
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000 or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-22529

inTEST Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

22-2370659

(I.R.S. Employer Identification Number)

7 Esterbrook Lane

Cherry Hill, New Jersey 08003

(Address of principal executive offices, including zip code)

(856) 424-6886

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$0.01 per share.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant computed by reference to the closing price of such stock on March 15, 2001 as quoted on the Nasdaq National Market system was \$33,097,758.

The number of shares outstanding of the Registrant's Common Stock, as of March 15, 2001 is 8,656,757.

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

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PART I:

From time to time, we make written or oral "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements contained in our filings with the Securities and Exchange Commission (including this Report on Form 10-K), our annual report to stockholders and in other communications. These statements do not convey historical information, but relate to predicted or potential future events, such as statements of our plans, strategies and intentions, or our future performance or goals, and can often be identified by the use of forward-looking terminology such as "believes", "expects", "intends", "may", "will", "should" or "anticipates" or similar terminology. Investors and prospective investors are cautioned that such statements are only projections. These statements involve risks and uncertainties and are based upon various assumptions. We discuss many of these risks and uncertainties under the heading "Risks That Could Affect Future Results" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" below, and elsewhere in this Report. These risks, among others, could cause our actual future results to differ materially from those described in our forward-looking statements. We are not obligated to update these forward-looking statements, even though our situation may change in the future.

Item 1. DESCRIPTION OF BUSINESS

INTRODUCTION

We are a leading independent designer, manufacturer and marketer of manipulator and docking hardware products, temperature management systems and tester interface products that are used by semiconductor manufacturers in conjunction with automatic test equipment, or ATE, in the testing of integrated circuits, or ICs. Our high performance products are designed to enable semiconductor manufacturers to improve the efficiency of their IC test processes and, consequently, their profitability. We supply our products worldwide to major semiconductor manufacturers directly and through leading ATE manufacturers. Our customers include Texas Instruments, ST Microelectronics, Agere Systems (formerly the Microelectronics Group of Lucent Technologies), Philips, Motorola, Teradyne, Cascade Microtech, Electroglas, Tokyo Seimitsu, Agilent Technologies (formerly Hewlett Packard), LTX, Analog Devices and Credence Systems' ICE Division (formerly TMT).

We were incorporated in New Jersey in 1981 and reincorporated in Delaware in April 1997. We established inTEST Limited in the U.K. in 1985, inTEST Kabushiki Kaisha (inTEST K.K.) in Japan in 1987, inTEST PTE, Limited in Singapore in 1990 and inTEST GmbH in Germany in 2000. inTEST Limited designs, manufactures, markets and provides technical support for our products principally in Europe. inTEST K.K. acts as a liaison office with Japanese

ATE manufacturers, and markets and provides technical support for our products in Japan. inTEST PTE, Limited designs, manufactures, markets and provides technical support to customers in Southeast Asia. inTEST GmbH provides sales and service in continental Europe for temperature management systems as well as sales and service for manipulator, docking hardware and tester interface products for selected accounts. In 1997, we completed our initial public offering. In 1998, we acquired all of the stock of TestDesign Corporation, which expanded our capabilities in the design, manufacture and marketing of tester interface products. On March 9, 2000, we acquired all of the stock of Tempronic Corporation, a designer, manufacturer and marketer of high-performance temperature management systems used in the testing of ICs, printed circuit boards and other subassemblies.

INDUSTRY

Overview

The semiconductor market has been characterized by rapid technological change, wide fluctuations in demand and shortening product life cycles. Designers and manufacturers of a variety of electronic and industrial products, such as cell phones, telecom and datacom systems, Internet access devices, computers and consumer electronics, require increasingly complex ICs to provide improved end-product performance demanded by their customers.

Semiconductor manufacturers generally compete based on product performance and price. We believe that testing costs represent a significant portion of the total cost of manufacturing ICs. As product life cycles shorten, semiconductor manufacturers are under more pressure to maximize production yields and reduce testing costs. At the same time, the growing complexity of ICs has increased the difficulty of maximizing test yields. In order to address these market trends, semiconductor manufacturers strive for more effective utilization of ATE, smaller test areas and increased wafer level testing.

The demand for new ATE and related equipment depends upon several factors, including the demand for products that incorporate ICs, the increasing complexity of ICs and the emergence of new IC design, production and packaging technologies. Some of the newer IC technologies include the use of 300 mm wafers in production, system-on-a-chip, or SOC, where digital, analog and memory functions are combined on a single IC, and chip scale packaging. As a result of these and other advances, semiconductor manufacturers may require additional ATE not only to handle increases in production but also to handle more sophisticated testing requirements of ICs.

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IC Test Process

Semiconductor manufacturers typically produce ICs in multiples of several hundred on a silicon wafer which is later separated or "diced" into individual ICs. Extended leads are then attached to the individual ICs, for later connection to other electrical components, before the ICs are put in a plastic, ceramic or other protective housing. This process step is called "packaging." Wafers are tested before being diced and packaged, to ensure that only properly functioning ICs are packaged. This testing step has several names including "front-end test," "wafer test" or "wafer probe." In front-end test, a piece of equipment known as a wafer prober automatically positions the wafer under a "test head," which connects electrically to a test system. Once the good ICs have been identified, they are packaged. The packaged IC also requires testing, called "back-end test," to determine if it meets design and performance specifications. Packaged ICs are placed into a machine called a handler, which then plugs the packaged ICs into an environmentally-controlled test head, which includes a test socket, for testing.

Testers range in price from approximately \$500,000 to over \$3.0 million each, depending primarily on the complexity of the IC to be tested and the number of test heads, typically one or two, with which each tester is configured. Probers and handlers range in price from approximately \$100,000 to \$500,000. A typical test floor of a large semiconductor manufacturer may have 100 test heads and 100 probers or 250 handlers supplied by various vendors for use at any one time.

Test head manipulators, also referred to as positioners, facilitate the movement of the test head to the wafer prober in front-end test, and to the handler in back-end test. Docking hardware connects the test head to the wafer prober and handler. Tester interface products provide the electrical connection between the test head and the wafer or packaged IC. Traditionally, temperature management products are used in back-end test to allow a manufacturer to test packaged ICs under the extreme temperature conditions in which the IC may be required to operate. However, we believe that temperature-controlled testing will be an increasingly important part of front-end wafer testing as the demand for front-end testing grows.

Trends in IC Testing

While the basic purpose of testing ICs during production is to identify unacceptable products, a related goal of the semiconductor manufacturer is to perform the test in the most efficient and cost-effective manner possible. To provide testing equipment that can help manufacturers meet this goal, the ATE industry must respond to the following developments:

Change in Technology. Currently, most semiconductor manufacturers use 150 mm and 200 mm wafer technology. In order to increase throughput and lower IC cost, semiconductor manufacturers will need to add 300 mm wafer production capability over the next few years. In addition, end-user applications are demanding ICs with increasingly higher performance, greater speeds, and smaller sizes. ICs that meet these higher standards are more complex and dense. SOC designs are likely to have increasing demand in the future. These technology trends have significant implications for the IC testing process, including:

- the need for more complex, larger and heavier test heads;
- higher pin densities;
- increasing test speeds; and
- a new generation of testers for SOC and other technologies.

Need for Plug-Compatibility and Integration. Semiconductor manufacturers need test methodologies that will perform increasingly complex tests while lowering the overall cost of testing. This can require combining ATE manufactured by various companies into optimally performing systems. Semiconductor manufacturers have to work closely with various test hardware, software, interface and component vendors to resolve design and compatibility issues in order to make these vendors' products plug-compatible with test equipment manufactured by other vendors.

Testing under Extreme Conditions. ICs will have to perform across a wider spectrum of temperature and environmental conditions than ever before because of the growing complexity of products in which they are deployed. Temperature testing will likely find an increasing role in front-end, wafer level testing. Creating a uniform thermal profile over much larger wafer areas represents a significant engineering and design challenge for ATE manufacturers.

Demand for Higher Levels of Technical Support. As IC testing becomes more complex, semiconductor manufacturers are increasingly demanding higher levels of technical support on a routine basis. ATE manufacturers must commit greater resources to technical support in order to develop close working relationships with their customers. This level of support also requires close proximity of service and support centers to customers' facilities.

Cost Reduction through Increased Front-End Testing. As the cost of testing ICs increases, semiconductor manufacturers will continue to look for ways to streamline the testing process to make it more cost-effective. We believe that this factor will lead to more front-end, wafer level testing.

OUR SOLUTIONS

We have focused our efforts on designing and producing high quality products that provide superior performance and cost-effectiveness. We seek to address each manufacturer's individual needs through innovative and customized designs, use of the best materials available, quality manufacturing practices and personalized service. We design solutions to overcome the evolving challenges facing the ATE industry by providing the following advantages:

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Scalable, Universal, High Performance Interface Technology. Our universal test head manipulators provide six degrees of motion freedom to enable a high degree of flexibility with the minimum amount of effort. As a result, our products can be used in virtually any test setting. Our manipulators have kept pace with the rapidly increasing size of test heads, which can weigh up to 3,000 pounds and which will become larger and heavier as the required level of testing sophistication increases. Our docking hardware offers precise control over the connection to test sockets, probing assemblies and interface boards, reducing downtime and minimizing costly damage to fragile components. We believe that these characteristics will gain even more significance as testing becomes more complicated.

Compatibility and Integration. A hallmark of our products has been, and continues to be, compatibility with a wide variety of ATE. Our universal manipulators can handle test heads produced by different manufacturers. We also design and manufacture docking hardware that can be used with otherwise incompatible ATE. We believe this integrated approach to ATE facilitates smooth changeover from one tester to another, longer lives for interface components, better test results and lower overall test costs.

Wafer Level Testing. Semiconductor manufacturers use our redesigned ThermoChuck(R) products for front-end temperature stress screening at the wafer level. This can provide significant cost savings from early identification of defective ICs that will not perform at specified temperatures thereby eliminating the costs of packaging and testing these defective ICs. ThermoChuck(R) products are capable of handling any size wafer, including a 300 mm wafer, for thermal test without causing the wafer distortion that can occur as temperature changes are introduced. In addition, our Pro Dock can be used in front-end testing by a single operator to position a test head weighing up to 1,000 pounds. The Pro Dock has a relatively small footprint that significantly increases test floor space utilization. We believe that these characteristics will become even more important as front-end testing becomes more intricate.

Worldwide Customer Service and Support. We have long recognized the need to maintain a physical presence near our customers' facilities. We have manufacturing facilities in New Jersey, Massachusetts, California, the U.K. and Singapore, and we provide service to our customers from 12 sales and service offices in the U.S., the U.K., Japan, Singapore and Germany. Thus, our engineers are easily accessible to, and can work directly with, most of our customers from the time we begin developing our initial proposal through the delivery, installation and use of the product by our customer. In this way, we are able to develop and maintain close relationships with our customers.

OUR STRATEGY

Our goal is to be recognized in our industry as the designer and manufacturer of the highest quality products in our markets and to become a supplier for all of our customers' ATE needs, other than probers, handlers and testers. Our strategies to achieve these goals include the following:

Providing Technologically Advanced Solutions. We are committed to designing and producing only the highest quality products which incorporate innovative designs to achieve optimal cost-effectiveness and functionality for each customer's particular situation. Our engineering and design staff are continually engaged in developing new and improved products and manufacturing processes.

Leveraging our Strong Customer Relationships. Our technical personnel work closely with ATE manufacturers to design tester interface and docking hardware that are compatible with their ATE. As a result, we are often privy to proprietary technical data and information about these manufacturers' products. We believe that because we do not compete with ATE manufacturers in the prober, handler and tester markets, we have been able to establish strong collaborative relationships with these manufacturers that enable us to develop ancillary ATE products on an accelerated basis.

Continuing our International Expansion. Our existing and potential customers are concentrated in certain regions throughout the world. We believe that we must maintain a presence in the markets in which our customers operate. We currently have offices in the U.S., the U.K., Japan, Singapore and Germany.

Pursuing Synergistic Acquisitions. A key element of our growth strategy is to acquire businesses, technologies or products that are complementary to our current product offerings. Our TestDesign and Temprotonic acquisitions have expanded our line of product offerings and given us the opportunity to market a broader range of products to our customer base. We expect to make acquisitions that will further expand our product lines, enabling us to become a single source supplier to the test floor for a complete selection of equipment compatible with testers, probers and handlers of all manufacturers.

OUR PRODUCTS

We design and manufacture manipulators, docking hardware, temperature management systems and tester interface products, all of which are designed to

improve the utilization and performance of ATE used by semiconductor manufacturers in the testing of ICs. Semiconductor manufacturers most frequently use our primary lines of manipulators and docking hardware during back-end testing of specialized packaged ICs. They use our temperature management systems and tester interface products in both front-end and back-end testing of ICs. These ICs include microprocessors, digital signal processing chips, application specific ICs and specialized memory ICs, and are used primarily in the automotive, computer, consumer products and telecommunications industries. We custom design most of our products for each customer's particular combination of ATE. We have designed over 5,000 models, each of which is mechanically different. These models are designed to facilitate the use of one or more of over 175 different test heads with one or more of over 30 probers or 300 handlers.

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Manipulator Products

Universal Manipulators: Our primary line of manipulator products consists of the in2(R) and in2 Pro test head positioners, which are free-standing universal manipulators. Universal manipulators can hold a variety of test heads and enable an operator to reposition a test head for alternate use with any one of several probers or handlers on a test floor. The in2(R) and in2 Pro differ from universal manipulators manufactured by our competitors by our innovative, patented floating-head design. This design permits a test head weighing up to 3,000 pounds to be held in an effectively weightless state, so it can be moved manually or, in the case of the in2 Pro, with optional powered assistance, up or down, right or left, forward or backward and rotated around each axis (known as six degrees of motion freedom) by an operator using a modest amount of force. The same design features enable the operator to dock the test interface board without causing inadvertent damage to the fragile electrical contacts. As a result, after testing a particular production lot of ICs, the operator can quickly and easily disconnect a test head held in an in2(R) or in2 Pro manipulator and equipped with our docking hardware and dock it to another handler for testing either a subsequent lot of the same packaged IC or to test a different IC. in2(R) and in2 Pro manipulators range in price from approximately \$12,000 to \$165,000.

Dedicated Manipulators: In addition to our free-standing universal manipulators, we manufacture several models of dedicated manipulators. We have developed a fully-automatic, electrically-powered and microprocessor-controlled dedicated manipulator, which we call the Pro Dock. We believe it is the only fully-automatic manipulator which enables a test head to be automatically docked to a prober or handler with the push of one button. We believe that the Pro Dock series of manipulators will be attractive to semiconductor manufacturers for testing 300 mm wafers and packaged memory ICs because the size of test heads for these wafers and ICs make manual manipulation difficult. In addition, we believe that the Pro Dock will enable semiconductor manufacturers to increase floor space utilization of their ATE systems by 25% to 40% over that achieved by other dedicated or universal manipulators because a Pro Dock manipulator has virtually a zero footprint. We have not yet sold any Pro Dock manipulators and do not expect significant sales of this product until demand for 300 mm wafers reaches levels warranting significant investment in new testing equipment by semiconductor manufacturers.

Docking Hardware Products

Our docking hardware products ensure proper alignment of the delicate interface between the test head's interface board and the prober's probing assembly or the handler's test socket as they are brought together, or "docked." A simple cam action docks and locks the test head to the prober or handler, thus eliminating motion of the test head relative to the prober or handler. This minimizes deterioration of the interface boards, test sockets and probing assemblies which is caused by the constant vibration during testing. Our docking hardware products are used primarily with floating-head universal manipulators when maximum mobility and inter-changeability of handlers between test heads is required. By using our docking hardware products, semiconductor manufacturers can achieve cost savings through improved ATE utilization, improved accuracy and integrity of test results, and reduced repairs and replacements of expensive ATE interface products.

Our docking hardware products differ from those offered by competing ATE manufacturers by our ability to make various competing brands of test heads compatible with various brands of probers and handlers used by a semiconductor manufacturer by only changing interface boards. This is called "plug-compatibility." Plug-compatibility enables increased flexibility and utilization of test heads, probers and handlers purchased from various manufacturers. We believe that because we do not compete with ATE manufacturers in the sale of probers, handlers or testers, ATE manufacturers are willing to provide us with the information that is integral to the design of plug-compatible products. Our docking hardware products range in price from approximately \$2,000 to \$12,000.

Temperature Management Systems

Our temperature management systems enable a manufacturer to test a semiconductor wafer or IC over the extreme and variable temperature conditions that can occur in the actual use of the electronic device containing the ICs.

ThermoChuck(R) Products: Our ThermoChuck(R) precision vacuum platform assemblies quickly change and stabilize the temperature of semiconductor wafers during testing without removing the wafer from its testing environment. Such temperatures can range from as low as -65 degrees Celsius to as high as +400 degrees Celsius. ThermoChucks(R) are incorporated into wafer prober equipment for laboratory analysis and for in-line production testing of semiconductor wafers. During 2000, we redesigned our ThermoChuck(R) product line and developed an innovative manufacturing process for this product line. We began marketing the redesigned ThermoChuck(R) products during 2000 and, based upon customer feedback from initial sales, we believe that this new design and manufacturing process has improved the reliability and performance of ThermoChuck(R) products. Specifically, our redesigned ThermoChuck(R) products stay flatter, remain more level and maintain more uniform temperatures during testing than our previous design. In addition, the new manufacturing process has reduced production costs for these products. ThermoChuck(R) products range in price from approximately \$14,000 to \$55,000.

ThermoStream(R) Products: Our ThermoStream(R) stand-alone temperature management systems use a temperature-controlled air stream to rapidly change and stabilize the temperature of packaged ICs and printed circuit boards. ThermoStream(R) products provide a source of heated and cooled air which can be directed over the component or device under test. These systems are capable of controlling temperatures to within +/- 0.1 degree Celsius over a range of -75 degrees Celsius to as high as +225 degrees Celsius within 1.0 degree Celsius of accuracy. Traditionally, our customers used ThermoStream(R) products primarily in engineering, quality assurance and small-run manufacturing environments. However, increasingly, our customers use ThermoStream(R) products in longer-run production applications. ThermoStream(R) products range in price from approximately \$4,500 to \$35,000.

Other Temperature Management Products: We also manufacture ancillary temperature management products including temperature-controlled contact probes, temperature-controlled enclosures, and precision temperature platforms. Recent developments in wireless communications have resulted in the mounting of wireless transmitters outdoors to reduce transmission line problems. As a result, these transmitters are exposed to extreme temperature variations and require testing over the full range of temperature exposure that will be encountered. Historically, the standard approach to this type of testing has been to use conventional thermal chambers, which can require removing equipment during testing and potentially cause damage to the sensitive microwave cables or create erroneous measurements. Our other temperature management products can be used to provide a closed, temperature-controlled environment for temperature testing of high frequency transmitters and receivers without the need for removal during testing, eliminating the risk of damage due to interruption of the test.

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Tester Interface Products

Tester interface products provide the electrical connections between the tester and the wafer prober or IC handler to carry the electrical signals between the tester and the probe card on the prober or the test socket on the handler. Our designs optimize the integrity of the transmitted signal which increases the accuracy of the test data. Therefore, our tester interface products can be used with high speed, high frequency, digital or mixed signal interfaces used in testing more complex ICs. Because our tester interface products enable the tester to provide more reliable yield data, our interfaces may also reduce IC production costs. We offer over 200 different types of tester interface models that we custom designed for our customers' specific applications. These products range in price from \$6,000 to \$51,000.

Financial Information About Product Segments and Geographic Areas

Please refer to Note 4 of our consolidated financial statements included in this Report for additional data regarding each of our product segments and revenues attributable to foreign countries.

MARKETING, SALES AND CUSTOMER SUPPORT

We market and sell our products in all markets where the manufacture of semiconductors occurs. North American and European semiconductor manufacturers have located most of their back-end factories in Southeast Asia. The front-end wafer fabrication plants of U.S. semiconductor manufacturers are primarily in the U.S. Likewise, European, Taiwanese, South Korean and Japanese semiconductor manufacturers generally have located their wafer fabrication plants in their respective countries.

Manipulator, Docking Hardware and Tester Interface Products: In North America, we sell to semiconductor manufacturers principally through independent, commissioned sales representatives. North American sales representatives also coordinate product installation and support with our technical staff and participate in trade shows.

Our regional and account managers handle sales to ATE manufacturers and are responsible for a portfolio of customer accounts and for managing certain independent sales representatives. In addition, our account managers are responsible for pricing, quotations, proposals and transaction negotiations, and they assist with applications engineering and custom product design. Technical support is provided to North American customers and independent sales representatives by employees based in New Jersey, California, Texas and Arizona.

In Europe and Japan, we sell to semiconductor and ATE manufacturers through our account managers. In China, Hong Kong, Malaysia, the Philippines, South Korea, Taiwan and Thailand, we sell through independent sales representatives. International sales representatives are responsible for sales, installation, support and trade show participation in their geographic market areas.

Temperature Management Systems: Sales to ATE manufacturers are handled directly by our own sales force. Sales to semiconductor manufacturers in the U.S. are handled through independent sales representative organizations. Outside the U.S., our sales to semiconductor manufacturers are handled through distributors, except for Germany and the U.K. where these sales are handled by our account managers. Our distributors represent us in 30 countries. We visit our distributors regularly and have trained them to sell and service all of our temperature management products.

CUSTOMERS

We market all of our products to semiconductor manufacturers and ATE manufacturers. In the case of temperature management products, we also market our products to independent testers of semiconductors, manufacturers of electronic products, and semiconductor research facilities. Our customers use our products principally in production testing, although our ThermoStream(R) products traditionally have been used largely in engineering development and quality assurance. We believe that we sell to most major semiconductor manufacturers in the world.

Our largest customers include:

Semiconductor Manufacturers

Texas Instruments
ST Microelectronics
Agere Systems (formerly the Microelectronics Group of
Lucent Technologies)
Philips
Motorola

ATE Manufacturers

Teradyne
Cascade Microtech
Electroglas
Tokyo Seimitsu
Agilent Technologies (formerly Hewlett Packard)
LTX
Analog Devices
Credence Systems' ICE Division (formerly TMT)

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MANUFACTURING AND SUPPLY

Our principal manufacturing operations consist of assembly and testing at our facilities in New Jersey, Massachusetts, California, the U.K., and Singapore. By maintaining manufacturing facilities and technical support in geographic markets where most of our customers are located, we believe that we are able to respond more quickly and effectively to our customers' needs. During the first quarter of 2000, we relocated our manufacturing facilities in California. During the fourth quarter of 2000, we moved our headquarters, manufacturing and warehouse facility in New Jersey to a larger facility and we signed a lease for a larger facility for our Temptronic operation. During the first quarter of 2001, we expanded our Thame, U.K. operation and signed a lease for a larger facility for our Singapore operation. We plan to move both our Temptronic operation in Massachusetts and our Singapore operation to their larger facilities during the second quarter of 2001.

We assemble most of our products from a combination of standard components and custom parts that have been fabricated to our specifications by either third party manufacturers or our own fabrication operations in New Jersey and California. Fabrication operations are expected to commence in the U.K. by the end of the second quarter of 2001. Our practice is to use the highest quality raw materials and components in our products. The primary raw materials used in fabricated parts are all widely available. We purchase substantially all of our components from multiple suppliers. Although we purchase certain raw materials and components from single suppliers, we believe that all materials and components are available in adequate amounts from other sources.

We conduct inspections of incoming raw materials, fabricated parts and components using sophisticated measurement equipment. This includes testing with coordinate measuring machines in New Jersey, Massachusetts, the U.K. and Singapore to ensure that products with critical dimensions meet our specifications. We have designed our inspection standards to comply with applicable MIL specifications and ANSI standards. We recently obtained ISO 9001 certification at our New Jersey facility and are in the process of applying for similar certification for our California operation.

ENGINEERING AND PRODUCT DEVELOPMENT

Our success depends on our ability to provide our customers with products and solutions that are well engineered, and to design those products and solutions before, or at least no later than, our competitors. As of December 31, 2000, we employed a total of 48 engineers, who were engaged full time in engineering and product development. Our practice in many cases is to assign engineers to work with specific customers, thereby enabling us to develop the relationships and free exchange of information that is most conducive to successful product development and enhancement. In addition, some of our engineers are assigned to new product research and development and have worked on such projects as the redesign of the ThermoChuck® and the development of several new types of universal manipulators.

Since most of our products are customized, we consider substantially all of our engineering activities to be engineering and product development. We spent approximately \$6.6 million on engineering and product development in 2000, \$4.9 million in 1999, and \$4.1 million in 1998.

PATENTS AND OTHER PROPRIETARY RIGHTS

As of December 31, 2000, we held 25 U.S. patents and had pending 19 U.S. patent applications covering various aspects of our technology. Our U.S. issued patents will expire at various times beginning in 2001 and extending through 2017. We also hold foreign patents and file foreign patent applications, in each case derived from our U.S. patents, to the extent management deems appropriate.

Our policy is to protect our technology by filing patent applications for the technologies that we consider important to our business. We also rely on trade secrets and unpatentable know-how to protect our proprietary rights. It is our practice to require, as a condition of permanent employment, that all of our employees agree to assign to us all rights to inventions or other discoveries relating to our business made while employed by us. In addition, all employees agree not to disclose any private or confidential information relating to our technology or intellectual property.

COMPETITION

Our competitors include independent manufacturers, ATE manufacturers and, to a lesser extent, semiconductor manufacturers' in-house ATE interface groups. Competitive factors in our market include product performance, price, functionality, reliability, customer service, applications support, and timely product delivery. We believe that our long-term relationships with the industry's leading semiconductor manufacturers and other customers, and our commitment to and reputation for providing high quality products are important elements in our ability to compete effectively in all of our markets.

The independent manufacturers of docking hardware and manipulators that compete with us include Reid-Ashman Manufacturing and Microhandling GmbH, each of which manufactures docking hardware and manipulators. The ATE manufacturers that compete with us in the sale of docking hardware and universal manipulators include Credence Systems, LTX, Schlumberger and Teradyne, who are also our customers.

Our principal competitors for temperature management products are Thermonics, Trio-Tech International and ERS Elektronik GmbH. The independent manufacturers of tester interface products that compete with us include Cerprobe, a division of Kulicke & Soffa, Synergetix, a division of IDI, and Xandex. ATE manufacturers that compete with us in the sale of tester interface products include Credence Systems, LTX and Teradyne.

BACKLOG

At December 31, 2000, our backlog of unfilled orders for all products was approximately \$22.3 million compared with approximately \$15.2 million at December 31, 1999. Our backlog includes customer purchase orders which we have accepted, substantially all of which we expect to deliver in the current fiscal year. While backlog is calculated on the basis of firm purchase orders, a customer may cancel an order or accelerate or postpone currently scheduled delivery dates. As a result, our backlog at a particular date is not necessarily indicative of sales for any future period.

EMPLOYEES

At December 31, 2000, we had 386 full time employees, including 225 in manufacturing operations, 120 in customer support/operations and 41 in administration. These figures include approximately 40 temporary employees, primarily in manufacturing jobs. Substantially all of our key employees are highly skilled and trained technical personnel. None of our employees is represented by a labor union, and we have never experienced a work stoppage. We believe that our relationship with our employees is very good.

During the first quarter of 2001, we reduced our workforce by 77 employees as a part of a cost containment program which we recently implemented. Of these employees, 71 were in manufacturing operations, 5 in customer support/operations and 1 in administration. These figures included approximately 35 temporary employees.

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Item 2: PROPERTIES

At December 31, 2000, we leased 12 facilities worldwide. We relocated our Sunnyvale, California and Tokyo, Japan operations during the first quarter of 2000. During the third quarter of 2000, we leased a facility in Germany. During the fourth quarter of 2000, we moved our headquarters, manufacturing and warehouse facility in New Jersey to a larger facility and we signed a lease for a larger facility for our Temptronic operation. During the first quarter of 2001, we expanded our Thame, U.K. operation and signed a lease for a larger facility for our Singapore operation. We plan to move both our Temptronic operation in Massachusetts and our Singapore operation to their larger facilities during the second quarter of 2001. We believe that additional space to meet our current and foreseeable future needs is readily available.

The following chart provides information regarding each of the principal facilities with square footage in excess of 15,000 which we occupied, or for which we had signed leases, at December 31, 2000.

<u>Location</u>	<u>Lease Expiration</u>	<u>Approx. Square Footage</u>	<u>Principal Uses</u>
Cherry Hill, NJ	9/10	121,700	Corporate headquarters and design, manufacturing, service and sales -- manipulator and docking hardware products.
Newton, MA(1)	8/01	44,000	Current design, manufacturing, service and sales -- temperature management systems.

Sharon, MA(2)	2/11	62,400	Future site of design, manufacturing, service and sales -- temperature management systems.
Sunnyvale, CA	12/04	18,300	Design, manufacturing, service and sales -- tester interface products

- (1) Site to be vacated prior to lease expiration.
(2) Site to be occupied on or about May 15, 2001.

Item 3: LEGAL PROCEEDINGS

From time to time we are a party to legal proceedings. We are not currently involved in any legal proceedings the resolution of which could have a material effect on our business, our financial position or our results of operations.

Item 4: SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote during the fourth quarter of 2000.

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inTEST Corporation
Annual Report on Form 10-K

PART II:

Item 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the Nasdaq National Market under the symbol "INTT." The following table sets forth the high and low sale prices of our common stock, as reported on the Nasdaq National Market, for the periods indicated. Sale prices have been rounded to the nearest full cent.

	<u>Sales Price</u>	
	<u>High</u>	<u>Low</u>
<u>1999</u>		
First Quarter	\$ 8.25	\$ 5.25
Second Quarter	7.75	3.63
Third Quarter	11.25	6.50
Fourth Quarter	20.38	6.63
<u>2000</u>		
First Quarter	\$26.25	\$16.44
Second Quarter	24.50	14.00
Third Quarter	18.88	8.00
Fourth Quarter	11.13	5.00

On March 15, 2001, the closing price for our common stock as reported on the Nasdaq National Market was \$6.63. As of March 15, 2001, we had 8,656,757 shares outstanding that were held of record by approximately 1,000 shareholders.

We have not paid dividends on our common stock since our initial public offering, and we do not plan to pay cash dividends in the foreseeable future. Our current policy is to retain any future earnings for reinvestment in the operation and expansion of our business, including possible acquisitions of other businesses, technologies or products. Payment of any future dividends will be at the discretion of our board of directors. In addition, our current credit agreement prohibits us from paying cash dividends without the lender's prior consent.

Item 6: SELECTED FINANCIAL DATA

The following table contains certain selected consolidated financial data of inTEST and is qualified by the more detailed Consolidated Financial Statements and Notes thereto included elsewhere in this Annual Report on Form 10-K and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the other financial information included in this Annual Report on Form 10-K.

Years Ended December 31.

2000 1999 1998 1997 1996

(in thousands, except share and per share data)

Consolidated Statement of Earnings Data:

Net revenues	\$87,651	\$53,585	\$36,058	\$40,014	\$36,259
Gross margin	39,556	26,710	17,188	20,914	20,512
Operating income	10,909	7,327	2,076	5,840	7,211
Net earnings	6,379	6,133	1,058	4,223	5,613
Net earnings per common share (1997 and 1996 information is pro forma):					
Basic	.78	.76	.14	.55	.82
Diluted	.75	.74	.14	.54	.76
Weighted average common shares outstanding (1997 and 1996 information is pro forma)					
Basic	8,201	8,084	7,669	6,531	5,325
Diluted	8,470	8,266	7,822	6,697	5,688

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As of December 31.

2000 1999 1998 1997 1996

(in thousands)

Consolidated Balance Sheet Data:

Cash and cash equivalents	\$ 5,680	\$12,047	\$ 8,637	\$12,138	\$ 3,840
Working capital	26,768	20,784	15,068	16,826	6,513
Total assets	46,529	43,015	32,201	31,290	16,018
Long-term debt, less current portion	-	133	262	427	1,312
Total stockholders' equity	38,398	31,458	25,062	21,037	7,767

The 1996 and 1997 net earnings per common share and weighted average share data are presented on a pro forma basis to reflect our results as if we had been taxed as a C corporation for all of 1996 and 1997 and as if we had acquired our minority interests in three foreign subsidiaries on January 1, 1996, rather than on June 20, 1997, the actual date of acquisition.

The selected financial data gives retroactive effect to our merger with Temptronic Corporation on March 9, 2000. The merger has been accounted for using the pooling-of-interests method of accounting.

Item 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Our business and results of operations are substantially dependent upon the demand for ATE by semiconductor manufacturers and companies that specialize in the testing of ICs. Demand for ATE is driven by semiconductor manufacturers that are opening new or expanding existing semiconductor fabrication facilities or upgrading existing equipment, which in turn is dependent upon the current and anticipated market demand for semiconductors and products incorporating semiconductors. The semiconductor industry has been highly cyclical with recurring periods of oversupply, which often have a severe impact on the semiconductor industry's demand for ATE, including the products we manufacture. This cyclicity has been clearly demonstrated during the past five years, with downward cycles in 1996 and 1998, and up cycles in 1997, 1999 and 2000. During the fourth quarter of 2000, demand for ATE entered another cyclical downturn. We cannot be sure as to the length and depth of this current downturn and when the next cyclical growth phase will occur.

In response to this downturn, we reduced our worldwide workforce by 20%, or 77 people, during the first quarter of 2001. In addition, we have implemented a worldwide salary freeze, put a hold on new hires and implemented additional cost controls on other expenditures with the goal of reducing our overall operating expenditures by 10%.

We sell our products to both semiconductor manufacturers (end user sales) and to ATE manufacturers (OEM sales) who ultimately resell our equipment with theirs to semiconductor manufacturers. The mix of customers during any given period will affect our gross margin due to differing sales discounts and commissions. Historically, the majority of our manipulator, docking hardware and tester interface product sales have been directly to semiconductor manufacturers, with our end user sales typically in the range of 65% to 75% of our net revenues. In the past year, many semiconductor manufacturers have begun to show a preference for purchasing the various components of the ATE (excluding temperature management systems) they need from a single source. Typically, this source is the manufacturer of the largest and most expensive components of the ATE system, the tester manufacturer. During 2000, OEM sales as a percentage of net revenues increased from 33% to 41% for manipulator and docking hardware products and from 21% to 42% for tester interface products and we expect that OEM sales as a percentage of net revenues will continue to increase in the future for these product segments. The impact of this increase in OEM sales as a percentage of net revenues is a reduction in our gross margin, as OEM sales have a more significant discount than end user sales. Our current net operating margins on OEM sales for these product segments, however, are only slightly less than margins on end user sales because of the payment of third party sales commissions on most end user sales. We also expect to continue to experience demands from our OEM customers' supply line management groups to reduce our sales prices to them. This continued price pressure may have the ultimate effect of reducing our gross and operating margins if we cannot reduce our manufacturing and operating costs.

We believe that purchases of most of our products are typically made from the end users' capital expenditure budgets. Certain portions of our business, however, are less dependent upon the capital expenditure budgets of the end users. For example, purchases of certain related ATE interface products, such as sockets and interface boards, which must be replaced periodically, are typically made from the end users' operating budgets. In addition, purchases of our products for the purpose of upgrading, or to improve the utilization, performance and efficiency of, existing ATE tend to be counter cyclical to sales of new ATE. Moreover, we believe a portion of our sales of temperature management products results from the increasing need for temperature testing of circuit boards and specialized components that do not have the design or quantity to be tested in a handler. We believe that this business is less cyclical than new ATE sales.

Please refer to the section entitled "Risks That Could Affect Future Results" below for a further discussion of important factors that could cause our results to differ materially from our prior results or those expressed or implied by our forward-looking statements.

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Significant Events

On March 9, 2000, we acquired Temptronic Corporation. The acquisition was in the form of a merger of Temptronic into a subsidiary of ours, and was accounted for as a pooling of interests. Temptronic designs, makes, sells and services high-performance temperature management systems used in the testing of ICs and other electronic products. These temperature management systems are complementary to the manipulator, docking hardware and tester interface products manufactured by us prior to the merger and expand our line of product offerings to our customer base.

On August 3, 1998, we acquired all of the outstanding capital stock of TestDesign Corporation, a privately held California corporation. TestDesign is engaged in the design and manufacture of tester interface products used by the semiconductor industry. The purchase price was \$4.4 million in cash and 625,000 shares of our common stock. Subsequent to the acquisition, TestDesign was renamed "inTEST Sunnyvale Corporation."

Results of Operations

All of our products are used by semiconductor manufacturers in conjunction with ATE in the testing of ICs. Consequently, the results of operations for each product segment are generally affected by the same factors. Separate discussions and analyses for each product segment would be repetitive and obscure any unique factors that affected the results of operations of our different product segments. The discussion and analysis that follows, therefore, is presented on a consolidated basis for the company as a whole and includes discussion of factors unique to each product segment where significant to an understanding of such business.

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

Net Revenues. Net revenues were \$87.7 million for 2000 compared to \$53.6 million for 1999, an increase of \$34.1 million or 64%. We believe that the significant increase in net revenues over the comparable prior period is principally the result of growth in the demand for ATE that continued through most of 2000 as compared to 1999.

Gross Margin. Gross margin decreased to 45% in 2000 from 50% in 1999. The decline in gross margin was primarily the result of increased material costs coupled with higher levels of fixed manufacturing costs and, to a lesser extent, for manipulator and docking hardware products as well as tester interface products, an increase in the percentage of OEM sales in 2000 compared to 1999. The increase in material costs was mainly the result of significant additions to our obsolescence reserve and, to a lesser extent, higher costs to purchase certain component materials, such as aluminum, as well as increases in fabrication costs. The additions to our obsolescence reserve were made against certain recently discontinued product lines, as well as other products where we do not see significant future demand relative to current inventory levels. We believe the increase in fabrication costs is the result of higher demand for fabrication in most of the markets where we operate. The increase in fixed manufacturing costs is primarily the result of increased levels of salary expense due to additional operations staff hired in late 1999 and 2000 in response to increased business activity as well as salary increases for existing staff, combined with higher facility and depreciation costs primarily resulting from the relocation of certain of our manufacturing facilities in the U.S. in order to significantly increase our manufacturing capacity. We believe this increased capacity coupled with additional expansions planned for 2001 will enable us to meet the demand for our products in the foreseeable future. The decline in gross margin was partially offset by the absorption of fixed manufacturing costs over significantly higher net revenue levels in 2000 compared to 1999.

Selling Expense. Selling expense was \$11.7 million for 2000 compared to \$8.4 million for 1999, an increase of \$3.3 million or 39%. We attribute the increase primarily to increased commission expense related to the higher sales levels in 2000, as well as higher levels of salary and benefits expense for new and existing staff. To a lesser extent, higher levels of warranty expense, travel costs, freight and advertising expenditures also contributed to the increase in selling expense.

Engineering and Product Development Expense. Engineering and product development expense was \$6.6 million for 2000 compared to \$4.9 million for 1999, an increase of \$1.7 million or 35%. We attribute the increase primarily to the salary and benefits expense of additional engineering and technical staff and, to a lesser extent, increased spending on product development materials and fees for technical consultants associated with new product development.

General and Administrative Expense. General and administrative expense was \$7.3 million for 2000 compared to \$6.1 million for 1999, an increase of \$1.2 million or 19%. We attribute the increase primarily to increases in incentive compensation for existing staff and, to a lesser extent, increases in professional fees and travel costs. These increases were partially offset by the receipt of \$300,000 in settlement of patent infringement litigation, which was recorded as a reduction of legal expense.

Merger-related Costs. Merger-related costs resulting from our merger with Temptronic Corporation were \$2.7 million, which consisted primarily of fees paid to investment bankers, professional fees, printing, escrow and other miscellaneous costs.

Write-off of Deferred Offering Costs. During September 2000, we withdrew our registration statement for the offering of 2.0 million shares of our

common stock, 1.0 million of which were to be offered by us and 1.0 million by certain of our stockholders. Approximately \$415,000 of costs related to the withdrawn offering, which consisted primarily of professional fees, printing costs and roadshow costs, were expensed during the third quarter of 2000.

Other Income (Expense). Other income (expense) was \$670,000 for 2000 compared to \$231,000 for 1999, an increase of \$439,000 or 190%. We attribute the increase to the reduction in interest expense resulting from debt retirements early in 2000, combined with an increase in interest income in 2000 from higher average balances of cash and cash equivalents in 2000 compared to 1999 and an increase in other miscellaneous income.

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Income Tax Expense. Income tax expense increased to \$5.2 million for 2000 from \$1.4 million for 1999. Our effective tax rate for 2000 was 45% compared to 19% for 1999. The significant increase in the effective tax rate is primarily due to \$2.3 million of non-tax deductible merger-related costs incurred in 2000, which significantly increased the 2000 effective tax rate, combined with a \$1.4 million reduction in the valuation allowance in 1999, which significantly reduced the 1999 effective tax rate. The reduction in the valuation allowance was based on management's assessment of our ability to realize the deferred tax assets.

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Net Revenues. Net revenues were \$53.6 million for 1999 compared to \$36.1 million for 1998, an increase of \$17.5 million or 49%. The significant increase in net revenues over the comparable prior period results from the turnaround in the demand for ATE in 1999 previously described. Net revenues for 1999, excluding the net revenues of inTEST Sunnyvale, formerly TestDesign Corporation, which was acquired on August 3, 1998, increased \$10.8 million or 31% over 1998.

Gross Margin. Gross margin increased to 50% for 1999 from 48% in 1998. The improvement in gross margin resulted primarily from the absorption of fixed manufacturing costs over significantly higher net revenue levels in 1999 compared to 1998. Also contributing to the improvement in the gross margin were production methodology improvements implemented in 1999 by Temptronic, which were offset, in part, by increases in fixed manufacturing costs, resulting from manufacturing capacity increases in 1999 and the acquisition of inTEST Sunnyvale. During the third quarter of 1999, we added a machining operation in Cherry Hill, New Jersey and commenced manufacturing operations in Singapore. Both of these additions had a negative impact on our gross margin because these operations were not fully functional until late in the fourth quarter of 1999.

Selling Expense. Selling expense was \$8.4 million for 1999 compared to \$7.0 million for 1998, an increase of \$1.4 million or 21%. We attribute the increase to several factors, including the salary expense of new sales and marketing staff, as well as salary increases for existing staff, increased expenditures for travel, higher levels of both warranty and freight costs and increased spending on advertising.

Engineering and Product Development Expense. Engineering and product development expense was \$4.9 million for 1999 compared to \$4.1 million for 1998, an increase of \$802,000 or 20%. We attribute the increase primarily to the additional salary expense of the inTEST Sunnyvale engineering and technical staff. To a lesser extent, increased costs of materials used in product development and travel expenses to facilitate collaboration among our several offices contributed to the overall increases in this expense category. Offsetting these increases were reductions in spending on third-party product development consultants and reductions in engineering and technical staff by Temptronic.

General and Administrative Expense. General and administrative expense was \$6.1 million for 1999 compared to \$4.1 million for 1998, an increase of \$2.0 million or 50%. We attribute the increase primarily to increases in administrative salary expense due to staffing additions, including the staff of inTEST Sunnyvale, and salary and incentive compensation increases for existing staff, legal costs related to our patent infringement suit and for the filing of new patents and maintenance on existing patents worldwide, settlement costs of threatened litigation relating to a Temptronic personnel matter that occurred prior to our acquisition of Temptronic, and amortization of goodwill related to the acquisition of inTEST Sunnyvale.

Other Income (Expense). Other income (expense) was \$231,000 for 1999 compared to \$163,000 for 1998, an increase of \$68,000 or 42%. We attribute the increase to the reduction in interest expense resulting from debt retirements during 1999, which were partially offset by reduced interest income in 1999 from lower average balances of cash and cash equivalents in 1999 compared to 1998.

Income Tax Expense. Income tax expense increased to \$1.4 million for 1999 from \$1.2 million for 1998, an increase of \$244,000. Our effective tax rate was 19% for 1999 compared to 53% for 1998. The significant decline in the effective tax rate was primarily due to the \$1.4 million reduction in the valuation allowance in 1999. The valuation allowance was reduced based on management's assessment of our ability to realize the deferred tax assets. The 1998 rate was negatively affected by the nonrecognition of a current tax benefit on a portion of Temptronic's operating loss.

Liquidity and Capital Resources

Net cash used in operations for the year ended December 31, 2000 was \$1.9 million. Accounts receivable increased \$4.9 million from December 31, 1999 to December 31, 2000 due to the increase in sales activity throughout 2000. Inventories increased \$4.6 million, also as a result of the increased sales activity as we made purchases for future product shipments. Other current assets decreased \$431,000, primarily as a result of the expensing of previously capitalized merger-related costs. Accounts payable decreased \$543,000 due to the timing of payments to vendors. Accrued expenses increased \$581,000 primarily as a result of additional accruals for salaries, incentive compensation, sales commissions, merger-related costs and warranty expense. Domestic and foreign income taxes payable decreased \$1.8 million as a result of significant estimated tax payments made during the fourth quarter of 2000.

Purchases of machinery and equipment were \$4.1 million for the year ended December 31, 2000, which consisted primarily of improvements to our domestic facilities. During this period we spent approximately \$556,000 on equipment, \$279,000 on leasehold improvements and \$270,000 on furnishings at our new facility for our inTEST Sunnyvale operation, which relocated during the first quarter of 2000. In addition, during the fourth quarter of 2000, we relocated our headquarters and primary manufacturing facility and spent approximately \$1.1 million on leasehold improvements, \$548,000 on equipment, and \$477,000 on furnishings. We plan to relocate our UK manufacturing facility during the first quarter of 2001, and we estimate the total cost of leasehold improvements and other costs associated with the move will be approximately \$200,000. We plan to keep our existing UK manufacturing facility and convert it into a machine shop during the second quarter of 2001 to support the fabrication needs of our UK manufacturing operation. We estimate the cost to convert the existing facility and purchase the equipment to be approximately \$306,000. We plan to relocate our Singapore manufacturing facility during the second quarter of 2001 and we estimate the total cost of leasehold improvements and other costs associated with the move will be approximately \$170,000. We plan to relocate our Temptronic subsidiary during the second quarter of 2001, and we estimate that the total cost of leasehold improvements and other costs associated with the move will be approximately \$1.0 million. In addition we spent approximately \$452,000 on manufacturing and computer equipment at various other domestic operations during the year, including approximately \$123,000 for

demonstration equipment related to a recently redesigned product for our Tempronic subsidiary and \$30,000 as a deposit on an additional coordinate measuring machine for our Cherry Hill location. We expect delivery and final payment for this equipment of approximately \$190,000 to occur in the first quarter of 2001.

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Other long-term assets decreased \$921,000 for the year ended December 31, 2000 primarily as a result of the liquidation of life insurance policies held on certain former Tempronic officers and directors.

Net cash used in financing activities for the year ended December 31, 2000 was \$1.1 million. During this period, we repaid approximately \$1.2 million under revolving lines of credit as well as \$256,000 of long-term debt acquired as a result of the merger with Tempronic. During the same period we received \$227,000 from the exercise of stock options held by employees.

As of December 31, 2000, we had a \$5.0 million committed, unsecured line of credit. This line of credit is due to expire June 30, 2001. Based upon our projected operating results for 2001, coupled with our historic results of operations, we believe that this line of credit will be renewed in 2001 by the bank which granted it. This facility has been renewed each year since the original credit agreement was signed in 1992.

We believe that our existing cash balances and line of credit plus the anticipated net cash provided from operations will be sufficient to satisfy our cash requirements for the foreseeable future. However, future acquisitions may require additional equity or debt financing to meet working capital requirements or capital expenditure needs. We do not anticipate paying dividends in the foreseeable future. Under the terms of our current credit agreement, any payment of dividends would require the prior consent of the lender.

Risks That Could Affect Future Results

The factors discussed below are cautionary statements that identify important factors that could cause our actual results to differ materially from those expressed or implied by our forward-looking statements. These factors may also cause our future results to differ materially from our prior results.

Our forward-looking statements can often be identified by the use of forward-looking terminology such as "believes", "expects", "intends", "may", "will", "should" or "anticipates" or similar terminology, and include, but are not limited to, statements made in this Report regarding:

- developments and trends in the IC and ATE industries;
- future acquisitions;
- costs and timing of completion and integration of our acquisitions;
- our cost-containment initiatives;
- the development of new products and technologies by us or our competitors;
- the availability of materials used to manufacture our products;
- the availability of qualified personnel;
- the costs associated with the expansion of facilities;
- general economic conditions;
- net revenues generated by foreign subsidiaries;
- exchange rate fluctuations and the use of forward exchange rate contracts;
- merger related costs;
- the increasing use of front-end testing by semiconductor manufacturers;
- cost overruns incurred in the expansion and relocation of our operations;
- stock price fluctuations;
- the anticipated market for our products; and
- the sufficiency of cash balances, lines of credit and net cash from operations.

Our sales reflect the cyclical nature of the semiconductor industry, which causes our operating results to fluctuate significantly.

Our business depends in significant part upon the capital expenditures of semiconductor manufacturers. Capital expenditures by these companies depend upon, among other things, the current and anticipated market demand for semiconductors and the products that utilize them. Typically, semiconductor manufacturers curtail capital expenditures during periods of economic downturn. Conversely, semiconductor manufacturers increase capital expenditures when market demand requires the addition of new or expanded production capabilities or the reconfiguration of existing fabrication facilities to accommodate new products. These market changes have caused in the past, and will likely cause in the future, our operating results to fluctuate. The current cyclical downturn in the semiconductor industry has slowed demand for our products. Our sales and operating results will likely be reduced during this downturn.

Our operating results often change significantly from quarter to quarter and may cause fluctuations in our stock price.

During the last three years, our operating results have fluctuated significantly from quarter to quarter. We believe that these fluctuations occur primarily due to the cycles of demand in the semiconductor manufacturing industry. In addition to the changing cycles of demand in the semiconductor manufacturing industry, other factors that have caused our quarterly operating results to fluctuate in the past, or that may cause fluctuations or losses in the future, include:

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- competitive pricing pressures;

- delays in shipments of our products;
- the mix of our products sold;
- the mix of customers and geographic regions where we sell our products;
- changes in our fixed costs;
- costs associated with the development of our proprietary technology;
- costs and timing of completion and integration of our acquisitions;
- the timing of additional selling, general and administrative expenses to support our new business;
- our ability to obtain raw materials or fabricated parts when needed; and
- cancellation or rescheduling of orders by our customers.

Because the market price of our common stock has tended to vary based on, and in relation to, changes in our operating results, fluctuations in the market price of our stock are likely to continue as variations in our quarterly results continue.

If we are not able to control our operating expenses during a cyclical downturn, our operating margins will be reduced.

Due to the current cyclical downturn, we have implemented cost containment strategies with a goal of reducing our operating expenses by 10%. These strategies include workforce reductions at all of our domestic manufacturing facilities, a worldwide salary freeze, a hold on all new hires and additional cost controls on other expenditures. We may not be successful in reaching our goal of reducing our operating expenses by 10% and, if we are not able to control our operating expenses, they could increase and our operating margins will be reduced.

We intend to acquire additional businesses. If we are unable to do so, our future rate of growth may be reduced or limited.

A key element of our growth strategy is to acquire businesses, technologies or products that expand and complement our current businesses. We may not be able to execute our acquisition strategy if:

- we are unable to identify suitable businesses or technologies to acquire;
- we do not have access to required capital at the necessary time; or
- we are unwilling or unable to outbid larger, more resourceful companies.

Our acquisition strategy involves financial and management risks which may adversely affect our earnings in the future.

If we acquire additional businesses, technologies or products, we will face the following additional risks:

- future acquisitions could divert management's attention from daily operations or otherwise require additional management, operational and financial resources;
- we might not be able to integrate future acquisitions into our business successfully or operate acquired businesses profitably;
- we may realize substantial acquisition related expenses, including the amortization of goodwill, which would reduce our net earnings in future years; and
- our investigation of potential acquisition candidates may not reveal problems and liabilities of the companies that we acquire.

If any of the events described above occur, our earnings could be reduced. If we issue shares of our stock or other rights to purchase our stock in connection with any future acquisitions, we would dilute our existing stockholders' interests and our earnings per share may decrease. If we issue debt in connection with any future acquisitions, lenders may impose covenants on use which could, among other things, restrict our ability to increase capital expenditures or to acquire additional businesses.

Our industry is subject to rapidly evolving technological change, and our business prospects would be hurt if we are unable to respond to innovation in the semiconductor industry.

Semiconductor technology continues to become more complex as manufacturers incorporate ICs into an increasing variety of products. This trend, and the rapid changes needed in automatic testing systems to respond to developments in the semiconductor industry, are likely to continue. We cannot assure you that we will be successful in developing, manufacturing or selling products that will satisfy customer needs or attain market acceptance. Our failure to provide products that meet customer needs or gain market acceptance will hurt our business prospects.

If we are not able to obtain patents on or otherwise preserve and protect our proprietary technologies, our business may suffer.

We have obtained domestic and foreign patents covering some of our products which expire between the years 2001 and 2017, and we have pending applications for additional patents. Some of our products utilize proprietary technology that is not covered by patent or similar protection, and in many cases, cannot be protected. We cannot be certain that:

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any additional patents will be issued on our applications;

- any patents we own now or in the future will protect our business against competitors that develop similar technology or products;
- our patents will be held valid if they are challenged or subjected to reexamination or reissue;
- others will not claim rights to our patented or other proprietary technologies; or
- others will not develop technologies which are similar to, or can compete with, our unpatented proprietary technologies.

If we cannot obtain patent or other protection for our proprietary technologies, our ability to compete in our markets could be impaired.

Claims of intellectual property infringement by or against us could seriously harm our businesses.

From time to time, we may be forced to respond to or prosecute intellectual property infringement claims to defend or protect our rights or a customer's rights. These claims, regardless of merit, may consume valuable management time, result in costly litigation or cause product shipment delays. Any of these factors could seriously harm our business and operating results. We may have to enter into royalty or licensing agreements with third parties who

claim infringement. These royalty or licensing agreements, if available, may be costly to us. If we are unable to enter into royalty or licensing agreements with satisfactory terms, our business could suffer. In instances where we have had reason to believe that we may be infringing the patent rights of others, or that someone may be infringing our patent rights, we have asked our patent counsel to evaluate the validity of the patents in question, as well as the potentially infringing conduct. If we become involved in a dispute, neither the third parties nor the courts are bound by our counsel's conclusions.

Our business will suffer if we cannot compete successfully with manufacturers whose products are similar to ours.

We compete with numerous manufacturers, many of whom have greater financial resources and more extensive design and production capabilities that we do. Some of our principal competitors in the sale of manipulator, docking and tester interface products are Reid-Ashman Manufacturing, Microhandling GmbH, Credence Systems, LTX, Schlumberger, Teradyne and Cerprobe. Some of our principal competitors in the sale of temperature-management products are Trio-Tech International, Thermonics and ERS Elektronik GmbH. In order to remain competitive with these and other companies, we must be able to continue to commit a significant portion of our personnel, financial resources, research and development and customer support to developing new products and maintaining customer satisfaction worldwide. If we are not able to compete successfully, our business will suffer.

We generate a large portion of our sales from a small number of customers. If we were to lose one or more of our large customers, operating results could suffer dramatically.

Our ten largest customers accounted for approximately 55% of net revenues in 2000, although no one customer accounted for 10% or more of our net revenues in 2000. The loss of any one or more of our largest customers, or a reduction in orders by a major customer, could materially reduce our net revenues.

If we do not continue to retain the services of key personnel, relationships with, and sales to, some of our customers could suffer.

The loss of key personnel could adversely affect our ability to manage our business effectively. Our future success will depend largely upon the continued services of our senior management and certain other key employees. Generally, we do not have employment agreements with any of our executive officers or other key employees, although we entered into an employment agreement with the President and Chief Executive Officer of Temptronic in connection with our merger with Temptronic. Our future success will depend, in part, upon our ability to retain our managers, engineers and other key employees. Our business could suffer if we were unable to retain one or more of our senior officers or other key employees.

A substantial portion of our operations exists outside the U.S., which exposes us to foreign political and economic risks.

We have operated internationally for many years and expect to expand our international operations as necessary to continue expansion of our sales and service to our non-U.S. customers. Our foreign subsidiaries generated 16% of consolidated net revenues in both 2000 and 1999. Export sales from our U.S. manufacturing facilities totaled \$22.9 million, or 26% of consolidated net revenues in 2000 and \$15.9 million, or 30% in 1999. The portion of our consolidated net revenues that were derived from sales to the Asia-Pacific region were 9% in 2000, 10% in 1999 and 13% in 1998. Countries in the Asia-Pacific region, including Japan, have experienced economic instability resulting in weaknesses in their currency, banking and equity markets. Although the economic instability in the Asia-Pacific region has not had a material adverse effect on our order backlog, financial condition, or results of operations to date, continued economic instability could have a material adverse effect on demand for our products and our results of operations. We expect our international revenues will continue to represent a significant portion of total net revenues. To date, we have not experienced significant problems in our foreign operations. However, in addition to the risks generally associated with sales and operations in the U.S., sales to customers outside the U.S. and operations in foreign countries are subject to additional risks, which may, in the future, affect our operations. These risks include:

- political and economic instability in foreign countries;
- the imposition of financial and operational controls and regulatory restrictions by foreign governments;
- the need to comply with a wide variety of U.S. and foreign import and export laws;
- trade restrictions;
- changes in tariffs and taxes;
- longer payment cycles;
- fluctuations in currency exchange rates; and
- the greater difficulty of administering business abroad.

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We conduct business in foreign currencies, and fluctuations in the values of those currencies could result in foreign exchange losses.

In 2000, approximately 4% of our net revenues were dominated in Japanese yen, approximately 7% were dominated in British pounds, and less than 1% were dominated in German deutsche marks (our operation in Germany commenced in August 2000). Fluctuations in the values of these currencies could result in foreign exchange losses. Any strengthening of the U.S. dollar in relation to the currencies of our competitors or customers, or strengthening or weakening of the Japanese yen, British pound or German deutsche mark (or the Euro beginning in 2002) in relation to other currencies in which our customers or competitors do business, could adversely affect our competitiveness. Moreover, a strengthening of the U.S. dollar or other competitive factors could put pressure on us to denominate a greater portion of our sales in foreign currencies, thereby increasing our exposure to fluctuations in exchange rates. Any devaluation of these currencies would hurt our business. We do not undertake hedging activities against all of our exchange rate risk. Fluctuations in exchange rates may adversely affect our competitive position or result in foreign exchange losses, either of which could cause our business to suffer.

Item 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to currency exchange rate risk in the normal course of our business, primarily in our Japanese operations. Our exposure results from the fact that the sales of our Japanese subsidiary are in Japanese yen and inventory purchases are in U.S. dollars. We have the same exposure in our German operations (which commenced in August 2000) as a portion of total sales are in German deutsche marks while inventory purchases are in U.S. dollars. We will also have a similar exposure in our Singapore operations as our manufacturing operations expand, because our sales are in U.S. dollars but some of our manufacturing costs are in British pounds and Singapore dollars. We employ risk management strategies, including the use of forward exchange rate contracts, to manage our exposure to exchange rate risks involving the yen, and may, in the future, use forward exchange rate contracts to manage our

exposure to exchange rate risks involving the Singapore dollar and German deutsche mark.

Our objective in managing currency exchange risk is to minimize the impact of significant currency exchange rate fluctuations. We use forward exchange rate contracts to establish a fixed conversion rate between the Japanese yen and the U.S. dollar so that the level of our gross margin from sales in Japan is not negatively affected by significant movements in the Japanese yen to U.S. dollar exchange rate. We purchase forward exchange rate contracts on a monthly basis in the amounts management deems appropriate in light of the amount of the U.S. dollar denominated obligations of our Japanese subsidiary that are due within the month. We do not purchase forward contracts with settlement dates beyond 30 days. As of December 31, 2000, there were no forward exchange rate contracts outstanding.

It is our policy to enter into forward exchange rate contracts only to the extent necessary to achieve the desired objectives of management in limiting our exposure to significant fluctuations in currency exchange rates. We do not hedge all of our currency exchange rate risk exposures in a manner that would completely eliminate the impact of changes in currency exchange rates on our net earnings. We do not expect that the results of our operations or our liquidity will be materially affected by these risk management activities.

Item 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated financial statements are set forth in this Report beginning at page F-1

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None

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inTEST Corporation
Annual Report on Form 10-K

PART III:

Item 10: DIRECTORS AND EXECUTIVE OFFICERS

The information required by this item will be filed not later than April 30, 2001 by an amendment to this Report or incorporation by reference to the proxy statement for our 2001 Annual Meeting of Stockholders.

Item 11: EXECUTIVE COMPENSATION

The information required by this item will be filed not later than April 30, 2001 by an amendment to this Report or incorporation by reference to the proxy statement for our 2001 Annual Meeting of Stockholders.

Item 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item will be filed not later than April 30, 2001 by an amendment to this Report or incorporation by reference to the proxy statement for our 2001 Annual Meeting of Stockholders.

Item 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item will be filed not later than April 30, 2001 by an amendment to this Report or incorporation by reference to the proxy statement for our 2001 Annual Meeting of Stockholders.

inTEST Corporation
Annual Report on Form 10-K

PART IV:

Item 14: EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a) The documents filed as part of this Annual Report on Form 10-K are:
- (i) The Company's consolidated financial statements and notes thereto as well as the applicable report of the independent certified public accountants are included in Part II, Item 8 of this Annual Report on Form 10-K.
 - (ii) The following consolidated financial statement schedule should be read in conjunction with the consolidated financial statements set forth in Part II, Item 8 of this Annual Report on Form 10-K:

Schedule II -- Valuation and Qualifying Accounts

- (iii) The exhibits required by Item 601 of Regulation S-K are included under Item 14(c) of this Annual Report on Form 10-K.
- (b) Reports on Form 8-K
- On December 29, 2000, we filed a Report on Form 8-K providing information responsive to the requirements of Items 5 and 7 of that form regarding the anticipated financial results for that quarter.
- (c) Exhibits required by Item 601 of Regulation S-K:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
3.1	Certificate of Incorporation.*
3.2	By Laws.*
10.1	Loan Agreement dated November 16, 2000 between PNC Bank, National Association and the Company.
10.2	Note payable to PNC Bank, National Association dated November 1, 2000.
10.3	Lease Agreement between First Industrial, L.P. and the Company, dated June 6, 2000.**
10.4	Lease dated October 27, 1999 between Earl E. and Mitsue Jio and inTEST Sunnyvale, a wholly owned subsidiary of the Company.***
10.5	Lease between SPHOS, Inc. and Tempronic Corporation (a subsidiary of the Company), dated December 27, 2000.
10.6	Consulting Agreement, dated April 1, 1997, between the Company and Stuart F. Daniels.*
10.7	Tempronic Corporation 1998 Incentive and Non-Statutory Stock Option Plan.****
10.8	Incentive Stock Option dated October 26, 1998 granted by Tempronic Corporation to William M. Stone under the Tempronic Corporation 1998 Incentive and Non-Statutory Stock Option Plan.****
10.9	Non-Statutory Option granted by Tempronic Corporation to William M. Stone, dated June 9, 1997.*****
10.10	Amended and Restated 1997 Stock Plan.*****
10.11	Employment Agreement dated March 9, 2000 between William M. Stone and Tempronic Corporation.****
10.12	Amendment to Employment Agreement dated March 9, 2000 between William M. Stone and Tempronic Corporation.*****
21	Subsidiaries of the Company.

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- * Previously filed by the Company as an exhibit to the Company's Registration Statement on Form S-1, File No. 333-26457 filed May 2, 1997, and incorporated herein by reference.
- ** Previously filed by the Company as an exhibit to the Company's Form 10-Q for the quarter ended June 30, 2000, filed August 14, 2000, and incorporated herein by reference.
- *** Previously filed by the Company as an exhibit to the Company's Form 10-K for the year ended December 31, 1999, filed March 30, 2000, and incorporated herein by reference.
- **** Previously filed by the Company as an exhibit to the Company's Form 10-Q/A for the quarter ended March 31, 2000, filed June 21, 2000, and incorporated herein by reference.
- ***** Previously filed as an appendix to the Company's proxy statement filed June 30, 2000, and incorporated herein by reference.
- ***** Previously filed by the Company as an exhibit to the Company's Form 10-Q for the quarter ended September 30, 2000, filed November 14, 2000, and incorporated herein by reference.

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Signatures

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

inTEST Corporation

By: /s/ Robert E. Matthiessen
Robert E. Matthiessen

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

/s/ Robert E. Matthiessen March 30, 2001
Robert E. Matthiessen, President,
Chief Executive Officer and Director
(principal executive officer)

/s/ Hugh T. Regan, Jr. March 30, 2001
Hugh T. Regan, Jr., Treasurer, Chief
Financial Officer and Secretary
(principal financial officer)

/s/ Daniel J. Graham March 30, 2001
Daniel J. Graham, Vice Chairman, Senior
Vice President

/s/ Alyn R. Holt March 30, 2001
Alyn R. Holt, Chairman

/s/ William M. Stone March 30, 2001
William M. Stone, Director

/s/ Richard O. Endres March 30, 2001
Richard O. Endres, Director

/s/ Stuart F. Daniels March 30, 2001
Stuart F. Daniels, Director

/s/ Gregory W. Slayton March 30, 2001
Gregory W. Slayton, Director

/s/ Douglas W. Smith March 30, 2001
Douglas W. Smith, Director

/s/ James J. Greed, Jr. March 30, 2001
James J. Greed, Jr, Director

Index to Exhibits

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- 10.12 Amendment to Employment Agreement dated March 9, 2000 between William M. Stone and Temptronic Corporation.*****
- 21 Subsidiaries of the Company.
- 23 Consent of KPMG LLP.
- * Previously filed by the Company as an exhibit to the Company's Registration Statement on Form S-1, File No. 333-26457 filed May 2, 1997, and incorporated herein by reference.
- ** Previously filed by the Company as an exhibit to the Company's Form 10-Q for the quarter ended June 30, 2000, filed August 14, 2000, and incorporated herein by reference.
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inTEST CORPORATION

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND
CONSOLIDATED FINANCIAL STATEMENT SCHEDULE**

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Consolidated Balance Sheets as of December 31, 2000 and 1999	F - 2
Consolidated Statements of Earnings for the years ended December 31, 2000, 1999 and 1998	F - 3
Consolidated Statements of Comprehensive Earnings for the years ended December 31, 2000, 1999 and 1998	F - 4
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2000, 1999 and 1998	F - 5
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CONSOLIDATED FINANCIAL STATEMENT SCHEDULE:

Schedule II - Valuation and Qualifying Accounts

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Independent Auditors' Report

The Board of Directors and Stockholders
inTEST Corporation

We have audited the accompanying consolidated balance sheets of inTEST Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of earnings, comprehensive earnings, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000. In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedule of valuation and qualifying accounts as of and for the three years ended December 31, 2000. These consolidated financial statements and consolidated financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and consolidated financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of inTEST Corporation and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

Philadelphia, Pennsylvania
February 19, 2001

inTEST CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	Dec. 31, 2000	Dec. 31, 1999
	-----	-----
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 5,680	\$12,047
Trade accounts and notes receivable, net of allowance for doubtful accounts of \$241 and \$239, respectively	14,752	10,020
Inventories	12,559	7,972
Deferred tax asset	1,287	1,271
Refundable domestic and foreign income taxes	158	-
Other current assets	463	898
	-----	-----
Total current assets	34,899	32,208
	-----	-----
Property and equipment:		
Machinery and equipment	9,856	7,279
Leasehold improvements	2,750	1,420
	-----	-----
	12,606	8,699
Less: accumulated depreciation	(7,519)	(6,002)
	-----	-----
Net property and equipment	5,087	2,697
	-----	-----
Cash surrender value of life insurance	-	1,067
Deferred tax asset	210	350
Other assets	407	288
Goodwill, net of accumulated amortization of \$1,259 and \$780, respectively	5,926	6,405
	-----	-----
Total assets	\$46,529	\$43,015
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable to bank	\$ -	\$ 1,241
Accounts payable	4,563	5,195
Accrued expenses	3,568	3,011
Current portion of long-term debt	-	123
Domestic and foreign income taxes payable	-	1,854
	-----	-----
Total current liabilities	8,131	11,424
	-----	-----
Long-term debt, net of current portion	-	133
	-----	-----
Total liabilities	8,131	11,557
	-----	-----
Commitments		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$0.01 par value; 20,000,000 shares authorized; 8,658,511 and 8,630,980 shares issued, respectively	87	86
Additional paid-in capital	22,328	21,872
Retained earnings	19,456	13,077
Accumulated other comprehensive income (loss)	(300)	14
Deferred compensation	(98)	(139)
Note receivable from Equity Participation Plan	(3,075)	(3,228)
Treasury stock, at cost; 0 and 55,557 shares, respectively	-	(224)
	-----	-----
Total stockholders' equity	38,398	31,458
	-----	-----
Total liabilities and stockholders' equity	\$46,529	\$43,015
	=====	=====

inTEST CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except share and per share data)

	Years Ended December 31,		
	2000	1999	1998
Net revenues	\$87,651	\$53,585	\$36,058
Cost of revenues	48,095	26,875	18,870
Gross margin	39,556	26,710	17,188
Operating expenses:			
Selling expense	11,711	8,418	6,976
Engineering and product development expense	6,576	4,864	4,062
General and administrative expense	7,273	6,101	4,074
Merger-related costs	2,672	-	-
Write-off of deferred offering costs	415	-	-
Total operating expenses	28,647	19,383	15,112
Operating income	10,909	7,327	2,076
Other income (expense):			
Interest income	493	348	455
Interest expense	(31)	(229)	(356)
Other	208	112	64
Total other income	670	231	163
Earnings before income taxes	11,579	7,558	2,239
Income tax expense	5,200	1,425	1,181
Net earnings	\$ 6,379	\$ 6,133	\$ 1,058
Net earnings per common share-basic	\$0.78	\$0.76	\$0.14
Weighted average common shares outstanding-basic	8,201,029	8,084,398	7,668,911
Net earnings per common share-diluted	\$0.75	\$0.74	\$0.14
Weighted average common shares and common share equivalents outstanding-diluted	8,469,910	8,265,537	7,822,088

See accompanying Notes to Consolidated Financial Statements.

	Years Ended December 31,		
	2000	1999	1998
Net earnings	\$6,379	\$6,133	\$1,058
Foreign currency translation adjustments	(314)	49	77
Comprehensive earnings	\$6,065	\$6,182	\$1,135

See accompanying Notes to Consolidated Financial Statements.

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inTEST CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(In thousands, except share and per share data)

	Common Stock Shares	Common Stock Amount	Add'l Paid-In Capital	Retained Earnings	Accum. Other Comp. Income (Loss)	Deferred Comp.	Equity Part. Plan Note	Treasury Stock	Total Stockholders' Equity
Balance, 1/1/98	7,968,680	\$ 80	\$19,310	\$ 5,886	\$(112)	\$ (411)	\$(3,492)	\$(224)	\$21,037
Net earnings	-	-	-	1,058	-	-	-	-	1,058
Other comprehensive income	-	-	-	-	77	-	-	-	77
Deferred compensation	-	-	47	-	-	(47)	-	-	-
Amortization of deferred compensation	-	-	-	-	-	93	-	-	93
Elimination of deferred compensation related to stock options forfeited	-	-	(110)	-	-	110	-	-	-
Principal payments by Equity Participation Plan	-	-	-	-	-	-	125	-	125

Stock options exercised	4,162	-	-	-	-	-	-	-	-
Issuance of common stock in connection with the Acquisition	625,000	6	2,666	-	-	-	-	-	2,672
Balance, 12/31/98	8,597,842	86	21,913	6,944	(35)	(255)	(3,367)	(224)	25,062
Net earnings	-	-	-	6,133	-	-	-	-	6,133
Other comprehensive income	-	-	-	-	49	-	-	-	49
Amortization of deferred compensation	-	-	-	-	-	75	-	-	75
Elimination of Deferred compensation related to stock options forfeited	-	-	(41)	-	-	41	-	-	-
Principal payments by Equity Participation Plan	-	-	-	-	-	-	139	-	139
Stock options exercised	33,138	-	-	-	-	-	-	-	-
Balance, 12/31/99	8,630,980	86	21,872	13,077	14	(139)	(3,228)	(224)	31,458
Net earnings	-	-	-	6,379	-	-	-	-	6,379
Other comprehensive loss	-	-	-	-	(314)	-	-	-	(314)
Amortization of deferred compensation	-	-	-	-	-	41	-	-	41
Principal payments by Equity Participation Plan	-	-	-	-	-	-	153	-	153
Stock options exercised	83,088	1	226	-	-	-	-	-	227
Tax benefit from exercise of stock options	-	-	454	-	-	-	-	-	454
Retirement of treasury stock	(55,557)	-	(224)	-	-	-	-	224	-
Balance, 12/31/00	8,658,511	\$ 87	\$22,328	\$19,456	\$ (300)	\$ (98)	\$ (3,075)	\$ -	\$38,398

See accompanying Notes to Consolidated Financial Statements.

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inTEST CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except share and per share data)

	Years Ended December 31,		
	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES	-----	-----	-----
Net earnings	\$ 6,379	\$ 6,133	\$ 1,058
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation	1,595	950	822
Amortization of goodwill	479	479	252
Tax benefit from exercise of stock options	454	-	-
Deferred taxes	124	(1,377)	259
Foreign exchange (gain) loss	(28)	(36)	52
Deferred compensation relating to stock options	41	75	93
Loss on disposal of assets	16	-	-
Changes in assets and liabilities, net of effects of Acquisition:			
Trade accounts and notes receivable	(4,901)	(4,189)	2,831
Inventories	(4,604)	(2,080)	605
Proceeds from sale of demonstration equipment, net of gain	17	85	251
Refundable domestic and foreign income taxes	(158)	977	(750)
Other current assets	431	(481)	111
Accounts payable	(543)	3,045	(1,284)
Domestic and foreign income taxes payable	(1,824)	1,785	(1,262)
Accrued expenses	581	1,561	(724)
Net cash provided by (used in) operating activities	(1,941)	6,927	2,314
CASH FLOWS FROM INVESTING ACTIVITIES	-----	-----	-----

Acquisition of business, net of cash acquired	-	-	(4,629)
Purchase of machinery and equipment	(4,050)	(1,596)	(972)
Other long-term assets	921	(100)	229
	-----	-----	-----
Net cash used in investing activities	(3,129)	(1,696)	(5,372)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments of revolving debt	(1,241)	(1,784)	(221)
Proceeds from long-term debt	-	-	21
Repayment of long-term debt	(256)	(156)	(391)
Note receivable repayments from Equity Participation Plan	153	139	125
Proceeds from stock options exercised	227	-	-
	-----	-----	-----
Net cash used in financing activities	(1,117)	(1,801)	(466)
	-----	-----	-----
Effects of exchange rates on cash	(180)	(20)	23
	-----	-----	-----
Net cash provided by (used in) all activities	(6,367)	3,410	(3,501)
Cash and cash equivalents at beginning of period	12,047	8,637	12,138
	-----	-----	-----
Cash and cash equivalents at end of period	\$ 5,680	\$12,047	\$ 8,637
	=====	=====	=====
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES			
Details of Acquisition:			
Fair value of assets acquired, net of cash acquired			\$ 2,003
Liabilities assumed			(549)
Common stock issued			(2,672)
Goodwill resulting from Acquisition			5,847

Net cash paid for Acquisition			\$ 4,629
			=====
Cash payments made for:			
Domestic and foreign income taxes	\$6,573	\$ 59	\$ 2,975
Interest	32	240	358

See accompanying Notes to Consolidated Financial Statements.

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inTEST CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

(1) NATURE OF OPERATIONS

inTEST Corporation (the "Company") is a leading independent designer, manufacturer and marketer of manipulator and docking hardware products, temperature management systems and tester interface products that are used by semiconductor manufacturers in conjunction with automatic test equipment, or ATE, in the testing of integrated circuits, or ICs.

The consolidated entity is comprised of inTEST Corporation (parent) and its nine 100% owned subsidiaries: inTEST Limited (Thame, U.K.), inTEST Kabushiki Kaisha (Kichijoji, Japan), inTEST PTE, Limited (Singapore), inTEST Sunnyvale Corp. (Delaware) (see Note 3), Tempronic Corporation (Delaware), inTEST GmbH (Germany) (operations commenced during August 2000), inTEST Investments, Inc. (a Delaware holding company), inTEST IP Corp. (a Delaware holding company) and inTEST Licensing Corp. (a Delaware holding company).

The Company manufactures its products in the U.S., U.K. and Singapore (where the Company commenced manufacturing during September 1999). Marketing and support activities are conducted worldwide from the Company's facilities in the U.S., U.K., Germany, Japan and Singapore.

On March 9, 2000, the Company completed a merger with Tempronic Corporation ("Tempronic") whereby Tempronic was merged into a wholly-owned subsidiary of the Company. The Company exchanged 2,046,793 shares of its common stock for all of the Tempronic common stock. Each share of Tempronic common stock was exchanged for 0.925 shares of the Company's common stock. In addition, outstanding Tempronic stock options were converted at the same exchange ratio into options to acquire 175,686 shares of the Company's common stock. The merger was accounted for under the pooling-of-interests method of accounting and, accordingly, the accompanying consolidated financial statements have been retroactively restated to give effect to the merger. Upon consummation of the merger, 55,557 shares of treasury stock held by Tempronic with a cost of \$224 were retired. Tempronic also has a 100% owned foreign subsidiary, which is consolidated with Tempronic for reporting purposes.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated upon consolidation. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Company's historic results of operations as presented in these financial statements may not be indicative of future results, as these future results involve a number of risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from historical results include, but are not limited to, the highly cyclical nature of the semiconductor industry, dependence upon capital expenditures of semiconductor manufacturers, developments and trends in the IC and ATE industries, changes in general economic, business and financial market conditions, future acquisitions and the Company's ability to successfully integrate its operations with those of the acquired entity, costs associated with future acquisitions and integration of operations, costs associated with the expansion of facilities, the ability to effectively control operating costs, competitive pricing pressures, delays in shipments of products, the mix of products sold, the mix of customers and geographic regions where products are sold, the development of new products and technologies by the Company or its competitors, the availability of materials used to manufacture the Company's products, the availability of qualified personnel, net revenues generated by foreign subsidiaries, exchange rate fluctuations and the use of forward exchange rate contracts, stock price fluctuations, the anticipated market for the Company's products, and the sufficiency of cash balances, lines of credit and net cash from operations.

Cash and Cash Equivalents

Short-term investments, which have maturities of three months or less when purchased, are considered to be cash equivalents and are carried at cost, which approximates market value.

Trade Notes Receivable

Trade notes receivable are due from trade customers in Japan, and have original maturities of less than four months. The notes are non-interest bearing. Trade notes receivable were \$193 and \$141 at December 31, 2000 and 1999, respectively.

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inTEST CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Note Receivable from Equity Participation Plan

As a result of the merger with Temptronic, the Company has a note receivable from the Temptronic Corporation Equity Participation Plan ("EPP"). The note was issued on November 6, 1996 with a principal amount of \$3.7 million. The note bears interest at 10% and matures on September 30, 2011. The proceeds of the note were used by the EPP to purchase approximately 565,483 shares of common stock at \$6.49 per share from certain former stockholders of Temptronic. The Company has agreed to make an annual contribution to the EPP in the amount of the principal plus interest due on the EPP's note (see Note 11).

Credit Risks

The Company grants credit to customers and generally requires no collateral. To minimize its risk, the Company performs ongoing credit evaluations of its customers' financial condition. Bad debt expense (recovery) was \$31, \$16, and \$(4) for the years ended December 31, 2000, 1999 and 1998, respectively.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined under the first-in first-out (FIFO) method.

Property and Equipment

Machinery and equipment are stated at cost. Depreciation is based upon the estimated useful life of the assets using the straight-line method. The estimated useful lives range from three to seven years. Leasehold improvements are recorded at cost and amortized over the shorter of the lease term or the estimated useful life of the asset. Total depreciation expense was \$1,595, \$950 and \$822 for the years ended December 31, 2000, 1999 and 1998, respectively. Expenditures for maintenance and repairs are charged to operations as incurred.

Intangibles

Goodwill resulting from the acquisition of the minority interest in three of the Company's foreign subsidiaries and the acquisition of TestDesign (as described in Note 3) is amortized on a straight-line basis over 15 years. Total amortization expense for the years ended December 31, 2000, 1999 and 1998 was \$479, \$479 and \$252, respectively. When events or circumstances so indicate, the Company assesses the potential impairment of its intangible assets and other long-lived assets based on anticipated undiscounted cash flows from operations. Such events and circumstances include a sale of all or a significant part of the operations associated with the long-lived asset, or a significant decline in the operating performance of the asset. If an impairment is indicated, the amount of impairment charge would be calculated by comparing the anticipated discounted future cash flows to the carrying value of the long-lived asset. At December 31, 2000, no impairment was indicated.

Income Taxes

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for operating loss and tax credit carryforwards and for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

Net Earnings Per Common Share

Net earnings per common share is computed in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings Per Share. Basic earnings per common share is computed by dividing net earnings by the weighted average number of common shares outstanding during each year. Diluted earnings per common share is computed by dividing net earnings by the weighted average number of common shares and common share equivalents outstanding during each year. Common share equivalents represent stock options and are calculated using the treasury stock method.

A reconciliation of weighted average common shares outstanding -- basic to weighted average common shares outstanding -- diluted appears below:

	<u>Years Ended December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Weighted average common shares outstanding -- basic	8,201,029	8,084,398	7,668,911
Potentially dilutive securities:			
Employee stock options	<u>268,881</u>	<u>181,139</u>	<u>153,177</u>
Weighted average common shares outstanding -- diluted	<u>8,469,910</u>	<u>8,265,537</u>	<u>7,822,088</u>

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(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Weighted average common shares outstanding exclude unallocated shares of common stock held by the Company's EPP (see Note 11).

Revenue Recognition

Revenues from sales of products are recognized upon shipment to customers. Service revenues are recognized as the services are performed.

Engineering and Product Development

Engineering and product development costs, which consist primarily of the salary and related benefits costs of the Company's technical staff, as well as product development costs, are expensed as incurred.

Product Warranties

The Company generally provides product warranties and records estimated warranty expense at the time of sale based upon historical claims experience. Warranty expense for the years ended December 31, 2000, 1999 and 1998 was \$1,102, \$790 and \$601, respectively.

Stock-Based Compensation

The Company accounts for its stock option plans in accordance with SFAS No. 123, Accounting for Stock-Based Compensation. As permitted by SFAS No. 123, the Company has elected to continue to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25") in accounting for its stock option plans. Under APB 25, the Company does not recognize compensation expense on the issuance of its stock options to employees and non-employee directors when the option terms are fixed and the exercise price equals the fair value of the underlying stock on the grant date. Compensation expense for stock options granted to non-employees is accounted for based upon the fair value of the options on the date of grant, in accordance with the provisions of SFAS No. 123.

Foreign Currency

The accounts of the foreign subsidiaries are translated in accordance with SFAS No. 52, Foreign Currency Translation, which requires that assets and liabilities of international operations be translated using the exchange rate in effect at the balance sheet date. The results of operations are translated using an average exchange rate for the period. The effects of rate fluctuations in translating assets and liabilities of international operations into U.S. dollars are accumulated within other comprehensive income or loss in the consolidated statements of stockholders' equity. Transaction gains or losses are included in net earnings.

Financial Instruments

The Company's financial instruments, principally accounts and notes receivable and accounts payable, are carried at cost which approximates fair value, due to the short maturities of the accounts. The estimated fair values of the Company's notes payable and long-term debt approximated their carrying value based upon the rates offered to the Company for similar type arrangements.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. SFAS No. 133, as amended, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The Company plans to adopt SFAS No. 133 in the first quarter of 2001, as required. The adoption of SFAS No. 133 is not expected to have a material effect on the results of operations, financial condition or long-term liquidity of the Company.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial

Statements, as amended by SAB 101A and 101B. The Company adopted SAB 101, as amended, in the quarter ended December 31, 2000, as required. The adoption of SAB 101 did not have a material effect on the results of operations, financial condition or long-term liquidity of the Company as of December 31, 2000 and for the year then ended.

(3) ACQUISITION

On August 3, 1998, the Company acquired all of the outstanding capital stock of TestDesign Corporation ("TestDesign"), a privately held California corporation (the "Acquisition"). Subsequent to the Acquisition, the Company changed the name of TestDesign to inTEST Sunnyvale Corp ("inTEST Sunnyvale"). inTEST Sunnyvale is engaged in the design and manufacture of tester interfaces used by the semiconductor industry. The purchase price was \$4.4 million in cash and 625,000 shares of the Company's common stock (subject to certain adjustments).

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(3) ACQUISITION (Continued)

Although the Company's common stock had a market price of \$4.75 per share on the closing date of the transaction, all of the 625,000 shares issued in connection with the Acquisition were subject to legal restrictions on transfer and were valued at a 10% discount to the market price of the shares. In addition, the Company incurred transaction costs of approximately \$425 in completing the Acquisition. The following is an allocation of the purchase price:

Cash payment	\$4,400
Transaction costs	425
625,000 common shares at \$4.28	<u>2,672</u>
	7,497
Estimated fair value of identifiable assets acquired net of liabilities assumed	<u>1,650</u>
Goodwill to be amortized over 15 years	<u>\$5,847</u>

The Acquisition has been accounted for as a purchase and the results of operations of the acquired business have been included in the Company's consolidated financial statements since the date of the Acquisition. The following unaudited pro forma information presents a summary of consolidated results of operations for the Company and inTEST Sunnyvale as if the Acquisition had occurred on January 1, 1998:

	<i>Year Ended 12/31/98</i>
Pro forma net revenues	\$40,318
Pro forma earnings before income taxes	2,105
Pro forma income taxes	1,162
Pro forma net earnings	943
Pro forma net earnings per common share -- basic	\$0.12
Pro forma weighted average common shares outstanding -- basic	8,035,349
Pro forma net earnings per common share -- diluted	\$0.12
Pro forma weighted average common shares and common share equivalents outstanding -- diluted	8,188,527

(4) SEGMENT INFORMATION

The various products the Company designs, manufactures and markets are considered by management to form three reportable segments: manipulator and docking hardware products, temperature management systems and tester interface products. The manipulator and docking hardware segment includes the operations of the Company's Cherry Hill, New Jersey manufacturing facility as well as the operations of three of the Company's foreign subsidiaries: inTEST Limited, inTEST Kabushiki Kaisha, and inTEST PTE, Limited. Sales of this segment consist primarily of manipulator and docking hardware products which the company designs, manufactures and markets, as well as certain other high performance test sockets and interface boards which the Company designs and markets, but which are manufactured by third parties. The temperature management segment includes the operations of Temptronic in Newton, Massachusetts as well as inTEST GmbH. Sales of this segment consist primarily of temperature management systems which the Company designs, manufactures and markets under its Temptronic product line. The tester interface segment includes the operations of inTEST Sunnyvale in Sunnyvale, California. Sales of this segment consist primarily of tester interface products which the Company designs, manufactures and markets under its TestDesign product line.

The Company operates its business worldwide and all three segments sell their products both domestically and internationally. All three segments sell to semiconductor manufacturers and ATE manufacturers.

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(In thousands, except share and per share data)

(4) SEGMENT INFORMATION (Continued)

Intercompany pricing between segments is either a multiple of cost for component parts used in manufacturing or a percentage discount from list price for finished goods sold to non-manufacturing operations.

	<u>Years Ended December 31.</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net revenues from unaffiliated customers:			
Manipulator and Docking Hardware	\$39,556	\$26,423	\$17,726
Temperature Management	33,505	19,089	16,983
Tester Interface	<u>14,590</u>	<u>8,073</u>	<u>1,349</u>
	<u>\$87,651</u>	<u>\$53,585</u>	<u>\$36,058</u>
Affiliate sales or transfer from:			
Manipulator and Docking Hardware	\$2,087	\$2,049	\$1,302
Temperature Management	136	506	459
Tester Interface	<u>1,873</u>	<u>502</u>	<u>19</u>
	<u>\$4,096</u>	<u>\$3,057</u>	<u>\$1,780</u>
Depreciation/amortization:			
Manipulator and Docking Hardware	\$1,114	\$781	\$575
Temperature Management	562	495	446
Tester Interface	<u>398</u>	<u>153</u>	<u>53</u>
	<u>\$2,074</u>	<u>\$1,429</u>	<u>\$1,074</u>
Operating income (loss):			
Manipulator and Docking Hardware	\$ 7,677	\$5,477	\$2,939
Temperature Management	1,801	1,005	(442)
Tester Interface	<u>1,431</u>	<u>845</u>	<u>(421)</u>
	<u>\$10,909</u>	<u>\$7,327</u>	<u>\$2,076</u>
Earnings (loss) before income taxes:			
Manipulator and Docking Hardware	\$8,319	\$5,884	\$3,447
Temperature Management	1,830	829	(787)
Tester Interface	<u>1,430</u>	<u>845</u>	<u>(421)</u>
	<u>\$11,579</u>	<u>\$7,558</u>	<u>\$2,239</u>
Income tax expense (benefit):			
Manipulator and Docking Hardware	\$2,857	\$2,298	\$1,251
Temperature Management	1,738	(1,210)	82
Tester Interface	<u>605</u>	<u>337</u>	<u>(152)</u>
	<u>\$5,200</u>	<u>\$1,425</u>	<u>\$1,181</u>
Net earnings (loss):			
Manipulator and Docking Hardware	\$5,461	\$3,586	\$2,196
Temperature Management	92	2,039	(869)
Tester Interface	<u>826</u>	<u>508</u>	<u>(269)</u>
	<u>\$6,379</u>	<u>\$6,133</u>	<u>\$1,058</u>
Identifiable assets:			
Manipulator and Docking Hardware	\$25,002	\$27,206	\$21,371
Temperature Management	14,604	11,395	8,983
Tester Interface	<u>6,923</u>	<u>4,414</u>	<u>1,847</u>
	<u>\$46,529</u>	<u>\$43,015</u>	<u>\$32,201</u>

The \$2.6 million of merger-related costs were incurred by the temperature management segment. The Company does not currently allocate corporate overhead to its subsidiaries. All costs associated with the Company's executive management team are charged to the Cherry Hill, New Jersey operation which is included in the manipulator and docking hardware segment. Substantially all interest income is generated by the Company's three Delaware holding companies, whose results are also included in the manipulator and docking hardware segment.

Export sales from the Company's domestic manufacturing facilities (New Jersey, California and Massachusetts) totaled \$22.9 million, \$15.9 million and \$12.3 million during the years ended December 31, 2000, 1999 and 1998, respectively. During the years ended December 31, 2000, 1999 and 1998, the Company had sales to Japan of \$10.1 million, \$5.7 million and \$6.8 million, respectively. The Company's foreign subsidiaries generated \$13.7 million, \$8.5 million and \$7.1 million of net revenues in 2000, 1999 and 1998, respectively.

(5) MAJOR CUSTOMERS

No customer accounted for more than 10% of the Company's consolidated net revenues in 2000, 1999 or 1998.

(6) INVENTORIES

Inventories held at December 31 were comprised of the following:

	<u>2000</u>	<u>1999</u>
Raw materials	\$8,237	\$6,091
Work in process	4,244	1,954
Finished goods	1,687	704
Reserve for obsolete inventory	(1,609)	(777)
	<u>\$12,559</u>	<u>\$7,972</u>

(7) DEBT

Line of Credit

The Company has a \$5.0 million committed, unsecured line of credit. Borrowings under this line of credit are principally used for working capital purposes. Borrowings on the line of credit bear interest at either the prime rate minus 1.0% or the Euro-rate plus 1.5%, which is payable monthly on any outstanding balance. The Company is required to maintain a \$50 compensating balance at the bank which granted the line of credit. The credit line expires on June 30, 2001. At December 31, 2000, there were no borrowings outstanding.

Letter of Credit

The Company had an outstanding letter of credit in the amount of \$200 as of December 31, 2000. This letter of credit was issued as a security deposit under a lease which the Company's Temptronic subsidiary entered into for its new facility in Sharon, Massachusetts.

(8) STOCK OPTION PLAN

The Amended and Restated 1997 Stock Plan (the "Plan") provides for the granting of either incentive stock options or non-qualified stock options to purchase shares of the Company's common stock and for other stock-based awards to key employees and directors responsible for the direction and management of the Company and to non-employee consultants. The Plan consists of two parts: the Non-Qualified Plan (administered by the Board of Directors of the Company) and the Key Employee Plan (administered by the Compensation Committee of the Board of Directors of the Company). The Company has reserved 1,000,000 shares of common stock for issuance upon exercise of options or stock awards under the Plan.

No option may be granted with an exercise period in excess of ten years from the date of grant. Generally, incentive stock options will be granted with an exercise price equal to the fair market value on the date of grant; the exercise price of non-qualified stock options will be determined by either the Board of Directors or the Compensation Committee of the Board of Directors.

The options which have been issued under the Plan generally vest 20% one year from date of grant and 20% in each of the succeeding four years.

In connection with the merger with Temptronic, outstanding incentive and non-qualified stock options to acquire Temptronic common stock were converted into stock options to acquire the Company's stock at a conversion ratio of 0.925, with appropriate adjustment to the exercise price. These stock options generally vest over four to five years.

As discussed in Note 2, the Company has elected to continue to follow APB 25 in accounting for its stock option plans. Under APB 25, the Company does not recognize compensation expense on the issuance of its stock options to employees and non-employee directors when the option terms are fixed and the exercise price equals the fair value of the underlying stock on the grant date. Prior to the merger, Temptronic had granted certain non-qualified stock options to employees which had an exercise price below the estimated fair value of Temptronic's common stock at the date of grant. For these options, compensation cost, equaling the difference between the fair market value of the underlying stock and the cost to exercise the options, was recorded as deferred compensation at the date of grant. This cost is amortized to expense as the options vest. Total compensation cost recognized for the years ended December 31, 2000, 1999 and 1998 was \$41, \$75, \$93, respectively.

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inTEST CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

(8) STOCK OPTION PLAN (Continued)

Had compensation costs for the Company's stock-based compensation plans been determined consistent with SFAS No. 123, the Company's net earnings and net earnings per common share for the years ended December 31, 2000, 1999 and 1998 would have been reduced to the pro forma amounts indicated below:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net earnings:			
As reported	\$6,379	\$6,133	\$1,058
Pro forma	5,416	\$5,988	\$915
Net earnings per common share -- basic:			
As reported	\$0.70	\$0.76	\$0.14

As reported	\$0.70	\$0.70	\$0.14
Pro forma	\$0.66	\$0.74	\$0.12
Net earnings per common share -- diluted:			
As reported	\$0.75	\$0.74	\$0.14
Pro forma	\$0.64	\$0.72	\$0.12

The fair value for stock options granted in 2000 and 1998 was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions (no options were granted in 1999):

	<u>2000</u>	<u>1998</u>
Risk-free interest rate	4.99%	5.65%
Dividend yield	0.00%	0.00%
Expected common stock market price volatility factor	.82	.61
Weighted average expected life of stock options	5 years	5 years

The per share weighted average fair value of stock options issued by the Company in 2000 and 1998 was \$8.92 and \$3.71, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. As the Company's stock options have characteristics significantly different from those of traded options, and as changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

The following table summarizes the stock option activity for the three years ended December 31, 2000:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>
Options outstanding, January 1, 1998 (177,067 exercisable)	411,855	\$4.38
Granted	200,875	4.20
Exercised	(4,162)	.02
Canceled	<u>(22,877)</u>	<u>4.22</u>
Options outstanding, December 31, 1998 (215,637 exercisable)	585,691	\$3.91
Granted	--	--
Exercised	(33,138)	.10
Canceled	<u>(79,598)</u>	<u>3.40</u>
Options outstanding, December 31, 1999 (202,464 exercisable)	472,955	\$ 4.26
Granted	642,000	13.08
Exercised	(83,088)	2.70
Canceled	<u>(6,865)</u>	<u>14.76</u>
Options outstanding, December 31, 2000 (196,386 exercisable)	<u>1,025,002</u>	<u>\$ 9.84</u>

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(8) STOCK OPTION PLAN (Continued)

On June 30, 1998, the Company modified 141,000 options originally exercisable at \$7.50 per share and 10,000 options originally exercisable at \$11.00 per share to reduce the exercise price of such options to \$6.00 per share.

The following table summarizes information about stock options outstanding at December 31, 2000:

<u>Range of Exercise Prices</u>	<u>Number Outstanding at December 31, 2000</u>	<u>Weighted Average Remaining Life</u>	<u>Weighted Average Exercise Price of Outstanding Options</u>	<u>Number Exercisable at December 31, 2000</u>	<u>Weighted Average Exercise Price of Exercisable Options</u>
\$0.02	18,037	6.49 years	\$0.02	2,312	\$0.02
\$3.79 - \$4.44	237,365	7.04 years	\$4.16	116,674	\$4.11
\$6.00	132,600	6.55 years	\$6.00	77,400	\$6.00
\$9.56 - \$12.69	430,000	9.62 years	\$10.35	--	--
\$18.63	207,000	9.25 years	\$18.63	--	--

(9) COMMITMENTS

The Company leases its offices, warehouse facilities, automobiles and certain equipment under noncancellable operating leases which expire at various dates through 2005. Total rental expense for the years ended December 31, 2000, 1999 and 1998 was \$1.7 million, \$1.2 million and \$1.1 million, respectively.

The aggregate minimum rental commitments under the noncancellable operating leases in effect at December 31, 2000, are as follows:

2001	\$2,336
2002	\$1,908
2003	\$1,839
2004	\$1,688
2005	\$1,324
Thereafter	\$6,233

(10) INCOME TAXES

The Company is subject to Federal and certain state income taxes. In addition, the Company is taxed in certain foreign countries. The cumulative amount of undistributed earnings of foreign subsidiaries for which U.S. income taxes have not been provided was approximately \$4.6 million and \$3.0 million at December 31, 2000 and 1999, respectively.

Total income tax expense was allocated as follows:

	<i>Years Ended December 31.</i>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Income from operations	\$5,200	\$1,425	\$1,181
Shareholders' equity, for tax benefit derived from exercise and sale of stock option shares	<u>(454)</u>	<u>-</u>	<u>-</u>
	<u>\$4,746</u>	<u>\$1,425</u>	<u>\$1,181</u>

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inTEST CORPORATION
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(In thousands, except share and per share data)

(10) INCOME TAXES (Continued)

Earnings before income taxes were as follows:

	<i>Years Ended December 31.</i>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Domestic	\$ 8,511	\$5,949	\$1,333
Foreign	<u>3,068</u>	<u>1,609</u>	<u>906</u>
	<u>\$11,579</u>	<u>\$7,558</u>	<u>\$2,239</u>

Income tax expense was as follows:

	<i>Years Ended December 31.</i>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Current			
Domestic -- Federal	\$3,922	\$1,934	\$ 516
Domestic -- state	165	215	54
Foreign	<u>989</u>	<u>652</u>	<u>352</u>
	<u>5,076</u>	<u>2,801</u>	<u>922</u>
Deferred:			
Domestic -- Federal	(171)	(946)	284
Domestic -- state	<u>295</u>	<u>(430)</u>	<u>(25)</u>
	<u>124</u>	<u>(1,376)</u>	<u>259</u>
Income tax expense	<u>\$5,200</u>	<u>\$1,425</u>	<u>\$1,181</u>

Deferred income taxes reflect the net tax effect of net operating loss and credit carryforwards and temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following is a summary of the significant

components of the Company's deferred tax assets and liabilities as of December 31, 2000 and 1999:

	<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>
Deferred tax assets:		
Accrued vacation pay	\$ 264	\$ 195
Allowance for doubtful accounts	69	88
Inventories	609	392
Accrued warranty	143	87
Accrued bonuses	271	84
Net operating loss and credit carryforward	90	686
Stock compensation	90	88
Property and equipment	120	101
Other	<u>57</u>	<u>55</u>
	1,713	1,776
Valuation allowance	<u>(90)</u>	<u>(90)</u>
Deferred tax assets	<u>1,623</u>	<u>1,686</u>
Deferred tax liabilities:		
Accrued royalty income	<u>(126)</u>	<u>(65)</u>
Deferred tax liabilities	<u>(126)</u>	<u>(65)</u>
Net deferred tax asset	<u>\$1,497</u>	<u>\$1,621</u>

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(10) INCOME TAXES (Continued)

The valuation allowance for deferred tax assets as of the beginning of 2000 and 1999 was \$90 and \$1.5 million, respectively. The net change in the valuation allowance for the years ended December 31, 2000 and 1999 was \$0 and a decrease of \$1.4 million, respectively. In assessing the ability to realize the deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. In order to fully realize the total deferred tax assets, the Company will need to generate future taxable income prior to the expiration of net operating loss and credit carryforwards which expire at various years through 2019. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the temporary differences are deductible, management believes it is more likely than not the Company will realize the benefit of the deferred tax asset, net of the valuation allowance, at December 31, 2000. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

An analysis of the effective tax rate for the years ended December 31, 2000, 1999 and 1998 on earnings and a reconciliation from the expected statutory rate of 35%, 34% and 34%, respectively, are as follows:

	<u>Years Ended December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Expected income tax provision at U.S. statutory rate	\$4,053	\$2,570	\$ 761
State taxes, net of Federal benefit	299	157	(65)
Increase (decrease) in tax from:			
Non-deductible merger-related costs	815	--	--
Liquidation of life insurance policies	83	--	--
Non-deductible goodwill and other permanent differences	69	28	(83)
Foreign income tax rate differences	(85)	58	12
Federal credits	--	(51)	(41)
Change in valuation allowance	--	(1,418)	610
Other	<u>(34)</u>	<u>81</u>	<u>(13)</u>
Income tax expense	<u>\$5,200</u>	<u>\$1,425</u>	<u>\$1,181</u>

(11) EMPLOYEE BENEFIT PLANS

The Company has a defined contribution 401(k) plan for its employees who work in the U.S. All permanent employees of inTEST Corporation and inTEST Sunnyvale Corp. who are at least 18 years of age and have completed six months of service with the Company are eligible to participate in the plan. During 2000, 1999 and 1998, the Company matched employee contributions dollar for dollar up to 10% of the employee's annual compensation up to \$5. Future matching contributions are discretionary. Employer contributions vest over a six-year period. The Company contributed \$299, \$221 and \$157 to the plan for the years ended December 31, 2000, 1999 and 1998, respectively.

Prior to the Acquisition, inTEST Sunnyvale had adopted a defined contribution 401(k) plan for its employees. Under the plan, inTEST Sunnyvale matched employee contributions equal to 25% of an employee's contributions up to 5% of gross salary. Matching contributions for the plan were \$6 from the date of the Acquisition through October 1, 1998. Effective October 1, 1998, all inTEST Sunnyvale permanent employees who were at least 18 years of age and had completed six months of service were offered enrollment in the Company's 401(k) plan, and employee contributions and employer matching contributions into the inTEST Sunnyvale plan ceased. In 2000, the Company terminated the inTEST Sunnyvale plan and the former participants had the option of rolling their assets into the Company's plan.

Temptronic adopted a defined contribution 401(k) plan for its domestic employees in 1988. All permanent employees who are at least 21 years of age and have completed six months of service with Temptronic are eligible to participate in the plan. Under the plan, Temptronic may make discretionary matching contributions to be determined annually by Temptronic up to 6% of the employees' annual compensation. Employer contributions vest over a seven-year period. Temptronic contributed \$74, \$56 and \$88 to the plan for the years ended December 31, 2000, 1999 and 1998, respectively.

Temptronic established the EPP covering substantially all employees in 1982. On November 6, 1996, in exchange for a note receivable, Temptronic loaned the EPP \$3.7 million to purchase 565,483 shares of stock from certain former stockholders of Temptronic. The amount of the note from the EPP was recorded as a reduction of stockholders' equity. The amount in stockholders' equity is reduced when the tax deductible contributions are made. Shares acquired are allocated to participant accounts on September 30 of each plan year. Temptronic contributed approximately \$470 to the EPP during each of the years ended December 31, 2000, 1999 and 1998, and recorded interest income of \$317, \$331 and \$345, respectively, on the EPP note. At December 31, 2000, the EPP owned 665,157 shares of stock with a fair market value of approximately \$4.2 million of which 250,523 shares were allocated to participants. The remaining shares will be allocated to participants in the future under the EPP guidelines.

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inTEST CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

(12) ACCRUED EXPENSES

Accrued expenses consist of the following:

	<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>
Accrued compensation	\$1,630	\$1,237
Accrued commissions	870	776
Accrued warranty costs	367	228
Accrued merger-related costs	239	--
Accrued professional fees	166	340
Accrued other	<u>296</u>	<u>430</u>
	<u>\$3,568</u>	<u>\$3,011</u>

(13) RELATED PARTY TRANSACTIONS

The Company paid consulting fees to one individual who is a member of the Board of Directors of the parent company which totaled \$59, \$67 and \$56 during the years ended December 31, 2000, 1999 and 1998, respectively.

During 1998, in connection with the acquisition of TestDesign, the Company repaid \$215 on a note due to a firm ("PRIM") controlled by Douglas W. Smith, formerly Executive Vice President and Chief Operating Officer of the Company and a current board member of the Company. This note, which did not bear interest or have a maturity date, evidenced borrowings that TestDesign had made from PRIM prior to the acquisition. In addition, subject to the terms of a consulting agreement between TestDesign and Gregory W. Slayton, a current board member of the Company, the Company paid directly to Mr. Slayton, on behalf of TestDesign, \$170 in cash and 31,250 shares of the Company's common stock. These payments are included in the merger consideration and are accounted for as described in Note 3.

Some of the Company's foreign subsidiaries paid directors' fees to several individuals who are executive officers of the Company which totaled \$113, \$119 and \$104 during the years ended December 31, 2000, 1999 and 1998, respectively.

At December 31, 2000 and 1999, there were \$6 and \$48, respectively, of foreign directors' fees payable to executive officers of the Company.

Temptronic has transactions in the normal course of business with Hakuto Co. Ltd. As of December 31, 2000, a wholly-owned subsidiary of Hakuto Co. Ltd., Hakuto America Holdings, Inc., owned 647,500 shares of the Company's outstanding stock. During the years ended December 31, 2000, 1999 and 1998, Temptronic sold product at market prices totaling approximately \$1.5 million, \$1.5 million and \$2.5 million, respectively, to Hakuto Co. Ltd. At December 31, 2000 and 1999, accounts receivable from Hakuto Co. Ltd. amounted to approximately \$38 and \$200, respectively.

(14) LEGAL PROCEEDINGS

From time to time we are a party to legal proceedings. We are not currently involved in any legal proceedings the resolution of which could have a material effect on our business, our financial position or our results of operations.

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inTEST CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share data)

(15) QUARTERLY CONSOLIDATED FINANCIAL DATA (Unaudited)

The following tables present certain unaudited consolidated quarterly financial information for each of the eight quarters ended December 31, 2000. In the opinion of the Company's management, this quarterly information has been prepared on the same basis as the Consolidated Financial Statements and includes all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the information for the period presented. The results of operations for any quarter are not necessarily indicative of results for the full year or for any future period.

The Company's business is not seasonal; therefore year-over-year quarterly comparisons of the Company's results of operations may not be as meaningful as the sequential quarterly comparisons set forth below which tend to reflect the cyclical activity of the semiconductor industry as a whole. Quarterly fluctuations in expenses are related directly to sales activity and volume and may also reflect the timing of operating expenses incurred throughout the year.

	<i>Quarters Ended</i>				<i>Total</i>
	<i>3/31/00</i>	<i>6/30/00</i>	<i>9/30/00</i>	<i>12/31/00</i>	
Net revenues	\$20,254	\$21,317	\$24,491	\$21,589	\$87,651
Gross margin	9,975	10,506	11,261	7,814	39,556
Earnings before income taxes	2,277	4,354	4,186	762	11,579
Income taxes	1,799	1,560	1,552	289	5,200
Net earnings	478	2,794	2,634	473	6,379
Net earnings per common share - basis	\$0.06	\$0.34	\$0.32	\$0.06	\$0.78
Weighted average common shares outstanding - basic	8,137,167	8,190,178	8,232,003	8,243,928	8,201,029
Net earnings per common share - diluted	\$0.06	\$0.33	\$0.31	\$0.06	\$0.75
Weighted average common shares and common share equivalents outstanding - diluted	8,465,603	8,528,166	8,475,730	8,424,901	8,469,910

	<i>Quarters Ended</i>				<i>Total</i>
	<i>3/31/99</i>	<i>6/30/99</i>	<i>9/30/99</i>	<i>12/31/99</i>	
Net revenues	\$ 8,223	\$10,816	\$15,237	\$19,309	\$53,585
Gross margin	3,752	5,314	7,615	10,029	26,710
Earnings before income taxes	64	1,051	2,669	3,774	7,558
Income taxes	125	357	901	42	1,425
Net earnings	(61)	694	1,768	3,732	6,133
Net earnings per common share - basis	\$(0.01)	\$0.09	\$0.22	\$0.46	\$0.76
Weighted average common shares outstanding - basic	8,061,730	8,071,154	8,081,482	8,122,588	8,084,398
Net earnings per common share - diluted	\$(0.01)	\$0.08	\$0.21	\$0.45	\$0.74
Weighted average common shares and common share equivalents outstanding - diluted	8,061,730	8,217,571	8,260,359	8,358,355	8,265,537

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inTEST CORPORATION
SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

	<i>Balance at Beginning of Period</i>	<i>Additions</i>			<i>Balance at End of Period</i>
		<i>Acquisition of TestDesign</i>	<i>Expense</i>	<i>Deductions</i>	
Year ended December 31, 1998					
Allowance for doubtful accounts	\$197	\$ 54	\$ (4)	\$ 26	\$ 221
Inventory obsolescence reserve	507	38	260	178	627
Warranty reserve	155	20	601	676	100
Year Ended December 31, 1999					
Allowance for doubtful accounts	221	--	16	(2)	239
Inventory obsolescence reserve	627	--	242	92	777
Warranty reserve	100	--	790	662	228
Year Ended December 31, 2000					
Allowance for doubtful accounts	239	--	31	29	241
Inventory obsolescence reserve	777	--	1,312	480	1,609
Warranty reserve	228	--	1,102	963	367

[PNC BANK LETTERHEAD]

November 16, 2000

inTEST Corporation
 Seven Esterbrook Lane
 Cherry Hill, NJ 08003
 Attention: Hugh Regan

Re: Renewal, Restatement and Increase of Committed Line of Credit

Dear Hugh:

We are pleased to inform you that PNC Bank, National Association (the "**Bank**") has approved your request for the renewal, restatement and increase of a committed line of credit (the "**Loan**") to inTEST Corporation, inTEST Sunnyvale Corporation, Temptronic Corporation, inTEST Investments, Inc., inTEST Licensing Corp. and inTEST IP Corp. (collectively, the "**Borrower**"). This letter agreement amends, restates and replaces the existing Amended and Restated Loan Agreement between the Bank and inTEST Corporation dated June 30, 1996 (as amended, the "**Existing Loan Agreement**"). We look forward to this opportunity to help you meet the financing needs of your business. All the details regarding your Loan are outlined in the following sections of this letter. If these terms are satisfactory, please follow the instructions for proceeding with your Loan provided at the end of this letter.

1. Facility and Use of Proceeds. This is a committed revolving line of credit under which the Borrower may request and the Bank, subject to the terms and conditions of this letter, will make advances to the Borrower from time to time until the Expiration Date, in an amount in the aggregate at any time outstanding not to exceed \$5,000,000.00 (the "**Line of Credit**"). The "**Expiration Date**" means June 30, 2001, or such later date as may be designated by the Bank by written notice to the Borrower. Advances under the Line of Credit will be used for working capital or other general business purposes of the Borrower.

The Borrower may request that the Bank, in lieu of cash advances, issue standby letters of credit (individually, a "**Letter of Credit**" and collectively the "**Letters of Credit**") under the Line of Credit in an amount not to exceed \$500,000 in the aggregate and having expiration dates not to exceed one (1) year. The availability of advances under the Line of Credit shall be reduced by the face amount of each Letter of Credit issued and outstanding (whether or not drawn). Each payment by the Bank under a Letter of Credit shall in the Bank's discretion constitute an advance of principal under the Line of Credit and shall be evidenced by the Note (as defined below). The Letters of Credit shall be governed by one or more reimbursement agreements executed by the Borrower (the "**Reimbursement Agreement**"). Each request for the issuance of a Letter of Credit must be accompanied by the Borrower's execution of an application on the Bank's

inTEST Corporation
 November 16, 2000
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standard forms, together with all supporting documentation. Each Letter of Credit will be issued in the Bank's sole discretion and in a form acceptable to the Bank. The Borrower shall pay the Bank's standard issuance fee on the face amount of each Letter of Credit upon issuance, together with such other customary fees, commissions and expenses therefor as shall be required by the Bank. This letter is not a pre-advice for the issuance of a letter of credit and is not irrevocable.

2. Note. The obligation of the Borrower to repay advances under the Line of Credit shall be evidenced by a promissory note (the "**Note**") in form and content satisfactory to the Bank.

This letter (the "**Letter Agreement**"), the Note and the other loan documents delivered pursuant hereto will constitute the "**Loan Documents**." Capitalized terms not defined herein shall have the meaning ascribed to them in the Loan Documents.

3. Interest Rate. Interest on the unpaid balance of the Line of Credit advances will be charged at the rates, and be payable on the dates and times, set forth in the Note evidencing the Loan.

4. Repayment. Subject to the terms and conditions of this letter, the Borrower may borrow, repay and reborrow under the Line of Credit until the Expiration Date, on which date the outstanding principal balance and any accrued but unpaid interest shall be due and payable. Interest will be due and payable on a monthly basis, and will be computed on the basis of a year of 360 days and paid on the actual number of days elapsed.

5. Cross-Default. The Loan will be cross-defaulted with all other present and future Obligations of the Borrower to the Bank.

6. Covenants. Unless compliance is waived in writing by the Bank or until payment in full of the Loan and termination of the commitment for the Line of Credit:

(a) The Borrower will promptly submit to the Bank such information relating to the Borrower's affairs (including but not limited to annual financial statements and tax returns for the Borrower and any guarantor) or any security for the Loan as the Bank may reasonably request.

(b) The Borrower will not make or permit any change in the nature of its business as carried on as of the date of this Letter Agreement or in its senior management or equity ownership.

(c) The Borrower will notify the Bank in writing of the occurrence of an Event of Default or an act or condition which, with the passage of time, the giving of notice or both might become an Event of Default.

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November 16, 2000
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(d) The Borrower will comply with the financial and other covenants included in Exhibit "A" hereto.

7. Representations and Warranties. To induce the Bank to extend the Loan and upon the making of any advance to the Borrower under the Line of Credit, the Borrower represents and warrants as follows:

(a) The Borrower's latest financial statements provided to the Bank are true, complete and accurate in all material respects and fairly present the financial condition, assets and liabilities, whether accrued, absolute, contingent or otherwise, and the results of the Borrower's operations for the period specified therein. The Borrower's financial statements have been prepared in accordance with generally accepted accounting principles consistently applied from period to period subject in the case of interim statements to normal year-end adjustments. Since the date of the latest financial statements provided to the Bank, the Borrower has not suffered any damage, destruction or loss which has materially adversely affected its business, assets, operations, financial condition or results of operations.

(b) There are no actions, suits, proceedings or governmental investigations pending or, to the knowledge of the Borrower, threatened against the Borrower which could result in a material adverse change in its business, assets, operations, financial condition or results of operations and there is no basis known to the Borrower or its officers, directors or shareholders for any such action, suit, proceedings or investigation.

(c) The Borrower has filed all returns and reports that are required to be filed by it in connection with any federal, state or local tax, duty or charge levied, assessed or imposed upon the Borrower or its property, including unemployment, social security and similar taxes and all of such taxes have been either paid or adequate reserve or other provision has been made therefor.

(d) The Borrower is duly organized, validly existing and in good standing under the laws of the state of its incorporation or organization and has the power and authority to own and operate its assets and to conduct its business as now or proposed to be carried on, and is duly qualified, licensed and in good standing to do business in all jurisdictions where its ownership of property or the nature of its business requires such qualification or licensing.

(e) The Borrower has full power and authority to enter into the transactions provided for in this Letter Agreement and has been duly authorized to do so by all necessary and appropriate action and when executed and delivered by the Borrower, this Letter Agreement and the other Loan Documents will constitute the legal, valid and binding obligations of the Borrower, enforceable in accordance with their terms.

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November 16, 2000
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(f) There does not exist any default or violation by the Borrower of or under any of the terms, conditions or obligations of: (i) its organizational documents; (ii) any indenture, mortgage, deed of trust, franchise, permit, contract, agreement, or other instrument to which it is a party or by which it is bound; or (iii) any law, regulation, ruling, order, injunction, decree, condition or other requirement applicable to or imposed upon the Borrower by any law or by any governmental authority, court or agency.

(g) Prior to the year 2000, the Borrower reviewed the areas within its business and operations which could be adversely affected by, and developed or is developing a program to address on a timely basis the risk that certain computer applications used by the Borrower may be unable to recognize and perform properly date-sensitive functions involving dates prior to and after December 31, 1999 (the "**Year 2000 Problem**"). The Year 2000 Problem did not result in, and is not reasonably expected to result in, any material adverse effect on the business, properties, assets, financial condition, results of operations or prospects of the Borrower, or the ability of the Borrower to duly and punctually pay or perform its obligations hereunder and under the other Loan Documents. The Borrower continues to monitor for effects of the Year 2000 Problem pursuant to its established program.

8. Fees. Beginning on the last day of the month after the date of the Note and continuing on the last day of each month thereafter until the Expiration Date, the Borrower shall pay a commitment fee to the Bank, in arrears, at the rate of one-quarter percent (.25%) per annum on the average daily balance of the Line of Credit which is undisbursed and uncanceled during the preceding month. The commitment fee shall be computed on the basis of a year of 360 days and paid on the actual number of days elapsed.
9. Expenses. The Borrower shall also reimburse the Bank for the Bank's expenses (including the reasonable fees and expenses of the Bank's outside and in-house counsel) in connection with any amendments, modifications or renewals of the Loan, and in connection with the collection of all of the Borrower's obligations to the Bank, including but not limited to enforcement actions relating to the Loan.
10. Depository. The Borrower will establish and maintain at the Bank the Borrower's primary depository accounts with balances at all times of not less than \$50,000.
11. Additional Provisions. Before the first advance under the Loan, the Borrower shall execute and deliver to the Bank the Note and other required Loan Documents and such other instruments and documents as the Bank may reasonably request, such as certified resolutions, incumbency certificates or other evidence of authority. The Bank will not be obligated to make any advance under the Line of Credit if any Event of Default or event which with the passage of time, provision of notice or both would constitute an Event of Default shall have occurred and be continuing.

inTEST Corporation
November 16, 2000
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Prior to execution of the final Loan Documents, the Bank may terminate this Letter Agreement if a material adverse change occurs with respect to the Borrower, any guarantor, any collateral for the Loan or any other person or entity connected in any way with the Loan, or if the Borrower fails to comply with any of the terms and conditions of this Letter Agreement, or if the Bank reasonably determines that any of the conditions cannot be met.

This Letter Agreement is governed by the laws of the State of New Jersey. No modification, amendment or waiver of any of the terms of this Letter Agreement, nor any consent to any departure by the Borrower therefrom, will be effective unless made in a writing signed by the party to be charged, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. When accepted, this Letter Agreement and the other Loan Documents will constitute the entire agreement between the Bank and the Borrower concerning the Loan, and shall replace all prior understandings, statements, negotiations and written materials relating to the Loan.

THE BORROWER AND THE BANK IRREVOCABLY WAIVE ANY AND ALL RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE ARISING OUT OF THIS LETTER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY AND ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

If and when a loan closing occurs, this Letter Agreement (as the same may be amended from time to time) shall survive the closing and will serve as our loan agreement throughout the term of the Loan.

To accept these terms, please sign the enclosed copy of this Letter Agreement as set forth below and the Loan Documents and return them to the Bank within ten (10) days from the date of this Letter Agreement, or this Letter Agreement may be terminated at the Bank's option without liability or further obligation of the Bank.

Thank you for giving PNC Bank this opportunity to work with your business. We look forward to other ways in which we may be of service to your business or to you personally.

Very truly yours,

PNC BANK, NATIONAL ASSOCIATION

By: Denise Viola Monahan
Denise Viola Monahan
Vice President

inTEST Corporation
November 16, 2000
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ACCEPTANCE

With the intent to be legally bound hereby, the above terms and conditions are hereby agreed to and accepted as of this _____ day of _____, 2000.

INTEST CORPORATION

INTEST SUNNYVALE CORPORATION

By: /s/Hugh T. Regan, Jr.

By: /s/Hugh T. Regan, Jr.

(SEAL)

(SEAL)

Print Name: Hugh T. Regan, Jr.
Title: CFO

Print Name: Hugh T. Regan, Jr.
Title: CFO

TEMPTRONIC CORPORATION

INTEST INVESTMENTS, INC.

By: /s/Hugh T. Regan, Jr.

By: /s/Hugh T. Regan, Jr.

(SEAL)

(SEAL)

Print Name: Hugh T. Regan, Jr.
Title: CFO

Print Name: Hugh T. Regan, Jr.
Title: CFO

INTEST LICENSING CORP.

INTEST IP CORP.

By: /s/Hugh T. Regan, Jr.

By: /s/Hugh T. Regan, Jr.

(SEAL)

(SEAL)

Print Name: Hugh T. Regan, Jr.
Title: CFO

Print Name: Hugh T. Regan, Jr.
Title: CFO

EXHIBIT A

A. FINANCIAL REPORTING COVENANTS:

(1) The Borrower will deliver to the Bank:

(a) Financial Statements for its fiscal year, within ninety (90) days after fiscal year end, audited and certified without qualification by a certified public accountant acceptable to the Bank.

(b) Financial Statements for each fiscal quarter, within forty-five (45) days after the quarter end, together with year-to-date and comparative figures for the corresponding periods of the prior year, certified as true and correct by its chief financial officer.

(c) With each delivery of Financial Statements, the Borrower's chief financial officer shall also deliver a certificate as to the Borrower's compliance with the financial covenants, if any, for the period then ended and whether any Event of Default exists, and, if so, the nature thereof and the corrective measures the Borrower proposes to take. This certificate shall set forth all detailed calculations necessary to demonstrate such compliance.

"**Financial Statements**" means the consolidated balance sheet and statements of income and cash flows prepared in accordance with generally accepted accounting principles in effect from time to time ("**GAAP**") applied on a consistent basis (subject in the case of interim statements to normal year-end adjustments).

In the event that any financial information submitted to the Bank has been prepared by an outside accountant, the same shall be accompanied by a statement in writing signed by the accountant disclosing that the accountant is aware that the information prepared by the accountant would be submitted to and relied upon by the Bank in connection with the Bank's determination to grant or continue credit.

B. FINANCIAL COVENANTS:

(1) The Borrower will maintain at all times a ratio of current assets to current liabilities of at least 1.50 to 1.00.

(2) The Borrower will maintain at all times a ratio of total liabilities to Tangible Net Worth of less than 1.00 to 1.00.

(3) The Borrower will not make capital expenditures in excess of \$500,000 in any one fiscal year of the Borrower.

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"**Tangible Net Worth**" means stockholder's equity in the Borrower less any advances to third parties and all items properly classified as intangibles, in accordance with GAAP.

C. NEGATIVE COVENANTS:

(1) The Borrower will not create, assume, incur or suffer to exist any mortgage, pledge, encumbrance, security interest, lien or charge of any kind upon any of its property, now owned or hereafter acquired, or acquire or agree to acquire any kind of property under conditional sales or other title retention agreements; provided, however, that the foregoing restrictions shall not prevent the Borrower from:

(a) incurring liens for taxes, assessments or governmental charges or levies which shall not at the time be due and payable or can thereafter be paid without penalty or are being contested in good faith by appropriate proceedings diligently conducted and with respect to which it has created adequate reserves;

(b) making pledges or deposits to secure obligations under workers' compensation laws or similar legislation; or

(c) granting additional liens or security interests to secure existing or future indebtedness in an aggregate principal amount not to exceed \$100,000 at any time;

(d) entering into leases, as lessee, for real or personal property with an aggregate annual rental value in excess of \$50,000, excluding leases existing on the date hereof; or

(e) granting liens or security interests in favor of the Bank.

(2) The Borrower will not create, incur, guarantee, endorse (except endorsements in the course of collection), assume or suffer to exist any indebtedness, except:

(a) indebtedness to the Bank;

(b) open account trade debt incurred in the ordinary course of business and not past due, or

(c) indebtedness in respect of which liens are permitted under subparagraph (1)(c) and (1)(d) above, and any refinancings thereof; provided that the amount of the refinancing indebtedness is not more than the outstanding amount of the refinanced indebtedness, and the terms of the refinancing indebtedness are no more favorable to the lender than the terms of the refinanced indebtedness.

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(3) The Borrower will not liquidate, or dissolve, or merge or consolidate with any person, firm, corporation or other entity, or sell, lease, transfer or otherwise dispose of all or any substantial part of its property or assets, whether now owned or hereafter acquired which at the time of such disposition has a fair market value in excess of \$100,000.

(4) The Borrower will not make acquisitions of all or substantially all of the property or assets of any person, firm, corporation or other entity.

(5) The Borrower will not declare or pay any dividends on or make any distribution with respect to any class of its equity, or purchase, redeem, retire or otherwise acquire any of its equity.

(6) The Borrower will not make or have outstanding any loans or advances to or otherwise extend credit to any person, firm, corporation or other entity, except in the ordinary course of business.

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**SECOND AMENDED AND RESTATED
COMMITTED LINE OF CREDIT NOTE**

\$5,000,000.00

November 1, 2000

FOR VALUE RECEIVED, INTEST CORPORATION, INTEST SUNNYVALE CORPORATION, TEMPTRONIC CORPORATION, INTEST INVESTMENTS, INC., INTEST LICENSING CORP. and INTEST IP CORP. (collectively, the "**Borrower**"), with an address at Seven Esterbrook Lane, Cherry Hill, New Jersey 08003, jointly and severally promise to pay to the order of **PNC BANK, NATIONAL ASSOCIATION** (the "**Bank**"), in lawful money of the United States of America in immediately available funds at its offices located at 1950 East Route 70, Cherry Hill, New Jersey 08003, or at such other location as the Bank may designate from time to time, the principal sum of **FIVE MILLION DOLLARS** (\$5,000,000.00) (the "**Facility**") or such lesser amount as may be advanced to or for the benefit of the Borrower hereunder, together with interest accruing on the outstanding principal balance from the date hereof, all as provided below:

1. Advances. The Borrower may request advances, repay and request additional advances hereunder until the Expiration Date, subject to the terms and conditions of this Note and the Loan Documents (as hereinafter defined). The "**Expiration Date**" shall mean June 30, 2001, or such later date as may be designated by the Bank by written notice from the Bank to the Borrower. The Borrower acknowledges and agrees that in no event will the Bank be under any obligation to extend or renew the Facility or this Note beyond the Expiration Date. The Borrower may request advances hereunder upon giving oral or written notice to the Bank by 11:00 a.m. (Philadelphia, Pennsylvania time) (a) on the day of the proposed advance, in the case of advances to bear interest under the Base Rate Option (as hereinafter defined) and (b) three (3) Business Days prior to the proposed advance, in the case of advances to bear interest under the Euro-Rate Option (as hereinafter defined), followed promptly thereafter by the Borrower's written confirmation to the Bank of any oral notice. The aggregate unpaid principal amount of advances under this Note shall not exceed the face amount of this Note.

2. Rate of Interest. Each advance outstanding under this Note will bear interest at a rate or rates per annum as may be selected by the Borrower from the interest rate options set forth below (each, an "**Option**"):

(i) **Base Rate Option.** A rate of interest per annum which is at all times equal to the sum of (A) the Prime Rate minus (B) one hundred (100) basis points (1.00%) ("**Base Rate**"). For purposes hereof, the term "**Prime Rate**" shall mean the rate publicly announced by the Bank from time to time as its prime rate. The Prime Rate is determined from time to time by the Bank as a means of pricing some loans to its borrowers. The Prime Rate is not tied to any external rate of interest or index, and does not necessarily reflect the lowest rate of interest actually charged by the Bank to any particular class or category of customers. If and when the Prime Rate changes, the rate of interest with respect to any advance to which the Base Rate Option applies will change automatically without notice to the Borrower, effective on the date of any such change. There are no required minimum interest periods for advances bearing interest under the Base Rate Option.

(ii) **Euro-Rate Option.** A rate per annum equal to the sum of (A) the Euro-Rate plus (B) one hundred fifty (150) basis points (1.50%), for the applicable Euro-Rate Interest Period.

For purposes hereof, the following terms shall have the following meanings:

"**Business Day**" shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required to be closed for business in Philadelphia, Pennsylvania.

"**Euro-Rate**" shall mean, with respect to any advance to which the Euro-Rate Option applies for the applicable Euro-Rate Interest Period, the interest rate per annum determined by the Bank by dividing (the resulting quotient rounded upwards, if necessary, to the nearest 1/100th of 1%) (i) the rate of interest determined by the Bank in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the eurodollar rate two (2) Business Days prior to the first day of such Euro-Rate Interest Period for an amount comparable to such advance and having a borrowing date and a maturity comparable to such Euro-Rate Interest Period by (ii) a number equal to 1.00 minus the Euro-Rate Reserve Percentage.

"**Euro-Rate Interest Period**" shall mean the period of one (1), three (3) or six (6) months selected by the Borrower commencing on the date of disbursement of an advance (or the date of conversion of an advance to the Euro-Rate Option, as the case may be) and each successive period selected by the Borrower thereafter; provided, that if a Euro-Rate Interest Period would end on a day which is not a Business Day, it shall end on the next succeeding Business Day, unless such day falls in the succeeding calendar month in which case the Euro-Rate Interest Period shall end on the next preceding Business Day. In no event shall any Euro-Rate Interest Period end on a day after the Expiration Date.

"Euro-Rate Reserve Percentage" shall mean the maximum effective percentage in effect on such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation, supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency liabilities").

The Euro-Rate shall be adjusted with respect to any advance to which the Euro-Rate Option applies on and as of the effective date of any change in the Euro-Rate Reserve Percentage. The Bank shall give prompt notice to the Borrower of the Euro-Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

If the Bank determines (which determination shall be final and conclusive) that, by reason of circumstances affecting the eurodollar market generally, deposits in dollars (in the applicable amounts) are not being offered to banks in the eurodollar market for the selected term, or adequate means do not exist for ascertaining the Euro-Rate, then the Bank shall give notice thereof to the Borrower. Thereafter, until the Bank notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (a) the availability of the Euro-Rate Option shall be suspended, and (b) the interest rate for all advances then bearing interest under the Euro-Rate Option shall be converted at the expiration of the then current Euro-Rate Interest Period(s) to the Base Rate Option.

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In addition, if, after the date of this Note, the Bank shall determine (which determination shall be final and conclusive) that any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Bank to make or maintain or fund loans under the Euro-Rate Option, the Bank shall notify the Borrower. Upon receipt of such notice, until the Bank notifies the Borrower that the circumstances giving rise to such determination no longer apply, (a) the availability of the Euro-Rate Option shall be suspended, and (b) the interest rate on all advances then bearing interest under the Euro-Rate Option shall be converted to the Base Rate Option either (i) on the last day of the then current Euro-Rate Interest Period(s) if the Bank may lawfully continue to maintain advances under the Euro-Rate Option to such day, or (ii) immediately if the Bank may not lawfully continue to maintain advances under the Euro-Rate Option.

The foregoing notwithstanding, it is understood that the Borrower may select different Options to apply simultaneously to different portions of the advances and may select up to three (3) different interest periods to apply simultaneously to different portions of the advances bearing interest under the Euro-Rate Option. Interest hereunder will be calculated on the basis of a year of 360 days for the actual number of days elapsed. In no event will the rate of interest hereunder exceed the maximum rate allowed by law.

3. Interest Rate Election. Subject to the terms and conditions of this Note, at the end of each interest period applicable to any advance, the Borrower may renew the Option applicable to such advance or convert such advance to a different Option; provided that, during any period in which any Event of Default (as hereinafter defined) has occurred and is continuing, any advances bearing interest under the Euro-Rate Option shall, at the Bank's sole discretion, be converted at the end of the applicable Euro-Rate Interest Period to the Base Rate Option and the Euro-Rate Option will not be available to Borrower with respect to any new advances until such Event of Default has been cured by the Borrower or waived by the Bank. The Borrower shall notify the Bank of each election of an Option, each conversion from one Option to another, the amount of the advances then outstanding to be allocated to each Option and where relevant the interest periods therefor. In the case of converting to the Euro-Rate Option, such notice shall be given at least three (3) Business Days prior to the commencement of any Euro-Rate Interest Period. If no notice of conversion or renewal is timely received by the Bank, the Borrower shall be deemed to have converted such advance to the Base Rate Option. Any such election shall be promptly confirmed in writing by such method as the Bank may require.

4. Advance Procedures. A request for advance made by telephone must be promptly confirmed in writing by such method as the Bank may require. The Borrower authorizes the Bank to accept telephonic requests for advances, and the Bank shall be entitled to rely upon the authority of any person providing such instructions. The Borrower hereby indemnifies and holds the Bank harmless from and against any and all damages, losses, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) which may arise or be created by the acceptance of such telephone requests or making such advances. The Bank will enter on its books and records, which entry when made will be presumed correct, the date and amount of each advance, the interest rate and interest period applicable thereto, as well as the date and amount of each payment.

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5. Payment Terms. The Borrower shall pay accrued interest on the unpaid principal balance of this Note in arrears: (a) for the portion of advances bearing interest under the Base Rate Option, on the first day of each month during the term hereof, (b) for the portion of advances bearing interest under the Euro-Rate Option, on the last day of the respective Euro-Rate Interest Period for such advance, (c) if any Euro-Rate Interest Period is longer than three (3) months, then also on the three (3) month anniversary of such interest period and every three (3) months thereafter, and (d) for all advances, at maturity, whether by acceleration of this Note or otherwise, and after maturity, on demand until paid in full. All outstanding principal and accrued interest hereunder shall be due and payable in full on the Expiration Date.

If any payment under this Note shall become due on a Saturday, Sunday or public holiday under the laws of the State where the Bank's office indicated above is located, such payment shall be made on the next succeeding business day and such extension of time shall be included in computing interest in connection with such payment. The Borrower hereby authorizes the Bank to charge the Borrower's deposit account at the Bank for any payment when due hereunder. Payments received will be applied to charges, fees and expenses (including attorneys' fees), accrued interest and principal in any order the Bank may choose, in its sole discretion.

6. Late Payments; Default Rate. If the Borrower fails to make any payment of principal, interest or other amount coming due pursuant to the provisions of this Note within fifteen (15) calendar days of the date due and payable, the Borrower also shall pay to the Bank a late charge equal to the lesser of five percent (5%) of the amount of such payment or \$100.00 (the "**Late Charge**"). Such fifteen (15) day period shall not be construed in any way to extend the due date of any such payment. Upon maturity, whether by acceleration, demand or otherwise, and at the Bank's option upon the occurrence of any Event of Default (as hereinafter defined) and during the continuance thereof, this Note shall bear interest at a rate per annum (based on a year of 360 days and actual days elapsed) which shall be three percentage points (3%) in excess of the interest rate in effect from time to time under this Note but not more than the maximum rate allowed by law (the "**Default Rate**"). The Default Rate shall continue to apply whether or not judgment shall be entered on this Note. Both the Late Charge and the Default Rate are imposed as liquidated damages for the purposes of defraying the Bank's expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, the Bank's exercise of any rights and remedies hereunder, under the other Loan Documents or under applicable law, and any fees and expenses of any agents or attorneys which the Bank may employ. In addition, the Default Rate reflects the increased credit risk to the Bank of carrying a loan that is in default. The Borrower agrees that the Late Charge and Default Rate are reasonable forecasts of just compensation for anticipated and actual harm incurred by the Bank, and that the actual harm incurred by the Bank cannot be estimated with certainty and without difficulty.

7. Prepayment. The Borrower shall have the right to prepay at any time and from time to time, in whole or in part, without penalty, any advance hereunder which is accruing interest under the Base Rate Option. If the Borrower prepays (whether voluntary, on default or otherwise) all or any part of any advance which is accruing interest under the Euro-Rate Option on other than the last day of the applicable Euro-Rate Interest Period, the Borrower shall pay to the Bank, on demand therefor, all amounts due pursuant to paragraph 8 below, including the Cost of Prepayment, if any.

8. Yield Protection. The Borrower shall pay to the Bank, on written demand therefor, together with the written evidence of the justification therefor, all direct costs incurred, losses suffered or payments made by Bank by reason of any change in law or regulation or its interpretation imposing any reserve, deposit,

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allocation of capital, or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Bank, its holding company or any of their respective assets. In addition, the Borrower agrees to indemnify the Bank against any liabilities, losses or expenses (including loss of margin, any loss or expense sustained or incurred in liquidating or employing deposits from third parties, and any loss or expense incurred in connection with funds acquired to effect, fund or maintain any advance (or any part thereof) bearing interest under the Euro-Rate Option) which the Bank sustains or incurs as a consequence of either (i) the Borrower's failure to make a payment on the due date thereof, (ii) the Borrower's revocation (expressly, by later inconsistent notices or otherwise) in whole or in part of any notice given to Bank to request, convert, renew or prepay any advance, or (iii) the Borrower's payment, prepayment or conversion of any advance bearing interest under the Euro-Rate Option on a day other than the last day of the applicable Euro-Rate Interest Period, including but not limited to the Cost of Prepayment. "**Cost of Prepayment**" means an amount equal to the present value, if positive, of the product of (a) the difference between (i) the yield, on the beginning date of the applicable interest period, of a U.S. Treasury obligation with a maturity similar to the applicable interest period minus (ii) the yield, on the prepayment date, of a U.S. Treasury obligation with a maturity similar to the remaining maturity of the applicable interest period, and (b) the principal amount to be prepaid, and (c) the number of years, including fractional years from the prepayment date to the end of the applicable interest period. The yield on any U.S. Treasury obligation shall be determined by reference to Federal Reserve Statistical Release H.15(519) "Selected Interest Rates". For purposes of making present value calculations, the yield to maturity of a similar maturity U.S. Treasury obligation on the prepayment date shall be deemed the discount rate. The Cost of Prepayment shall also apply to any payments made after acceleration of the maturity of this Note. The Bank's determination of an amount payable under this paragraph shall, in the absence of manifest error, be conclusive and shall be payable on demand.

9. Other Loan Documents. This Note is issued in connection with a Letter Agreement between the Borrower and the Bank dated on or before the date hereof, and the other agreements and documents executed in connection therewith or referred to therein, the terms of which are incorporated herein by reference (as amended, modified or renewed from time to time, collectively the "**Loan Documents**"), and is secured by the property described in the Loan Documents (if any) and by such other collateral as previously may have been or may in the future be granted to the Bank to secure this Note.

10. Events of Default. The occurrence of any of the following events will be deemed to be an "**Event of Default**" under this Note: (i) the nonpayment of any principal, interest or other indebtedness under this Note when due; (ii) the occurrence of any event of default or default and the lapse of any notice or cure period under any Loan Document or any other debt, liability or obligation to the Bank of any Obligor; (iii) the filing by or against any Obligor of any proceeding in bankruptcy, receivership, insolvency, reorganization, liquidation, conservatorship or similar proceeding (and, in the case of any such proceeding instituted against any Obligor, such proceeding is not dismissed or stayed within sixty (60) days of the commencement thereof, provided that the Bank

shall not be obligated to advance additional funds during such period); (iv) any assignment by any Obligor for the benefit of creditors, or any levy, garnishment, attachment or similar proceeding is instituted against any property of any Obligor held by or deposited with the Bank; (v) a default with respect to any other indebtedness of any Obligor for borrowed money, if the effect of such default is to cause or permit the acceleration of such debt; (vi) the commencement of any foreclosure or forfeiture proceeding, execution or attachment against any collateral securing the obligations of any Obligor to the Bank; (vii) the entry of a final judgment (not fully covered by insurance) against any Obligor in excess of \$50,000 (or judgments aggregating \$75,000) and the failure of such Obligor to discharge the judgment within ten days of the entry thereof; (viii) if

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this Note or any guarantee executed by any Guarantor is secured, the failure of any Obligor to provide the Bank with additional collateral if in the Bank's opinion at any time or times, the market value of any of the collateral securing this Note or any guarantee has depreciated below that required pursuant to the Loan Documents (if any) or, if no specific value is so required, then in an amount deemed material by the Bank; (ix) any material adverse change in any Obligor's business, assets, operations, financial condition or results of operations; (x) any Obligor ceases doing business as a going concern; (xi) the revocation or attempted revocation, in whole or in part, of any guarantee by any Guarantor; (xii) the death, incarceration, indictment or legal incompetency of any individual Obligor or, if any Obligor is a partnership or limited liability company, the death, incarceration, indictment or legal incompetency of any individual general partner or member; (xiii) any representation or warranty made by any Obligor to the Bank in any Loan Document, or any other documents now or in the future evidencing or securing the obligations of any Obligor to the Bank, is false, erroneous or misleading in any material respect; or (xiv) any Obligor's failure to observe or perform any covenant or other agreement with the Bank contained in any Loan Document or any other documents now or in the future evidencing or securing the obligations of any Obligor to the Bank. As used herein, the term "**Obligor**" means any Borrower and any Guarantor, and the term "**Guarantor**" means any guarantor of the Borrower's obligations to the Bank existing on the date of this Note or arising in the future.

Upon the occurrence of an Event of Default: (a) the Bank shall be under no further obligation to make advances hereunder; (b) if an Event of Default specified in clause (iii) or (iv) above shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder shall be immediately due and payable without demand or notice of any kind; (c) if any other Event of Default shall occur, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder, at the Bank's option and without demand or notice of any kind, may be accelerated and become immediately due and payable; (d) at the Bank's option, this Note will bear interest at the Default Rate from the date of the occurrence of the Event of Default; and (e) the Bank may exercise from time to time any of the rights and remedies available under the Loan Documents or under applicable law.

11. Right of Setoff. In addition to all liens upon and rights of setoff against the Borrower's money, securities or other property given to the Bank by law, the Bank shall have, with respect to the Borrower's obligations to the Bank under this Note and to the extent permitted by law, a contractual possessory security interest in and a contractual right of setoff against, and the Borrower hereby assigns, conveys, delivers, pledges and transfers to the Bank all of the Borrower's right, title and interest in and to, all of the Borrower's deposits, moneys, securities and other property now or hereafter in the possession of or on deposit with, or in transit to, the Bank or any other direct or indirect subsidiary of The PNC Financial Services Group, Inc., whether held in a general or special account or deposit, whether held jointly with someone else, or whether held for safekeeping or otherwise, excluding, however, all IRA, Keogh, and trust accounts. Every such security interest and right of setoff may be exercised without demand upon or notice to the Borrower. Every such right of setoff shall be deemed to have been exercised immediately upon the occurrence of an Event of Default hereunder without any action of the Bank, although the Bank may enter such setoff on its books and records at a later time.

12. Miscellaneous. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder must be in writing (except as may be agreed otherwise above with respect to borrowing requests) and will be effective upon receipt. Such notices and other communications may be hand-delivered, sent by facsimile transmission with confirmation of delivery and a copy sent by first-class mail, or sent by nationally recognized overnight courier service, to the addresses

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for the Bank and the Borrower set forth above or to such other address as either may give to the other in writing for such purpose. No delay or omission on the Bank's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Bank's action or inaction impair any such right or power. No modification, amendment or waiver of any provision of this Note nor consent to any departure by the Borrower therefrom will be effective unless made in a writing signed by the Bank. The Borrower agrees to pay on demand, to the extent permitted by law, all costs and expenses incurred by the Bank in the enforcement of its rights in this Note and in any security therefor, including without limitation reasonable fees and expenses of the Bank's counsel. If any provision of this Note is found to be invalid by a court, all the other provisions of this Note will remain in full force and effect. The Borrower and all other makers and indorsers of this Note hereby forever waive presentment, protest, notice of dishonor and notice of non-payment. The Borrower also waives all defenses based on suretyship or impairment of collateral. If this Note is executed by more than one Borrower, the obligations of such persons or entities hereunder will be joint and several. This Note shall bind the Borrower and its heirs, executors, administrators, successors and assigns, and the benefits hereof shall inure to the benefit of the Bank and its successors and assigns; provided, however, that the Borrower may not assign this Note in whole or in part without the Bank's written consent and the Bank at any time may assign this

Note in whole or in part.

This Note has been delivered to and accepted by the Bank and will be deemed to be made in the State where the Bank's office indicated above is located. **This Note will be interpreted and the rights and liabilities of the Bank and the Borrower determined in accordance with the laws of the State where the Bank's office indicated above is located, excluding its conflict of laws rules.** The Borrower hereby irrevocably consents to the exclusive jurisdiction of any state or federal court in the county or judicial district where the Bank's office indicated above is located; provided that nothing contained in this Note will prevent the Bank from bringing any action, enforcing any award or judgment or exercising any rights against the Borrower individually, against any security or against any property of the Borrower within any other county, state or other foreign or domestic jurisdiction. The Borrower acknowledges and agrees that the venue provided above is the most convenient forum for both the Bank and the Borrower. The Borrower waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Note.

13. Amendment and Restatement. This Note amends and restates, and is in substitution for, that certain Amended and Restated Committed Line of Credit Note in the original principal amount of \$1,500,000.00 payable to the order of the Bank and dated June 30, 1996 (the "**Existing Note**"). However, without duplication, this Note shall in no way extinguish, cancel or satisfy Borrower's unconditional obligation to repay all indebtedness evidenced by the Existing Note or constitute a novation of the Existing Note. Nothing herein is intended to extinguish, cancel or impair the lien priority or effect of any security agreement, pledge agreement or mortgage with respect to any Obligor's obligations hereunder and under any other document relating hereto.

14. WAIVER OF JURY TRIAL. The Borrower irrevocably waives any and all rights the Borrower may have to a trial by jury in any action, proceeding or claim of any nature relating to this Note, any documents executed in connection with this Note or any transaction contemplated in any of such documents. The Borrower acknowledges that the foregoing waiver is knowing and voluntary.

The Borrower acknowledges that it has read and understood all the provisions of this Note, including the waiver of jury trial, and has been advised by counsel as necessary or appropriate.

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WITNESS the due execution hereof as a document under seal, as of the date first written above, with the intent to be legally bound hereby.

[CORPORATE SEAL]

INTEST CORPORATION

By: /s/Denise Monahan
Print Name: Denise Monahan
Title: Vice President

By: /s/Hugh T. Regan, Jr.
Print Name: Hugh T. Regan, Jr.
Title: CFO

[CORPORATE SEAL]

INTEST SUNNYVALE CORPORATION

By: /s/Denise Monahan
Print Name: Denise Monahan
Title: Vice President

By: /s/Hugh T. Regan, Jr.
Print Name: Hugh T. Regan, Jr.
Title: CFO

[CORPORATE SEAL]

TEMPTRONIC CORPORATION

By: /s/Denise Monahan
Print Name: Denise Monahan
Title: Vice President

By: /s/Hugh T. Regan, Jr.
Print Name: Hugh T. Regan, Jr.
Title: CFO

[CORPORATE SEAL]

INTEST INVESTMENTS, INC.

By: /s/Denise Monahan
Print Name: Denise Monahan
Title: Vice President

By: /s/Hugh T. Regan, Jr.
Print Name: Hugh T. Regan, Jr.
Title: CFO

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[CORPORATE SEAL]

INTEST LICENSING CORP.

By: /s/Denise Monahan
Print Name: Denise Monahan
Title: Vice President

By: /s/Hugh T. Regan, Jr.
Print Name: Hugh T. Regan, Jr.
Title: CFO

[CORPORATE SEAL]

INTEST IP CORP.

By: /s/Denise Monahan
Print Name: Denise Monahan
Title: Vice President

By: /s/Hugh T. Regan, Jr.
Print Name: Hugh T. Regan, Jr.
Title: CFO

4 COMMERCIAL STREET
SHARON, MASSACHUSETTS

LEASE dated December 27, 2000
("Execution Date")

ARTICLE 1

REFERENCE DATA

1.1 Subjects Referred To

Each reference in this Lease to any of the following subjects shall be construed to incorporate the data stated for that subject in this Article:

LANDLORD: SPHOS, Inc.

MANAGING AGENT: SPHOS, Inc.

LANDLORD'S ADDRESS: 1111 Summer Street, 5th floor
Stamford, CT 06905

LANDLORD'S REPRESENTATIVE: Mark Bildner

TENANT: Temptronic Corporation
(and address for notice and billing) 4 Commercial Street
Sharon, MA 02067

BUILDING ADDRESS: 4 Commercial Street
Sharon, MA 02067

TERM COMMENCEMENT DATE: January 1, 2001

GROSS RENTABLE FLOOR AREA TENANT'S SPACE: 62,389 Square Feet

GROSS RENTABLE FLOOR AREA OF THE BUILDING: 62,389 Square Feet

TENANT'S PROPORTIONATE SHARE: 100%

EXPIRATION DATE: February 28, 2011 (As same may be extended by any validly exercised Expansion option contained herein).

ANNUAL BASE RENT: As defined in Section 2.4 of this Lease

From January 1, 2001 through February 28, 2001:
\$ 58,489.70 per month

From March 1, 2001 through February 28, 2011:
\$623,890.00 per annum
\$ 51,990.83 per month

ADDITIONAL RENT: Any monies (including Landlord's Operating Costs) which Landlord is authorized to collect from Tenant hereunder or which Tenant is otherwise obligated to pay, which is not included in Annual Base Rent.

SECURITY DEPOSIT: \$200,000.00 irrevocable sight draft Letter of Credit, providing that upon submission of a statement from a representative of Landlord stating that the requested sum of money is due under the lease, the sum will be paid under the letter of credit. No other conditions will be attached, unless expressly previously approved in

writing by Landlord. The letter of credit shall be issued by a bank approved in writing by Landlord, shall have a term of not less than one year and shall be renewed for successive terms of not less than one year each, for the entire term of the Lease, at least thirty (30) days prior to each expiration or Landlord may draw down the full amount of the letter of credit and retain such sum as the security deposit. If drawn down, an additional letter of credit on the same terms for the amount drawn down shall be delivered to Landlord within ten (10) days of any draw down. The original of the letter of credit and each renewal shall be deposited with and held by Landlord or, at Landlord's mortgagee's request, with such mortgagee.

GUARANTOR: inTEST Corporation (listed on NASDAQ)

PERMITTED USES: Office, research and development, Light manufacturing and warehousing uses.

PUBLIC LIABILITY

INSURANCE:

BODILY INJURY: \$5,000,000 per occurrence

PROPERTY DAMAGE: \$5,000,000

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ARTICLE II

PREMISES, TERM AND RENT

2.1 The Premises

Landlord hereby leases to Tenant and Tenant hereby hires from Landlord the Lot and the premises, including all of the Building, except as hereafter expressly reserved (collectively, "the Premises") which the parties agree contains 62,389 gross rentable square feet, comprising all of a building numbered 4 Commercial Street, Sharon, Massachusetts 02067, which building contains 62,389 square feet of Gross Rentable Area, substantially as shown on Exhibit A attached hereto. The term "Building" means the building currently erected on the Lot by Landlord, and the term "Lot" means all, and also any part of, the land of approximately 8.310 acres described in Exhibit A in whole or in part and subject to minor adjustments of the lot boundaries.

2.2 Landlord's Reservations

Landlord retains the right to grant an easement over the existing septic system area and some additional area for parking for an adjoining parcel or parcels of property.

Such areas are shown on Exhibit A. Tenant shall not have any right to park or otherwise utilize such easement area. Landlord also reserves, for itself and others to whom it may grant rights therein, the exclusive right to use or permit the use of all or any portion of the roof of the Building for any purpose.

2.3 Commencement of Term

Tenant shall have and hold the Premises for a period commencing as of the date ("January 1, 2001") and Basic Rent shall commence on January 1, 2001.

2.4 Monthly Fixed Rent Payments

Tenant shall pay, without any offset or demand (except as expressly provided in this Lease), monthly installments of 1/12th of the Annual Base Rent in advance on the first day of each month for each full calendar month of the Term, commencing as of the Term Commencement Date, and the corresponding fraction of said amounts for any fraction of a calendar month at the beginning or end of the Term. Except for Annual Base Rental as otherwise specifically provided herein, all sums, amounts, items or charges payable by Tenant to Landlord under this Lease shall be considered as additional rent.

All payments of Annual Base Rent and additional rent shall be made to the Managing Agent, or to such other person as Landlord may from time to time designate. Rental and any additional rent due hereunder not paid within five (5) days after the date due shall bear interest for each month or fraction thereof from the due date until paid computed at the annual rate of two (2) percentage points over the so-called prime rate then currently from time to time charged by Chase Manhattan Bank, or at any applicable lesser maximum legally permissible rate for debts of this nature.

In addition, should Tenant fail to pay when due rental and any other sums due hereunder, Tenant acknowledges that Landlord will incur additional administrative expenses which are difficult to determine. Therefore, in such event, Landlord may assess against Tenant, from and after the tenth (10th,) day following the date on which any sum shall be due and payable, a late payment fee equal to five (5%) of the sum due from Tenant to Landlord.

Landlord and Tenant hereby declare that, except as otherwise expressly provided for herein, they intend that the rent specified in this lease shall be completely net to the Landlord in each year during the term hereof (including any renewals or extensions hereof, if any) and that all costs, expenses, and obligations of every kind relating to the demised premises shall be the obligations of the Tenant.

2.5 Additional Rent.

Except as otherwise expressly provided herein, throughout the entire term and any extensions or renewals hereof, Tenant shall be responsible for and shall pay, as additional rent, all costs, expenses, and obligations of every kind and nature, foreseen and unforeseen, ordinary and extraordinary, relating to the Premises (but excluding payments of any principal or interest on any mortgage indebtedness obtained by Lessor) including but not limited to all operating costs, expenses, and obligations of every kind relating to or in respect of the operation and maintenance of the Premises, all utilities, building supplies, janitorial services, maintenance, traffic signals, sewer line hook-ups, septic systems, landscaping, paving, repairs and replacements, capital and otherwise (but Landlord, shall be responsible, at its sole cost and expense, for making repairs and replacements to the structural portions of the Building only, unless, subject to Section 8.8 hereof, such repairs and replacements shall be necessitated by any acts or omissions of Tenant, its agents, employees, invitees, contractors or visitors, in which event such repairs and replacements shall be at the sole cost and expense of Tenant), fire, hazard, liability and other insurance(s), all of which except for this lease would have been chargeable against the Premises with respect to the term hereof and payable by the Landlord, real estate and personal property taxes, general and special assessments, water, water meter, sewer rents, rates and charges and all costs and charges for installing, repairing or replacing water meters, and other governmental levies, fees, rents and charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen, of any kind and nature whatsoever (all of which taxes, assessments, water charges, and other governmental levies and charges are hereinafter sometimes referred to as an "Imposition" or collectively "Impositions"), which are assessed, levied, confirmed, imposed or become a lien upon the Premises or any parts thereof, or the personal property thereof of the Tenant or become payable with respect thereto. It is the intention of the parties hereto that, except as expressly provided herein to the contrary, the rents reserved herein shall be received and enjoyed by Landlord as a completely net sum. Tenant shall promptly provide to Landlord, upon request, copies of receipted tax bills, canceled checks or other evidence satisfactory to Landlord evidencing that such Impositions, water and sewer rents, other governmental charges and all other items for which

Tenant is responsible have been timely paid. If Impositions or other items are ever required by Landlord's mortgagee to be escrowed in advance with said mortgagee, payments for said Impositions shall be made to the Landlord in the manner provided for the payment of rental, otherwise Tenant shall pay said Impositions as set forth above. The Landlord shall notify the Tenant as soon as possible as to the nature and extent of such Impositions. After such notice, the Tenant shall pay any and all such Impositions within the period of time provided for in any mortgage(s) covering any portion of the Premises in order that such mortgage(s) shall not be in default. The Tenant or Landlord, may at its sole election contest any assessment or tax on the Premises. However, notwithstanding the foregoing, Tenant shall have the right to contest, at its own expense, by appropriate legal proceedings conducted in good faith and with due diligence, the amount or validity of such Impositions water and sewer rents, or other governmental charges, provided that: (a) Tenant has deposited cash with Landlord, as a reserve for the payment thereof in such amount as Tenant may require; or, if required by law, such Impositions shall have been paid, and (b) such contest operates to prevent collection, stay any proceedings which may be instituted to enforce payment of such item, and prevent a sale of the Premises to pay such item. If, by reason of any change in the method of taxation or in the applicable government entity, a new or additional real estate tax or other tax or governmental imposition, however designated, is levied against Landlord, or the Premises, in substitution in whole or in part for any item previously included in Impositions, or in addition to any of the items then comprising Impositions, every such new, additional, or redesignated item shall be included in Imposition. Nothing herein or in this Lease otherwise contained shall require or be construed to require Tenant to pay any inheritance, estate, succession, income or profit taxes, that are or may be imposed upon Landlord, its successors or assigns, unless such taxes may be levied upon the rent herein reserved in place of or in addition to taxes upon the property herein demised.

ARTICLE III

TENANT ALTERATIONS AND CONSTRUCTION

3.1 Condition of Premises

Except as set forth on Exhibit - E attached hereto, and as provided in the next sentence, Landlord shall deliver the Premises in an "as is" condition as it presently exists. Landlord shall have no obligation to demolish or do any construction or other work in or to the Premises or to advance any funds therefore, except that the heating, ventilating and air conditioning system and septic system shall be in operating condition (operational for the normal purposes of such systems) at the date of commencement of Annual Base Rent payments and, upon Tenant completing its alterations and obtaining a certificate of occupancy, Landlord shall pay to Tenant as an improvement allowance the sum of \$257,977.

3.2 Alterations and Additions by Tenant

(a) This Section 3.2 shall apply before and during the Term. Tenant shall not make any alterations or additions which (a) involve or might affect any structural or exterior element of the Building, or any facility serving any area of the

Building, or (b) will require unusual expense to readapt the Premises to normal office/light manufacturing use on Lease termination or increase the cost of construction or of insurance or taxes on the Building, except in accordance with plans and specifications and a time schedule therefore first approved by Landlord in writing, which approval shall not be unreasonably withheld provided that all such alterations and additions to the Premises by Tenant are of a quality which equal or exceed the materials and specifications, new, of the existing Building and any structural alterations shall be subject to Landlord's prior written approval which may be granted or withheld by Landlord in its sole discretion. No amendments or additions to Tenant's approved plans shall be made without the prior written consent of Landlord.

(b) All alterations and additions shall be part of the Building unless and until Landlord shall specify the same for removal pursuant to Section 5.2. Landlord may elect at the time consent is given thereto (or at the expiration or sooner termination of the Lease if no consent is required) to require Tenant at the expiration or sooner termination of the term of this Lease to restore the Premises to substantially the same condition as existed at the Term Commencement Date.

(c) All of Tenant's alterations and additions and installation of furnishings shall be coordinated with any work which may be performed by Landlord in such manner as to not damage the Premises or interfere with Building construction or operation and, except for installation of furnishings, shall be performed by workmen first approved by Landlord, which approval shall not be unreasonably withheld or delayed. Tenant shall defend, save harmless, exonerate and indemnify Landlord from all injury, loss or damage to any person or property occasioned by or growing out of such work performed by Tenant or Tenant's contractors. Tenant agrees that it will not, either directly or indirectly, use any contractors and/or materials if their use will create any difficulty, whether in the nature of a labor dispute or otherwise, with other contractors and/or labor engaged by Tenant or Landlord or others in the construction, maintenance and/or operation of the Building or any part thereof. Tenant, before its work is started, shall: secure all licenses and permits necessary therefore; deliver to Landlord a statement of the names of all its contractors and subcontractors and the estimated cost of all labor and material to be furnished by them; and cause each contractor (and subcontractor unless covered by contractor's insurance) to carry Workmen's Compensation Insurance in statutory amounts covering all the contractor's and subcontractor's employees, Automobile Liability Insurance and comprehensive public liability insurance and property damage insurance with such limits as Landlord may reasonably require but in no event less than, with respect to public liability insurance, \$5,000,000.00 and with respect to property damage insurance, \$5,000,000.00 (all insurance to be written by companies approved by Landlord and insuring Tenant and Landlord and Landlord's lenders as additional insureds as well as the contractors), and to deliver to Landlord certificates of all such insurance. No installations or work shall be undertaken or begun by Tenant until Tenant has made provision for either written waivers of liens from all contractors, laborers and suppliers of materials for such installations or work, the filing of lien bonds on behalf of such contractors, laborers and suppliers, or other appropriate protective measures, approved by Landlord and Tenant has

procured appropriate surety payment and performance bonds which shall name Landlord as an additional obligee and Tenant has filed lien bond(s), (in jurisdictions where available) on behalf of such contractors, laborers and suppliers.

(d) In no event shall any material or equipment be incorporated in or added to the Premises, so as to become a fixture or otherwise a part of the Premises, in connection with any such alteration, decoration, installation, addition or improvement which is subject to any lien, charge, mortgage or other encumbrance of any kind whatsoever or is subject to any security interest or any form of title retention agreement. Any mechanic's lien filed against the Premises for work claimed to have been done for, or materials claimed to have been furnished to, Tenant shall be discharged by Tenant within ten (10) days after receipt of notice thereof, at Tenant's expense, by filing the bond required by law or otherwise. If Tenant fails so to discharge any lien, Landlord may do so at Tenant's expense and Tenant shall reimburse Landlord for any expense or cost incurred by Landlord in so doing within fifteen (15) days after rendition of a bill therefore.

(e) All installations or work done by Tenant shall be at its own expense and shall at all times comply with (i) laws, rules, orders and regulations of governmental authorities having jurisdiction thereof; (ii) orders, rules and regulations of any Board of Fire Underwriters, or any other body hereafter constituted exercising similar functions, and governing insurance rating bureaus; (iii) Rules and Regulations of Landlord, attached hereto as EXHIBIT D; (iv) plans and specifications prepared by and at the expense of Tenant theretofore submitted to and approved by Landlord. All construction work required or permitted by this Lease shall be done in a good and workmanlike manner. Tenant agrees to pay promptly when due the entire cost of any work done on the Premises by Tenant, its agents, employees, or independent contractors.

3.3 Real Estate and/or Other Taxes on Leasehold Improvements

If under Massachusetts (and/or local) law or regulations, the tax assessor is required to include leasehold (real property) improvements in determining the assessed value of the Building, or otherwise imposes any taxes thereon or on the value thereof, then to the extent that Tenant makes leasehold improvements (including Tenant's original installation and Tenant's subsequent alterations, additions, substitutions and improvements), whether done prior to or after the commencement of the Term of this Lease, Tenant shall pay the real estate and/or other taxes attributable to the value of such excess leasehold improvements throughout the Term of this Lease within five (5) days after being billed therefore either directly or by Landlord.

3.4 Landlord's Right to Make Alterations

With respect to those portions of the Building which Landlord has the right to repair, pursuant to Section 4.2 hereof, or otherwise if not timely performed by Tenant, Landlord reserves the right, exercisable by itself or its nominee, at any time and from time to time without the same constituting an actual or constructive eviction and without incurring any liability to Tenant therefore or otherwise affecting Tenant's

obligations under this Lease, to make such changes, alterations, additions, improvements, repairs or replacements in or to the Building and the fixtures and equipment thereof, as well as in or to the street entrances, halls, passages, and stairways thereof, as it may deem necessary if occasioned by Tenant's failure to do so, all of such to be at the cost and expense of Tenant, subject to the provisions of Section 8.8 below. Nothing contained in this Section 3.3 shall be deemed to relieve Tenant of any duty, obligation or liability of Tenant with respect to making any repair, replacement or improvement or complying with any law, order or requirement of any governmental or other authority nor require Landlord to make any repairs.

Landlord shall not be liable to Tenant for any compensation or reduction of rent by reason of inconvenience or annoyance or for loss of business arising from the necessity of Landlord or its agents entering the Premises for any of the purposes in this Lease authorized, or for repairing the Premises or any portion of the Building, however the necessity may occur, including, but not limited to, the right, which is retained by Landlord to enter the Premises to perform work for other portions of the Building or to the Premises. Subject to Section 8.16, in case Landlord is ever delayed from making any repairs, alterations or improvements, or furnishing any services or performing any other covenant or duty to be performed on Landlord's part, by reason of any cause reasonably beyond Landlord's control, Landlord shall not be liable to Tenant therefore, nor except as expressly otherwise provided herein shall Tenant be entitled to any abatement or reduction of rent by reason thereof, nor shall the same give rise to a claim in Tenant's favor that such failure constitutes actual or constructive, total or partial, eviction from the Premises.

Landlord reserves the right to stop any service or utility system, when necessary by reason of accident or emergency, or until necessary repairs have been completed; provided, however, that in each instance of stoppage Landlord shall exercise reasonable diligence to eliminate the cause thereof. Except in case of emergency repairs Landlord will give Tenant reasonable advance notice of any contemplated stoppage and will use reasonable efforts to avoid unnecessary inconvenience to Tenant by reason thereof.

ARTICLE IV

LANDLORD'S COVENANTS; INTERRUPTIONS AND DELAYS

4.1 Services Furnished by Landlord

Landlord is not to furnish any services to the Premises, all of the same, as provided above, are to be provided by Tenant at Tenant's sole cost and expense.

4.2 Structural Repair

Throughout the Term of this Lease, Landlord, shall be responsible, at its sole cost and expense, for making such repairs and replacements to the structural portions of the Building meaning the roof deck, foundation and structural steel only unless such repairs or replacements shall be necessitated by any acts or omissions of Tenant, its agents, employees, invitees, contractors or visitors, in which event such repairs

and replacements shall be at the sole cost and expense of Tenant, subject to the provisions of Section 8.8 below.

4.3 Utilities.

Tenant shall pay for all gas, electricity, water and other utilities to or for the Premises or the operations thereon or therefrom, Prior to the commencement of each lease year during the term hereof, Tenant shall pay any and all utility company deposits that may be required. Tenant shall arrange, at its own cost and expense, and pay for, janitorial service and trash removal from the Premises and shall not permit any accumulation of trash at the Premises, Building. Tenant may not use electrical power in excess of the capacity of the electrical system in the Building without Landlord's consent which may be conditioned on Tenant paying the cost of increasing the capacity of the existing electrical panels and transformers serving the Premises, or the Building electrical risers, if necessary to meet such additional demand.

4.4 Tenant's Signage

To provide and install, at Tenant's expense, any and all tenant signage, which signage shall be subject to all relevant governmental requirements, required approvals, consents, licenses and prohibitions and to Landlord's prior written approval which will not be unreasonably withheld or delayed.

4.5 Quiet Enjoyment

Landlord covenants that if, and so long as, Tenant keeps and performs each and every covenant, agreement, term, provision and condition herein contained on the part and on behalf of Tenant to be kept and performed, Tenant shall quietly enjoy the Premises from and against the claims of all persons claiming by, through or under Landlord subject, nevertheless, to the covenants, agreements, terms, provisions and conditions of this Lease and to any instrument to which this Lease is subject and subordinate.

ARTICLE V

TENANT'S COVENANTS

Tenant covenants during the Term and such further time as Tenant occupies any part of the Premises:

5.1 Payments

To pay when due all Annual Base Rent and additional rent and all charges for utility services rendered to the Premises;

5.2 Maintenance, Repair and Yield Up

Except as otherwise provided in Article VI and Section 4.2, throughout the Term of this Lease, Tenant shall be responsible, at its sole cost and expense, for making such repairs and replacements to the non-structural portions of the Building (unless the necessity for structural repairs and replacements is caused by the acts or omissions of Tenant, its agents, employees, invitees, contractors or visitors in which event Tenant shall be responsible, subject to Section 8.8 hereafter for such structural repairs and replacements), and to any

improvements on the Lot as may be necessary to keep them in the same condition and repair as on the date hereof, reasonable wear and tear and damage by eminent domain excepted (but in working condition), and shall make all non-structural repairs and replacements (unless the necessity for structural repairs and replacements is caused by the acts or omissions of Tenant, its agents, employees, invitees, contractors or visitors in which event Tenant shall be responsible for such structural repairs and replacements), and shall make all non-structural, exterior and interior repairs, renewals and replacements of every nature necessary to that end, including, without limitation, thereof (other than the roof deck), HVAC system(s), the exterior walls of the Building, interior and exterior repainting and refurbishing, replacement of glass damaged or broken and floor or wall coverings worn or damaged and shall keep all plumbing, lighting, heating, air conditioning, electrical, sprinklers and other utility and mechanical systems properly in the same condition and repair as on the date hereof, reasonable wear and tear and damage by eminent domain excepted (but in working condition); and shall commence promptly and proceed diligently with any repairs, maintenance or restoration required. All repairs, maintenance and restoration work performed by Tenant, pursuant to this Section 5.2, shall be of a quality at least consistent with that of the Building new.

At the expiration or termination of this Lease; peaceably to yield up the Premises and all alterations and additions thereto in the same condition and repair as on the date hereof, reasonable wear and tear and damage by eminent domain excepted (but in working condition), first removing all goods and effects of Tenant and with respect to alterations and additions Landlord has required Tenant to remove at the time of their approval, or, if so required by Landlord as to items whose approval was not required by Landlord, to the extent specified by Landlord at the time that Landlord approves Tenant's plans for the same, in accordance with Article III to the Lease, all alterations and additions made by Tenant and all partitions, and repairing any damage caused by such removal and restoring the Premises and leaving them clean and neat.

Tenant will remove any personal property from the Premises upon or prior to the expiration or termination of this Lease and any such property which shall remain in or on the Premises thereafter shall be conclusively deemed to have been abandoned, and may either be retained by Landlord as its property or sold or otherwise disposed of in such manner as Landlord may see fit. If any part thereof shall be sold, then Landlord may receive and retain the proceeds of such sale.

5.3 Use

To use and occupy the Premises only for the Permitted Uses; and not to injure or deface the Building or Lot, nor to cause, permit or suffer in or on the Premises any auction sale, or inflammable fluids or chemicals (except in accordance with all applicable municipal, state or federal statutes, rules, regulations and requirements of any applicable insurance company or fire underwriters), or nuisance, or the emission from the Premises of any objectionable noise or odor, nor, except as herein set forth, to use or devote the Premises or any part thereof for any purpose other than the Permitted Uses.

5.4 Safety Appliances

To keep the Premises and all portions thereof equipped with all safety appliances required by law or ordinance or any other regulation of any public authority, and to procure all licenses and permits required and, if requested by Landlord, to do any work so required, it being understood that the foregoing provisions shall not be construed to broaden in any way Tenant's Permitted Uses.

5.5 Assignment; Sublease

Not without the prior consent of Landlord, which consent shall not be unreasonably withheld or delayed, to assign, mortgage, pledge or otherwise transfer this Lease or to make any sublease, or to permit occupancy of the Premises or any part thereof by anyone other than Tenant; any assignment or sublease made without such consent shall be void (any assignment, sale or transfer of any ownership interest in Tenant, beneficially or of record, which results in the transfer of control of Tenant to any entity other than inTEST Corporation, or an entity controlled by controlling or under common control with inTEST Corporation shall constitute an assignment); as additional rent, Tenant shall reimburse Landlord promptly for reasonable legal and other expenses incurred by Landlord in connection with any request by Tenant for consent to assignment or subletting; no assignment or subletting shall affect the continuing primary liability of Tenant (which, following assignment, shall be joint and several with the assignee); and no consent to any of the foregoing in a specific instance shall operate as a waiver in any subsequent instance. A transfer of any ownership interest in Tenant or issuance of any additional ownership interests in Tenant which results in the transfer of control of Tenant to any entity other than inTEST Corporation, or an entity controlled by controlling or under common control with inTEST Corporation shall constitute an assignment of this Lease. In the event of any unreasonable withholding of consent, Landlord's sole liability will be an order to grant its consent and Landlord shall not be liable in any event for any consequential or other damages.

In the event that any assignee or subtenant pays to Tenant any amounts in excess of the Annual Base Rent and additional rent then payable hereunder, or pro rata portion thereof on a square footage basis for any portion of the Premises, Tenant shall, after subtracting from such excess the reasonable expenses incurred by Tenant in such assignment or subletting, promptly pay one hundred (100%) percent of said excess to Landlord as and when received by Tenant.

Notwithstanding the foregoing, it is hereby expressly understood and agreed however, that Landlord's consent shall not be required in connection with (1) the sale of all or substantially all of the assets of Tenant, if Tenant is a corporation, or (2) the assignment or transfer of this Lease, and the term and estate hereby granted, to any corporation or other entity controlled by, controlling or under common control with Tenant or to any corporation into which Tenant is merged or with which Tenant is consolidated, provided that such corporation or other entity shall have a net worth at least equal to that of Tenant immediately prior to such merger or consolidation (such corporation being hereinafter called "Assignee"), and is upon the express condition that, with respect to a sale, merger or consolidation, Assignee and Tenant

shall promptly execute, acknowledge and deliver to Landlord an agreement in form and substance satisfactory to Landlord whereby Assignee shall agree to be independently bound by and upon all the covenants, agreements, terms, provisions and conditions set forth in this Lease on the part of Tenant to be performed, and whereby Assignee shall expressly agree that the provisions of this Section 5.6 shall, notwithstanding such assignment or transfer, continue to be binding upon it with respect to all future assignments and transfers.

The listing of any name other than that of Tenant, whether on the doors in the Building or on the Building directory, or otherwise, shall not operate to vest in any such other person, firm or corporation any right or interest in this Lease or in the Premises or be deemed to effect or evidence any consent of Landlord.

If this Lease be assigned, or if the Premises or any part thereof be sublet or occupied by anybody other than Tenant, Landlord may, at any time and from time to time, collect rent and other charges from the assignee, subtenant or occupant, and apply the net amount collected to the rent and other charges herein reserved, then due and hereafter becoming due, but no assignment, subletting, occupancy or collection shall be deemed a waiver of this covenant, or the acceptance of the assignee, subtenant or occupant as a tenant, or a release of Tenant from the liability and obligation of further performance by Tenant of covenants on the part of Tenant herein contained. Any consent by Landlord to a particular assignment or subletting shall not in any way diminish the prohibition stated in the first sentence of this Section 5.6 or the continuing liability of the Tenant named in Article 1 as the party-Tenant under this Lease. No assignment or subletting or use of the Premises by an affiliate of Tenant, or otherwise, shall affect the Permitted Uses for which the Premises may be used as stated in Article 1.

5.6 Indemnity; Insurance

To defend with counsel first approved by Landlord, (which approval shall not be unreasonably withheld) save harmless, and indemnify Landlord from any liability for injury, loss, accident or damage to any person or property, and from any claims, actions, proceedings and expenses and costs in connection therewith (including without limitation the defense thereof, including reasonable counsel fees), (i) arising from (a) the omission, fault, willful act, negligence or other misconduct of Tenant, or of Tenant's employees, agents or contractors on or about the Premises, or (b) from any use made or thing done or occurring on the Premises not due to the omission, fault, willful act, negligence or other misconduct of Landlord or of Landlord's employees, agents, or contractors, or (ii) resulting from the failure of Tenant to perform and discharge its covenants and obligations under this Lease.

To maintain in responsible companies qualified to do business, and in good standing in Massachusetts, (a) public liability insurance covering the Premises insuring Landlord as well as Tenant with limits which shall, at the commencement of the Term, be at least equal to those stated in Article 1 and from time to time during the Term shall be for such higher limits, if any as are customarily carried in the Sharon/Norwood area with respect to similar properties; (b) Workmen's Compensation Insurance with statutory limits covering all of

Tenant's employees working in the Premises; (c) all risk casualty insurance, with endorsement for difference in conditions coverage, debris removal and demolition, in an amount at least equal to the replacement cost new of the Building and other improvements on the Premises; and (d) insurance protecting Landlord against abatement or loss of rent in an amount equal to at least all the Annual Base Rent and Additional Rent payable for one (1) year under Article II, and to deposit promptly with Landlord certificates for such insurance, and all renewals thereof bearing the endorsement that the policies will not be cancelled until after thirty (30) days' written notice to Landlord. If Tenant fails, neglects or omits to give Landlord certificates of renewal as set forth above, Landlord may, but shall not be obligated to, obtain renewals of all such insurance, at Tenant's cost and expense, and Tenant shall pay to Landlord, upon demand, the cost expended by Landlord plus interest thereon at the highest rate permitted by law, until the full sum plus such interest is repaid to Landlord in full.

5.7 Personal Property at Tenant's Risk

That all of the furnishings, fixtures, equipment, effects and property of every kind, nature and description of Tenant, and all persons claiming by, through or under Tenant which, during the continuance of this Lease or any occupancy of the Premises by Tenant or anyone claiming under Tenant, may be on the Building or on the Lot, shall be at the sole risk and hazard of Tenant, and if the whole or any part thereof shall be destroyed or damaged by fire, water or otherwise, or by the leakage or bursting of water pipes, steam pipes, or other pipes, by theft or from any other cause, no part of said loss or damage is to be charged to or be borne by Landlord, except that Landlord shall in no event be indemnified or held harmless or exonerated from any liability to Tenant or to any person, for any injury, loss, damage or liability to the extent such indemnity, hold harmless or exoneration is prohibited by law, unless, subject to Section 8.8 hereof, such damage or loss is due to the negligence or willful misconduct of Landlord or those for whom Landlord is legally responsible, in which case Landlord shall bear loss or damage only to "ordinary office/light manufacturing property" (as hereinafter defined) subject to Section 8.8 hereof. For the purpose of this Section 5.7, "ordinary office/light manufacturing property" shall mean furniture, equipment and other tangible personal property of the kind and quantity which may customarily be expected to be found within comparable office/light manufacturing buildings in the Sharon/Norwood area, and excluding any unusually valuable or exotic property, works of art, and the like.

5.8 Right of Entry

To permit Landlord and its agents: to examine the Premises at reasonable times and, if Landlord shall so elect, to make any repairs or replacements Landlord may deem necessary and to show the Premises to prospective Tenants during the twelve months preceding expiration of the Term and to prospective purchasers and mortgagees at all reasonable times. Except in the event of an emergency, Landlord shall give reasonable notice of any such entry upon the Premises and shall use reasonable efforts to minimize any interference with Tenant's use of the Premises arising from any entry into the Premises by Landlord.

Without incurring any liability to Tenant, Landlord may permit access to the Premises and open the same, whether or not Tenant shall be present, upon any demand or any receiver, trustee, assignee for the benefit of creditors, sheriff, marshall or court officer entitled to, or reasonably purporting to be entitled to, such access for the purposes of taking possession of, or removing, Tenant's property or for any other lawful purposes (but this provision and any action by Landlord hereunder shall not be deemed a recognition by Landlord that the person or official making such demand has any right or interest in or to this Lease, or in or to the premises), or upon demand of any representation of the fire, police, building, sanitation or other department of the city, state or federal governments.

5.9 Floor Load; Prevention of Vibration and Noise

Not to place a load upon the Premises exceeding an average rate of 125 pounds of live load per square foot of floor area (partitions shall be considered as part of the live load); Landlord reserves the right to prescribe the weight and position of all safes, files and heavy equipment which Tenant desires to place in or on the Premises so as properly to distribute the weight thereof; Tenant's business machines and mechanical equipment which cause vibration or noise that may be transmitted to the Building structure and/or other Building tenant's premises shall be so installed, maintained and used by Tenant as to eliminate such vibration or noise.

5.10 Personal Property Taxes

To pay promptly when due all taxes which may be imposed upon Tenant's personal property (including without limitation, fixtures and equipment) in or on the Premises to whomever assessed.

5.11 Payment of Litigation Expenses

As additional rent, to pay all reasonable costs, counsel and other fees incurred by either party in connection with the successful enforcement by such party of any obligations of the other party under this Lease. No party shall be obligated to make any payment to the other party of any attorney's fees incurred by the party claiming same unless judgment is entered (final, beyond appeal) in favor of the party seeking reimbursement in the lawsuit relating to such fees.

5.12 Compliance with Insurance Regulations

Not to do or permit to be done any act or thing upon the Premises which will invalidate or be in conflict with the terms of the Massachusetts standard form of fire, boiler, sprinkler, water damage or other insurance policies covering the Premises and the fixtures and property therein or thereon; Tenant shall, at its own expense, comply with all rules, regulations, and requirements of the National Board of Fire Underwriters or any state or other similar body having jurisdiction, and shall not knowingly do or permit anything to be done in or upon the Premises in a manner which increases the rate of fire insurance upon the Building or Lot or on any property or equipment located therein or thereon.

ARTICLE VI

CASUALTY AND TAKING

6.1 Termination or Restoration; Rent Adjustment

In case during the Term all or any material part of the Building or the Lot are damaged materially by fire or other casualty or by action of public or other authority in consequence thereof, or are taken by eminent domain or Landlord receives compensable damage by reason of anything lawfully done in pursuance of public or other authority ("Taking"), Landlord shall use best efforts, subject to the then applicable statutes, building codes, zoning ordinances, and regulations of any governmental authority and at the expense of Landlord (but only to the extent of insurance proceeds made available to Landlord, or proceeds made available to Landlord through a subsequent refinancing of the Building which is closed within ninety (90) days of the casualty or Taking, provided however, that in no event shall Landlord have any obligation to refinance the Building in order to make such proceeds available) to restore the Premises, or in case of Taking what may remain thereof (excluding in case of both casualty and Taking any items installed or paid for by Tenant which Tenant is required to remove pursuant to Section 5.2), restore the Premises to its condition prior to such fire, casualty or Taking (subject to any applicable building codes or applicable statutes and regulations) and, in the case of a Taking, a just proportion of the Annual Base Rent and additional rent shall be abated from the date of such Taking until the Premises or such remainder shall have been restored by Landlord in case of Taking which permanently reduces the area of the Premises, a just proportion of the Annual Base Rent and additional rent shall be abated for the remainder of the Term.

If any portion of the Premises shall be damaged or destroyed by fire or other casualty or by a Taking to the extent that the operation of Tenant's business in the Premises in the normal course is materially adversely affected, and if Landlord shall fail to substantially restore the Premises to its condition prior to such fire, casualty or Taking (subject to any applicable building codes or applicable statutes and regulations) within one hundred eighty (180) days after the date thereof for any reason other than Tenant's fault, Tenant may terminate this Lease by giving Landlord written notice as follows:

- (1) Said notice shall be given after said one hundred eighty (180) day period.
- (2) Said notice shall set forth an effective date which is not earlier than thirty (30) days after Landlord receives said notice.
- (3) If said restoration is substantially complete on or before the date thirty (30) days which thirty (30)-day period shall be extended by the length of any delays caused by Tenant or Tenant's contractors), after Landlord receives such notice, said notice shall have no further force and effect.
- (4) If said restoration is not substantially complete on or before the date thirty (30) days (which thirty (30) day period shall be extended by the length of any delays caused by Tenant or Tenant's contractors) after Landlord receives

such notice, the Lease shall terminate as of said effective date.

It is agreed that the Tenant shall not be entitled to any abatement of rent, nor shall its obligations hereunder be terminated during the term hereof, notwithstanding any destruction or damage to the Premises, by any cause whatsoever. However, if the amounts required to be paid for such rent are received by Landlord from any Tenant's insurance proceeds, no additional amounts for such items need be paid separately by Tenant.

The foregoing provisions of this section are subject to the rights of any mortgagee holding a mortgage on the Buildings or any portions thereof.

6.2 Eminent Domain

Landlord reserves to itself any and all rights to receive awards made for damages to the Premises and Building and Lot and the leasehold hereby created, or any one or more of them, or the loss thereof, accruing by reason of exercise of eminent domain or by reason of anything lawfully done in pursuance of public or other authority, including conveyance in lieu of eminent domain. Tenant hereby releases and assigns to Landlord all Tenant's rights to such awards, acknowledges and agrees that Tenant has no, and shall have no, right or interest in and to any such awards or any portion thereof or the right to any other permitted award that would reduce the award to which the Landlord would otherwise be entitled and further covenants to deliver such further assignments and assurances thereof as Landlord may from time to time request. Tenant hereby irrevocably designates and appoints Landlord as its attorney-in-fact to execute and deliver in Tenant's name and behalf all such further assignments thereof.

6.3 Temporary Taking

In the event of taking of the Premises or any part thereof for temporary use ("Temporary Taking"), (i) this Lease shall be and remain unaffected thereby and rent shall not abate, and (ii) Tenant shall be entitled to receive for itself such portion or portions of any award made for such use with respect to the period of the taking which is within the Term, provided that if such taking shall remain in force at the expiration or earlier termination of this Lease, Tenant shall then pay to Landlord a sum equal to the reasonable cost of performing Tenant's obligations under Section 5.2 with respect to surrender of the Premises and upon such payment shall be excused from such obligations. Notwithstanding anything to the contrary herein contained, in the event that the Premises or any part thereof, are taken for a period of ninety (90) consecutive days or more, and such taking materially adversely interferes with Tenant's use of the Premises, such taking shall be deemed to be a Taking, and not a Temporary Taking, for the purposes of Section 6.1.

6.4 Termination Upon Condemnation

(i) If all of the Premises are taken by a condemnation; or (ii) if any part of the Premises is taken by a condemnation and the remainder thereof is insufficient in Tenant's reasonable opinion, for the reasonable operation of Tenant's business,

then, in any such event, upon written notice given by Tenant within thirty (30) days of the condemnation this Lease shall terminate and all obligations hereunder shall cease as of the date upon which possession is taken by the condemnor and the Annual Base Rent and additional rent herein reserved shall be apportioned and paid in full by Tenant to Landlord to that date and all rent prepaid for periods beyond that date shall be forthwith repaid by Landlord to Tenant.

ARTICLE VII

DEFAULT

7.1 Events of Default

If (a) Tenant shall neglect or fail to perform or observe any of Tenant's covenants or agreements herein, including (x) the obligation to pay, when due, Annual Base Rent or additional rent, and such failure continues, in the case of Annual Fixed Rent or additional rent, for more than ten (10) days, or (y) in any other case, for more than thirty (30) days after receipt of written notice from Landlord, and such additional time, if any, as is reasonably necessary to cure the default if the default is of such a nature that it cannot reasonably be cured in thirty (30) days, provided however, that no such notice need be given and no such default shall be curable if on two (2) prior occasions within the same calendar year there had been a default which had been cured after notice thereof had been given by Landlord to Tenant as herein provided; or if Tenant (b) is not paying its debts as such debts become due, becomes insolvent, seeks relief under any chapter of the U.S. Bankruptcy Code (or any insolvency or similar law of any jurisdiction), or (c) proposes any dissolution, liquidation, composition, financial reorganization or re-capitalization with creditors; or (d) makes an assignment or trust mortgage for the benefit of creditors or (e) if a receiver, trustee, custodian or similar agent is appointed or takes possession with respect to any property or business of Tenant, or (f) any event shall occur or any contingency shall arise whereby this Lease, or the term and estate thereby created, would (by operation of law or otherwise) devolve upon or pass to any person, firm or corporation other than Tenant, except as expressly permitted under Section 5.6 hereof then, in any such case, whether or not the Term shall have begun, Landlord may immediately, or at any time while such default exists and without further notice, terminate this Lease by entry by Landlord or upon the giving of notice to Tenant, and this Lease shall come to an end as fully and completely as if such date were the date herein originally fixed for the expiration of the Term, and Tenant shall then quit and surrender the Premises to Landlord, but Tenant shall remain liable as hereinafter provided.

7.2 Damages

Upon the termination of this Lease under the provisions of this Section 7, then Tenant shall pay to Landlord the rent and other charges payable by Tenant to Landlord up to the time of such termination, shall continue to be liable for any preceding breach of covenant, and in addition, shall pay to Landlord as damages, at the election of Landlord either: (x) the amount, discounted to present value, by which, at the time of the termination of this Lease (or at any time thereafter if Landlord shall have initially elected damages under clause (y), below),

(i) the aggregate of the rent and other charges projected over the period commencing with such termination and ending on the Expiration Date as stated in Section 1.1 exceeds (ii) the fair market rental value of the premises for such period; or: (y) amounts equal to the rent and other charges which would have been payable by Tenant had this Lease not been so terminated, payable upon the due dates therefore specified herein following such termination and until the Expiration Date as specified in Section 1.1, provided, however, if Landlord shall re-let the Premises during such period, that Landlord shall credit Tenant with the net rents received by Landlord from such re-letting, such net rents to be determined by; first deducting from the gross rents, as and when received by Landlord from such re-letting the expenses incurred or paid by Landlord in terminating this Lease, as well as the expenses of re-letting, including altering and preparing the Premises for new tenants, concessions, brokers' commissions, and all other similar and dissimilar expenses properly chargeable against the Premises and the rental therefrom, it being understood that any such re-letting may be for a period equal to or shorter or longer than the remaining term of this Lease; and provided, further, that (i) in no event shall Tenant be entitled to receive any excess of such net rents over the sums payable by Tenant to Landlord hereunder and (ii) in no event shall Tenant be entitled in any suit for the collection of damages pursuant to this clause to a credit in respect of any rents from a re-letting except to the extent that such net rents are actually received by Landlord prior to the commencement of such suit. If the Premises or any part thereof should be re-let in combination with other space, then proper apportionment on a square foot area basis shall be made of the rent received from such re-letting and of the expenses of re-letting.

In calculating the rent and other charges under clause (x), above, there shall be included, in addition to the Annual Base Rent, any additional rent and all other considerations agreed to be paid or performed by Tenant, on the assumption that all such amounts and considerations would have remained constant (except as herein otherwise provided) for the balance of the full term hereby granted.

Suit or suits for the recovery of such damages, or any installments thereof, may be brought by Landlord from time to time at its election, and nothing contained herein shall be deemed to require Landlord to postpone suit until the date when the term of this Lease would have expired if it had not been terminated hereunder.

Nothing herein contained shall be construed as limiting or precluding the recovery by Landlord against Tenant of any sums or damages to which, in addition to the damages particularly provided above, Landlord may lawfully be entitled by reason of any default hereunder on the part of Tenant.

Landlord agrees to use reasonable efforts to re-let the Premises after Tenant vacates the Premises in the event that the Lease is terminated based upon a default by Tenant hereunder. The listing of the Premises with a broker or brokers shall be deemed to constitute "reasonable efforts".

Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy or insolvency by reason of the termination of this

Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater, equal to, or less than the amount of the loss or damages referred to above.

ARTICLE VIII

MISCELLANEOUS

8.1 Notice of Lease; Consent of Approval; Notices; Bind and Inure

The titles of the Articles are for convenience only and are not to be considered in construing this Lease. Tenant agrees not to record this Lease, but upon request of either party both parties shall execute and deliver a notice of this Lease in form appropriate for recording or registration, and if this Lease is terminated before the term expires, an instrument in such form acknowledging the date of termination. Whenever any notice, approval, consent, request or election is given or made pursuant to this Lease it shall be in writing. Communications and payments shall be addressed if to Landlord at Landlord's Original Address or at such other address as may have been specified by prior notice to Tenant, and if to Tenant, at Tenant's Original Address or at such other place as may have been specified by prior notice to Landlord. Any communication so addressed shall be deemed duly given when mailed by registered or certified mail, return receipt requested. If Landlord by notice to Tenant at any time designates some other person to receive payments or notices, all payments or notices thereafter by Tenant shall be paid or given to the person designated until notice to the contrary is received by Tenant from Landlord. The obligations of this Lease shall run with the land, and this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that only the original Landlord named herein shall be liable for obligations accruing before the beginning of the Term, and thereafter the original Landlord named herein and each successive owner of the Premises shall be liable only for obligations accruing during the period of ownership.

8.2 Landlord's Failure to Enforce

The failure of Landlord to seek redress for violation of, or to insist upon strict performance of, any covenant or condition of this Lease, or with respect to such failure of Landlord to enforce any of the Rules and Regulations and Landlord's Covenants referred to in Section 5.4, whether heretofore or hereafter adopted by Landlord, shall not be deemed a waiver of such violation nor prevent a subsequent act which would have originally constituted a violation. The receipt by Landlord of Annual Base Rent or additional rent with knowledge of the breach of any covenant of this Lease shall not be deemed a waiver of such breach. No provision of this Lease shall be deemed to have been waived by Landlord, or by Tenant, unless such waiver be in writing signed by the party to be charged. No consent or waiver, express or implied, by Landlord or Tenant, to or of any breach of any agreement or duty shall be construed as a waiver or consent to or of any other breach of the same or any other agreement or duty.

8.3 Acceptance of Partial Payments of Rent; Delivery of Keys

No acceptance by Landlord of a lesser sum than the Annual Base Rent and additional rent then due shall be deemed to be other than on account of the earliest installment of such rent due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy in this Lease provided. The delivery of keys to any employee of Landlord or to Landlord's agent or any employee thereof shall not operate as a termination of this Lease or surrender of the Premises.

8.4 Cumulative Remedies

The specific remedies to which Landlord may resort under the terms of this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress to which it may be lawfully entitled in case of any breach or threatened breach by Tenant of any provisions of this Lease. In addition to other remedies provided in this Lease, Landlord shall be entitled to the restraint by injunction of the violation or attempted or threatened violation of any of the covenants, conditions or provisions of this Lease or to a decree compelling specific performance of any such covenants, conditions or provisions.

8.5 Partial Invalidity

If any term of this Lease, or the application thereof to any person or circumstances, shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each term of this Lease shall be valid and enforceable to the fullest extent permitted by law.

8.6 Self-Help

(a) If Tenant shall at any time default in the performance of any obligation under this Lease, Landlord shall have the right, upon prior written notice to Tenant, but shall not be obligated, to enter upon the Premises and to perform such obligation notwithstanding the fact that no specific provision for such substituted performance by Landlord is made in this Lease with respect to such default. In performing such obligation, Landlord may make any payment of money or perform any other act. All sums so paid by Landlord (together with interest at the rate of 2 1/2 percentage points over the then prevailing prime rate in New York as set by Chase Manhattan Bank in New York plus Landlord's fee of fifteen (15%) percent of said sums), but not in excess of any amounts permitted by law, and all necessary incidental costs and expenses in connection with the performance of any such act by Landlord, shall be deemed to be additional rent under this Lease and shall be payable to Landlord immediately on demand. Landlord may exercise the foregoing rights without waiving any other of its rights or releasing Tenant from any of its obligations under this Lease.

(b) Except as otherwise provided in this Lease in the event Landlord fails to perform its obligations hereunder and such failure continues for at least thirty (30) days after receipt by Landlord of written notice from Tenant, Tenant may (but shall

not be obligated to) perform such obligations and charge Landlord for all reasonable costs and expenses incurred in connection therewith.

8.7 Parties Estoppel Certificates

Each party agrees from time to time, upon not less than ten (10) days' prior written request by the other party, to execute, acknowledge and deliver to the requesting party a statement in writing certifying that this Lease is unmodified and in full force and effect and that, in the case of Tenant, has no defenses, offsets or counterclaims against its obligations to pay the Annual Base Rent, and additional rent and, as to both parties, to perform its other covenants under this Lease and that there are no uncured defaults of Landlord or Tenant under this lease (or, if there have been any modifications that the same is in full force and effect as modified and stating the modifications and, if there are any defenses, offsets, counterclaims, or defaults, setting them forth in reasonable detail), and the dates to which the Annual Base Rent, additional rent and other charges have been paid. Any such statement delivered pursuant to this Section 8.7 may be relied upon by a prospective purchaser or mortgagee of the Premises or any prospective assignee of any mortgagee of the Premises. Time is of the essence in respect of any such requested certificate, both parties hereby acknowledging the importance of such certificates in mortgage financing arrangements, prospective sale and the like.

8.8 Waiver of Subrogation

In any case in which Tenant shall be obligated to pay to Landlord any loss, cost, damage, liability, or expense suffered or incurred by Landlord, Landlord shall allow to Tenant as an offset against the amount thereof (i) the net proceeds of any insurance collected by Landlord for or on account of such loss, cost, damage, liability or expense, provided that the allowance of such offset does not invalidate or prejudice the policy or policies under which such proceeds were payable.

In any case in which Landlord or Landlord's agents shall be obligated to pay to Tenant any loss, cost, damage, liability or expense suffered or incurred by Tenant, Tenant shall allow to Landlord and Landlord's agents as an offset against the amount thereof (i) the net proceeds of any insurance collected by Tenant for or on account of such loss, cost, damage, liability, or expense, provided that the allowance of such offset does not invalidate the policy or policies under which such proceeds were payable and (ii) the amount of any loss, cost, damage, liability or expense caused by a peril, covered by fire insurance with the broadest form of property insurance generally available on property in buildings of this type, whether or not actually procured by Tenant.

The parties hereto shall each procure an appropriate clause in, or endorsement on, any property insurance policy covering the Premises and personal property, fixtures and equipment located thereon and therein, pursuant to which the insurance companies waive subrogation or consent to a waiver of right of

recovery. Having obtained such clauses and/or endorsements each party hereby agrees that it will not make any claim against or seek to recover from the other for any loss or damage to its property or the property of others resulting from fire or other perils covered by such property insurance.

8.9 All Agreements Contained

This Lease contains all of the agreements of the parties with respect to the subject matter thereof and supersedes all prior dealings between them with respect to such subject matter. Tenant acknowledges that neither Landlord nor any of its purported representatives or agents has made (and Landlord hereby specifically disclaims any and all) representations and warranties of any kind or character as to the condition of the Premises, either express or implied, including without limitation, warranties of fitness for any purposes or any particular use or commercial habitability.

8.10 Brokerage

Landlord and Tenant each warrant that they have had no dealings with any broker or agent other than Meredith & Grew Incorporated and Corporate Facilities Group LLC in connection with the Lease and covenant to defend, hold harmless and indemnify each other from and against any and all cost, expense or liability, including the defense thereof including reasonable legal fees and expenses, if any such warranty proves false. Landlord hereby agrees to pay the brokerage fees due to Meredith & Grew Incorporated pursuant to a separate written agreement.

8.11 Submission Not an Option

The submission of this Lease or a summary of some or all of its provisions for examination does not constitute a reservation of or option for the Premises or an offer to lease.

8.12 Applicable Law

This Lease, and the rights and obligations of the parties hereto, shall be construed and enforced in accordance with the laws of the Commonwealth of Massachusetts.

8.13 Waiver of Jury Trial

Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other, on or in respect to any matter whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant hereunder, Tenant's use or occupancy of the Premises, and/or claim of injury or damages.

8.14 Holdover

If Tenant or anyone claiming under Tenant shall remain in possession of the Premises or any part thereof after the

expiration or prior termination of the term of this Lease without any agreement in writing between Landlord and Tenant with respect thereto, then, prior to the acceptance of any payments for rent or use and occupancy by Landlord, the person remaining in possession shall be deemed a tenant-at-sufferance. Whereas the parties hereby acknowledge that Landlord may need the Premises after the expiration or prior termination of the term of the Lease for other tenants and that the damages which Landlord may suffer as the result of Tenant's holding over cannot be determined as of the date of this Lease, in the event that Tenant so holds over, Tenant shall pay to Landlord in addition to all rental and other charges due and accrued under the Lease prior to the date of termination, charges (based upon the fair market rental value of the Premises) for use and occupation of the Premises thereafter and, in addition to such sums and any and all other rights and remedies which Landlord may have at law or in equity, an additional use and occupancy charge in the amount of two hundred percent (200%) of either the Annual Base Rent and other charges calculated (on a daily basis) at the highest rate payable under the terms of this Lease, but measured from the day on which Tenant's hold-over commenced and terminating on the day on which Tenant vacates the Premises or the fair market rental value of the Premises for such period, whichever is greater. Notwithstanding the foregoing, Landlord shall have the right to elect to recover any other damages which Landlord is permitted to recover under this Lease in lieu of said liquidated damages by giving Tenant written notice of such election. From and after the date on which Landlord gives Tenant such notice, said liquidated damages shall cease to accrue and Tenant shall be liable to Landlord for any damages recoverable under this Lease which accrue thereafter.

8.15 Requirements of Law - Fines and Penalties

Tenant at its sole expense shall comply with all laws, rules, orders and regulations, including, without limitation, all energy-related requirements, of Federal, State, County and Municipal Authorities and with any direction of any public officer or officers, pursuant to law, which shall impose any duty upon Landlord or Tenant with respect to or arising out of Tenant's use or occupancy of the Premises. Tenant shall reimburse and compensate Landlord for all expenditures made by, or damages or fines sustained or incurred by, Landlord due to nonperformance or noncompliance with or breach or failure to observe any item, covenant, or condition of this Lease upon Tenant's part to be kept, observed, performed or complied with. If Tenant receives notice of any violation of law, ordinance, order or regulation applicable to the Premises, it shall give prompt notice thereof to Landlord.

8.16 Inability to Perform - Exculpatory Clause

This Lease and the obligations of Tenant to pay rent hereunder and perform all the other covenants, agreements, terms, provisions and conditions hereunder on the part of Tenant to be performed shall in no way be affected, impaired or excused because Landlord is unable to fulfill any of its obligations under this Lease or is unable to supply or is delayed in supplying any service expressly or impliedly to be supplied or

is unable to make or is delayed in making any repairs, replacement, additions, alterations, improvements or decorations or is unable to supply or is delayed in supplying any equipment or fixtures if Landlord is prevented or delayed from so doing by reason of strikes or labor troubles or any other similar or dissimilar cause whatsoever beyond Landlord's reasonable control, including but not limited to, governmental preemption in connection with a national emergency or by reason of any rule, order or regulation of any department thereof of any governmental agency or by reason of the conditions of supply and demand which have been or are affected by war, hostilities or other similar or dissimilar emergency. In each such instance of inability of Landlord to perform, Landlord shall exercise reasonable diligence to eliminate the cause of such inability to perform.

Tenant shall neither assert nor seek to enforce any claim or breach of this Lease against any of Landlord's assets other than Landlord's equity interest in the Building and in the uncollected rents, issues and profits thereof, and Tenant agrees to look solely to such interest for the satisfaction of any liability of Landlord or Landlord's agents under this Lease or otherwise, it being specifically agreed that in no event shall Landlord (or any of the officers, trustees, directors, partners, beneficiaries, joint venturers, members, stockholders or other principals, agents or representatives, and the like, disclosed or undisclosed, thereof) ever be personally liable for any such liability. This paragraph shall not limit any right that Tenant might otherwise have to obtain injunctive relief against Landlord or to take any other action which shall not involve the personal liability of Landlord to respond in monetary damages from Landlord's assets other than the Landlord's interest in the Building, as aforesaid.

In no event shall Landlord (or any of the officers, trustees, directors, partners, beneficiaries, joint venturers, members, managers, stockholders or other principals or representatives and the like, disclosed or undisclosed, thereof) ever be liable for consequential damages.

8.17 Parties Bound - Seisin of Title

The covenants, agreements, terms, provisions and conditions of this Lease shall bind and benefit the successors and assigns of the parties hereto with the same effect as if mentioned in each instance where a party hereto is named or referred to, except that no violation of the provisions of Section 5.6 hereof shall operate to vest any rights in any successor or assignee of Tenant and that the provisions of this Section 8.17 shall not be construed as modifying the default provisions contained in Article VII hereof.

If, in connection with or as a consequence of the sale, transfer or other disposition of Landlord's interest in the Premises, any party who is Landlord ceases to be the owner of the reversionary interest in the Premises, Landlord shall be entirely freed and relieved from the performance and observance thereafter of all covenants and obligations hereunder on the

part of Landlord to be performed and observed, it being understood and agreed in such event (and it shall be deemed and construed as a covenant running with the land) that the person succeeding to Landlord's ownership of said reversionary interest shall thereupon and thereafter assume, and perform and observe, any and all of such covenants and obligations of Landlord.

8.18 Security Deposit.

The Security Deposit shall be paid by Tenant within five (5) business days after execution of this Lease and shall be held by Landlord as security for the performance by Tenant of its covenants and agreements under this Lease. In the event that cash is, at any time, held as the Security Deposit hereunder, the holder thereof shall hold such cash in an interest bearing segregated account for the benefit of the Tenant subject only to the terms and conditions of this Lease. Upon the occurrence of any default hereunder and the expiration of any grace period for the cure thereof without such cure, Landlord may use such portion of the Security Deposit as is necessary to cure such default. In the event of any such draw down of the Security deposit, Tenant shall replace the amount drawn down within ten (10) days of receipt of notice thereof, by delivery of a sight draft Letter of credit in substantially the form of the Letter of Credit initially delivered hereunder or cash in the amount drawn. At any time Landlord is holding cash as the Security Deposit hereunder, Tenant shall have the right, in accordance with the terms hereof, to replace such cash with a sight draft Letter of Credit from a bank acceptable to Landlord and which provides that draw downs may be made solely upon submission of a statement from a representative of Landlord stating that Tenant is in default under its Lease beyond any grace period and Landlord is entitled to the amount claimed. Any Letter of Credit shall have a term of not less than one (1) year and a replacement Letter of Credit from a bank acceptable to Landlord shall be delivered to Landlord at least thirty (30) days prior to any expiration of any Letter of Credit or Landlord may draw down the full proceeds of the Letter of Credit and hold the cash as collateral security for Tenant's obligations under this Lease. Upon replacement of cash with a Letter of Credit meeting the Letter of Credit requirements set forth above, the Landlord shall return the cash to Tenant. If Landlord shall transfer its interest in the Premises, Landlord shall assign the Security Deposit to the transferee. Any balance of the Security Deposit remaining at the end of the Term after deduction of amounts owed by Tenant hereunder shall be returned to Tenant within thirty (30) days after the expiration of this Lease.

ARTICLE IX

RIGHTS OF PARTIES HOLDING PRIOR INTERESTS

9.1 Lease Subordinate

This Lease shall be subject and subordinate to any ground or underlying lease or leases or any mortgage or mortgages now or hereafter on the Lot or Building, or both, or any portions

thereof, which are separately and together hereinafter in this Article IX referred to as "the mortgaged premises", and to each advance made or hereafter to be made under any mortgage(s), and to all renewals, modifications, consolidation, replacements and extensions thereof and all substitutions therefor. Tenant acknowledges that, where applicable, any consent or approval hereafter given by Landlord may be subject to the further consent or approval of the holder of any such mortgage or lessor under any ground or underlying lease; and the failure, delay or refusal of such holder or lessor to give such consent or approval shall, notwithstanding anything to the contrary in this Lease contained, constitute reasonable justification for Landlord's withholding its consent or approval.

Landlord shall obtain from its present mortgagee of the Premises a subordination, non-disturbance and attornment agreement in such mortgagee's standard form, providing that, among other things, for this subordination of this Lease to the lien of such mortgage, providing for the Tenant to attorn to such mortgage or its nominee, designee or successor in the event of any foreclosure of its mortgage.

The foregoing subordination as it pertains to mortgages hereafter made (which term includes any agreement modifying any mortgage now in existence or hereafter made) is conditioned upon the agreement of the mortgagee, to be delivered by it to Tenant, wherein the mortgagee agrees in substance that so long as Tenant is not in default beyond any applicable grace period under this Lease or under the agreement with such mortgagee (i) the Tenant will not be disturbed in Tenant's possession of the premises under the terms of the Lease by any holder of the mortgage; (ii) Tenant will not be joined in any action or proceeding to foreclose the mortgage by any holder thereof. The giving of such agreement by the mortgagee may be conditioned by it on the reciprocal agreement by the Tenant to attorn to the holder of the mortgage should it become vested with the Landlord's interest in the Premises.

Such agreement may also contain provisions, at the option of the holder of the mortgage to the effect that:

In the event that mortgagee succeeds to the interest of Landlord under the Lease, or title to the Premises, then mortgagee and any Successor shall assume and be bound by the obligations of Landlord under the Lease which accrue from and after such party's succession to Landlord's interest in the Leased Premises, but mortgagee such Successor shall not be: (i) liable for any act or omission of any prior landlord (including Landlord), except to the extent that any such act or omission constitutes a default under the Lease which continues after mortgagee or any Successor succeeds to the interest of Landlord under the Lease; (ii) liable for the retention, application or return of any security deposit to the extent not paid over to mortgagee; (iii) subject to any offsets or defenses which Tenant might have against any prior landlord (including Landlord); (iv) bound by any rent or additional rent which Tenant might have paid for more than the current month to any prior landlord (including Landlord); (v) bound by any amendment or modification of the Lease made without mortgagee's or such Successor's prior

written consent; or (vi) obligated to cure any defaults of any prior landlord under the Lease which occurred prior to the date on which mortgagee or such Successor succeeded to Landlord's interest under the Lease. Tenant will agree that any person or entity which at any time hereafter becomes the landlord under the Lease, including without limitation, mortgagee or any Successor, shall be liable only for the performance of the obligations of the landlord under the Lease which arise or exist during the period of its or their ownership of the Premises and shall not be liable for any obligations of the landlord under the Lease which arise prior to or subsequent to such ownership. Tenant shall further agree that any such liability shall be limited to the interest of mortgagee or such Successor in the Property, and Tenant shall not be able to enforce any such liability against any other assets of mortgagee or such Successor. Tenant will agree to give notice to mortgagee of any default by Landlord under the Lease, specifying the nature of such default, and thereupon mortgagee shall have a reasonable right for a reasonable time (but not the obligation) to cure such default, and (if Tenant is entitled to terminate the Lease or abate any rent payable thereunder by reason of such default) Tenant shall not terminate the Lease or abate the rent payable thereunder by reason of such default unless and until it has afforded mortgagee such time after mortgagee's receipt of such notice to cure such default, including time to pursue foreclosure and obtaining of possession. It is specifically agreed that Tenant shall not require mortgagee to cure any default which is not susceptible of cure by mortgagee.

Tenant will covenant and agree that: (i) Tenant shall not pay any rent or additional rent under the Lease more than one month in advance; (ii) Tenant shall have no right to appear in any foreclosure action under the mortgage; (iii) Tenant shall not amend, modify, cancel or terminate the Lease without mortgagee's prior written consent, and any attempted amendment, modification, cancellation or termination of the Lease without such consent shall be of no force or effect as to mortgagee; (iv) Tenant shall not voluntarily subordinate the Lease to any lien or encumbrance (other than the mortgage) without mortgagee's prior written consent.

9.2 Rights of Holder of Mortgage to Notice of Defaults by Landlord and to Cure Same.

No act or failure to act on the part of Landlord which would entitle Tenant under the terms of this Lease, or by law, to be relieved of Tenant's obligations hereunder or to terminate this Lease, shall result in a release or termination of such obligations or a termination of this Lease unless (i) Tenant shall have first given written notice of Landlord's act or failure to act to Landlord's mortgagees of record, if any, specifying the act or failure to act on the part of Landlord which could or would give basis to Tenant's rights; and (ii) such mortgagees after receipt of such notice, have failed or refused to correct or cure the condition complained of within a reasonable time thereafter; but nothing contained in this Section 9.2 shall be deemed to impose any obligation on any such mortgagees to correct or cure any condition. "Reasonable

time" as used above means and includes a reasonable time to obtain possession of the mortgaged premises if the mortgagee elects to do so provided mortgagee acts diligently and a reasonable time to correct or cure the condition if such condition is determined to exist. In the event of the enforcement by any landlord under any such ground or underlying leases or mortgagee under such mortgage(s) of any remedies provided under such leases or mortgages or by law, the Tenant will, upon request of any person succeeding to the interest of the Landlord thereunder as a result of such enforcement, automatically become the Tenant of said successor in interest without change in the terms or other provisions of this Lease, provided, however, that said successor in interest shall not be bound by: (i) any payment of rent or additional rent for more than one month in advance, except prepayments in the nature of security for the performance by Tenant of its obligations under this lease, or (ii) any amendment or modification of this lease without the consent of said landlord under any such leases or mortgagee under any such mortgages or such successor in interest. Upon request by such successor in interest, Tenant shall execute and deliver an instrument or instruments confirming such attornment.

ARTICLE X

ENVIRONMENTAL COMPLIANCE

10.1 Environmental Conditions

The parties acknowledge that certain hazardous substances have been detected in groundwater beneath the premises which may require the Landlord to undertake response actions pursuant to Environmental Laws. Landlord agrees to undertake all such response actions required in accordance with Environmental Laws. To the extent practicable, consistent with Landlord's responsibilities pursuant to Environmental Laws, no such response actions shall interfere with Tenant's use of the Premises or the exercise of any Tenant's rights hereunder. Within 14 days of receipt of any test results or other data that document environmental conditions at the Premises, Landlord shall forward copies of all such results or data to Tenant. Landlord shall further provide Tenant with a copy of all documents and/or correspondence which Landlord submits to or receives from the Massachusetts Department of Environmental Protection (or other environmental agency) with respect to environmental conditions at the Premises within 14 days of submittal or receipt.

10.2 Tenant's Covenants Regarding Environmental Compliance

(a) Except under conditions permitted by applicable law, Tenant will not use, generate, manufacture, produce, store, release, discharge or dispose of on, under or about the Premises or transport to or from the Premises any Hazardous Substance (as defined below) or allow any other person or entity to do so.

(b) Tenant shall not, in Tenant's use or occupancy of the Premises, cause or allow to occur any violation of Environmental Law (as defined below).

(c) Tenant shall notify Landlord of any release of oil or Hazardous Substances at the same time and in the same manner as it notifies the appropriate government entity of the release but in no event later than ten business days after Tenant learns of the release.

(d) Tenant shall give written notice to Landlord within five business days of:

(i) any proceeding or inquiry by any governmental authority with respect to the presence of any Hazardous Substance on the Premises or the migration thereof from or to other property;

(ii) all claims made or threatened by any third party against Tenant or the Premises relating to any loss or injury resulting from any Hazardous Substance; and

(iii) Tenant's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Premises that could cause the Premises or any part thereof to be subject to the restrictions on the ownership, occupancy, transferability or use of the Premises under any Environmental Law.

(e) Provided that such participation does not interfere with Tenant's use and enjoyment of the Premises, Landlord shall have the right to join and participate in, as a party if it so elects, any legal proceedings or actions initiated with respect to the Premises in connection with any Environmental Law.

(f) Tenant shall protect, indemnify and hold harmless Landlord, its directors, officers, employees, members, agents, successors and assigns from and against any and all loss, damage, cost, expense or liability (including reasonable attorney fees and costs) directly or indirectly arising out of or attributable to Tenant's use, generation, manufacture, production, storage, release, threatened release, discharge or disposal (or arising out of or attributable to use, generation, manufacture, production, storage, release, threatened release, discharge or disposal by Tenant's invitees, contractors and those having similar relationship to Tenant) of a Hazardous Substance on, under or about the Premises including without limitation (i) all foreseeable consequential damages and (ii) the costs of any required or necessary repair, cleanup or detoxification of the Premises and the preparation and implementation of any closure, remedial or other required plans. The foregoing environmental indemnity shall survive the expiration or termination of this Lease and/or any transfer of all or any portion of the Premises, or of any interest in this Lease, and shall be governed by the laws of the United States of America and of the Commonwealth of Massachusetts.

(g) In the event that any investigation, site monitoring, containment, clean up, removal, restoration or other remedial work of any kind or nature (the "Remedial Work") is required under any applicable local, state or federal law or regulation, any judicial order, or by any governmental or non-governmental entity or person because of, or in connection with, the release of a Hazardous Substance in or into the air, soil, ground water,

surface water or soil, vapor at, on, about, under or within the Premises (or any portion hereof) by the Tenant, Tenant shall within thirty (30) days after written demand for performance thereof by Landlord (or such shorter period of time as may be required under any applicable law, regulation, order or agreement), commence and thereafter diligently prosecute to completion, all such Remedial Work. All such Remedial Work shall be performed by contractors approved in advance by Landlord, which approval shall not be unreasonably withheld, and under the supervision of a consulting engineer approved by Landlord. All costs and expenses of such Remedial Work shall be paid by Tenant including, without limitation, Landlord's reasonable attorney fees and costs incurred in connection with monitoring or review of such Remedial Work. In the event Tenant shall fail to timely commence, or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, Landlord may, but shall not be required to, cause such Remedial Work to be performed and all costs and expenses thereof, or incurred in connection therewith, together with interest at the highest rate permitted by law, shall become immediately due and payable as additional rent to the Landlord from the Tenant.

(h) Prior to the termination of the lease, but after Tenant has moved out of the Premises, Tenant shall, at Tenant's cost, engage an engineer to perform a site assessment on the Premises. Landlord shall approve Tenant's engineer and the scope of the site assessment, which approval shall not be unreasonably withheld. Such site assessment shall not reveal the presence of any Hazardous Substance which arose out of, or was attributable to Tenant's use of the Premises during the term of the Lease. If any such Hazardous Substance shall be so present, all required remedial action shall be performed immediately by licensed personnel approved by Landlord at Tenant's sole cost and expense.

10.3 Definitions:

(a) "Environmental Law" means any present and future federal, state or local law, statute, ordinance, or regulation pertaining to health, industrial hygiene, or the environmental conditions on, under or about the Premises, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("CERCLA") as amended, 42 U.S.C. Sections 9601 et seq., Mass. Gen. Laws C. 21E, the "Massachusetts Contingency Plan", 310 CMR 40.000, and the Resource Conservation and Recovery Act of 1976 ("RCRA"), 42 U.S.C. Sections 6901 et seq.

(b) The term "Hazardous Substance" includes without limitation;

(i) Those substances included within the definitions of "hazardous substances," or "solid waste" in CERCLA, RCRA, and the Hazardous Materials Transportation Act, 49 U.S.C. Sections 1801 et seq., and in the regulations promulgated pursuant to said laws;

(ii) Those substances listed in the United States Department of Transportation Table (49 CFR 172.101 and

amendments thereto) or by the Environmental Protection Agency (or any successor agency) as hazardous substances (40 CFR Part 302 and amendments thereto);

(iii) Such other substances, materials and wastes which are or become regulated under applicable local, state or federal law, or the United States government, or which are classified as hazardous or toxic under federal, state, or local laws or regulations; and

(iv) Any material, waste or substance which is (a) asbestos, (b) polychlorinated biphenyls, (c) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. Sections 1251 et seq. (33 U.S.C. Section 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. Section 1317), (d) explosives, or (e) radioactive materials.

10.4 Landlord's Environmental Indemnity:

Notwithstanding any other provision of this Lease to the contrary, Landlord shall indemnify, defend and hold harmless the Tenant from and against all liabilities, claims, losses, costs, damages, penalties, fines, and expenses (including, without limitation, necessary testing, site evaluation, expenses and reasonable fees of attorneys and consultants but no consequential damages in any event) relating to the Premises, which may be made, assessed against, or otherwise incurred by Tenant and which arise out of Environmental Laws, or otherwise in connection with Hazardous Materials ("Claims") and which arise out of (i) the present condition of the Premises, whether or not intentional and whether or not discovered before the execution of this Lease or (ii) subsequent conditions of the Premises caused by Landlord or by a person or entity, other than Tenant, whose action or omission that created such conditions occurred in connection with its role as contractor to Landlord, invitee of Landlord or other party having a similar relationship to Landlord. Landlord's obligations under this Section shall survive the termination or expiration of this Lease.

EXECUTED as a sealed instrument in two or more counterparts on the day and year first above written.

LANDLORD:
SPHOS, INC.

TENANT:
TEMPTRONIC CORPORATION

By:/s/ Carl Bildner

Its: President

By:/s/ William M. Stone

Its: President
Hereunto Duly Authorized

Subsidiaries of the Registrant

<u><i>Name of Subsidiaries and Names Under Which Subsidiaries Do Business</i></u>	<u><i>Jurisdiction of Incorporation</i></u>
inTEST Limited	England
inTEST Kabushiki Kaisha	Japan
inTEST PTE, Ltd.	Singapore
inTEST GmbH*	Germany
inTEST Investments, Inc.	Delaware
inTEST IP Corp.	Delaware
inTEST Licensing Corp.	Delaware
inTEST Sunnyvale Corp.	Delaware
Temptronic Corporation	Delaware

* Commenced operations in August, 2000.

Consent of Independent Accountants

The Board of Directors
inTEST Corporation:

We consent to the incorporation by reference in the registration statements (No. 333-44059, No. 333-33733 and No. 333-43096) on Form S-8 of inTEST Corporation of our report dated February 19, 2001, relating to the consolidated balance sheets of inTEST Corporation and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of earnings, comprehensive earnings, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2000, and the related financial statement schedule, which report appears in the December 31, 2000 annual report on Form 10-K of inTEST Corporation.

KPMG LLP

Philadelphia, Pennsylvania
March 29, 2001