medical, welfare, or vacation plan or other Benefit Plan of Caldon; and all bonuses, retention and change of control payments; and any other amounts to be paid by Sellers at or in connection with the Closing.

(viii) To the knowledge of Sellers, no employee or officer of Caldon is a party to, or is otherwise bound by, any confidentiality, non-competition, proprietary rights agreement or similar agreement that would affect (A) the performance of his or her duties as an employee or officer (including if he is

employed by Buyer after the Closing Date) or (B) the ability of Buyer to conduct the Business after the Closing Date.

(ix) All Caldon Employees have been paid in full all wages, salaries, commissions, bonuses, vacation, sick pay, and other compensation for all services performed by them as of the date of this Agreement, payable in accordance with the obligations of Caldon under any employment practices and policies or employment agreements to which it is a party or is otherwise bound. All Caldon Employees are lawfully authorized to work in their present location under the laws of the jurisdiction in which they work. Caldon is not in violation of any Applicable Legal Requirement concerning the retention of independent contractors. Caldon is and has been in compliance with all Applicable Legal Requirements relating to the employment of labor, including but not limited to employment and employment practices, terms and conditions of employment, wages and hours, payroll documents, equal opportunity, occupational health and safety, severance, termination or discharge, collective bargaining, the payment of employee welfare and retirement benefits, and the full payment of all required withholding, social security, and other payroll taxes.

(v) Accounts Receivable. All of the Accounts Receivable reflected on the Reference Balance Sheet (net of any applicable reserves set forth on the Reference Balance Sheet) and all Accounts Receivable which have arisen since the Balance Sheet Date (net of any additional applicable reserves established since such date in the Ordinary Course of Business of Caldon) represent valid obligations, and the goods and services sold and delivered which gave rise to such Accounts Receivable were sold and delivered in the Ordinary Course of Business. All such Accounts Receivable are collectable in full within 90 days following the Closing Date.

(w) Inventory. All Inventories reflected on the Reference Balance Sheet (net of any applicable reserves set forth on the Reference Balance Sheet) and all Inventories which have been acquired or produced since the Balance Sheet Date (net of any additional applicable reserves established since such date in the Ordinary Course of Business of Caldon) are in good condition, conform in all material respects with the applicable specifications and warranties of Sellers, are not obsolete or excessive in amount, and are usable and salable in the Ordinary Course of Business.

(x) Product and Service Warranties; Liability Defects; Liability. Except as set forth in Section 3.2(x) of the Disclosure Schedule, each product manufactured, sold, leased, delivered or installed or services performed by Caldon prior to the Closing has complied with and conformed to (i) all applicable federal, state, local or foreign laws and regulations and (ii) contractual commitments and all applicable warranties of either Seller. The Disclosure Schedule includes copies of the standard terms and conditions of sale, lease, delivery or installation for the products and services of Caldon (containing applicable guaranty, warranty, and indemnity provisions).

(y) Finders' Fees. There is no investment banker, broker, finder or other intermediary, which has been retained by or is authorized to act on behalf of either Seller



who might be entitled to any fee or other commission in connection with the transactions contemplated by this Agreement.

(z) No Other Assets. Other than (i) the Contracts set forth on Schedules 1.1(a) and 1.1(b) to which the Limited Partner is a party, (ii) the Intellectual Property set forth on Section 3.2(p)(i) of the Disclosure Schedule and (iii) the Personal Property, the Limited Partner does not own any assets (other than its ownership interest in Caldon), conduct any operations or have any liabilities relating to the Business except as may arise under the Agency Agreement or for Taxes in respect of its limited partnership interest in Caldon.

#### ARTICLE IV. Certain Agreements

4.1 Conduct of Business of Caldon. During the period from the date of this Agreement to the Closing Date, Caldon will conduct its operations only in the Ordinary Course of Business and use its reasonable best efforts to: (a) preserve intact its business organizations, (b) keep available the services of its officers and employees, (c) maintain its historical gross profit margin on product sales and services and (d) maintain its relationships and goodwill with licensors, suppliers, distributors, customers, landlords, employees, agents and others having business relationships with either Seller or the Business. Caldon will confer with Buyer concerning operational matters of a material nature (including any decline or expected decline in gross profit margin from historical norms) and report periodically to Buyer concerning the Business, operations and finances of Caldon. Without limiting the generality or effect of the foregoing, prior to the Closing Date, except with the prior written consent of Buyer or as contemplated under this Agreement, neither Seller will:

(i) Change any salaries or other compensation of, or pay or agree to pay any bonuses to, any current or former officer, director or employee of Caldon, or enter into any employment, severance or similar agreement with any current or former officer, director or employee of Caldon; provided, however, that the compensation of employees of Caldon receiving annual compensation of less than \$50,000 may be changed in the Ordinary Course of Business of Caldon;

(ii) Adopt or increase any benefits, or accelerate vesting or waive any performance criteria, under any profit sharing, bonus, deferred compensation, retention, change in control, severance, savings, insurance, pension, retirement or other Benefit Plan for or with any of its employees, except pursuant to Applicable Legal Requirements;

(iii) Enter into any contract or commitment, except for contracts and commitments entered into by either Seller in the Ordinary Course of Business;

(iv) Modify or amend in any material respect or terminate any Contract listed or required to be listed in Section 3.2(k)(i) of the Disclosure Schedule;

(v) Enter into any transaction or commitment relating to the assets or the Business or cancel or waive any claim or right which, individually or in the aggregate, could be material to Caldon;

(vi) Make any change in accounting methods or practices (including changes in reserve or accrual policies);

(vii) Sell, lease or otherwise dispose of any material asset or property;

(viii) Create or assume any Lien, other than a Permitted Encumbrances;

(ix) Terminate or close any facility, business or operation of Caldon;

(x) Cause or permit to occur any event, occurrence or omission which, individually or together with other matters, could reasonably be expected to have a Sellers Material Adverse Effect;

(xi) Take any action that would cause any of the representations and warranties made by either Seller in this Agreement not to remain true and correct or any of the conditions to closing from being satisfied;

(xii) Settle, release or forgive any claim or litigation or waive any right thereto that relates to any of the Purchased Assets or the Assumed Liabilities, but excluding any such claim or right that relates solely to any Excluded Asset or Retained Liability;

(xiii) Make any advance or loan to any current or former officer, director or employee of Caldon; or

(xiv) Agree to do any of the foregoing.

4.2 Exclusive Dealing. During the period from the date of this Agreement to the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, Sellers will not and Sellers will not authorize or permit any equity owner of either Seller or any of their Affiliates, or any officer of either Seller or any of their Affiliates, or any representative of any of the foregoing (including financial advisors, investment bankers, agents, attorneys, employees or consultants) to, take any action to, directly or indirectly, encourage, initiate, solicit or engage in discussions or negotiations with, or provide any information to any Person, or enter into any agreement with any Person, other than Buyer (and its Affiliates and representatives), concerning any purchase of any equity interest of either Seller or any merger, asset sale or similar transaction involving either Seller or that would frustrate the purposes of this Agreement. Sellers will disclose to Buyer the existence or occurrence of any proposal (written or oral) or contact which it or any of its Affiliates or representatives described above may receive in respect of any such transaction and the identity of the Person from whom such a proposal or contact is received.

#### 4.3 Review of Sellers; Confidentiality.

(a) Buyer may, prior to the Closing Date, directly or through its representatives, review the properties (including the Purchased Assets), Books and Records of Sellers and their financial and legal condition to the extent it deems necessary or advisable to familiarize itself with such properties and other matters. Caldor will permit Buyer and its representatives to have reasonable access to the premises (including the Purchased Assets) and to all the Books and Records of Sellers and to cause the officers, accountants and other representatives of Sellers to furnish Buyer with such financial and operating data and other information with respect to the Business and properties of Sellers as Buyer may from time to time reasonably request. Caldor will deliver or cause to be delivered to Buyer such additional instruments, documents and certificates as Buyer may reasonably request for the purpose of (i) verifying the information set forth in this Agreement or on any Schedule attached hereto and (ii) consummating or evidencing the transactions contemplated by this Agreement.

(b) Prior to the Closing, neither of Sellers nor Buyer will, or will permit any of their Affiliates to, without the prior written consent of the other, disclose to any other Person (other than such Person's financing sources, existing owners and such Person's directors, officers, employees, advisors and other representatives that need to know) any proprietary, non-public information of another party previously delivered or made available to such other party in connection with the transactions contemplated hereby (including the existence of and terms of this Agreement), other than to the extent required by Applicable Legal Requirements and upon the advice of counsel. Each Seller and Buyer will direct its directors, officers, employees and representatives to keep all such information in strict confidence; provided, however, that each such Person may disclose such information to the extent required by Applicable Legal Requirements and upon the advice of counsel.

4.4 Reasonable Best Efforts. Sellers and Buyer will cooperate and use their respective reasonable best efforts to take, or cause to be taken, all appropriate actions, and to make, or cause to be made, all filings necessary, proper or advisable under Applicable Legal Requirements to consummate and make effective the transactions contemplated by this Agreement, including their respective reasonable best efforts to obtain, prior to the Closing Date, all licenses, Governmental Authorizations, consents, approvals and parties to Contracts with either Seller as are necessary to consummate the transactions contemplated by the Agreement and to fulfill the conditions to the sale contemplated hereby. The parties will pay or cause to be paid all of their own fees and expenses contemplated by this Section, including the fees and expenses of any broker, finder, financial advisor, legal advisor or similar Person engaged by such party. Each of the parties will notify and keep the other advised in reasonable detail as to such party's efforts in complying with its obligations under this Section 4.4.

#### 4.5 Employees and Benefit Plans.

(a) Offers of Employment.

(i) Section 3.2(u)(vii) of the Disclosure Schedule lists the Caldor Employees and includes a designation of those Caldor Employees, if any, on sick leave, short-term or long-term disability, workers' compensation, vacation, leave

of absence or military leave of absence (collectively, "Non-Active Employees"). Section 3.2(u)(vii) of the Disclosure Schedule will be updated on the Closing Date and will include any new Caldon Employees who are hired after the date hereof (and consented to in writing by Buyer), and all of the information regarding any such new Caldon Employees called for by Section 3.2(u)(vii), and will not include any Caldon Employees no longer then employed by Caldon. Buyer agrees to offer prior to or on the Closing Date employment to all Caldon Employees listed on such updated Section 4.5(a) of the Disclosure Schedule other than Non-Active Employees. Such offers of employment shall be on terms determined by Buyer in its sole discretion. To become an employee of Buyer (a "Caldon Designated Employee"), a Caldon Employee must (i) accept Buyer's offer of employment on Buyer's terms, (ii) remain employed by Caldon until the Closing Date, and (iii) except as otherwise required by any Applicable Legal Requirement, commence active employment with Buyer within 90 days of the Closing Date. All Caldon Employees who decline employment with Buyer or otherwise do not become employees of Buyer are referred to hereinafter as "Non-Caldon Designated Employees." Any offers made pursuant thereto by Buyer to Caldon Employees on or before the Closing Date may be offers conditioned by Buyer on consummation of the transactions contemplated hereby. Buyer will not be responsible for any employee benefits available or provided to Caldon Employees, except as may be provided, in Buyer's sole discretion, under the terms of Buyer's employee benefit plans on a prospective basis.

(ii) Section 4.5(a) of the Disclosure Schedule also lists the employees of Caldon Ltd. (the "U.K. Employees"), together with, as to each U.K. Employee, the information called for by Section 3.2(u)(vii). Buyer agrees to offer, prior to or on the Closing Date, employment to the U.K. Employees other than Non-Active Employees. Such offers of employment shall be on terms determined in Buyer's sole discretion, and conditioned upon consummation of the transactions contemplated hereby. To become an employee of Buyer and a "Caldon Designated Employee" for purposes of this Agreement, a U.K. Employee must (i) accept Buyer's offer of employment on Buyer's terms, (ii) remain employed by Caldon until the Closing Date, and (iii) except as otherwise required by any Applicable Legal Requirement, commence active employment with Buyer within 90 days of the Closing Date. Buyer will not be responsible for any employee benefits available or provided to the U.K. Employees whether prior to or on or after the Closing Date except as may be provided, in Buyer's sole discretion, under the terms of Buyer's employee benefit plans on a prospective basis.

(b) Employee Benefits.

(i) Except as expressly provided otherwise herein, coverage of all Caldon Designated Employees, their dependents and beneficiaries under any Benefit Plan will in all respects terminate effective as of the Closing Date, and Caldon will cause Caldon Designated Employees to cease actively participating in the Benefit Plans effective as of the Closing Date except to the extent required by Section 4980B of the Code (COBRA) or other applicable law. Except as

provided in Section 4.5(b)(v), from and after the Closing Date, Sellers will be and remain responsible for any benefits due to Caldon Designated Employees and Non-Caldon Designated Employees and their dependants and beneficiaries under the Benefit Plans (including, but not limited to, COBRA continuation coverage), and Buyer will have no responsibility whatsoever therefor. Sellers will have no liability or responsibility for any coverage or non-coverage of Caldon Designated Employees and Non-Caldon Designated Employees and their dependants and beneficiaries under Buyer's benefit plans. Except as provided in Section 4.5(b)(v), Buyer will have no liability with respect to any Non-Caldon Designated Employees.

(ii) Except as provided in this Section 4.5, Sellers will remain liable for and continue to pay all medical, dental, vision and life insurance plan expenses and benefits for each Caldon Employee (including Caldon Designated Employees) with respect to claims incurred or attributable to any period, prior to the Closing Date in respect of such Caldon Employees and their covered dependents and beneficiaries and all such expenses and benefits for each Non-Caldon Designated Employee with respect to claims incurred prior to and on or after the Closing Date in respect of such Non-Caldon Designated Employees and their covered dependents and beneficiaries. Further, except as provided in this Section 4.5, Buyer will become liable for all medical, dental, vision and life insurance plan expenses and benefits in respect to all Caldon Designated Employees and their covered dependents and beneficiaries thereof in accordance with the terms of any applicable employee benefit plan of Buyer (or, at Buyer's option, any of its Affiliates) from and after their respective dates of hire by Buyer (the "Hire Date"). For purposes of this Section 4.5(b)(ii), a claim is deemed to be incurred when the service(s) giving rise to such claim are performed, except with respect to claims under life insurance plans, a claim is deemed incurred at the time of the insured person's death or other event giving rise to a benefit under such plan.

(iii) Sellers will remain liable for and will pay all short-term disability benefits payable to all Caldon Designated Employees with respect to any period of any such employee's short term disability commencing prior to the Closing Date (and until each such employee's respective Hire Date, if any) in accordance with the terms of any applicable employment benefit plan of Sellers. Buyer will be liable for and will pay all short-term disability benefits payable to all Caldon Designated Employees with respect to any period of any such employee's short term disability that commences on or after their respective Hire Dates in accordance with the terms of any applicable employee benefit plan of Buyer.

(iv) Sellers will remain liable for and will pay all long-term disability benefits payable to all Caldon Employees with respect to any disability incurred prior to the Closing Date, including any such benefits payable to any Caldon Designated Employee on short-term disability as of the Closing in accordance with the terms of any applicable employment benefit plan of Sellers. Buyer will be liable for and will pay all long-term disability benefits payable to all Caldon

Designated Employees with respect to any disability incurred on or after the respective Hire Dates in accordance with the terms of any applicable employee benefit plan of Buyer.

(v) Subject to the provisions of clause (ii) above, Sellers will be responsible for any continuation of group health plan coverage required under Section 4980B of the Code or Sections 601-608 of ERISA with respect to a "qualifying event" (as defined in Section 4980B of the Code) incurred by a Caldon Employee or any dependent of a Caldon Employee that qualifies as a "qualified beneficiary" (as defined in Section 4980B of the Code) on or prior to the Closing Date or whose coverage under a group health plan (as defined in Section 5000(b)(1) of the Code) is lost in connection with the Closing (within the meaning of Treasury Regulation section 54.4980B Q&As 4 and 6); provided, however, that with respect to the period from and after the time that Sellers and all members of its controlled group of corporations, trades and business (as defined in Section 414 of the Code) cease to provide group health plan coverage to any of their employees (such period, the "Buyer COBRA Period"), Buyer will assume the liability described in this paragraph (but only to the extent that such liability relates to the Buyer COBRA Period); and provided further that Sellers shall provide Buyer at least 30 days advance notice of the termination of its group health plan(s) and the effective date of such termination, along with a list of all persons who either (A) are enrolled in such group health plans at the time of such notice (whether as active employees or pursuant to COBRA continuation coverage) or (B) have a right to elect COBRA continuation coverage in such group health plan(s) and, with respect to any persons who are or may have a COBRA continuation coverage right, such list shall provide the date of each such person's qualifying event (within the meaning of Section 4980B(f)(3) of the Code); and provided, further, that Caldon shall reimburse Buyer for the actual cost of Buyer's assumption of Caldon's liability to provide COBRA continuation coverage for the Buyer COBRA Period pursuant to this paragraph.

(c) 401(k) Plans. Caldon's 401(k) plan will be amended to the extent necessary to 100% vest Caldon Designated Employees in their account balances under such 401(k) plan and to permit Caldon Designated Employees to receive an immediate distribution of their accounts under such 401(k) plan within a reasonable period following the Closing Date. Buyer's (or, at Buyer's option, any of its Affiliate's) 401(k) plan (if any) will be amended to accept rollovers of such distributions from Caldon's 401(k) plan for electing Caldon Designated Employees, to the extent such distributions are eligible for rollover treatment under Section 402 of the Code.

(d) Other Benefit Plans. With respect to any other Benefit Plans not specifically addressed in this Agreement, including but not limited to pension plans, deferred compensation plans, post-retirement plans, incentive plans, bonus plans, equity-based compensation plans, severance, retention, change of control and fringe benefit plans and agreements and any benefits of U.K. Employees, Sellers and Caldon Ltd, will retain all liability therefor, and Buyer will have no liability therefor.

(e) Workers' Compensation. Caldon and Caldon Ltd. will retain all liability for any workers' compensation claims of Caldon Employees and U.K. Employees arising from or relating to any injury, illness or condition incurred or existing prior to the Closing Date.

(f) No Third Party Beneficiaries. No third party benefits in favor of any Person, including Caldon Employees and U.K. Employees, will be created, implied or inferred from the provisions of this Section 4.5.

#### 4.6 Books and Records.

(a) From and after the Closing Date, Buyer will give Sellers' representatives reasonable access to such documentation and information and reasonable access to, and cause the cooperation of, employees of Buyer which either Seller may reasonably require (i) to prepare and file Returns and to respond to any issues which may arise with respect to Taxes for which either Seller is responsible to the extent relating to the Purchased Assets or Assumed Liabilities, (ii) with respect to any Retained Liabilities, and (iii) to defend any claim which either Seller is required to defend pursuant to this Agreement or in connection with the operation of the Business prior to the Closing Date. Prior to the third anniversary of the Closing Date, Buyer will give Caldon at least ten days' prior written notice of Buyer's intention to dispose of any books, records or other documentation which are delivered to Buyer under the terms of this Agreement. Caldon will have the opportunity to obtain possession, at its own expense, of any such books, records or documentation as Caldon may reasonably require prior to Buyer's disposition thereof prior to the third anniversary of the Closing Date. In the absence of bad faith or willful misconduct, Buyer will have no liability arising out of or in connection with its retention and handling of such records.

(b) From and after the Closing Date, Sellers will give Buyer's representatives reasonable access to such documentation and information and reasonable access to, and cause the cooperation of, employees of Caldon which Buyer may reasonably require to (i) prepare and file Returns and respond to any issues which may arise with respect to Taxes for which Buyer is responsible to the extent relating to the Purchased Assets or Assumed Liabilities or (ii) defend any claim which Buyer is required to defend pursuant to this Agreement or in connection with the operation of the Business after the Closing Date. Prior to the third anniversary of the Closing Date, Sellers will give Buyer at least ten days' prior written notice of either Seller's intention to dispose of any books, records or other documentation which Sellers are entitled to retain pursuant to this Agreement, and Buyer will have the opportunity to obtain possession, at its own expense, of any such books, records or documentation as Buyer may reasonably request prior to either Seller's disposition thereof prior to the third anniversary of the Closing Date. In the absence of bad faith or willful misconduct, Sellers will not have any liability arising out of or in connection with their retention and handling of such records.

(c) Information which is obtained by either party pursuant to this Section 4.6 will be kept confidential by such party; provided, however, that in the event the party or any of its representatives is requested or required pursuant to Applicable Legal

Requirements by any Governmental Authority to disclose any such information, the party may do so after providing the other party with notice of the request or requirement so that the other party may attempt, at its own expense, to obtain a protective order. Each party will use reasonable efforts to limit access to such information on a "need to know" basis. Neither party may use information obtained from the other party pursuant to this subsection to compete with the other party.

4.7 Collection of Payments. Following the Closing, (a) Sellers will promptly, and in any event, not later than seven days following receipt, forward to Buyer any payments received by either Seller with respect to any of the Purchased Assets, and any checks, drafts or other instruments payable to either Seller will, when so delivered, bear all endorsements required to effectuate the transfer of the same to Buyer, (b) Sellers will promptly forward to Buyer any mail or other communications received by Sellers relating to the Purchased Assets or the Assumed Liabilities, (c) Buyer will promptly, and in any event, not later than seven days following receipt, forward to Caldon any payments received by Buyer with respect to any of the Excluded Assets, and any checks, drafts or other instruments payable to Buyer shall, when so delivered, bear all endorsements required to effect the transfer of the same to Caldon, and (d) Buyer will promptly forward to Caldon any mail or other communications received by Buyer relating to the Excluded Assets or the Retained Liabilities.

4.8 Use of Names. On and after the Closing Date, Sellers and their Affiliates will discontinue all use of the names and marks included in the Purchased Assets, including the name "Caldon" alone or in any combination of any words or marks confusingly similar thereto, except that Sellers and their Affiliates will be permitted, pursuant to a limited royalty-free license, to use the name "Caldon" only in connection with their prosecution of the Lawsuits.

4.9 Further Assurances. From time to time, as and when requested by either party hereto, the other party will execute and deliver, or cause to be executed and delivered, all such documents and instruments and will take, or cause to be taken, all such further actions, as the requesting party may reasonably deem necessary or desirable to consummate the transactions contemplated by this Agreement.

4.10 Certain Tax Matters.

(a) Any sales, use, transfer, vehicle transfer, stamp, conveyance, value added or other similar Taxes that may be imposed by any Governmental Authority, and all recording or filing fees, notarial fees and other similar costs of Closing with respect to the purchase and sale of the Purchased Assets or on account of this Agreement or the transactions contemplated hereby, will be borne by Caldon.

(b) Sellers will cause to be included in their income Returns for all periods or portions thereof ending on or before the Closing Date, all revenue and expense relating to the operations of the Business during such periods or portions thereof. Sellers will prepare and timely file or cause to be prepared and timely filed all such Returns with the appropriate Governmental Authorities. Sellers will make all payments of Tax shown to be due and owing in such Returns.



(c) Sellers and Buyer will (i) each provide the other with such assistance as may reasonably be requested by any of them in connection with the preparation of any Return, audit or other examination by any Taxing authority or judicial or administrative proceedings relating to liability for Taxes, (ii) each retain and provide the other with any records or other information that may be relevant to such 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 Return of the other for any period. In addition, Sellers will retain until the applicable statutes of limitations (including any extensions) have expired copies of all Returns, supporting work schedules, and other records or information that may be relevant to such Returns for all Tax periods or portions thereof ending on or before or which include the Closing Date and will not destroy or otherwise dispose of any such records without first providing Buyer with a reasonable opportunity to review and copy the same.

4.11 Stand-by Letter of Credit. PNC Bank has issued that certain stand-by letter of credit which is listed on Schedule 4.11 (the "Schedule 4.11 Letter of Credit") in support of a certain designated Assumed Contract. Within 30 days following the Closing Date, Buyer shall deliver to PNC Bank a letter of credit to backup the Schedule 4.11 Letter of Credit.

4.12 Retained Liabilities. Sellers shall remain unconditionally liable for all Retained Liabilities and, as between Sellers and Buyer, shall remain responsible for the payment, performance and satisfaction of all Retained Liabilities in accordance with their respective terms, it being understood that Buyer does not, directly or indirectly, assume or agree to pay, perform or satisfy any of the Retained Liabilities.

4.13 Servicing of Caldon's Product Sold by Sellers Prior to Closing. Sellers will be responsible for the costs of replacement or reworking of defective or non-conforming product sold by Caldon prior to the Closing Date (the claims to which this Section 4.13 applies being hereinafter called "Warranty Claims") if the aggregate liability exceeds the amount accrued therefor on the Final Working Capital Certificate. Buyer will provide administrative and technical assistance as reasonably necessary, as well as any necessary replacement product at Buyer's Standard Cost, plus any incremental personnel cost, in order to facilitate the handling of such claims. Buyer shall oversee the handling of all such Warranty Claims.

4.14 Post-Closing Covenant of Caldon. The Parties acknowledge that following the Closing, Caldon will liquidate into a liquidating trust (the "Trust"). The purpose of the Trust will be, in part, to satisfy any Claims by Buyer pursuant to this Agreement. Caldon agrees that prior to the expiration of eighteen (18) months from the Closing Date, the Trust shall at all times have net liquid assets of not less than \$5,000,000. Such net assets shall be made available to satisfy Claims by Buyer as provided herein.

4.15 Assistance with Prosecution of Lawsuits. The Excluded Assets include the rights of Sellers under the (i) complaint filed by the Limited Partner against Westinghouse Electric Company, and AMAG, Inc., Civil Action No. 04CV01951 in U.S. District Court for the Western District of Pennsylvania, (ii) complaint filed by the Limited Partner against Ionics Incorporated and Key Technologies, Inc., Civil Action No. 04CV0632 in U.S. District Court for the Western

District of Pennsylvania, and (iii) complaint filed against Peerless Insurance, as successor in interest to General Accident Insurance Company of America, and as successor in interest to Commercial Union Insurance Company, Civil Action No. 05CV2250, currently on appeal to the U.S. Court of Appeals for the Third Circuit (collectively, the "Lawsuits"). The Parties acknowledge that the Limited Partner will require the participation and assistance of certain management and personnel of Buyer in order to prosecute such claims. Buyer agrees to allow Sellers access to the records of the Business and to such persons as Sellers feel are reasonably necessary in order to prosecute such claims; provided, however, (i) no one person employed by Buyer shall be obligated to spend more than 80 hours in any one calendar year (subject to the last sentence of this Section 4.15) assisting Sellers with such Lawsuits, and (ii) the total number of hours spent by all persons employed by Buyer assisting Sellers with such lawsuits during any one calendar year shall not exceed 160 hours (subject to the last sentence of this Section 4.15). All out-of-pocket expenses incurred by Buyer in its assistance of Sellers pursuant to this Section 4.15, shall be promptly reimbursed by Caldon. If it is necessary for a person employed by Buyer to spend more than 80 hours, or for persons employed by Buyer to cumulatively spend more than 160 hours assisting with the Lawsuits in any one calendar year, the parties will negotiate in good faith to determine the appropriate compensation to Buyer for the time spent by such employee(s).

4.16 U.K. Lease. Buyer shall indemnify, hold harmless and reimburse Seller and Caldon Ltd. for all rental obligations and operating costs associated with the U.K. Lease from and after the Closing; provided, however, Buyer shall not be liable for any repair or restoration charges assessed against the tenant in connection with tenant's termination and vacating of the subject premises.

## ARTICLE V. Indemnification

5.1 Indemnification by Buyer. Subject to the provisions of Section 5.3 hereof, Buyer shall indemnify Sellers and their Affiliates, managers, officers, partners, members, employees, representatives and agents (individually a "Seller Party" and collectively the "Seller Parties"), and agrees to save and hold Seller Parties (and each of them) harmless, from and against any and all damages, losses, liabilities, claims, deficiencies, judgments, decrees, awards, costs and expenses (including attorneys' fees and other costs and expenses incident to any Legal Proceeding) suffered, sustained, incurred or paid or required to be paid by any Seller Party in connection with or relating or attributable to (a) any failure by Buyer to perform or comply with any covenant, agreement or undertaking to be performed or complied by Buyer pursuant to this Agreement and/or (b) the failure by Buyer to perform the Assumed Liabilities (individually a "Seller Loss" and collectively "Seller Losses").

5.2 Indemnification by Sellers. Subject to the provisions of Section 5.3 hereof, Sellers shall jointly and severally indemnify Buyer and its Affiliates, directors, officers, shareholders, employees, representatives and agents (individually a "Buyer Party" and collectively the "Buyer Parties"), and agrees to save and hold Buyer Parties (and each of them) harmless, from and against any and all damages, losses, liabilities, claims, deficiencies, judgments, decrees, awards, costs and expenses (including attorneys' fees and other costs and expenses incident to any Legal Proceeding) suffered, sustained, incurred or paid or required to be paid by any Buyer Party in

connection with or relating or attributable to (a) the failure of any representation or warranty made by either Seller in Section 3.2 to be true and correct as of the Closing Date, (b) any failure by either Seller to perform or comply with any covenant, agreement or undertaking to be performed or complied with by such Seller pursuant to this Agreement whether before, at or after the Closing, (c) the Retained Liabilities, and/or (d) personal injury, death or property damage arising out of any product manufactured or sold by either Seller prior to the Closing Date (individually a "Buyer Loss" and collectively "Buyer Losses").

5.3 Provisions Relating to Indemnification for Losses. The indemnification obligations set forth in this Article V shall be subject to the following:

(a) Any claim or claims for indemnification under this Article V (individually a "Claim" and collectively "Claims") shall be asserted, and all related notices, communications and actions on behalf of Seller Parties or Buyer Parties, as the case may be (individually an "Indemnified Party" and collectively "Indemnified Parties"), shall be asserted, given or taken by or in the name of Sellers or Buyer, as applicable.

(b) If any Indemnified Party shall receive notice of any assertion, allegation, complaint or other communication by any other Person (including any Third-party Legal Proceeding) which gives rise to, or which the Indemnified Party believes may give rise to, a Claim or Claims, the Indemnified Party shall notify Buyer or Sellers, as applicable (as applicable, the "Indemnifying Party"), of such assertion, allegation, complaint or any other communication, specifying, in reasonable detail, the nature of the related Claim or Claims and the basis on which the right to indemnification is or may be asserted; provided, however, that the failure to give such notice shall not affect the Indemnified Party's rights to indemnification under this Article V, except to the extent that the Indemnifying Party's ability to defend, compromise, settle or verify such assertion, allegation, complaint or other communication is materially prejudiced or materially impaired by the failure to give such notice. With respect to any Third-party Legal Proceeding, the Indemnified Party shall have the right, but not the obligation, to participate, at its own expense, in the defense (or other response or contest), compromise or settlement with counsel of its own choosing, but the Indemnifying Party shall be entitled to control the defense (or other response or contest), compromise or settlement of or to any Third-party Legal Proceeding unless the Indemnified Party has relieved the Indemnifying Party from all liability with respect to the particular matter in which case the Indemnified Party shall be entitled to control such defense, response, contest, compromise or settlement. Regardless of whether the Indemnified Party elects to participate in such defense (or other response or contest), compromise or settlement, the Indemnified Party shall reasonably cooperate with the Indemnifying Party in the defense of such Third-party Legal Proceeding, provided that the Indemnifying Party shall reimburse the Indemnified Party for its reasonable out-of-pocket costs and expenses of providing assistance as requested by the Indemnifying Party, including attorneys' fees and investigative costs and expenses. If the Indemnifying Party shall fail to defend (or otherwise respond or contest) or otherwise protect against such Third-party Legal Proceeding in a timely manner, the Indemnified Party shall have the right, but not the obligation, to do so, and make any compromise or settlement thereof, and to recover all costs and expenses thereof from the Indemnifying Party. Without the consent of the

Indemnified Party, the Indemnifying Party shall not admit any liability on the part of the Indemnified Party, or compromise or settle any Third-party Legal Proceeding unless, with respect to such compromise or settlement, (i) the Indemnified Party is not required to act or to refrain from acting and there will be no payment by, or Lien upon the property or assets of, the Indemnified Party as a result of such compromise or settlement, (ii) there is no finding or admission of any violation of law or of the rights of any Person by the Indemnified Party or of any other liability on the part of the Indemnified Party to any Person as a result of such compromise or settlement, and (iii) the Indemnified Party receives, as a part of such compromise or settlement, a complete release in form and substance reasonably satisfactory to the Indemnified Party. The party controlling the defense of a Third-party Legal Proceeding shall keep, or if both the Indemnifying Party and the Indemnified Party are defending such Third-party Legal Proceeding, each shall keep, the other reasonably informed at all stages of the defense and/or compromise or settlement of such Third-party Legal Proceeding.


(c) Except for breaches of the representations and warranties contained in Section 3.2(v), there shall be no liability for Buyer Losses under Section 5.2(a) until the total amount of Buyer Losses under Section 5.2(a) exceeds \$75,000, and then only to the extent of the excess over that amount.

(d) The maximum liability for Buyer Losses under Section 5.2(a), shall not exceed \$5,000,000, provided, the foregoing limitation shall not apply to the representations and warranties of either Seller with respect to existence and authority, enforceability, Taxes, Governmental Authorization, third party consents, ownership of assets, Benefit Plans, environmental matters and finder's fees (collectively, the "Selected Representations").

(e) Other than with respect to claims regarding the Selected Representations which will survive without limitation, any claim under Section 5.2(a) must be asserted, if at all, before the date which is 18 months after the Closing Date (the "Claim Expiration Date"), and such Claims, if any, shall expire and be null and void on the Claim Expiration Date.

(f) No notice given pursuant to this Article V or Claim asserted shall be deficient because at the time of the giving of such notice or the assertion of such Claim the amount of Seller Loss or Buyer Loss, as the case may be, is not known.

(g) All covenants and agreements of the Parties will survive the Closing without limitation.

(h) Buyer shall have the right to offset all Buyer Losses against any amounts otherwise payable by Buyer to Caldor pursuant to this Agreement. 

(i) In the event of a claim for indemnification by Buyer from Caldor as result of a breach of the representations or warranties regarding the collection of Accounts Receivable, Buyer shall, upon receipt from Caldor of a payment equal to the amount of such Accounts Receivable, assign or reassign to Caldor such Account(s) Receivable that

is subject to the claim for indemnification, and thereafter, Caldor shall have the right to collect such Account(s) Receivables in such manner as it deems appropriate.

## ARTICLE VI. Miscellaneous

### 6.1 Termination.

(a) This Agreement may be terminated at any time prior to the Closing:

(i) By the mutual written consent of Buyer and Sellers;

(ii) By Buyer, if there has been a material violation or breach by either Seller of any covenant, representation or warranty contained in this Agreement which has prevented the satisfaction of any condition to the obligations of Buyer at the Closing, and such violation or breach has not been waived by Buyer or, in the case of a covenant breach, cured by Sellers within ten days after written notice thereof from Buyer;

(iii) By Sellers, if there has been a material violation or breach by Buyer of any covenant, representation or warranty contained in this Agreement which has prevented the satisfaction of any condition to the obligations of Sellers at the Closing, and such violation or breach has not been waived by a Seller or, in the case of a covenant breach, cured by Buyer within ten days after written notice thereof from Sellers; or

(iv) By Buyer or Sellers if the transactions contemplated hereby have not been consummated by January 15, 2006; provided, however, that (i) neither Buyer nor Sellers will be entitled to terminate this Agreement pursuant to this Section 6.1 if such Person's breach of this Agreement has prevented the consummation of the transactions contemplated hereby.

(b) In the event that this Agreement is terminated pursuant to Section 6.1(a), all further obligations of each party hereto under this Agreement (other than pursuant to Section 4.3(b), which will continue in full force and effect) will terminate without further liability or obligation of any party to the other party hereunder; provided, however, that no party will be released from liability hereunder for any (i) failure of such party to have performed its obligations hereunder prior to such termination or (ii) misrepresentation made by such party prior to such termination of any matter set forth herein.

6.2 No Third-party Beneficiaries. The representations and warranties and covenants and agreements contained in this Agreement are solely for the benefit of the Parties and their respective successors and permitted assigns, and nothing herein, expressed or implied is intended to confer any rights on any other Person or Persons. The Limited Partner also acknowledges and agrees that its only interest in the Purchase Price is only that portion of the Purchase Price that is attributable to it as a limited partner of Caldor.

6.3 Joint Participation. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event of any ambiguity or question of intent or interpretation hereunder, this Agreement shall be construed in accordance with the immediately preceding sentence and no presumption or burden of proof shall favor or disfavor any Party by virtue of the authorship of any provision of this Agreement.

6.4 Further Assurances. Each Party shall execute and deliver such instruments and take such other action as shall be reasonably required, or as shall be reasonably requested by any other Party, in order to carry out the Transaction and otherwise to give effect to this Agreement, at or prior to or at and after the Closing Date.

6.5 Delivery of Financial Statements. During the period from the date of this Agreement until the Closing, not later than thirty (30) days after the last day of each month, Caldor will deliver to Buyer financial statements, including a balance sheet, income statement and statement of cash flows as of the end of the prior month, of the Business. Such financial statements shall be deemed subject to the representations and warranties set forth in Section 3.2.

6.6 Dispute Resolution.

(a) Except as set forth in Section 2.8(c), any and all disputes and/or disagreements between or among the Parties, or any of them, arising under, or related to, this Agreement (each a "Dispute") shall be resolved as follows:

(i) The Parties to a Dispute (the "Disputing Parties") shall use all reasonable efforts to resolve the Dispute through discussions and negotiations for a period of not less than thirty days. During the course of such negotiations and discussions, each of the Disputing Parties shall be represented by a Person having decision-making authority with regard to the Dispute.

(ii) If, at the end of the aforementioned thirty-day period, the Disputing Parties have failed to resolve the Dispute, the Dispute shall be resolved by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "AAA"), as modified herein.

(b) Arbitration shall take place in Pittsburgh, Pennsylvania. All disputes shall be initiated by the service of a written notice by one party to the other party of the intent to arbitrate and filing of such notice with the AAA. Each party shall bear its own costs and expenses of arbitration and shall pay one-half (1/2) of any joint fees, costs and expenses of arbitration including, without limitation, the costs of room rental, transcripts and fees of the arbitrator and of the AAA itself.

(c) The parties shall jointly designate a single, independent arbitrator or otherwise have an arbitrator selected by the AAA in accordance with the Commercial Rules of Arbitration of the AAA for claims for claims aggregating not more than \$250,000. If amounts claimed exceed \$250,000, a panel of three (3) arbitrators selected by the AAA in accordance with the commercial Rules of Arbitration of the AAA shall hear such claim. The arbitration hearing must be conducted within four (4) months of the date of filing of the intent to arbitrate with the AAA. The hearing shall be conducted in

accordance with the Federal Rules of Evidence then in effect. The decision of the arbitrator, including any remedy or relief granted, including specific performance, shall be in writing and shall be rendered no later than fourteen (14) days after the close of the hearing. The decision of the arbitrator shall be final, binding upon the parties hereto and non-appealable and judgment thereon may be entered in any court of competent jurisdiction.

(d) Each party in arbitration shall be entitled to discovery pursuant to the Commercial Arbitration Rules or decisions of the arbitrator. Notwithstanding the foregoing, all discovery shall be completed within sixty (60) days of the date of the appointment of the arbitrator. Furthermore, all discovery must be completed no later than fifteen (15) days prior to the arbitration hearing. The time period for discovery may be extended by the arbitrator for good cause, provided that the arbitrator is able to meet the schedule specified above in Section (b).

(e) Anything in this Agreement to the contrary notwithstanding, other than resulting from a third-party claim, in no event shall either Party be liable to the other for special or consequential or punitive damages and neither Party shall seek or assert any of such damages.

6.7 Governing Law. This Agreement and the legal relations between the Parties shall, in all respects, be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania, without regard to principles of conflicts of laws.

6.8 Notices, Etc. Any notices, consents or other communications by or between the Parties required or permitted hereunder shall be in writing, and shall be sufficiently given if hand delivered or sent by registered mail or certified mail, postage prepaid, by facsimile transmission with confirmed receipt or by overnight courier or delivery service addressed or sent by facsimile transmission as follows:

To Sellers:

Caldon Company  
Caldon, Inc.  
c/o Caldon Investment LLC  
133 Freeport Road  
Pittsburgh, PA 15215-2943  
Attn.: Joseph L. Calihan  
Fax Number: 412/781-7214

With copies (which shall not constitute notice) to:

Eckert Seamans Cherin & Mellott, LLC  
600 Grant Street, 45<sup>th</sup> Floor  
Pittsburgh, PA 15219  
Attn: Louis J. Moraytis  
Fax Number: 412/566-6099

Steven J. Lynch

114 Southpointe Blvd.  
Canonsburg, PA 15317  
Fax Number: 412/422-3366

To Buyer:

NuFlo Technologies, Inc.  
c/o Cooper Cameron Corporation  
1333 W. Loop South  
Houston, TX 77027  
Attn: Franklin Myers and William C. Lemmer  
Fax Number: 713/513-3421

With copies (which shall not constitute notice) to:

Porter & Hedges, L.L.P.  
1000 Main, 36<sup>th</sup> Floor  
Houston, TX 77002  
Attn: Richard L. Wynne  
Fax Number: 713/228-4935

NuFlo Technologies, Inc.  
14450 JFK Boulevard  
Houston, TX 77032  
Attn: Tom Simms  
Fax Number: 281/582-9599

Any party may change such Party's address and/or facsimile number by giving notice of such change to the other Parties in accordance with this Section 6.8. Any such notice or communication shall be deemed to have been given as of the date so delivered or mailed (except that a notice of change of address and/or facsimile number shall not be deemed to have been given until received by the addressee).

6.9 Transaction Costs. Each Party shall be responsible for its own costs and expenses incurred in connection with the Transaction, including the fees and expenses of legal counsel, accountants and other professionals, whether incurred before or after the execution and delivery of this Agreement.

6.10 Assignments. This Agreement may not be assigned or transferred, in whole or in part, by operation of law or otherwise, by any Party without the prior written consent of the other Party, and any attempt to do so shall be null and void, except that Buyer may assign this Agreement to any Affiliate without the consent of either Seller.

6.11 Counterparts. This Agreement and any certificate or other writing to be executed and delivered in connection with the Closing may be executed in one or more counterparts, and by different Parties on different counterparts, each of which shall be considered an original and all of which shall be considered one and the same agreement, certificate or other writing, as the case may be, and shall become effective when one or more counterparts have been executed and delivered to each of the Parties. One or more counterparts of this Agreement or any certificate or

*cause  
term*



other writing to be executed and delivered in connection with the Closing may be delivered by facsimile transmission with the intent that it or they shall constitute an original counterpart hereof or thereof.

6.12 Entire Agreement; Remedies; Amendments; Invalidity. This Agreement constitutes the final, complete and exclusive expression of the agreements and understandings between and among them relating to the subject matter hereof. This Agreement supersedes any and all prior oral or written agreements, understandings and negotiations between or among the Parties relating to the subject matter hereof, all of which agreements, understandings and negotiations are merged with and into this Agreement. It is the intent of the Parties that the sole and exclusive remedy of each of the Parties in connection with, or relating to, the Transaction or any other matter contemplated by this Agreement (other than fraud) shall be indemnification in accordance with the provisions of Article V hereof, to be resolved in the manner provided in Section 6.5 hereof. No amendment, modification, supplement, rescission, waiver, or release of any provision of this Agreement shall be effective unless set forth in writing and signed by the Party or Parties to be bound thereby. In the event any term or provision of this Agreement is determined by a court having jurisdiction to be illegal or otherwise invalid, such provision shall be given its nearest legal meaning or be construed as deleted, as such court determines, and the remainder of this Agreement shall remain in full force and effect.

\* \* \* \* \*

CALDON, INC

Fax:412-341-9951

Dec 8 2005 14:13 P.02

Dec-08-05 11:31

From-PORTER & HEDGES LLP

7192281381

T-224 P.02/02 F-178

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed, on its behalf by one of their respective officers thereunto duly authorized, all as of the day and year first above written.

**CALDON COMPANY**

By: CALDON INVESTMENT LLC,  
its sole general partner

By: \_\_\_\_\_  
Steve J. Lynch  
President

**CALDON, INC.**

By: \_\_\_\_\_  
Calvin R. Hastings  
President

**NUFLO TECHNOLOGIES, INC.**

By: \_\_\_\_\_  
Name: Tom Simms  
Title: Vice President - Finance

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed, on its behalf by one of their respective officers thereunto duly authorized, all as of the day and year first above written.

**CALDON COMPANY**

By: CALDON INVESTMENT LLC,  
its sole general partner

By: *Steven J. Lynch*  
Steven J. Lynch  
President

**CALDON, INC.**

By: *Calvin R. Hastings*  
Calvin R. Hastings  
President

**NUFLO TECHNOLOGIES, INC.**

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