

**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, 2003**

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 1-12273

**ROPER INDUSTRIES, INC.**  
(Exact name of Registrant as specified in its charter)

**Delaware** **51-0263969**  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

**2160 Satellite Boulevard, Suite 200**  
**Duluth, Georgia 30097**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(770) 495-5100**

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

<u>Title of Each Class</u>	<u>Name of Each Exchange On Which Registered</u>
Common Stock, \$0.01 Par Value	New York Stock Exchange
Preferred Stock Purchase Rights with respect to Common Stock, \$0.01 Par Value	New York Stock Exchange

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None**

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. [X] Yes [ ] No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§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. [ ]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). [X] Yes [ ] No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, as of the last business day of the Registrant's most recently completed second fiscal quarter was: \$1,367,444,435.

Number of shares of Registrant's Common Stock outstanding as of March 1, 2004: 36,759,259.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement to be furnished to Stockholders in connection with its Annual Meeting of Stockholders to be held on May 26, 2004, are incorporated by reference into Part III of this Form 10-K.

**PART I**

**ITEM 1. BUSINESS**

*Our Business*

We are a diversified industrial company that designs, manufactures and distributes energy systems and controls, scientific and industrial imaging products and software, industrial technology products and instrumentation products and services. We market these products and services to selected segments of a broad range of markets including water and wastewater, oil and gas, research, power generation, medical, semiconductor, refrigeration, automotive, and general industry.

We pursue consistent and sustainable growth in sales and earnings by emphasizing continuous improvement in the operating performance of our existing businesses and by acquiring other carefully selected businesses that offer high value-added, engineered products and solutions and are capable of achieving growth and maintaining high margins. We compete in many niche markets and are the market leader or the competitive alternative to the market leader in the majority of these markets.

In August 2003, we changed our fiscal year-end from October 31 to December 31. However, unless otherwise indicated, references to 2003, 2002 and 2001 in this Annual Report on Form 10-K ("Annual Report") refer to the twelve months ended December 31, 2003, twelve months ended October 31, 2002, and twelve months ended October 31, 2001.

We continued our growth in 2003 from organic growth and the full-year contributions from businesses acquired during 2002, in particular Zetec and QImaging, offsetting declines in our business with OAO Gazprom. Our 2003 acquisition, Neptune Technology Group Holdings, Inc. and its subsidiaries ("NTGH") effective on December 29, was purchased for cash and financed through borrowings under our credit agreements and proceeds from our December 2003 public offerings of our common stock and convertible debentures. As the NTGH businesses were closed for the year-end holiday period following the acquisition there are no operating results attributable to these operations in our fiscal 2003 results. However, the assets and liabilities of the operations are consolidated in our balance sheet as of December 31, 2003.

The company makes available free of charge on our website ([www.roperind.com](http://www.roperind.com)), our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

### **Market Share, Market Expansion, and Product Development**

**Leadership with Engineered Content for Niche Markets.** We have developed and maintained a leading position in many of our markets. We believe our market positions are attributable to the technical sophistication of our products, the applications expertise used to create our advanced products and systems and our service capabilities. Our operating units grow their businesses through new product development and development of new applications and services for existing products to satisfy customer needs. In addition, our operating units continue to grow our customer base by expanding our distribution, selling other products through our existing channels and exploring adjacent markets.

**Diversified End Markets and Geographic Reach.** Over the past decade, we have strategically expanded the number of end markets we serve to increase revenue and business stability and expand our opportunities for growth. During that same period, we grew our global presence to the degree that our sales of products manufactured and exported from the U.S. and manufactured abroad and sold to customers outside the U.S. accounted for \$378 million for 2003, up from \$361 million in 2002. Our net sales outside the U.S. were 58% and 59% of our total net sales for fiscal 2003 and 2002, respectively. The primary focus of the NTGH businesses in U.S. markets will reduce the percentage of our net sales outside the U.S. in 2004. Information regarding our international operations is set forth in Note 14 of the Notes to Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K ("Annual Report").

**Research and Development.** We conduct applied research and development to improve the quality and performance of our products and to develop new technologies and products to enter new markets. Our research and development spending increased to \$32.6 million in 2003, which represented 5.0% of our 2003 net sales. In the years ended October 31, 2002 and 2001, we spent \$29.6 million (4.8% of net sales), and \$26.0 million (4.6% of net sales), respectively, on research and development activities.

### **The NTGH Acquisition and Related Recapitalization Transactions**

On December 29, 2003, we acquired NTGH, comprising Neptune Technology, a leader in the water management market, DAP Technologies, a leading fully rugged computer provider, and DB Microware, providing various software products for utility markets. NTGH was acquired for a cash purchase price of approximately \$482 million (net of cash acquired and outstanding debt). In connection with our acquisition of NTGH, we also purchased the remaining one-third interest in DAP Technologies that NTGH did not own for total consideration of approximately \$9 million.

We also completed a public offering of 4,200,000 shares of our common stock for gross proceeds of approximately \$202 million and a public offering of senior subordinated convertible notes for gross proceeds of approximately \$230 million, including exercise of the underwriters' overallotment for the convertible notes offering. Concurrently with the closing of the offerings, we also entered into a new \$625 million senior secured credit facility consisting of a \$400 million five-year term loan and a \$225 million three-year revolving credit facility. We used the proceeds from the common stock offering, together with borrowings under our new senior secured credit facility, to pay for the acquisition, repay a portion of our existing credit facility and pay related fees and expenses. We used the proceeds from the notes offering to redeem our outstanding senior notes and to repay the remaining portion of our existing credit facility. An underwriters' overallotment of 630,000 shares of common stock was subsequently exercised and closed in January 2004 for gross proceeds of approximately \$30 million.

### **Our Business Segments**

In early 2003, we realigned our operations into four market-focused segments to capture value-creating opportunities around common customers, market orientation, sales channels and common cost opportunities. The four segments are: Instrumentation, Industrial Technology, Energy Systems and Controls, and Scientific and Industrial Imaging. We are in the process of integrating NTGH's businesses into our Industrial Technology and Scientific and Industrial Imaging segments. Financial information about our business segments is presented in Note 14 of the Notes to Consolidated Financial Statements.

#### **Instrumentation**

Our Instrumentation segment principally offers equipment and consumables for materials analysis, fluid properties testing and industrial leak testing. These products and solutions are provided through three U.S.-based and two European-based operating units. For 2003, this segment had net sales of \$181.3 million, representing 27.6% of our total net sales.

**Materials Analysis Equipment and Consumables.** We manufacture and sell equipment and supply various types of consumables necessary to extract and shape certain materials for production and to prepare materials samples for testing and analysis. These products are used mostly within the academic, government research, electronics, biological and material science end-user markets.

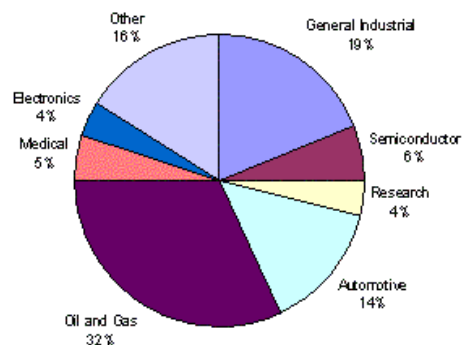
**Fluid Properties Testing Equipment.** We manufacture and sell automated and manual test equipment to determine physical and elemental properties, such as sulfur and nitrogen content, flash point, viscosity, freeze point and distillation, of liquids and gasses for the petroleum and other industries.

**Industrial Leak Testing Equipment.** We manufacture and sell products and systems to test for leaks and confirm the integrity of assemblies and sub-assemblies in automotive, medical, industrial and consumer products applications.

The following table sets forth information regarding each class of products within the Instrumentation segment that accounted for at least 10% of our total net sales in any of the periods presented (in thousands):

	Year Ended December 31, 2003	Year ended October 31, 2002		2001
	\$	\$	\$	\$
Materials analysis equipment and consumables	76,943	75,640	13,805	

The following chart shows the breakdown of the Instrumentation segment's sales by end market for the year ended December 31, 2003:



**Backlog.** Our Instrumentation companies have lead times of up to several months on many of their product sales, although standard products are typically shipped within four weeks of receipt of order. One of our businesses has considerable sales of consumables that are typically shipped overnight. Blanket purchase orders are placed by certain end-users, with continuing requirements for fulfillment over specified periods of time. This segment's backlog of firm unfilled orders, including blanket purchase orders, totaled \$17.1 million at December 31, 2003 compared to \$18.9 million at December 31, 2002.

**Distribution and Sales.** Distribution and sales are achieved through a combination of manufacturers' representatives, agents, distributors and direct sales offices in both the U.S. and various other countries.

**Customers.** None of this segment's customers accounted for as much as 10% of its net sales for 2003. Each of the operating units in the Instrumentation segment sells to a variety of customers worldwide, with certain major customers in the automotive and medical diagnostics industries having operations globally. Some of the operating units have sales to one or a few customers that represent a significant portion of their respective sales, and we expect the relative importance of such a concentrated customer base for these operating units to continue.

### Industrial Technology

Our Industrial Technology segment produces industrial pumps, flow measurement and metering equipment, industrial valves and controls, and following the NTGH acquisition, water meter and automatic meter reading (AMR) products and systems. These products and solutions are provided through six U.S.-based and two European-based operating units. For 2003, this segment had net sales of \$170.3 million, representing 25.9% of our total net sales. None of this segment's 2003 net sales was attributable to Neptune Technology.

**Industrial Pumps.** We manufacture and distribute a wide variety of pumps. These pumps vary significantly in complexity and in pumping method employed, which allows for the movement and application of a diverse range of liquids and solids including low and high viscosity liquids, high solids content slurries and chemicals. Our pumps are used in large and diverse sets of end markets such as oil and gas, agricultural, water and wastewater, medical, chemical and general industrial.

**Industrial Valves and Controls.** We manufacture and distribute a variety of valves, sensors, switches and control products used on engines, compressors, turbines and other powered equipment for the oil and gas, pipeline, power generation, refrigeration, marine engine and general industrial markets. Many of these products are designed for use in hazardous environments.

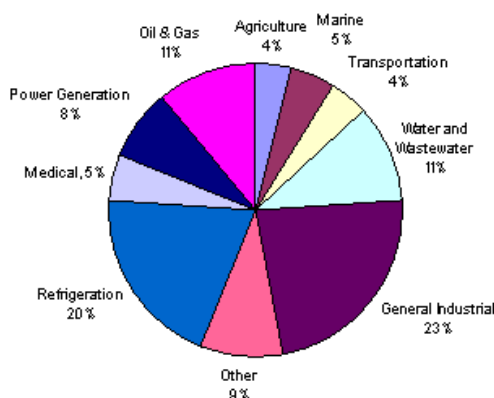
**Flow Measurement Equipment.** We manufacture and distribute turbine and positive displacement flow meters, emissions measurement equipment and flow meter calibration products for aerospace, automotive, power generation and other industrial applications.

**Water Meter and Automatic Meter Reading (AMR) Products and Systems.** Our newest acquisition, Neptune Technology, manufactures and distributes several lines of water meter products serving the residential, and certain commercial and industrial water management markets, and several lines of automatic meter reading products and systems serving these markets. The substantial majority of these products and services are currently for residential applications.

The following table sets forth information regarding each class of products within the Industrial Technology segment that accounted for at least 10% of our total net sales in any of the periods presented (in thousands):

	Year Ended December 31, 2003	Year ended October 31, 2002	Year ended October 31, 2001
Industrial pumps	\$ 89,080	\$ 83,484	\$ 90,315
Industrial valves and controls	\$ 66,166	\$ 63,721	\$ 64,693

The following chart shows the breakdown of the Industrial Technology segment's sales by end market during the year ended December 31, 2003:



**Backlog.** The Industrial Technology operating units' sales also reflect a combination of standard products and specifically engineered, application-specific products. Standard products are typically shipped within two weeks of receipt of order, with certain valve and pump products shipped on an immediate basis. Application-specific products typically

ship within 6 to 12 weeks following receipt of order. However, larger project orders and blanket purchase orders for certain original equipment manufacturers, or OEMs, may extend shipment for longer periods. This segment's backlog of firm unfilled orders, including blanket purchase orders, totaled \$58.0 million at December 31, 2003, as compared to \$25.6 million at December 31, 2002. Within this increase \$33.9 million was attributable to Neptune Technology.

**Distribution and Sales.** Distribution and sales occur through direct sales personnel, manufacturers' representatives and distributors. Neptune Technology sells to a variety of customers through multiple sales and distribution channels. Its water meter and AMR products are sold to the water utility market via direct sales and independent distributors in North America.

**Customers.** No customer was responsible for as much as 10% of this segment's net sales for 2003 and none of Neptune Technology's customers accounted for more than 10% of its net sales for 2003.

### Energy Systems and Controls

Our Energy Systems and Controls segment principally produces control systems, machinery vibration and other non-destructive inspection and measurement products and solutions, which are provided through three U.S.-based operating units. For 2003, this segment had net sales of \$139.0 million, representing 21.1% of our total net sales.

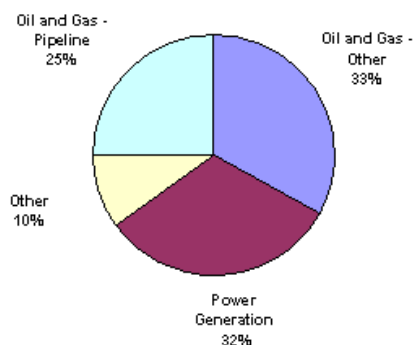
**Control Systems.** We manufacture control systems and panels and provide related engineering and commissioning services for turbomachinery applications, predominately in energy markets.

**Non-destructive Inspection and Measurement Instrumentation.** We manufacture non-destructive inspection and measurement solutions including measurement probes, robotics, and machinery vibration sensors, switches and transmitters. These solutions are applied principally in energy markets but also in aerospace and broader industrial markets. Many of these products are designed for use in hazardous environments.

The following table sets forth information regarding each class of products within the Energy Systems and Controls segment that accounted for at least 10% of our total net sales in any of the periods presented below (in thousands):

	Year Ended December 31, 2003	Year ended October 31, 2002	
Control systems	\$ 77,492	\$ 97,889	\$ 90,600

The following chart shows the breakdown of sales by end market for the Energy Systems and Controls segment during the year ended December 31, 2003:



**Backlog.** The majority of this segment's business consists of larger engineered projects with lead times of three to nine months. As such, backlog typically fluctuates significantly depending upon the timing of large project awards. Standard products generally ship within two weeks of receipt of order. This segment's backlog of firm unfilled orders totaled \$31.0 million at December 31, 2003 compared to \$25.9 million at December 31, 2002.

**Distribution and Sales.** Distribution and sales occur through direct sales offices, manufacturers' representatives and distributors.

**Customers.** Each of the Energy Systems and Controls segment's business units sell to a variety of customers worldwide. OAO Gazprom, a Russian enterprise that is the world's largest gas provider, continued to be the largest single customer in this segment for the twelve month period ended December 31, 2003, accounting for approximately 16.4% of its sales, compared to 40.7% for the twelve month period ended December 31, 2002. The continuation of this business with Gazprom is subject to numerous risks, many of which are beyond our control, including, but not limited to, increased competition, availability of acceptable financing and customer delays in commissioning and start-up of installations. No other customer accounts for as much as 10% of this segment's net sales for 2003.

### Scientific and Industrial Imaging

Our Scientific and Industrial Imaging segment principally offers high performance digital imaging products and software, and following the NTGH acquisition, handheld computers and software. These products and solutions are provided through five U.S.-based and two Canadian-based operating units. These include the DAP Technologies handheld computer business based in Quebec, Canada, and the DB Microware software unit based in Dallas, Texas, both of which were included in the NTGH acquisition. For 2003, this segment had net sales of \$166.7 million, representing 25.4% of our total net sales, none of which were contributed by DAP Technologies or DB Microware.

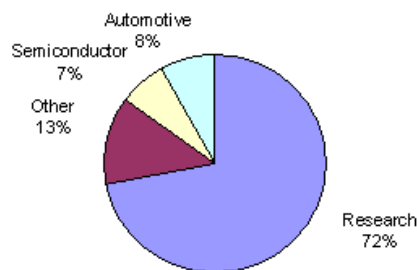
**Digital Imaging Products and Software.** We manufacture and sell extremely sensitive, high-performance charge-coupled device cameras, detectors and related software for a variety of scientific and industrial uses, which require high resolution and/or high speed digital video, including transmission electron microscopy and spectroscopy applications. We principally sell these products for use within academic, government research, semiconductor, automotive, and other end-user markets such as ballistic, biological and material science. They are frequently incorporated into products by OEMs.

**Handheld Computers and Software.** We manufacture and sell fully rugged handheld computers for utility, principally water management, and non utility markets and we develop and sell software to assist in utility meter reading and service order management.

The following table sets forth information regarding each class of products within the Scientific and Industrial Imaging segment that accounted for at least 10% of our total net sales in any of the periods presented (in thousands):

	Year Ended December 31, 2003	Year ended October 31, 2002	
Digital imaging products and software	\$ 160,150	\$ 134,859	\$ 143,375

The following chart shows the breakdown of the Scientific and Industrial Imaging segment's sales by end market for the year ended December 31, 2003:



**Backlog.** Our Scientific and Industrial Imaging segment companies typically have lead times of up to several months on many of their product sales, although standard products are often shipped within two weeks of receipt of order. Blanket purchase orders are placed by certain OEMs and end-users, with continuing requirements for fulfillment over specified periods of time. The segment's backlog of firm unfilled orders, including blanket purchase orders, totaled \$42.5 million at December 31, 2003, as compared to \$47.0 million at December 31, 2002. Within the December 2003 backlog, \$5.5 million is attributable to handheld computer and software backlog associated with the NTGH acquisition.

**Distribution and Sales.** Distribution and sales occur through direct sales personnel, manufacturers' representatives, value added resellers, or VARs, OEMs and distributors.

**Customers.** No customer was responsible for as much as 10% of this segment's net sales for 2003. One of the Scientific and Industrial Imaging segment's operating units has sales to a few customers that represent a significant portion of that operating unit's sales and the relative importance of such a concentrated customer base for this operating unit is expected to continue.

## Materials and Suppliers

We believe that most materials and supplies used by us are readily available from numerous sources and suppliers throughout the world. However, some of our components and sub-assemblies are currently available from a limited number of suppliers. Some high-performance components for digital imaging products can be in short supply and/or suppliers have occasional difficulty manufacturing such components to our specifications. We regularly investigate and identify alternative sources where possible, and we believe that these conditions equally affect our competitors. Thus far, supply shortages have not had a significant adverse effect on Roper's sales although delays in shipments have occurred following such supply interruptions. In the past, DAP Technologies has incurred lost orders or shipment delays due to the inability of its VARs to design and install application-specific software on a timely basis.

## Environmental Matters and Other Governmental Regulation

Our operations and properties and those recently acquired from NTGH are subject to laws and regulations relating to environmental protection, including laws and regulations governing air emissions, water discharges, waste management and workplace safety. We use, generate and dispose of hazardous substances and waste in our operations and, as a result, could be subject to potentially material liabilities relating to the investigation and clean-up of contaminated properties and to claims alleging personal injury. We are required continually to conform our operations and properties to these laws and adapt to regulatory requirements in all countries as these requirements change. We have experienced, and expect to continue to experience, modest costs relating to our compliance with environmental laws and regulations. In connection with our acquisitions, we may assume significant environmental liabilities, some of which we may not be aware of, or may not be quantifiable, at the time of acquisition. In addition, new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could increase our environmental compliance costs or subject us to new or increased liabilities.

## Competition

Generally, our products and solutions face significant competition, usually from a limited number of competitors. Although we believe that we are a leader in most of our markets, no single company competes with us over a significant number of product lines. Competitors might be large or small in size, often depending on the life cycle and maturity of the technology employed. We compete primarily on product quality, performance, innovation, price, applications expertise, distribution channel access and customer service capabilities.

## Patents and Trademarks

In addition to trade secrets, unpatented know-how, and other intellectual property rights, we own the rights under a number of patents, trademarks and copyrights relating to certain of our products and businesses. We also employ various methods, including confidentiality and non-disclosure agreements with employees, to protect our trade secrets and know-how. While we believe that none of our operating units is substantially dependent on any single patent, trademark, copyright, or other item of intellectual property or group of patents, trademarks or copyrights, the product development and market activities of Compressor Controls, Gatan, Neptune Technology and Roper Scientific, in particular, have been planned and conducted in conjunction with continuing patent strategies. While we have not significantly licensed patents, trademarks, trade secrets and similar proprietary rights to and from third parties in the past, we may do so in the future.

## Employees

As of December 31, 2003, we had approximately 3,700 total employees, of whom approximately 2,440 were located in the United States. Fewer than 80 of our employees are subject to collective bargaining agreements. We have not experienced any work stoppages and consider our relations with employees to be good.

## ITEM 2. PROPERTIES

In early January 2003, we relocated our corporate office from Bogart, Georgia where we leased approximately 10,000 square feet of office space to the Atlanta area where we lease approximately 13,800 square feet of office space. We have established sales and service locations around the world to support our operations. The following table sets forth our principal properties as of December 31, 2003:

Location	Property	Square Footage		Industry segment
		Owned	Leased	
Phoenix, AZ	Office/Mfg.	--	45,900	Industrial Technology
Tucson, AZ	Office/Mfg.	--	37,300	Scientific and Industrial Imaging
Tallassee, AL	Office/Mfg.	300,000	--	Industrial Technology
Burnaby, Canada	Office/Mfg.	--	8,200	Scientific and Industrial Imaging
Quebec City, Canada	Office/Mfg.	--	26,400	Scientific and Industrial Imaging

Mississauga, Canada	Office	--	46,100	Scientific and Industrial Imaging
Pleasanton, CA	Office	--	19,400	Scientific and Industrial Imaging
Richmond, CA	Office/Mfg.	67,400	--	Industrial Technology
Malu, China	Office/Mfg.	--	16,600	Industrial Technology
Ballerup, Denmark	Office/Mfg.	--	88,500	Instrumentation
Verson, France	Office/Mfg.	--	22,500	Instrumentation
Commerce, GA	Office/Mfg.	203,800	--	Industrial Technology
Büchen, Germany	Office/Mfg.	191,500	--	Industrial Technology
Lauda, Germany	Office/Mfg.	37,900	--	Instrumentation
Des Moines, IA	Office/Mfg.	--	88,000	Energy Systems and Controls
Burr Ridge, IL	Office/Mfg.	55,000	--	Industrial Technology
Acton, MA	Office/Mfg.	--	28,700	Instrumentation
Silver Spring, MD	Office	--	11,800	Scientific and Industrial Imaging
Trenton, NJ	Office/Mfg.	40,000	--	Scientific and Industrial Imaging
Syosset, NY	Office/Mfg.	--	27,500	Industrial Technology
Portland, OR	Office/Mfg.	--	128,000	Industrial Technology
Warrendale, PA	Mfg.	--	44,250	Scientific and Industrial Imaging
Carrollton, TX	Office	--	22,000	Instrumentation
Houston, TX	Office/Mfg.	16,200	--	Energy Systems and Controls
Houston, TX	Office/Mfg.	--	35,000	Instrumentation
Houston, TX	Office/Mfg.	--	27,500	Instrumentation
Bury St. Edmunds, U.K	Office/Mfg.	90,000	--	Industrial Technology
Cambridge, U.K	Office/Mfg.	--	14,000	Instrumentation
Glasgow, U.K	Office/Mfg.	27,700	--	Instrumentation
Oxford, U.K	Office/Mfg.	--	5,500	Scientific and Industrial Imaging
Issaquah, WA	Office/Mfg.	--	86,400	Energy Systems and Controls

We consider each of the above facilities to be in good operating condition and adequate for its present use and believe that it has sufficient plant capacity to meet its current and anticipated operating requirements.

### ITEM 3. LEGAL PROCEEDINGS

We are defendants in various lawsuits involving product liability, employment practices and other matters, none of which we believe will have a material adverse effect on our consolidated financial position or results of operations. The majority of such claims are subject to insurance coverage.

We and/or one of our subsidiaries are named as defendants, along with many other companies, in asbestos-related personal injury or wrongful death actions. The allegations in these actions are vague, general and speculative, and the actions are in their early stages. Given the state of these claims, it is not possible to determine the potential liability, if any.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY-HOLDERS

No matter was submitted to a vote of our security-holders during the fourth quarter of fiscal 2003.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Roper's common stock trades on the New York Stock Exchange ("NYSE") under the symbol "ROP". The table below sets forth the range of high and low sales prices for our common stock as reported by the NYSE as well as cash dividends declared during each of our fiscal 2003 and 2002 quarters.

		High	Low	Cash Dividends Declared
Calendar 2003	4th Quarter	\$ 51.58	\$ 43.90	\$ 0.09625
	3rd Quarter	46.75	36.90	0.08750
	2nd Quarter	38.38	29.00	0.08750
	1st Quarter	39.80	26.75	0.08750
November - December 2002		\$ 43.15	\$ 36.46	\$ 0.08750
Fiscal 2002	4th Quarter	\$ 39.14	\$ 27.25	\$ 0.08250
	3rd Quarter	46.90	29.00	0.08250
	2nd Quarter	51.90	41.04	0.08250
	1st Quarter	52.91	35.90	0.08250

Based on information available to us and our transfer agent, we believe that as of March 1, 2004 there were 194 record holders of our common stock.

**Dividends.** Roper has declared a cash dividend in each fiscal quarter since our February 1992 initial public offering and we have also annually increased our dividend rate since our initial public offering. In November 2003, our board of directors increased the quarterly dividend to be paid in the first quarter of fiscal 2004 to \$0.09625 per share, an increase of 10% from the prior rate. However, the timing, declaration and payment of future dividends will be at the sole discretion of our board of directors and will depend upon our profitability, financial condition, capital needs, future prospects and other factors deemed relevant by our board of directors. Therefore, there can be no assurance as to the amount, if any, of cash dividends that will be declared in the future.

**Recent Sales of Unregistered Securities.** None

### ITEM 6. SELECTED FINANCIAL DATA

The following summary consolidated selected financial data for and as of the end of the twelve months ended December 31, 2003, the two months ended December 31, 2002 and the twelve months ended October 31, 2002, 2001, 2000 and 1999 were derived from our audited consolidated financial statements. Our consolidated financial statements for and as

of the end of each of the twelve months ended December 31, 2003, the two months ended December 31, 2002 and the twelve months ended October 31, 2002, 2001 and 2000 were audited by PricewaterhouseCoopers LLP, independent accountants. Our consolidated financial statements for and as of the end of the year ended October 31, 1999 were audited by Arthur Andersen LLP, a firm that has ceased operations. In August 2003, we changed our fiscal year-end from October 31 to December 31 effective as of January 1, 2003, with the two months ended December 31, 2002 being the transition period.

We filed an amendment to our annual report on Form 10-K for the fiscal year ended October 31, 2002 on November 3, 2003 to restate our consolidated financial statements as of October 31, 2001 and 2002 and for the three years ended October 31, 2002 to reflect the discontinued operations of our Petrotech operation and the realignment of our operations into four new segments.

You should read the table below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and related notes included elsewhere in this Annual Report.

	12 months ended December 31, 2003 <sup>(1)</sup>	2 months ended December 31, 2002	2002 <sup>(2)</sup>	12 months ended October 31, 2001 <sup>(3)</sup>	October 31, 2000 <sup>(4)</sup>	1999 <sup>(5)</sup>
(in thousands, except per share data)						
Operations data:						
Net sales	\$ 657,356	\$ 83,885	\$ 617,462	\$ 562,955	\$ 469,999	\$ 360,553
Gross profit	346,138	41,565	333,755	304,750	252,522	198,316
Income from operations <sup>(6)</sup>	108,100	4,568	115,545	100,866	88,662	73,649
Earnings from continuing operations before change in accounting principle	48,061	1,240	66,438	57,415	49,575	47,523
Net Earnings (loss)	45,239	853	40,053	55,839	49,278	47,346
Per share data:						
Earnings from continuing operations before change in accounting principle:						
Basic	\$ 1.52	\$ 0.04	\$ 2.13	\$ 1.87	\$ 1.63	\$ 1.57
Diluted	1.50	0.04	2.09	1.82	1.59	1.53
Net earnings (loss):						
Basic	\$ 1.43	\$ 0.03	\$ 1.28	\$ 1.82	\$ 1.62	\$ 1.56
Diluted	1.41	0.03	1.26	1.77	1.58	1.53
Dividends declared	0.36	0.09	0.33	0.30	0.28	0.26
Balance sheet data:						
Working capital	\$ 219,695	\$ 126,221	\$ 118,590	\$ 135,972	\$ 136,909	\$ 92,164
Total assets	1,514,995	824,966	828,973	762,122	596,902	420,163
Long-term debt, less current portion	630,186	308,684	311,590	323,830	234,603	109,659
Stockholders' equity	655,781	380,981	376,012	323,506	270,191	231,968

<sup>(1)</sup> Balance sheet data includes the effect of the NTGH acquisition effective on December 29, 2003.

<sup>(2)</sup> Includes results of Zetec from August 2002 and several smaller businesses acquired during fiscal 2002.

<sup>(3)</sup> Includes results of Struers and Logitech from September 2001 and several smaller businesses acquired during fiscal 2001.

<sup>(4)</sup> Includes results of Redlake MASD from November 1999, Abel Pump from May 2000, Antek Instruments from August 2000, Hansen Technologies from September 2000 and several smaller businesses acquired during fiscal 2000.

<sup>(5)</sup> Includes results of Petroleum Analyzer companies acquired in June 1999.

<sup>(6)</sup> Includes \$5.9 million of restructuring expenses in 2003.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with "Selected Financial Data" and our Consolidated Financial Statements and related Notes included elsewhere in this Annual Report. In August 2003, we changed our fiscal year-end from October 31 to December 31 effective as of January 1, 2003, with the two months ended December 31, 2002 being the Transition Period.

We filed an amendment to our Annual Report on Form 10-K for the fiscal year ended October 31, 2002 on November 3, 2003 to restate our Consolidated Financial Statements as of October 31, 2001 and 2002 and for the three years ended October 31, 2002 to reflect the discontinued operations of our Petrotech operation and the realignment of our operations into four new segments.

### Overview

We are a diversified industrial company that designs, manufactures and distributes energy systems and controls, scientific and industrial imaging products and software, industrial technology products and instrumentation products and services. We market these products and services to selected segments of a broad range of markets including water and wastewater, oil and gas, research, power generation, medical, semiconductor, refrigeration, automotive, and general industry.

We pursue consistent and sustainable growth in earnings by emphasizing continuous improvement in the operating performance of our existing businesses and by acquiring other carefully selected businesses. Our acquisitions have represented both financial bolt-ons and new strategic platforms. We strive for high cash and earnings returns from our acquisition investments. On December 29, 2003, we acquired NTGH, comprising Neptune Technology, a leader in the meter management market, DAP Technologies, a leading fully rugged computer provider, and DB Microware, providing various software products for utility markets. As these businesses were closed for the year-end holiday period following the acquisition there are no operating results attributable to these operations in our fiscal 2003 results. However, the assets and liabilities of the operations are consolidated in our balance sheet as of December 31, 2003. In connection with this acquisition we retired our existing debt, completed a public offering of 4,200,000 shares of our common stock, entered into a new \$625 million credit agreement, and issued \$230 million of senior subordinated convertible notes. An underwriters' overallotment of 630,000 shares of our common stock was subsequently exercised and closed in January 2004.

During the fiscal year ended December 31, 2003, our results of operations benefited from five acquisitions made during the last six months of the fiscal year 2002:

1. Zetec, reported in our Energy Systems and Controls segment
2. AI Qualitek, reported in our Instrumentation segment
3. QImaging, reported in our Scientific and Industrial Imaging segment
4. Duncan Technologies, reported in our Scientific and Industrial Imaging segment
5. Definitive Imaging, reported in our Scientific and Industrial Imaging segment

Our largest customer is OAO Gazprom. Gazprom has been a customer over the past eleven years through a number of its procurement affiliates. In late 2002, Gazprom assigned a new procurement affiliate to negotiate with us, and during the second calendar quarter of 2003 we secured a new supply agreement. Orders received under this agreement have been received on a delayed basis and at lower levels than initially indicated by the procurement affiliate and consequently have resulted in lower activity levels than in comparative prior year periods. New orders received under this agreement during the year ended December 31, 2003 totaled \$25.2 million or 3.9% of total new orders. Net sales to Gazprom were \$22.8 million during the year ended December 31, 2003 as compared to \$56.5 million during the year ended October 31, 2002.

During the Transition Period ended December 31, 2002, we began reporting our operations under a new segment structure. This structure has realigned our operations into four market-focused groups to capture value-creating opportunities around common customers, market orientation, sales channels and common cost opportunities. Having recruited and reassigned new managers to lead these realigned groups in the first quarter, we commenced cascading leadership through these segments with the hiring of several key managers from established growth companies to provide enhanced functional and business expertise.

Following the segment realignment, we started a number of restructuring activities. We have completed the integration of our Acton Research and Integrated Design business units, the integration of AI Qualitek into the Uson business unit and the integration of production operations of our Redlake business unit into other Imaging segment facilities. In addition, we have opened a new production facility in Mexico as a result of which we closed the U.S. production operations of the Dynamco business unit and commenced the movement of manufacturing of certain other Industrial Technology product lines into this facility. We opened a new production facility in China to better serve customers in that growing market. During the third quarter, we completed our relocation of Struers manufacturing, engineering and administrative support activities into a new facility. Final actions to be completed in the first half of 2004 include the move of the U.S. production operations of the Amot Controls business unit to other facilities and a restructuring of the Compressor Controls business unit to adjust to lower levels of Gazprom business. All of these actions are planned to lower costs and enhance margins.

In February 2003, we launched a new motion imaging product line in our Scientific and Industrial Imaging segment. Extensive development of this product line commenced during the second quarter of fiscal 2002 and was completed during February 2003. During the development period our customers deferred ordering our existing products in anticipation of significant benefits from our new technology cameras and systems.

The weakening of the U.S. dollar during fiscal 2003, particularly against the euro, the Danish krone and the British pound, had a mixed impact on our reported results. Without the currency changes, reported net sales and net orders would have been reduced by \$26.2 million and \$25.6 million respectively as compared to the prior calendar year. However, the potentially favorable effects on profits from these currency translation efforts were substantially offset by the impact of selling products in the U.S. that we produced in countries with now increased euro-denominated costs.

#### **Application of Critical Accounting Policies**

Our Consolidated Financial Statements are prepared in conformity with generally accepted accounting principles in the United States, or GAAP. A discussion of our significant accounting policies can also be found in the notes to our Consolidated Financial Statements for the year ended December 31, 2003 included elsewhere in this Annual Report.

GAAP offers acceptable alternative methods for accounting for certain issues affecting our financial results, such as determining inventory cost, depreciating long-lived assets, recognizing revenues and issuing stock options to employees. We have not changed the application of acceptable accounting methods or the significant estimates affecting the application of these principles in the last three years in a manner that had a material effect on our financial statements, except for the adoption of Statement of Financial Accounting Standards, or SFAS, No. 142, "Goodwill and Other Intangible Assets" as discussed below.

The preparation of financial statements in accordance with GAAP requires the use of estimates, assumptions, judgments and interpretations that can affect the reported amounts of assets, liabilities, revenues and expenses, the disclosure of contingent assets and liabilities and other supplemental disclosures.

The development of accounting estimates is the responsibility of our management. Our management discusses those areas that require significant judgments with the audit committee of our board of directors. The audit committee has reviewed all financial disclosures in our annual filings with the SEC. Although we believe the positions we have taken with regard to uncertainties are reasonable, others might reach different conclusions and our positions can change over time as more information becomes available. If an accounting estimate changes, its effects are accounted for prospectively.

Our most significant accounting uncertainties are encountered in the areas of accounts receivable collectibility, inventory utilization, future warranty obligations, revenue recognition (percent of completion), income taxes and goodwill analysis. These issues, except for income taxes, which are not allocated to our business segments, affect each of our business segments. These issues are evaluated primarily using a combination of historical experience, current conditions and relatively short-term forecasting.

Accounts receivable collectibility is based on the economic circumstances of customers and credits given to customers after shipment of products, including in certain cases, credits for returned products. Accounts receivable are regularly reviewed to determine customers who have not paid within agreed upon terms, whether these amounts are consistent with past experiences, what historical experience has been with amounts deemed uncollectible and the impact that current and near-term forecast economic conditions might have on collection efforts in general and with specific customers. The returns and other sales credits histories are analyzed to determine likely future rates for such credits. At December 31, 2003, our allowance for doubtful accounts receivable, sales returns and sales credits was \$4.5 million, or 3% of total gross accounts receivable. This percentage is influenced by the risk profile of the underlying receivables and has remained constant as a percent of sales as compared to the October 31, 2002 levels and the Transition Period ended December 31, 2002.

We regularly compare inventory quantities on hand against anticipated future usage, which we determine as a function of historical usage or forecasts related to specific items in order to evaluate obsolescence and excessive quantities. When we use historical usage, this information is also qualitatively compared to business trends to evaluate the reasonableness of using historical information as an estimate of future usage. Business trends can change rapidly and these events can affect the evaluation of inventory balances. At December 31, 2003, inventory reserves for excess and obsolete inventory were \$23.6 million, or 18% of gross first-in, first-out inventory cost. This percentage has remained constant with both the fiscal year ended October 31, 2002 and the Transition Period ended December 31, 2002.

Most of our sales are covered by warranty provisions that generally provide for the repair or replacement of qualifying defective items for a specified period after the time of sale, typically 12 months. Future warranty obligations are evaluated using, among other factors, historical cost experience, product evolution and customer feedback. At December 31, 2003, the accrual for future warranty obligations was \$5.0 million or 0.6% of annualized fourth quarter fiscal 2003 sales. This calculation is based upon both Roper's and NTGH's annualized fourth quarter 2003 sales. The warranty reserve for the NTGH entities is at a similar level to the existing Roper entities. Our expense for warranty obligations was less than 1% of net sales for each of the twelve month periods ended December 31, 2003, October 31, 2002 and October 31, 2001.

Revenues related to the use of the percentage-of-completion method of accounting are dependent on a comparison of total costs incurred compared with total estimated costs for a project. During the twelve month period ended December 31, 2003, we recognized revenue of approximately \$31.4 million using this method due primarily to two of our businesses carrying out major energy and water/wastewater projects of a turn-key, longer term nature. No material amount of revenue was recognized using this method during the two month period ended December 31, 2002. Approximately \$2.4 million and \$2.3 million of revenue was recognized using this method during the twelve months ended October 31, 2002 and 2001, respectively. At December 31, 2003 approximately \$12.6 million of revenue related to unfinished percentage-of-completion contracts had yet to be recognized. Contracts accounted for under this method are generally not significantly different in profitability from revenues accounted for under other methods.



Income taxes can be affected by estimates of whether and within which jurisdictions future earnings will occur and how and when cash is repatriated to the United States, combined with other aspects of an overall income tax strategy. Additionally, taxing jurisdictions could retroactively disagree with our tax treatment of certain items, and some historical transactions have income tax effects going forward. Accounting rules require these future effects to be evaluated using current laws, rules and regulations, each of which can change at any time and in an unpredictable manner. During fiscal 2003, our effective income tax rate was reduced to 27.5% as compared to 30% for the two month period ended December 31, 2002 and 31% for the twelve month period ended October 31, 2002. The primary reasons for the decline for the current fiscal year are the marginal rate impact in the fourth quarter of fiscal 2003 of certain expenses related to the NTGH acquisition and related financing and the demonstrated ability to avoid repatriation of certain foreign sourced earnings. We are not expecting to incur in 2004 the one-time costs that created this abnormally low tax rate.

We adopted SFAS No. 142 effective November 1, 2001 - the beginning of our fiscal year ended October 31, 2002. The evaluation of goodwill under SFAS 142 requires valuations of each applicable underlying business. These valuations can be significantly affected by estimates of future performance and discount rates over a relatively long period of time, market price valuation multiples and marketplace transactions in related markets. These estimates will likely change over time. Some of our businesses operate in cyclical industries and the valuation of these businesses can be expected to fluctuate as a result of this cyclicity. The transitional business valuation reviews required by SFAS 142 indicated a reduction of the carrying value of goodwill for three business units (Redlake, Petrotech and Dynamco). This goodwill reduction was reported as a change in accounting principle retroactive to the beginning of our fiscal year ended October 31, 2002 and resulted in a transitional charge to earnings of approximately \$26 million. SFAS 142 requires goodwill to be evaluated annually. If this annual review indicates further impairment of goodwill balances, that entire impairment will be recorded immediately and reported as a component of current operations. Our annual reviews undertaken during fiscal 2003 and fiscal 2002 did not indicate that any further impairment to the goodwill balances was necessary. Our acquisitions have generally included a large goodwill component and we expect this to continue with future acquisitions.

Prior to adopting SFAS 142, goodwill was amortized over periods not exceeding 40 years. With the adoption of this standard, goodwill is not amortized. It is periodically reviewed for impairment as discussed above. SFAS 142 does not permit retroactive application to years prior to adoption. Therefore, earnings beginning in fiscal 2002 tend to be higher than earlier periods as a result of this accounting change, except for the effects of any impairment provision on current results. Note 5 to our Consolidated Financial Statements includes a reconciliation comparing earnings of pre-adoption periods to earnings of current periods for those periods presented. Goodwill amortization prior to the adoption of SFAS 142 was largest in the Instrumentation segment. We are unable to conclude whether the likelihood of any impairment charge resulting from subsequent annual reviews is more likely in any business segment compared to another segment.

At December 31, 2003, Roper's total assets included \$711.2 million of goodwill. Goodwill was allocated \$224.0 million to our Instrumentation segment, \$282.8 million to our Industrial Technology segment, \$81.5 million to our Energy Systems and Controls segment and \$122.9 million to our Scientific and Industrial Imaging segment. Total goodwill was allocated to 25 different business units with individual amounts ranging from less than \$1 million to approximately \$202 million.

## Results of Operations

### General

The following tables set forth selected information for the years indicated. Dollar amounts are in thousands and percentages are of net sales.

	12 months ended December 31, 2003	2 months ended December 31, 2002	12 months ended October 31, 2002	12 months ended October 31, 2001
Net sales				
Instrumentation <sup>(1)</sup>	\$ 181,329	\$ 28,390	\$ 175,490	\$ 125,354
Industrial Technology	170,324	21,379	164,160	170,822
Energy Systems and Controls <sup>(2)</sup>	138,968	12,353	126,709	107,043
Scientific and Industrial Imaging	166,735	21,763	151,103	159,736
Total	657,356	83,885	617,462	562,955
Gross profit:				
Instrumentation	58.3%	57.7%	58.6%	58.4%
Industrial Technology	45.6	43.9	46.2	46.8
Energy Systems and Controls	52.8	38.7	59.8	62.8
Scientific and Industrial Imaging	53.6	50.6	52.3	52.8
Total	52.7	49.5	54.1	54.1
Operating profit:				
Instrumentation	17.5%	15.9%	18.7%	20.8%
Industrial Technology	21.2	14.4	22.8	24.0
Energy Systems and Controls	19.0	(21.2)	26.1	26.4
Scientific and Industrial Imaging	16.8	5.6	17.1	19.1
Total	18.6	7.3	20.9	22.4
Goodwill amortization	--	--	--	(2.7)
Corporate administrative expenses	(2.2)	(1.9)	(2.2)	(1.7)
Restructuring charges <sup>(3)</sup>	--	--	--	(0.1)
Income from continuing operations	16.4	5.4	18.7	17.9
Interest expense	(2.5)	(3.5)	(3.0)	(2.8)
Euro debt currency exchange loss	--	--	(0.7)	--
Loss on extinguishment of debt	(3.8)	--	--	--
Other income	--	0.2	0.5	0.7
Income from continuing operations before taxes and change in accounting principle	10.1	2.1	15.6	15.8
Income taxes	(2.8)	(0.6)	(4.8)	(5.6)
Loss on discontinued operations, net of taxes	(0.4)	(0.5)	(0.1)	(0.3)
Goodwill adjustment effective November 1, 2001, net of taxes	--	--	(4.2)	--
Net earnings	6.9%	1.0%	6.5%	9.9%

<sup>(1)</sup>Includes results of Struers and Logitech from September 2001 and several smaller businesses acquired during the years presented.

<sup>(2)</sup>Includes results of Zetec from August 2002 and several smaller businesses acquired during the years presented.

<sup>(3)</sup>Restructuring charges were \$180,000, \$279,000 and \$50,000 in Industrial Technology, Instrumentation, and Scientific and Industrial Imaging, respectively. Restructuring charges in fiscal 2003 (see Note 15 to the Consolidated Financial Statements) in compliance with SFAS 146, are included as a reduction of operating profits in the respective segments.

## Year Ended December 31, 2003 Compared to Year Ended October 31, 2002

Net sales for the twelve months ended December 31, 2003 were \$657.4 million as compared to sales of \$617.5 million for the twelve months ended October 31, 2002, an increase of 6.5%. A significant part of the increase was the full year impact of our fiscal 2002 acquisitions, Zetec, AI Qualitek and QImaging. We had a significant decrease in sales to Gazprom (\$33.7 million or 59.7% decline from the prior period) as a result of the change in their procurement processes noted previously. This significant decline was offset by sales increases in materials analysis equipment and consumables, imaging sales into electron microscopy markets, water/wastewater projects and other oil and gas sector sales.

In our Instrumentation segment, net sales for the twelve months ended December 31, 2003 increased by \$5.8 million or 3.3% over the twelve months ended October 31, 2002. The increase was attributable to the full-year impact of AI Qualitek (acquired in fiscal 2002) and strong results from our European-based Struers operation which was partially offset by continued depressed business conditions in telecommunications markets.

Net sales for our Industrial Technology segment increased by \$6.2 million or 3.8% for the twelve months ended December 31, 2003 over the twelve months ended October 31, 2002. The increase was the result of strength in our industrial pumps companies which experienced increased sales in the larger municipal water/wastewater projects.

In our Energy Systems and Controls segment, net sales for the twelve months ended December 31, 2003 increased by \$12.3 million or 9.7% over the twelve months ended October 31, 2002. The increase was due to the full-year impact of Zetec acquired in fiscal 2002, offset by the expected lower sales levels to Gazprom. We also had improved sales of our machinery vibration sensor equipment in the current twelve month period.

Our Scientific and Industrial Imaging segment reported an increase in net sales of \$15.6 million or 10.3% for the twelve months ended December 31, 2003 over the twelve months ended October 31, 2002. The increase was attributable to both the full-year impact of QImaging acquired in fiscal 2002 and the increased sales for electron microscopy products.

Our overall gross profit percentage was 52.7% for the twelve months ended December 31, 2003 as compared to 54.1% for the twelve months ended October 31, 2002. Instrumentation segment gross margins were roughly flat period over period at 58.3% as compared to 58.6%. Industrial Technology gross margins decreased to 45.6% due to an erosion in part of our industrial valves and controls business that is being addressed by moving production to lower cost environments. Our Energy Systems and Controls segment reported margins of 52.8% in fiscal 2003 as compared to 59.8% in fiscal 2002. A decrease was expected this year from the full year inclusion of Zetec whose gross margins are lower than the segment average. Additionally there were lower margins from the significantly lower levels of Gazprom sales in this segment in the current period. Our Scientific and Industrial Imaging segment gross margins were 53.6% in fiscal 2003 as compared to 52.3% in fiscal 2002 as we experienced a rebound in motion imaging equipment sales and a higher percentage of the segment sales in higher margin product.

Selling, general and administrative (SG&A) expenses increased to 36.2% of net sales for the twelve months ended December 31, 2003 from 35.2% of net sales for the twelve months ended October 31, 2002, primarily from \$5.9 million of restructuring expenses (0.9% of net sales) incurred in the current fiscal year to reduce excess manufacturing capacity, move certain operations to lower-cost locations and reduce fixed costs.

Interest expense decreased \$2.1 million, or 11.5%, for the twelve months ended December 31, 2003 compared to the twelve months ended October 31, 2002, as a result of lower debt levels in the current period. The company used its cash flows generated from operating activities to reduce debt levels prior to the NTGH transaction.

Income taxes were 27.5% of pretax earnings in fiscal 2003 compared to 31% in fiscal 2002. The primary factors for the decrease were the marginal rate impact in the fourth quarter of fiscal 2003 of certain expenses related to the NTGH acquisition and related financing transactions and the demonstrated ability to avoid repatriation of certain foreign sourced earnings.

At December 31, 2003, the functional currencies of our European subsidiaries were stronger against the U.S. dollar compared to currency exchange rates at both October 31, 2002 and December 31, 2002. This strengthening resulted in an increase in the foreign exchange component of comprehensive earnings of \$6.8 million in the two month period ending December 31, 2002 and of \$36.3 million in the twelve month period ending December 31, 2003. Approximately \$33.6 million of these adjustments related to goodwill and are not expected to directly affect our projected future cash flows. Fiscal 2003 operating results also benefited from the stronger non-U.S. currencies. The net benefits were approximately 2% of operating earnings. Foreign exchange differences related to our other non-U.S. subsidiaries were immaterial to fiscal 2003 financial performance.

The following table summarizes our net sales order information for the years ended December 31, 2003 and October 31, 2002 (dollar amounts in thousands).

	2003	2002	change
Instrumentation	\$ 178,255	\$ 168,350	5.9%
Industrial Technology	168,798	161,632	4.4
Energy Systems and Controls	143,933	123,038	17.0
Scientific and Industrial Imaging	154,538	153,349	0.8
	<hr/>	<hr/>	
Total	\$ 645,524	\$ 606,369	6.5%

Instrumentation segment net orders improved due to the full year bookings of AI Qualitek, continued strength for oil and gas desulfurization applications and higher orders for our materials analysis equipment. Industrial Technology segment net orders strengthened over most markets after a soft fiscal 2002. Energy Systems and Controls net orders rose on the strength of a full year of Zetec orders and strength in non-Gazprom oil and gas sectors, offset by significantly lower Gazprom orders. Scientific and Industrial Imaging net orders benefited from the full year of QImaging orders offset by the timing of orders for electron microscopy products (sales increased in the period) and weaker research market demand for high-end digital cameras.

The following table summarizes sales order backlog information at December 31, 2003 and October 31, 2002 (dollar amounts in thousands).

	2003	2002	change
Instrumentation	\$ 17,068	\$ 17,751	-3.8%
Industrial Technology	58,024	24,122	140.5
Energy Systems and Controls	30,989	23,985	29.2
Scientific and Industrial Imaging	42,482	40,732	4.3
	<hr/>	<hr/>	
Total	\$ 148,563	\$ 106,590	39.4%

The increase in backlog was primarily due to the inclusion of the NTGH entities at December 31, 2003. The decline in the Instrumentation segment backlog is the result of continued softness in our telecommunications business.

## Two Months Ended December 31, 2002 Compared to Two Months Ended December 31, 2001

Net sales for the two month period ended December 31, 2002 were \$83.9 million as compared to \$86.9 million in the two month period ended December 31, 2001. This decrease was primarily attributable to lower sales to Gazprom and the absence of motion imaging sales in the Scientific and Industrial Imaging segment, partially offset by the contributions from our fiscal 2002 acquisitions.

In our Instrumentation segment, net sales decreased by 7.2% as compared to the prior-year period primarily as a result of surplus used equipment flooding the weak telecommunications capital equipment markets for our Logitech unit and lower capital spending in the semi-conductor market. Elsewhere softness in oil & gas refinery capital spending offset the benefits of the AI Qualitek acquisition. Gross margins moved from 61.7% in the prior year period to 57.7% in the current period largely from the adverse leverage at our Logitech unit and semi-conductor businesses. SG&A expenses as a percentage of sales were 2.4% higher at 41.8% due to lower sales volume explained above and higher medical insurance expenditures. Overall the segment reported operating profit margins of 15.9% as compared to 22.3% in the prior-year period.

In our Industrial Technology segment, net sales were comparable to the same period in 2001. Gross margins decreased to 43.9% in the period from 45.0% in the prior-year; however, SG&A expenses as a percentage of sales were 1.1% lower at 29.5% offsetting the reduction in gross margin allowing the operating profit margin to remain constant at 14.4%. The lower SG&A expense level is primarily the result of headcount reductions.

Net sales in our Energy Systems & Controls segment increased by 19.5% during the two months ended December 31, 2002 as sales contributed by Zetec and higher control systems sales to oil and gas customers more than offset the lower sales to Gazprom. Gross margins decreased from 40.7% to 38.7% as a result of the adverse sales leverage from the deferred Gazprom sales and the seasonal low sales at Zetec with reduced power generation inspection activity during the peak heating season. This adverse leverage also resulted in an increase in SG&A expenses as a percentage of sales from 48.0% in the prior-year period to 59.9% in the current year period. As a result, operating losses increased from 7.3% in the prior-year period to 21.2%. Management does not anticipate that the confluence of these events giving rise to such operating margins will recur in the future.

Our Scientific & Industrial Imaging segment net sales decreased by 12.0% due primarily to the absence of motion imaging product sales which was partially offset by net sales contributed by the contributions from the QImaging and Definitive Imaging acquisitions. Gross margins decreased from 51.3% in 2002 to 50.6% due to the increased manufacturing costs in the period for TEM imaging equipment. SG&A expenses as a percentage of sales increased to 45.0% in the period from 35.6% in the prior-year period as a result of additional costs associated with the development of the new motion imaging products and additional costs associated with foreign sales subsidiaries. Overall, the segment reported operating profits margins of 5.6% as compared to 15.7% with the bulk of the decline attributable to the repositioning of our motion imaging business.

Corporate expenses decreased by \$1.0 million and reduced as a percentage of sales from 2.9% to 1.9% due primarily to reduced variable compensation costs.

Interest expense held constant at \$2.9 million for the two month period ended December 31, 2002 compared to the two month period ended December 31, 2001, as lower effective interest rates offset increased borrowing levels.

Other income was \$0.2 million in the two month period ended December 31, 2002 as compared to \$0.7 million in the equivalent prior-year period from reduced realized foreign exchange gains.

Income taxes were 30.0% of pretax earnings in the current year period as compared to 35.0% in the equivalent prior-year period principally driven by improved expectations for our utilization of all available foreign income tax credits.

At December 31, 2002, the functional currencies of our European subsidiaries were stronger against the U.S. dollar compared to currency exchange rates at October 31, 2002 and December 31, 2001. This strengthening resulted in a gain of \$6.8 million in the foreign exchange component of comprehensive earnings for the two month period ended December 31, 2002. Approximately \$5.4 million of the total adjustment related to goodwill and is not expected to directly affect our expected future cash flows. Operating results in the two month period also benefited from the weakening of the US dollar, primarily against the euro. The difference between the operating results for these companies for the two month period ending December 31, 2002, translated into U.S. dollars at average currency exchange rates experienced during the two month period and these operating results translated into U.S. dollars at average currency exchange rates experienced during the comparable two month period in 2001 was not material. If the impact of selling European sourced product in the U.S. is also considered, the impact of currency movements was negligible.

Net orders, booked for continuing operations, were \$95.3 million for the period, 8% higher than the same period of 2001 net order intake of \$88.0 million. This increase was due to the additional net orders booked of \$10.6 million from our fiscal 2002 acquisitions, which was somewhat offset by delays in blanket order releases and other industrial market softness for our Industrial Technology segment. Overall, our order backlog at December 31, 2002 increased by \$6.6 million as compared to December 31, 2001. This increase was due to new acquisitions having \$6.9 million in backlog at December 31, 2002, partially offset by softness in the Industrial Technology segment.

	Net orders booked for the two months ended		Order backlog as of	
	December 31, 2002	2001	December 31, 2002	2001
Instrumentation	\$ 29,433	\$ 28,244	\$ 18,873	\$ 22,286
Industrial Technology	22,811	26,604	25,574	31,183
Energy Systems & Controls	14,254	6,824	25,902	18,426
Scientific & Industrial Imaging	28,780	26,371	46,999	38,874
	<u>\$ 95,278</u>	<u>\$ 88,043</u>	<u>\$117,348</u>	<u>\$110,769</u>

## Year Ended October 31, 2002 Compared to Year Ended October 31, 2001

Net sales for fiscal 2002 were \$617.5 million as compared to sales of \$563.0 million in fiscal 2001, an increase of 9.7%. \$87.8 million of the sales increase was attributable to acquisitions during fiscal 2002 (Zetec, QImaging, Duncan Technologies, Definitive Imaging and AI Qualitek) and the full-year impact of acquisitions made during fiscal 2001 (Struers, Logitech, Media Cybernetics and Dynamco). Excluding this impact net sales declined by 2.7%, to \$529.7 million primarily attributable to declines in the semiconductor market and the downturn in oil and gas exploration and certain industrial markets. The impact of these difficult market conditions was somewhat mitigated by a 15% increase in sales to Gazprom and an 8% increase in sales in our fluid properties testing businesses as their products help customers respond to stricter environmental controls regarding sulfur content in petroleum products.

In our Instrumentation segment, fiscal 2002 net sales increased by \$50.1 million or 40% over fiscal 2001. The increase was primarily attributable to a year-on-year sales increase of \$64.6 million from acquisitions (AI Qualitek acquired in fiscal 2002 and the full-year impact of our fiscal 2001 acquisitions Struers and Logitech). Excluding this impact of

acquisitions, net sales declined 0.6% (to \$110.9 million) as a result of severely depressed business conditions in semiconductor markets.

Net sales for our Industrial Technology segment declined by \$6.7 million or 3.9% from fiscal 2001 to fiscal 2002, primarily from weakness in industrial pump and oil & gas exploration markets. The full-year impact of the fiscal 2001 acquisition of Dynamco slightly mitigated this decrease.

In our Energy Systems and Controls segment, net sales increased by \$19.7 million or 18.4% with \$13.1 million of the increase being attributable to the fiscal 2002 acquisition of Zetec. Excluding the impact of Zetec, net sales increased 6.1% (to \$113.6 million) due to gains in sales of oil & gas control system applications, including those sold to Gazprom.

Our Scientific and Industrial Imaging segment reported a decrease in net sales in fiscal 2002 as compared to fiscal 2001 of \$8.6 million or 5.4%. The decrease resulted principally from lower motion product sales due to the pending release of a new generation of products that began shipping during the first quarter of fiscal 2003. Fiscal 2002 acquisitions (QImaging, Definitive Imaging and Duncan Technologies) and the full-year increase of a fiscal 2001 acquisition (Media Cybernetics) mitigated the decline by \$8.8 million. Excluding the impact of these acquisitions net sales declined by 11.1% (to \$139.2 million).

Our overall gross profit percentage was 54.1% in fiscal 2002 and the same as in fiscal 2001. Instrumentation segment gross margins were roughly flat in fiscal 2002 at 58.6% as compared to 58.4% in fiscal 2001. Industrial Technology gross margins decreased to 46.2% in fiscal 2002 as compared to 46.8% in fiscal 2001 as a result of adverse volume leverage in our industrial pumps businesses. Our Energy Systems and Controls segment reported margins of 59.8% in fiscal 2002 as compared to 62.8% in fiscal 2001, attributable to lower gross margins at Zetec as compared to the segment average. Our Scientific and Industrial Imaging segments gross margins were 52.3% in fiscal 2002 as compared to 52.8% in fiscal 2001 as margins declined for motion imaging equipment with the significant reduction in sales.

Excluding the effects from the accounting changes related to goodwill and the related amortization charges expensed in fiscal 2001 of \$15.3 million, selling, general & administrative ("SG&A") expenses increased to 35.2% of net sales in fiscal 2002 from 33.5% of net sales in fiscal 2001. This increase is attributable to higher SG&A expense levels at newly acquired businesses. SG&A expenses for companies included in all of both 2002 and 2001 declined 2% in 2002 despite significantly increased R&D and other engineering expenses in our Scientific and Industrial Imaging segment, most notably Redlake MASD. There was also an increase in corporate SG&A due primarily to an increase in medical insurance costs and salaries and related employee relocation costs. As a percentage of net sales, SG&A expenses also increased in 2002 compared to 2001 for each of our four business segments by between 1% and 2%.

Interest expense increased \$2.6 million, or 16%, for the year ended October 31, 2002 compared to the year ended October 31, 2001. Average borrowing levels were approximately 36% higher during fiscal 2002 compared to the prior year due to acquisitions and effective interest rates were approximately 14% lower during fiscal 2002 compared to fiscal 2001.

A euro debt foreign exchange loss of \$4.1 million arose from euro-denominated debt that was carried in the U.S. and the strengthening of the euro against the U.S. dollar during the third quarter of fiscal 2002. This debt matured near July 31, 2002 and was replaced with U.S. dollar denominated debt.

Income taxes were 31% of pretax earnings in fiscal 2002 compared to 35% in fiscal 2001. Two of the key factors related to the reduced rate were the change in accounting for goodwill amortization and our expected utilization of all available foreign income tax credits associated with European tax structures.

During fiscal 2002, we completed a transition review for goodwill impairment under SFAS 142 as of November 1, 2001. This review initially compared the fair value of each previously acquired reporting unit to its carrying value. If an impairment was indicated, the amount was then determined by comparing the implied fair value of goodwill to its carrying amount. This impairment was reported as a change in accounting principle, was a non-cash charge and was related to the Redlake, Petrotech and Dynamco units.

At October 31, 2002, the functional currencies of our European subsidiaries were stronger against the U.S. dollar compared to currency exchange rates at October 31, 2001. This strengthening resulted in a gain of \$13.7 million in the foreign exchange component of comprehensive earnings for fiscal 2002. Approximately \$11 million of this adjustment related to goodwill and is not expected to directly affect our expected future cash flows. Fiscal 2002's operating results also benefited slightly from the stronger non-U.S. currencies. The benefits were less than 2% of operating earnings. Foreign exchange differences related to our other non-U.S. subsidiaries were immaterial to fiscal 2002's financial information.

The following table summarizes our net sales order information for the years ended October 31 (dollar amounts in thousands).

	2002	2001	change
Instrumentation	\$ 168,350	\$ 118,481	42%
Industrial Technology	161,632	171,550	-6
Energy Systems and Controls	123,038	119,137	3
Scientific and Industrial Imaging	153,349	157,096	-2
Total	<u>\$ 606,369</u>	<u>\$ 566,264</u>	7%

Instrumentation segment net orders improved due largely to 2001 and 2002 acquisitions and higher orders for oil and gas desulfurization applications, offset somewhat by lower orders for semiconductor capital equipment markets. Industrial Technology segment net orders declined on weak industrial and oil and gas exploration markets. Energy Systems and Controls net orders rose because of higher demand for the Company's turbomachinery control systems, as well as the 2002 acquisition of Zetec, with the year-to-year comparison adversely affected by a \$20 million supplemental order from Gazprom in 2001. Scientific and Industrial Imaging net orders fell as the benefit from 2002 and 2001 acquisitions was more than offset by weak semiconductor markets and lower motion imaging product activity.

The following table summarizes sales order backlog information at October 31 (dollar amounts in thousands).

	2002	2001	change
Instrumentation	\$ 17,751	\$ 25,155	29%
Industrial Technology	24,122	26,608	-9
Energy Systems and Controls	23,985	21,928	9
Scientific and Industrial Imaging	40,732	38,100	7
Total	<u>\$ 106,590</u>	<u>\$ 111,791</u>	-5%

A significant impact on the decreased sales order backlog at October 31, 2002 compared to October 31, 2001 was the \$11.5 million residual one-time supplemental Gazprom order which is included in the prior year backlog for Energy Systems and Controls. Excluding this order, total Company backlog increased 6% from \$100.3 million to \$106.6 million. Declines in Instrumentation and Industrial Technology were attributable to weak semiconductor and oil exploration markets, respectively.

### Financial Condition, Liquidity and Capital Resources

Net cash provided by operating activities was \$71.3 million for the twelve months ended December 31, 2003, \$86.8 million for the twelve months ended October 31, 2002 and \$102.4 million for the twelve months ended October 31, 2001. Excluding the one time write-off of debt extinguishment costs related to the recapitalization of the Company of \$24.4 million, net cash provided by operating activities in fiscal 2003 was \$95.7 million, an increase of \$8.9 million over fiscal 2002. This increase reflected stronger earnings from operations and reduced inventories. Most of the decrease in fiscal 2002 compared to fiscal 2001 was attributed to the one-time supplemental order for Gazprom, partially offset by

improved cash generation from assets. We expect our net cash provided by operating activities for fiscal 2004 to be higher than the levels experienced in the prior three fiscal years due to the NTGH acquisition completed on December 29, 2003. Cash flows used in investing activities during each of fiscal 2003, 2002, and 2001 were primarily business acquisition costs. Cash flows from financing activities during each of these years were largely the borrowing activities associated with the business acquisitions and the debt reductions from our other net positive cash flows. Financing activities in fiscal 2003 also included replacing our existing \$275 million credit agreement and \$125 million senior notes with our current \$625 million credit agreement and \$230 million senior subordinated convertible notes.

Net working capital (current assets, excluding cash, less total current liabilities, excluding debt) was \$170.4 million at December 31, 2003 compared to \$126.7 million at October 31, 2002. We acquired approximately \$70.2 million of net current assets through business acquisitions during fiscal 2003. Total debt was \$651.1 million at December 31, 2003 (49.8% of total capital) compared to \$332.1 million at October 31, 2002 (47% of total capital). Our increased debt at December 31, 2003 compared to October 31, 2002 was due to borrowings incurred at the end of the current fiscal year to fund the NTGH acquisition and replace the previous credit agreement and senior notes.

Our principal \$625 million credit facility with a group of banks and our \$230 million senior subordinated convertible notes will provide most of our daily external financing requirements. The credit facility consists of a \$400 million term loan with a five year maturity and a \$225 million revolving loan with a three year maturity. Our senior subordinated convertible notes are due in 2034. At December 31, 2003, our debt consisted of the \$230 million in senior subordinated convertible notes, a \$400 million term loan and \$20 million drawn against the revolver. The Company also had \$14.5 million of outstanding letters of credit at December 31, 2003. We expect that our available additional borrowing capacity combined with the cash flows expected to be generated from existing business will be sufficient to fund normal operating requirements and finance some additional acquisitions. Additionally, on January 6, 2004 we received approximately \$30 million from the exercise of the underwriters' overallotment in connection with our public offering of common shares. We also have several smaller facilities that allow for borrowings or the issuance of letters of credit in various foreign locations to support our non-U.S. businesses. In total, these smaller facilities do not represent a significant source of credit for us.

We were in compliance with all debt covenants related to our credit facilities throughout the year ended December 31, 2003.

Capital expenditures of \$10.4 million, \$7.7 million and \$7.4 million were incurred during fiscal 2003, 2002 and 2001, respectively. We expect capital expenditures in fiscal 2004 to be slightly higher as a percentage of sales due to the current higher capital expenditure requirements of the newly acquired Neptune Technology business.

In November 2003, Roper's Board of Directors increased the quarterly cash dividend paid on our outstanding common stock to \$0.09625 per share from \$0.0875 per share, an increase of 10%. This represents the eleventh consecutive year in which the quarterly dividend has been increased since Roper's 1992 initial public offering. Our board of directors has declared a dividend payable on January 31, 2004. Payment of any additional dividends requires further action by the board of directors.

## Description of Certain Indebtedness

### New Senior Secured Credit Facility

Concurrently with the closing of the NTGH acquisition and the common stock and debt offerings in December 2003, we entered into a new \$625 million senior secured credit facility. The new credit facility consists of a five-year \$400 million term loan and a three-year \$225 million revolving loan.

Our new credit facility requires us to prepay our term loan and, in certain cases, reduce our commitments under our revolving loan, upon the receipt of certain proceeds, including from certain asset sales, the incurrence of certain debt, and up to 75% of our excess cash flows, unless we meet a consolidated senior leverage ratio test. We are also required to make quarterly principal payments on the term loans.

The facility contains various affirmative and negative covenants which, among other things, limit our ability to incur new debt, prepay subordinated debt, make certain investments and acquisitions, sell assets and grant liens, make restricted payments (including the payment of dividends on our common stock) and capital expenditures, or change our line of business. We also are subject to financial covenants which require us to limit our consolidated total leverage ratio and consolidated senior leverage ratio and to maintain a consolidated interest coverage ratio.

### Senior Subordinated Convertible Notes

In December 2003, we also issued \$230 million of senior subordinated convertible notes at an original issue discount of 60.498%, resulting in an effective yield of 3.75% per year to maturity. Interest on the notes is payable semiannually, beginning July 15, 2004, until January 15, 2009. After that date, we will not pay cash interest on the notes prior to maturity unless contingent cash interest becomes payable. Instead, after January 15, 2009, interest will be recognized at the effective rate of 3.75% and will represent accrual of original issue discount, excluding any contingent cash interest that may become payable. We will pay contingent cash interest to the holders of the notes during any six month period commencing after January 15, 2009 if the average trading price of a note for a five trading day measurement period preceding the applicable six month period equals 120% or more of the sum of the issue price, accrued original issue discount and accrued cash interest, if any, for such note. The contingent cash interest payable per note in respect of any six month period will equal the annual rate of 0.25%.

The notes are unsecured senior subordinated obligations, rank junior to our existing and future senior indebtedness and rank equally with our existing and future senior subordinated indebtedness.

Each \$1,000 principal amount of the notes will be convertible at the option of the holder into 6.211 shares of our common stock (subject to adjustment), if (i) the sale price of our common stock reaches, or the trading price of the notes falls below, specified thresholds, (ii) if the notes are called for redemption or (iii) if specified corporate transactions have occurred. Upon conversion, we will have the right to deliver, in lieu of common stock, cash or a combination of cash and common stock.

Holders may require us to purchase all or a portion of their notes on January 15, 2009, January 15, 2014, January 15, 2019, January 15, 2024, and January 15, 2029, at stated prices plus accrued cash interest, if any, including contingent cash interest, if any. We may only pay the purchase price of such notes in cash and not in common stock.

We may redeem for cash all or a portion of the notes for cash at any time on or after January 15, 2009 at redemption prices equal to the sum of the issue price plus accrued original issue discount and accrued cash interest, if any, including contingent cash interest, if any, on such notes to the applicable redemption date.

## Contractual Cash Obligations and Other Commercial Commitments and Contingencies

The following table quantifies our contractual cash obligations and commercial commitments at December 31, 2003 (dollars in thousands).

Contractual Cash Obligations	Total	Payments Due in Fiscal					
		2004	2005	2006	2007	2008	Thereafter
Long-term debt	\$651,109	\$ 21,109	\$ 20,000	\$ 60,000	\$ 40,000	\$280,000	\$230,000
Operating Leases	62,300	11,800	9,700	7,100	5,300	4,500	23,900
Total	\$713,409	\$ 32,909	\$ 29,700	\$ 67,100	\$ 45,300	\$284,500	\$253,900

Amounts Expiring in Fiscal

## Other Commercial Commitments

	Total Amount Committed	2004	2005	2006	2007	2008	Thereafter
Standby letters of credit and bank guarantees	\$ 14,546	\$ 5,316	\$ 9,200	\$ 30	-	-	-

At December 31, 2003 and October 31, 2002, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

We believe that internally generated cash flows and the remaining availability under our various credit facilities will be adequate to finance normal operating requirements and further acquisition activities. Although we maintain an active acquisition program, any further acquisitions will be dependent on numerous factors and it is not feasible to reasonably estimate if or when any such acquisitions will occur and what the impact will be on our activities, financial condition and results of operations. We may also explore alternatives to attract additional capital resources.

We anticipate that our recently acquired companies as well as our other companies will generate positive cash flows from operating activities, and that these cash flows will permit the reduction of currently outstanding debt at a high rate. However, the rate at which we can reduce our debt during fiscal 2004 (and reduce the associated interest expense) will be affected by, among other things, the financing and operating requirements of any new acquisitions and the financial performance of our existing companies; and none of these factors can be predicted with certainty.

## Recently Issued Accounting Standards

The Company adopted Statement of Accounting Financial Standard, SFAS No. 143 - "Accounting for Asset Retirement Obligations" as of November 1, 2002. There was no material impact to the company related to this new statement.

The Company adopted FASB Interpretation No. 45 - "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" as of January 1, 2003. This Interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company has no new guarantees after December 31, 2002 requiring the measurement provisions of this Interpretation.

In January 2003, the FASB issued FASB Interpretation No. 46("FIN 46"), "Consolidation of Variable Interest Entities." An entity is subject to the consolidation rules of FIN 46 and is referred to as a variable interest entity ("VIE") if the entity's equity investors lack the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its operations without additional financial support. FIN 46 applies immediately to all VIEs created after January 31, 2003 and is effective as of December 31, 2003 for any VIEs deemed to be special purpose entities ("SPEs") created prior to February 1, 2003. The FASB issued a revision to FIN 46 ("FIN 46-R") in December 2003. FIN 46-R is effective for the interim period ending March 31, 2004 for all new or existing VIEs. The Company is not required to adopt FIN 46 since it has no SPEs. The Company will implement the provisions of FIN 46-R in the first quarter of fiscal year 2004, and is evaluating the effect this Interpretation will have on the Company's financial statements.

The FASB issued SFAS No. 148 - "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123" which provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends certain disclosure requirements of Statement 123. Currently, Roper has chosen not to adopt the accounting provisions of SFAS 123; however, as permitted by SFAS 123, the Company continues to apply intrinsic value accounting for its stock option plans under Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees."

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," which amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, with some exceptions for hedging relationships designated after June 30, 2003. The adoption of SFAS 149 on July 1, 2003 had no impact on the consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," which modifies the accounting for certain financial instruments. SFAS No. 150 requires that these financial instruments be classified as liabilities and applied immediately for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 on July 1, 2003 had no impact on the consolidated financial statements.

In December 2003, the FASB revised SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." The new SFAS No. 132 requires additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans, of which certain disclosures are not required until 2004. The Company has adopted the disclosure requirements that were effective for 2003.

In January 2004, the FASB issued FASB Staff Position No. FAS 106-1 ("FSP 106-1") "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which provides temporary guidance concerning the recently enacted Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," requires presently enacted changes in laws that will take effect in future periods to be taken into account in measuring current period postretirement benefit cost and the accumulated projected benefit obligation ("APBO"). FSP 106-1 allows companies that sponsor affected postretirement benefit plans to elect to defer recognizing the effects of the Act on postretirement benefit expense and on the APBO pursuant to SFAS No. 106. The Company has elected to defer accounting for the effects of the Act until 2004.

In November 2002, the EITF issued a final consensus on EITF Issue No. 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables," which addresses how to account for arrangements that may involve the delivery or performance of multiple products, services, and/or rights to use assets. EITF Issue No. 00-21 is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. Companies may also elect to apply the provisions of EITF Issue No. 00-21 to existing arrangements and record the income statement impact as the cumulative effect of a change in accounting principle. The Company has adopted EITF Issue No. 00-21 prospectively for contracts beginning after June 30, 2003.

In December 2003, the SEC issued Staff Accounting Bulletin No. 104, "Revenue Recognition," which clarifies existing SEC guidance regarding revenues for contracts that contain multiple deliverables to make it consistent with EITF Issue No. 00-21. The adoption of SAB 104 did not have a material effect on the Company's financial position, operations, or cash flows.

## Information About Forward Looking Statements

This Annual Report includes and incorporates by reference "forward-looking statements" within the meaning of the federal securities laws. In addition, we, or our executive officers on our behalf, may from time to time make forward-looking statements in reports and other documents we file with the SEC or in connection with oral statements made to the press, potential investors or others. All statements that are not historical facts are "forward-looking statements." The words "estimate," "project," "intend," "expect," "believe," "anticipate," and similar expressions identify forward-looking statements. These forward-looking statements include statements regarding our expected financial position, business,

financing plans, business strategy, business prospects, revenues, working capital, liquidity, capital needs, interest costs and income, in each case relating to our company as a whole, as well as statements regarding acquisitions, potential acquisitions and the benefits of acquisitions, including with respect to the NTGH acquisition.

Forward-looking statements are estimates and projections reflecting our best judgment and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Examples of forward looking statements in this report include but are not limited to our expectations regarding our ability to generate operating cash flows and reduce debt and associated interest expense and our expectations regarding growth through acquisitions. Important assumptions relating to the forward-looking statements include, among others, assumptions regarding demand for our products, the cost, timing and success of product upgrades and new product introductions, raw materials costs, expected pricing levels, the timing and cost of expected capital expenditures, expected outcomes of pending litigation, competitive conditions, general economic conditions and expected synergies relating to acquisitions, joint ventures and alliances. These assumptions could prove inaccurate. Although we believe that the estimates and projections reflected in the forward-looking statements are reasonable, our expectations may prove to be incorrect. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include:

- our ability to integrate the NTGH acquisition businesses into our operations;
- any unforeseen liabilities associated with the NTGH businesses or future acquisitions;
- limitations on our business imposed by our indebtedness;
- reductions in our business with Gazprom;
- the success of our restructuring activities in reducing costs;
- unfavorable changes in foreign exchange rates;
- difficulties associated with exports;
- risks and costs associated with our international sales and operations;
- difficulty making acquisitions and successfully integrating acquired businesses;
- increased product liability and insurance costs;
- increased directors and officers liability and other insurance costs;
- product liability and insurance risks;
- increased warranty exposure;
- future competition;
- the cyclical nature of our markets;
- changes in the supply of, or price for, parts and components;
- environmental compliance costs and liabilities;
- risks and costs associated with asbestos-related litigation;
- potential write-offs of our substantial intangible assets;
- our ability to successfully develop new products;
- failure to protect our technology;
- trade tariffs that may be applied due to the U.S. government's delay in complying with certain WTO directives;
- terrorist attacks;
- future health crises; and
- the factors discussed in Exhibit 99.1 to this Annual Report under the heading "Risk Factors."

We believe these forward-looking statements are reasonable. However, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Further, forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events.

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## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risks on our outstanding borrowings, and we are exposed to foreign currency exchange risks on our transactions denominated in currencies other than the U.S. dollar. We are also exposed to equity market risks pertaining to the traded price of our common stock.

At December 31, 2003 we had a combination of fixed-rate borrowings (primarily our \$230 million senior subordinated convertible notes) and relatively variable rate borrowings under the \$625 million credit facility. Our \$400 million 5-year term note under this credit facility was variable at a spread over LIBOR. Any borrowings under the \$225 million revolver have a fixed rate, but the terms of these individual borrowings are generally only 1-3 months. Subsequent to year end, we fixed the interest rate at 4.108% on \$100 million of the term note for a period of two years. At December 31, 2003, there was no material difference between prevailing market rates and the fixed rate on our debt instruments.

At December 31, 2003, Roper's outstanding variable-rate borrowings under the \$625 million credit facility were \$420 million. An increase in interest rates of 1% would increase our annualized interest costs by \$3.2 million.

Several Roper companies have transactions and balances denominated in currencies other than the U.S. dollar. Most of these transactions or balances are denominated in euros, British pounds, Danish krone or Japanese yen. Sales by companies whose functional currency was not the U.S. dollar were 27% of our total sales and 77% of these sales were by companies with a European functional currency. The U.S. dollar weakened against these European currencies during fiscal 2003 and was relatively stable compared to other currencies. The difference between fiscal 2003's operating results for these companies translated into U.S. dollars at average currency exchange rates experienced during fiscal 2003 and these operating results translated into U.S. dollars at average currency exchange rates experienced during fiscal 2002 was not material. If these currency exchange rates had been 10% different throughout fiscal 2003 compared to currency exchange rates actually experienced, the impact on our expected net earnings would have been approximately \$1.4 million.

The changes in these currency exchange rates relative to the U.S. dollar during fiscal 2003 compared to currency exchange rates at October 31, 2002 resulted in an increase in net assets of \$43.0 million that was reported as a component of comprehensive earnings, \$33.6 million of which was attributed to goodwill. Goodwill changes from currency exchange rate changes do not directly affect our reported earnings or cash flows.

The trading price of Roper's common stock influences the valuation of stock option grants and the effects these grants have on pro forma earnings disclosed in our financial statements. The stock prices also influence the computation of the dilutive effect of outstanding stock options to determine diluted earnings per share. The stock price also affects our employees' perceptions of various programs that involve our common stock. We believe the quantification of the effects of these changing prices on our future earnings and cash flows is not readily determinable.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data required by this item begin at page F-1.

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**REPORT OF INDEPENDENT AUDITORS**

To the Shareholders  
of Roper Industries, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Roper Industries, Inc. and its subsidiaries at December 31, 2003 and December 31, 2002, and the results of their operations and their cash flows for the twelve month periods ended December 31, 2003, October 31, 2002 and October 31, 2001 and the two month period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, Roper Industries, Inc. changed the manner in which it accounts for goodwill and other intangible assets as of November 1, 2001.

PricewaterhouseCoopers LLP  
Atlanta, Georgia

March 11, 2004

**ROPER INDUSTRIES, INC. AND SUBSIDIARIES**

CONSOLIDATED BALANCE SHEETS  
December 31, 2003 and 2002

(in thousands, except per share data)

	<u>2003</u>	<u>2002</u>
Assets		
Cash and cash equivalents	\$ 70,234	\$ 15,270
Accounts receivable, net	150,856	117,984
Inventories	107,082	92,681
Deferred taxes	33,314	12,066
Other current assets	19,706	4,451
Assets held for sale	-	5,113
	<u>381,192</u>	<u>247,565</u>
Total current assets		
Property, plant and equipment, net	78,461	50,410
Goodwill	711,158	464,664
Other intangible assets, net	298,669	37,253
Deferred taxes	6,034	6,252
Other assets	39,481	18,822
	<u>\$ 1,514,995</u>	<u>\$ 824,966</u>
Total assets		
Liabilities and Stockholders' Equity		
Accounts payable	\$ 45,412	\$ 28,380



Accrued liabilities	93,523	60,924
Liabilities related to assets held for sale	-	2,477
Income taxes payable	-	7,563
Deferred taxes	1,639	1,083
Current portion of long-term debt	20,923	20,917
<b>Total current liabilities</b>	<b>161,497</b>	<b>121,344</b>
Long-term debt	630,186	308,684
Deferred taxes	50,187	2,078
Other liabilities	17,344	11,879
<b>Total liabilities</b>	<b>859,214</b>	<b>443,985</b>
Stockholders' equity:		
Preferred stock, \$0.01 par value per share; 1,000 shares authorized; none outstanding	-	-
Common stock, \$0.01 par value per share; 80,000 shares authorized; 37,226 shares issued and 36,042 outstanding at December 31, 2003 and 32,600 shares issued and 31,370 outstanding at December 31, 2002	372	326
Additional paid-in capital	293,402	89,264
Retained earnings	336,520	303,101
Accumulated other comprehensive earnings	48,989	12,692
Treasury stock 1,184 shares at December 31, 2003 and 1,230 shares at December 31, 2002	(23,502)	(24,402)
<b>Total stockholders' equity</b>	<b>655,781</b>	<b>380,981</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,514,995</b>	<b>\$ 824,966</b>

See accompanying notes to consolidated financial statements.

ROPER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

12 months ended December 31, 2003, 2 months ended December 31, 2002,  
and the 12 months ended October 31, 2002, and 2001  
(Dollar and share amounts in thousands, except per share data)

	12 months ended December 31, 2003	2 months ended December 31, 2002	12 months ended October 31, 2002	12 months ended October 31, 2001
Net sales	\$ 657,356	\$ 83,885	\$ 617,462	\$ 562,955
Cost of sales	311,218	42,320	283,707	258,205
Gross profit	346,138	41,565	333,755	304,750
Selling, general and administrative expenses	238,038	36,997	218,210	203,884
Income from operations	108,100	4,568	115,545	100,866
Interest expense	16,384	2,978	18,506	15,917
Euro debt currency exchange loss	-	-	4,093	-
Loss on extinguishment of debt	25,054	-	-	-
Other income (expense)	(372)	179	3,381	3,916
Earnings from continuing operations before income taxes and change in accounting principle	66,290	1,769	96,327	88,865
Income taxes	18,229	529	29,889	31,450
Earnings from continuing operations before change in accounting principle	48,061	1,240	66,438	57,415
Loss from discontinued operations, net of taxes	2,822	387	415	1,576
Goodwill impairment, net of taxes of \$11,130	-	-	(25,970)	-
Net earnings	\$ 45,239	\$ 853	\$ 40,053	\$ 55,839
Earnings per share:				
Basic:				
Earnings from continuing operations before change in accounting principle	\$ 1.52	\$ 0.04	\$ 2.13	\$ 1.87
Loss from discontinued operations	(.09)	(.01)	(.01)	(.05)
Goodwill adjustment effective November 1, 2001	-	-	(0.84)	-
Net earnings	\$ 1.43	\$ 0.03	\$ 1.28	\$ 1.82
Diluted:				
Earnings from continuing operations before change in accounting principle	\$ 1.50	\$ 0.04	\$ 2.09	\$ 1.82
Loss from discontinued operations	(.09)	(.01)	(.01)	(.05)
Goodwill adjustment effective November 1, 2001	-	-	(0.82)	-
Net earnings	\$ 1.41	\$ 0.03	\$ 1.26	\$ 1.77

Weighted average common shares outstanding:

Basic	31,575	31,356	31,210	30,758
Diluted	31,992	31,854	31,815	31,493

See accompanying notes to consolidated financial statements.

ROPER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE EARNINGS  
12 months ended December 31, 2003, 2 months ended December 31, 2002, and the 12 months ended October 31, 2002, and 2001  
(in thousands, except per share data)

	Common Stock		Additional paid-in capital	Unearned compensation on restricted stock grants	Retained earnings	Accumulated other comprehensive earnings	Treasury stock	Total stockholders equity	Comprehensive earnings
	Shares	Amount							
Balances at October 31, 2000	30,599	\$ 319	\$ 75,117	\$ -	\$ 228,652	\$ (8,913)	\$(24,984)	\$ 270,191	\$ 42,537
Net earnings	-	-	-	-	55,839	-	-	55,839	\$ 55,839
Stock option transactions	272	2	5,293	-	-	-	-	5,295	-
Treasury stock sold	8	-	100	-	-	-	157	257	-
Currency translation adjustments	-	-	-	-	-	1,156	-	1,156	1,156
Dividends declared (\$0.30 per share)	-	-	-	-	(9,232)	-	-	(9,232)	-
Balances at October 31, 2001	30,879	321	80,510	-	275,259	(7,757)	(24,827)	323,506	\$ 56,995
Net earnings	-	-	-	-	40,053	-	-	40,053	\$ 40,053
Stock option transactions	462	5	8,096	-	-	-	-	8,101	-
Incentive bonus plan transactions	11	-	325	-	-	-	210	535	-
Treasury stock sold	11	-	222	-	-	-	215	437	-
Currency translation adjustments	-	-	-	-	-	13,697	-	13,697	13,697
Dividends declared (\$0.33 per share)	-	-	-	-	(10,317)	-	-	(10,317)	-
Balances at October 31, 2002	31,363	326	89,153	-	304,995	5,940	(24,402)	376,012	\$ 53,750
Net earnings	-	-	-	-	853	-	-	853	\$ 853
Stock option transactions	7	-	111	-	-	-	-	111	-
Treasury stock sold	-	-	-	-	-	-	-	-	-
Currency translation adjustments	-	-	-	-	-	6,752	-	6,752	6,752
Dividends declared (\$0.0875 per share)	-	-	-	-	(2,747)	-	-	(2,747)	-
Balances at December 31, 2002	31,370	326	89,264	-	303,101	12,692	(24,402)	380,981	\$ 7,605
Net earnings	-	-	-	-	45,239	-	-	45,239	\$ 45,239
Stock option transactions	427	4	8,733	-	-	-	-	8,737	-
Treasury stock sold	11	-	147	-	-	-	226	373	-
Currency translation adjustments	-	-	-	-	-	36,297	-	36,297	36,297
Restricted Stock Grants	-	-	475	(59)	-	-	-	416	-
Stock issued in DAP Canada purchase	34	958	-	-	-	674	1,632	-	-
Secondary stock offering	4,200	42	191,518	-	-	-	-	191,560	-
Stock option tax benefit	-	2,366	-	-	-	-	2,366	-	-
Dividends declared (\$0.35875 per share)	-	-	-	-	(11,820)	-	-	(11,820)	-
Balances at December 31, 2003	36,042	\$ 372	\$ 293,461	\$ (59)	\$ 336,520	\$ 48,989	\$(23,502)	\$ 655,781	\$ 81,536

See accompanying notes to consolidated financial statements.

ROPER INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
12 months ended December 31, 2003, 2 months ended December 31, 2002, and the 12 months ended October 31, 2002, and 2001  
(in thousands)

	12 months ended December 31, 2003		2 months ended December 31, 2002		12 months ended October 31, 2002		2001	
Cash flows from operating activities:								
Net earnings	\$	45,239	\$	853	\$	40,053	\$	55,839
Adjustments to reconcile net earnings to net cash flows from operating activities:								
Depreciation and amortization of property, plant and equipment		11,540		1,943		11,600		9,838
Amortization of intangible assets		4,838		677		3,731		16,871
Goodwill transitional impairment, net of tax		-		-		25,970		-
Changes in operating assets and liabilities, net of acquired businesses:								
Accounts receivable		(16,193)		16,395		5,499		7,027

Inventories	5,300	(3,657)	10,557	4,466
Accounts payable and accrued liabilities	4,222	(14,722)	(4,407)	7,628
Income taxes payable	(1,873)	(311)	6,723	1,725
Note receivable - supplier financing	15,279	5,093	(11,710)	(8,451)
Other, net	2,941	1,110	(1,258)	7,496
	<u>71,293</u>	<u>7,381</u>	<u>86,758</u>	<u>102,439</u>
Cash provided by operating activities				
Cash flows from investing activities:				
Acquisitions of businesses, net of cash acquired	(492,510)	-	(82,813)	(170,180)
Capital expenditures	(10,422)	(658)	(7,738)	(7,432)
Other, net	(4,664)	(396)	(1,871)	906
	<u>(507,596)</u>	<u>(1,054)</u>	<u>(92,422)</u>	<u>(176,706)</u>
Cash used in investing activities				
Cash flows from financing activities:				
Proceeds from notes payable and long-term debt	940,825	-	76,621	146,125
Principal payments on notes payable and long-term debt	(641,988)	(4,185)	(74,363)	(62,815)
Cash dividends to stockholders	(11,738)	-	(10,317)	(9,232)
Issuance of common stock	191,560	-	-	-
Treasury stock sales	230	-	972	257
Proceeds from stock option exercises, net	9,130	114	7,867	4,531
	<u>488,019</u>	<u>(4,071)</u>	<u>780</u>	<u>78,866</u>
Cash provided by/(used in) financing activities				
Effect of exchange rate changes on cash	3,248	592	887	239
Net increase (decrease) in cash and cash equivalents	54,964	2,848	(3,997)	4,838
Cash and cash equivalents, beginning of year	15,270	12,422	16,419	11,581
	<u>\$ 70,234</u>	<u>\$ 15,270</u>	<u>\$ 12,422</u>	<u>\$ 16,419</u>
Cash and cash equivalents, end of year				
Supplemental disclosures:				
Cash paid for:				
Interest	\$ 17,827	\$ 5,967	\$ 18,695	\$ 16,102
	<u>\$ 17,827</u>	<u>\$ 5,967</u>	<u>\$ 18,695</u>	<u>\$ 16,102</u>
Income taxes, net of refunds received	\$ 24,186	\$ 644	\$ 22,940	\$ 28,875
	<u>\$ 24,186</u>	<u>\$ 644</u>	<u>\$ 22,940</u>	<u>\$ 28,875</u>
Noncash investing activities:				
Net assets of businesses acquired:				
Fair value of assets, including goodwill	\$ 575,394	\$ -	\$ 92,660	\$ 184,158
Liabilities assumed	(82,884)	\$ -	(9,847)	(13,978)
	<u>\$ 492,510</u>	<u>\$ -</u>	<u>\$ 82,813</u>	<u>\$ 170,180</u>
Cash paid, net of cash acquired				

See accompanying notes to consolidated financial statements.

## ROPER INDUSTRIES, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
12 months ended December 31, 2003, 2 months ended December 31, 2002,  
and the 12 months ended October 31, 2002, and 2001

### (1) Summary of Accounting Policies

**Basis of Presentation** - These financial statements present consolidated information for Roper Industries, Inc. and its subsidiaries ("Roper" or the "Company"). All significant intercompany accounts and transactions have been eliminated.

**Reclassifications** - - Certain reclassifications of prior year information were made to conform with the current presentation.

**Nature of the Business** - Roper is a diversified industrial company that designs, manufactures and distributes energy systems and controls, scientific and industrial imaging products and software, industrial technology products and instrumentation products and services. These products and services are marketed to selected segments of a broad range of markets including water and wastewater, oil and gas, research, power generation, medical, semiconductor, refrigeration, automotive and general industry.

**Discontinued Operations** - During the first quarter of the fiscal year ended October 31, 2003, the Company decided to offer for sale the Petrotech operation. The accompanying financial statements have been restated to conform to discontinued operations treatment for all periods presented. See footnote 16 for additional disclosure.

**Accounts Receivable** - Accounts receivable were stated net of an allowance for doubtful accounts of \$4,498,000 and \$3,829,000 at December 31, 2003 and 2002, respectively. Outstanding accounts receivable balances are reviewed periodically, and allowances are provided at such time that management believes reasonable doubt exists that such balances will be collected within a reasonable period of time.

**Cash and Cash Equivalents** - Roper considers highly liquid financial instruments with remaining maturities at acquisition of three months or less to be cash equivalents. At December 31, 2003 and 2002, Roper had no cash equivalents.

**Earnings per Share** - Basic earnings per share were calculated using net earnings and the weighted average number of shares of common stock outstanding during the respective year. Diluted earnings per share were calculated using net earnings and the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the respective year. Common stock equivalents consisted of stock options, and the effects of common stock equivalents were determined using the treasury stock method.

As of and for the twelve month period ended December 31, 2003, the two month period ended December 31, 2002, and the twelve month periods ended October 31, 2002

and 2001, there were 634,000, 672,000, 345,000 and 107,000 outstanding stock options that were not included in the determination of diluted earnings per share because doing so would have been antidilutive.

**Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Fair Value of Financial Instruments** - Roper's long-term debt at December 31, 2003 included \$230 million of fixed-rate term notes which were not materially different than prevailing market rates. Most of Roper's other borrowings at December 31, 2003 were at various interest rates that adjust relatively frequently under its \$625 million credit facility. The fair value for each of these borrowings at December 31, 2003 was estimated to be the face value of these borrowings.

**Foreign Currency Translation** - Assets and liabilities of subsidiaries whose functional currency is not the U.S. dollar were translated at the exchange rate in effect at the balance sheet date, and revenues and expenses were translated at average exchange rates for the period in which those entities were included in Roper's financial results. Translation adjustments are reflected as a component of other comprehensive earnings.

**Impairment of Long-Lived Assets** - The company determines whether there has been an impairment of long-lived assets, excluding goodwill and identifiable intangible assets that are determined to have indefinite useful economic lives, when certain indicators of impairment are present. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future gross, undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to market value is required. Future adverse changes in market conditions or poor operating results of underlying long-lived assets could result in losses or an inability to recover the carrying value of the long-lived assets that may not be reflected in the assets' current carrying value, thereby possibly requiring an impairment charge in the future.

**Income Taxes** - Roper is a U.S.-based multinational company and the calculation of its worldwide provision for income taxes requires analysis of many factors, including income tax structures that vary from country to country, and the United States' treatment of non-U.S. earnings. Roper has provided for U.S. income taxes for deferred taxes on undistributed earnings of non-U.S. subsidiaries that are not expected to be permanently reinvested in such companies. There has been no provision for U.S. income taxes for the remaining undistributed earnings of approximately \$18 million at December 31, 2003, because Roper intends to reinvest these earnings indefinitely in operations outside the United States. If such earnings were distributed, incremental U.S. taxes of approximately \$6 million would accrue after utilization of U.S. tax credits.

Certain assets and liabilities have different bases for financial reporting and income tax purposes. Deferred income taxes have been provided for these differences.

**Goodwill and Other Intangibles** - Prior to Roper's adoption of Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), goodwill was amortized on a straight-line basis over periods that ranged from 5 to 40 years. Roper accounts for goodwill in a purchase business combination as the excess of the cost over the fair value of net assets acquired. Business combinations can also result in other intangible assets being recognized. Amortization of intangible assets, if applicable, occurs over their estimated useful lives. SFAS 142 requires companies to cease amortizing goodwill that existed at June 30, 2001 and establishes a two-step method for testing goodwill for impairment on an annual basis (or an interim basis if an event occurs that might reduce the fair value of a reporting unit below its carrying value). Roper conducts this review for all of its reporting units during the fourth quarter of the fiscal year. The transitional impairment that resulted from Roper's adoption of this standard on November 1, 2002 has been reported as a change in accounting principle - see Note 5. No impairment resulted from the annual review performed in 2003. SFAS 142 also requires that an identifiable intangible asset that is determined to have an indefinite useful economic life not be amortized, but separately tested for impairment using a one-step fair value based approach.

**Inventories** - Inventories are valued at the lower of cost or market. Cost is determined using either the first-in, first-out method or the last-in, first-out method ("LIFO"). Inventories valued at LIFO cost comprised 9% and 11% of consolidated inventories at December 31, 2003 and 2002, respectively.

Any LIFO decrements recorded during any of the periods ended December 31, 2003 were immaterial to Roper's Consolidated Financial Statements for that period.

**Other Comprehensive Earnings** - Comprehensive earnings includes net earnings and all other non-owner sources of changes in a company's net assets. The differences between net earnings and comprehensive earnings for Roper during the twelve month period ended December 31, 2003, the two month period ended December 31, 2002, and the twelve month periods ended October 31, 2002 and 2001 were currency translation adjustments. Income taxes have not been provided on currency translation adjustments.

**Property, Plant and Equipment and Depreciation and Amortization** - Property, plant and equipment is stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided for using principally the straight-line method over the estimated useful lives of the assets as follows:

Buildings	20-30 years
Machinery	8-12 years
Other equipment	3-5 years

**Capitalized Software** - Effective January 1, 1999, the Company adopted Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Among other provisions, SOP 98-1 requires that entities capitalize certain internal-use software costs once certain criteria are met. Under SOP 98-1, overhead, general and administrative and training costs are not capitalized.

**Recently Released Accounting Pronouncements** - The Company adopted SFAS No. 143 - "Accounting for Asset Retirement Obligations" as of November 1, 2002. There was no material impact to the company related to this new statement.

The Company adopted FASB Interpretation No. 45 - "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" as of January 1, 2003. This Interpretation elaborates on the disclosures to be made by a guarantor in its financial statements about obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company has no new guarantees after December 31, 2002 requiring the measurement provisions of this Interpretation.

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities." An entity is subject to the consolidation rules of FIN 46 and is referred to as a variable interest entity ("VIE") if the entity's equity investors lack the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its operations without additional financial support. FIN 46 applies immediately to all VIEs created after January 31, 2003 and is effective as of December 31, 2003 for any VIEs deemed to be special purpose entities ("SPEs") created prior to February 1, 2003. The FASB issued a revision to FIN 46 ("FIN 46-R") in December 2003. FIN 46-R is effective for the interim period ending March 31, 2004 for all new or existing VIEs. The Company is not required to adopt FIN 46 since it has no SPEs. The Company will implement the provisions of FIN 46-R in the first quarter of fiscal year 2004, and is evaluating the effect this Interpretation will have on the Company's financial statements.

The FASB issued SFAS No. 148 - "Accounting for Stock-Based Compensation - Transition and Disclosure, an amendment of FASB Statement No. 123" which provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends certain disclosure requirements of Statement 123. Currently, Roper has chosen not to adopt the accounting provisions of SFAS 123; however, as permitted by

SFAS 123, the Company continues to apply intrinsic value accounting for its stock option plans under Accounting Principles Board Opinion No. 25 (“APB 25”), “Accounting for Stock Issued to Employees.”

In April 2003, the FASB issued SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities,” which amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, with some exceptions for hedging relationships designated after June 30, 2003. The adoption of SFAS 149 on July 1, 2003 had no impact on the consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity,” which modifies the accounting for certain financial instruments. SFAS No. 150 requires that these financial instruments be classified as liabilities and applies immediately for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 on July 1, 2003 had no impact on the consolidated financial statements.

In December 2003, the FASB revised SFAS No. 132, “Employers’ Disclosures about Pensions and Other Postretirement Benefits.” The new SFAS No. 132 requires additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans, of which certain disclosures are not required until 2004. The Company has adopted the disclosure requirements that were effective for 2003.

In January 2004, the FASB issued FASB Staff Position No. FAS 106-1 (“FSP 106-1”) “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003,” which provides temporary guidance concerning the recently enacted Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”). SFAS No. 106, “Employers’ Accounting for Postretirement Benefits Other Than Pensions,” requires presently enacted changes in laws that will take effect in future periods to be taken into account in measuring current period postretirement benefit cost and the accumulated projected benefit obligation (“APBO”). FSP 106-1 allows companies that sponsor affected postretirement benefit plans to elect to defer recognizing the effects of the Act on postretirement benefit expense and on the APBO pursuant to SFAS No. 106. The Company has elected to defer accounting for the effects of the Act until 2004.

In November 2002, the EITF issued a final consensus on EITF Issue No. 00-21, “Accounting for Revenue Arrangements with Multiple Deliverables,” which addresses how to account for arrangements that may involve the delivery or performance of multiple products, services, and/or rights to use assets. EITF Issue No. 00-21 is effective prospectively for arrangements entered into in fiscal periods beginning after June 15, 2003. Companies may also elect to apply the provisions of EITF Issue No. 00-21 to existing arrangements and record the income statement impact as the cumulative effect of a change in accounting principle. The Company has adopted EITF Issue No. 00-21 prospectively for contracts beginning after June 30, 2003.

In December 2003, the SEC issued Staff Accounting Bulletin No. 104, “Revenue Recognition,” which clarifies existing SEC guidance regarding revenues for contracts that contain multiple deliverables to make it consistent with EITF Issue No. 00-21. The adoption of SAB 104 did not have a material effect on the Company’s financial position, operations, or cash flows.

Research and Development - Research and development costs include salaries and benefits, rents, supplies, and other costs related to various products under development. Research and development costs are expensed in the period incurred and totaled \$32.6 million, \$29.6 million and \$26.0 million for the 12 month periods ended December 31, 2003, October 31, 2002 and 2001, respectively. Research and development costs for the two months ended December 31, 2002 were \$5.7million.

Revenue Recognition - The Company recognizes revenue from the sale of product when title and risk of loss pass to the customer, which is generally when product is shipped. The Company recognizes revenue from services rendered upon customer acceptance. Revenues under certain relatively long-term and relatively large-value construction projects are recognized under the percentage-of-completion method using the ratio of costs incurred to total estimated costs as the measure of performance. The Company recognized revenues of approximately \$31.4 million, \$2.4 million and \$2.3 million for the 12 month periods ended December 31, 2003, October 31, 2002 and 2001, respectively using this method. Estimated losses on any projects are recognized as soon as such losses become known.

Product Warranties - The Company sells certain of its products to customers with a product warranty that provides that customers can return a defective product during a specified warranty period following the purchase in exchange for a replacement product, repair at no cost to the customer or the issuance of a credit to the customer. The Company accrues its estimated exposure to warranty claims based upon current and historical product sales date, warranty costs incurred and any other related information known to the Company.

Stock Options - Roper accounts for stock-based compensation under the provisions of Accounting Principles Board Opinion 25 - “Accounting for Stock Issued to Employees.” Stock-based compensation is measured at its fair value at the grant date in accordance with an option-pricing model. SFAS 123 - “Accounting for Stock-Based Compensation,” provides that the related expense may be recorded in the basic financial statements or the pro forma effect on earnings may be disclosed in the financial statements. Roper provides the pro forma disclosures.

Non-employee directors of Roper are eligible to receive stock options for its common stock. These stock options are accounted for the same as stock options granted to employees. Roper has never issued stock options other than those issued to employees or its non-employee directors.

(2) Business Acquisitions

On December 29, 2003, the company acquired all the outstanding shares of Neptune Technology Group Holdings, Inc. (“NTGH”), a leader in the water management market. In connection with our acquisition of NTGH, we also purchased the remaining one-third interest in DAP Technologies, a Canadian company that manufactures fully-rugged handheld computers, that NTGH did not own. NTGH’s principal facilities are located in Tallassee, Alabama, Mississauga, Ontario and Quebec City, Quebec. The operations of NTGH will be reported in both the Industrial Technology and Scientific and Industrial Imaging segments in fiscal 2004. There were no sales related to NTGH in our results for fiscal 2003.

The aggregate purchase price of the NTGH acquisition was approximately \$482 million of cash and includes amounts paid to sellers, amounts incurred for due diligence and other direct external costs associated with the acquisition. We also paid approximately \$9.1 million for the remaining one-third interest in DAP Technologies consisting of cash consideration of \$7.5 million and 34,000 shares of our common stock.

The following table (in thousands) summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The allocation includes estimates that were not finalized at December 31, 2003. Purchase price adjustments following the closing are also customary. The adjustments that were pending at December 31, 2003 were not significant.

	<u>December 29, 2003</u>
Current assets	\$ 110,568
Other assets	30,245
Intangible assets	261,090
Goodwill	216,105
	<hr/>
Total assets acquired	618,008
Current liabilities	(40,343)

Other liabilities	(42,541)
Net assets acquired	\$ 535,124

Of the \$261.1 million of acquired intangible assets, \$35.9 million was assigned to trade names that are not subject to amortization. The remaining \$225.2 million of acquired intangible assets have a weighted-average useful life of approximately 22 years. The intangible assets that make up that amount include customer relationships of \$206.2 million (23 year weighted-average useful life), technology of \$10.0 million (10-year weighted-average useful life), and software of \$9.0 million (8-year weighted-average useful life).

The majority of the \$216.1 million of goodwill is not expected to be deductible for tax purposes.

The following (unaudited) pro forma consolidated results of operations have been prepared as if the acquisition of NTGH had occurred at the beginning of each period presented. (Amounts in thousands except per share data).

	12 months ended December 31, 2003	12 months ended October 31, 2002
Sales	\$ 855,834	\$ 807,006
Net income	\$ 74,737	\$ 84,901
Net income per share-basic	\$ 2.05	\$ 2.35
Net income per share-diluted	\$ 2.03	\$ 2.31

The pro forma information is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been achieved had the acquisition been consummated as of that time, nor is it intended to be a projection of future results.

On July 31, 2002, the company acquired all the outstanding shares of Zetec, Inc. ("Zetec"). Zetec supplies non-destructive inspection solutions using eddy current technology and related consumables, primarily for use in power generating facilities and is included in the Energy Systems and Controls segment of the business. Zetec's principal facility is located near Seattle, Washington. The results of Zetec's operations have been included in the Consolidated Financial Statements since the acquisition date. The aggregate purchase price of the acquisition was \$57.2 million of cash and includes amounts paid to sellers, amounts incurred for due diligence and other direct external costs associated with the acquisition.

The following table (in thousands) summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The adjustments that were pending at October 31, 2002 were not significant.

	July 31, 2002
Current assets	\$ 12,448
Other assets	4,756
Intangible assets	7,060
Goodwill	40,574
Total assets acquired	64,838
Current liabilities	(7,615)
Net assets acquired	\$ 57,223

Of the \$7.1 million of acquired intangible assets, \$2.1 million was assigned to trade names that are not subject to amortization. The remaining \$5.0 million of acquired intangible assets have a weighted-average useful life of approximately 6 years. The intangible assets that make up that amount include trade secrets of \$3.0 million (6 year weighted-average useful life), technology of \$1.8 million (5-year weighted-average useful life), and patents of \$0.2 million (15-year weighted-average useful life).

The \$40.6 million of goodwill is not expected to be deductible for tax purposes.

In addition, in fiscal 2002, the company acquired the following four entities for a total cost of \$18.0 million, which was paid in cash:

- Acquired in August 2002, Quantitative Imaging Corporation, (QImaging), based in Vancouver, Canada provides innovative, high-performance digital cameras for scientific and industrial imaging applications, complementing Roper's digital imaging business within the Scientific and Industrial Imaging segment.
- Acquired in July 2002, AiCambridge Ltd. ("Qualitek"), based in Cambridge, England, is a designer and manufacturer of leak detection equipment and systems for medical, pharmaceutical, food, packaging and automotive industries, primarily in Europe. It is reported in our Instrumentation segment.
- Acquired in July 2002, Duncan Technologies, based in Sacramento, California, is an innovative designer and manufacturer of high-quality digital cameras for a variety of markets including machine vision, remote sensing and traffic monitoring. It is reported in our Scientific and Industrial Imaging segment.
- Acquired in September 2002, Definitive Imaging, based in Cleveland, Ohio, provides image analysis software and specialized knowledge for metallographic and science quality control. It is reported in our Scientific and Industrial Imaging segment.

Goodwill recognized in those transactions amounted to \$12.9 million and of that amount approximately \$0.8 million is expected to be fully deductible for tax purposes. The intangible assets acquired in these transactions are being amortized over a life of 4 to 7 years.

On September 5, 2001, the company acquired all the outstanding shares of Struers and Logitech. Struers develops, manufactures and markets materials analysis preparation equipment and consumables used in quality inspection, failure analysis and research of solid materials. Logitech develops, manufactures and markets high-precision material-shaping equipment used primarily in the production of advanced materials for the semiconductor and opto-electronics markets. Struers is headquartered near Copenhagen, Denmark and Logitech is headquartered near Glasgow, Scotland. Both companies also share sales and service locations in the U.S., France, Germany and Japan. The results of these operations have been included in the Consolidated Financial Statements since the acquisition date in our Instrumentation segment.

The aggregate purchase price of the acquisition was \$150.9 million of cash and includes amounts paid to sellers, amounts incurred for due diligence and other direct external costs associated with the acquisition.

The following table (in thousands) summarizes the fair values of the assets acquired and liabilities assumed at the date of acquisition.

	September 5, 2001
Current assets	\$ 30,482
Other assets	6,127
Intangible assets	20,680
Goodwill	106,964
Total assets acquired	164,253
Current liabilities	(12,401)
Long-term liabilities	(1,002)
Total liabilities	(13,403)
Net assets acquired	\$ 150,850

Of the \$20.7 million of acquired intangible assets, \$4.9 million was assigned to trade names that are not subject to amortization. The remaining \$15.8 million of acquired intangible assets have a weighted-average useful life of approximately 10 years. The intangible assets that make up that amount include an existing customer base of \$15.1 million (10-year useful life), and backlog of \$0.7 million (1-year useful life).

The \$107.0 million of goodwill is not expected to be deductible for tax purposes.

In addition, in fiscal 2001, the company acquired the following two entities for a total of cost of \$23.2 million, which was paid in cash:

- Acquired in July 2001, Media Cybernetics, L.P. ("Media"), located in Silver Springs, Maryland, is a leading image processing software developer for scientific and industrial applications and is included in the Scientific and Industrial Imaging segment.
- Acquired in May 2001, Dynamco, Inc. ("Dynamco") manufactures high quality pneumatic valves, solenoids, relays and related products that are sold to the semiconductor, packing, HVAC and medical industries. Located in McKinney, Texas, Dynamco is included in the Industrial Technology segment.

Goodwill recognized in those transactions amounted to \$14.2 million and that amount is expected to be fully deductible for tax purposes. Goodwill was assigned to the Scientific and Industrial Imaging and Industrial Technology segments in the amounts of \$8.9 million and \$5.2 million, respectively,

(3) Inventories

The components of inventories at December 31 were as follows (in thousands):

	December 31, 2003	December 31, 2002
Raw materials and supplies	\$ 48,407	\$ 43,306
Work in process	17,158	13,300
Finished products	42,841	37,228
LIFO reserve	(1,324)	(1,153)
	\$ 107,082	\$ 92,681

(4) Property, Plant and Equipment

The components of property, plant and equipment at December 31 were as follows (in thousands):

	December 31, 2003	December 31, 2002
Land	\$ 3,051	\$ 2,392
Buildings	33,224	25,887
Machinery, tooling and other equipment	117,774	88,857
	154,049	117,136
Accumulated depreciation and amortization	(75,588)	(66,726)
	\$ 78,461	\$ 50,410

Depreciation expense was \$11,540, \$1,943, \$11,600 and \$9,838 for the twelve month period ended December 31, 2003, the two month period ended December 31, 2002, and the twelve month periods ended October 31, 2002 and 2001, respectively.

(5) Goodwill

	Instrumentation	Industrial Technology	Energy Systems and Controls	Scientific and Industrial Imaging	Total
	(in thousands)				
Balances at October 31, 2002	\$ 198,085	\$ 76,703	\$ 78,916	\$ 105,529	\$ 459,233
Goodwill acquired	-	-	-	-	-
Impairment	-	-	-	-	-

Currency translation adjustments	4,364	717	195	155	5,431
Reclassifications and other	-	-	-	-	-
Balances at December 31, 2002	202,449	77,420	79,111	105,684	464,664
Goodwill acquired	-	201,618	1,473	14,803	217,894
Impairment	-	-	-	-	-
Currency translation adjustments	21,272	3,736	917	2,370	28,295
Reclassifications and other	305	-	-	-	305
Balances at December 31, 2003	\$ 224,026	\$ 282,774	\$ 81,501	\$ 122,857	\$ 711,158

Goodwill acquired during the year ended December 31, 2003 was primarily attributable to the acquisition of Neptune Technology Group Holdings, Inc. on December 29, 2003.

SFAS 142, which Roper adopted at the beginning of fiscal 2002, does not permit retroactive application of its method of accounting for goodwill and other intangible assets. However, SFAS 142 does provide for the following analysis comparing the current to the previous accounting practice.

	12 months ended December 31, 2003	2 months ended December 31, 2002	12 months ended October 31, 2002	12 months ended October 31, 2001
Earnings before change in accounting principle, as reported	\$ 45,239	\$ 853	\$ 66,023	\$ 55,839
Add back: goodwill amortization, net of income taxes	-	-	-	11,696
Earnings before change in accounting principle, adjusted	\$ 45,239	\$ 853	\$ 66,023	\$ 67,535
Basic earnings per share:				
Earnings before change in accounting principle, as reported	\$ 1.43	\$ 0.03	\$ 2.12	\$ 1.82
Add back: goodwill amortization, net of income taxes	-	-	-	0.38
Earnings before change in accounting principle, adjusted	\$ 1.43	\$ 0.03	\$ 2.12	\$ 2.20
Diluted earnings per share:				
Earnings before change in accounting principle, as reported	\$ 1.41	\$ 0.03	\$ 2.08	\$ 1.77
Add back: goodwill amortization, net of income taxes	-	-	-	0.37
Earnings before change in accounting principle, adjusted	\$ 1.41	\$ 0.03	\$ 2.08	\$ 2.14

(6) Other intangible assets, net

	Cost	Accum. amort.	Net book value
	(in thousands)		
Assets subject to amortization:			
Existing customer base	\$ 224,786	\$ (4,350)	\$ 220,436
Software	24,910	(2,386)	22,524
Patents and other protective rights	7,339	(4,342)	2,997
Trade secrets	3,010	(710)	2,300
Unpatented technology	1,942	(497)	1,445
Backlog	489	(442)	47
Assets not subject to amortization:			
Trade names	48,921	-	48,921
Balances at December 31, 2003	\$ 311,397	\$ (12,728)	\$ 298,669

Amortization expense of other intangible assets was \$4,228, \$677, \$3,455 and \$1,754 during the twelve month period ended December 31, 2003, the two month period ended December 31, 2002, and the twelve month periods ended October 31, 2002 and 2001, respectively. Estimated amortization expense for the five years subsequent to fiscal 2003 is \$14,960, \$14,921, \$14,819, \$13,921 and \$13,079 for fiscal 2004, 2005, 2006, 2007 and 2008, respectively.

(7) Accrued Liabilities

Accrued liabilities at December 31 were as follows (in thousands):

	2003	2002
Wages and other compensation	\$ 35,712	\$ 21,622
Commissions	8,400	6,597
Warranty	5,014	3,649
Accrued acquisition costs	6,704	-
Other	37,693	28,791
	\$ 93,523	\$ 60,659

8) Income Taxes

Earnings before income taxes and change in accounting principle for the twelve month period ended December 31, 2003, the two month period ended December 31, 2002,



and the twelve month periods ended October 31, 2002 and 2001 consisted of the following components (in thousands):

	12 months ended December 31, 2003	2 months ended December 31, 2002	12 months ended October 31, 2002		2001
United States	\$ 35,570	\$ (162)	\$ 68,043	\$	67,305
Other	30,720	1,931	28,284		21,560
	<u>\$ 66,290</u>	<u>\$ 1,769</u>	<u>\$ 96,327</u>	<u>\$</u>	<u>88,865</u>

Components of income tax expense before any change in accounting principle for the twelve month period ended December 31, 2003, the two month period ended December 31, 2002, and the twelve month periods ended October 31, 2002 and 2001 were as follows (in thousands):

	12 months ended December 31, 2003	2 months ended December 31, 2002	12 months ended October 31, 2002		2001
Current:					
Federal	\$ (3,248)	\$ (988)	\$ 17,968	\$	22,603
State	1,053	175	982		1,171
Foreign	16,664	1,342	9,200		6,883
Deferred:					
Federal	3,016	-	1,739		793
Foreign	744	-	-		-
	<u>\$ 18,229</u>	<u>\$ 529</u>	<u>\$ 29,889</u>	<u>\$</u>	<u>31,450</u>

Reconciliations between the statutory federal income tax rate and the effective income tax rate for the twelve month period ended December 31, 2003, the two month period ended December 31, 2002, and the twelve month periods ended October 31, 2002 and 2001 were as follows:

	12 months ended December 31, 2003	2 months ended December 31, 2002	12 months ended October 31, 2002		2001
Federal statutory rate	35.00%	35.00%	35.00%		35.00%
Extraterritorial income exclusion	(5.86)	(10.52)	(5.10)		-
Exempt income of Foreign Sales Corporation	-	-	-		(4.30)
Goodwill amortization	-	-	1.90		2.60
R&D tax credits	(2.11)	-	(1.05)		(1.15)
State taxes, net of federal benefit	1.03	5.62	0.76		-
Other, net	(0.56)	(0.10)	(0.51)		3.25
	<u>27.50%</u>	<u>30.00%</u>	<u>31.00%</u>		<u>35.40%</u>

The deferred income tax balance sheet accounts arise from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes.

Components of the deferred tax assets and liabilities at December 31 were as follows (in thousands):

	2003	2002
Deferred tax assets:		
Reserves and accrued expenses	\$ 8,408	\$ 6,489
Inventories	9,187	6,544
Postretirement medical benefits	1,837	714
Net operating loss carryforwards	19,916	-
Amortizable intangible assets	-	4,571
Total deferred tax assets	<u>\$ 39,348</u>	<u>\$ 18,318</u>
Deferred tax liabilities:		
Reserves and accrued expenses	\$ 707	\$ 73
Inventories	932	1,010
Amortizable intangible assets	47,677	71
Plant and equipment	2,164	1,545
Former IC-DISC recapture	346	462
Total deferred tax liabilities	<u>\$ 51,826</u>	<u>\$ 3,161</u>

On December 31, 2003, Roper had \$56.9 million of U.S. federal net operating loss carryforwards, which will expire in future years, with the majority of the carryforwards expiring in 2023. A substantial amount of the loss carryforwards were acquired in an acquisition by the Company in 2003. Therefore, the utilization of these tax attributes is subject to an annual limitation imposed by Section 382 of the Internal Revenue Code.

Roper has not recognized a valuation allowance since management has determined that it is more likely than not that the results of future operations will generate sufficient taxable income to realize all deferred tax assets.

Long-Term Debt

Total debt at December 31 consisted of the following (table amounts in thousands):

	2003	2002
\$275 million credit facility	-	\$ 188,843
7.58% Senior Secured Notes	-	40,000
7.68% Senior Secured Notes	-	85,000
Supplier financing agreement	-	14,989
\$225 million credit facility	20,000	-
\$400 million Term Notes	400,000	-
Senior Subordinated Convertible Notes	230,000	-
Other	1,109	769
	<hr/>	<hr/>
Total debt	651,109	329,601
Less current portion	20,923	20,917
	<hr/>	<hr/>
Long-term debt	\$ 630,186	\$ 308,684

Our principal \$625 million credit facility with a group of banks and our \$230 million senior subordinated convertible notes provide most of our daily external financing requirements. The credit facility consists of a \$400 million term loan with a five year maturity and a \$225 million revolving loan with a three year maturity. The interest rate on the borrowings under the \$625 million credit facility is calculated based upon various recognized indices plus a margin as defined in the credit agreement. Our senior subordinated convertible notes are due in 2034. At December 31, 2003, our debt consisted of the \$230 million in senior subordinated convertible notes, \$400 million term loan and \$20 million drawn against the revolver. The company also had \$14.5 million of outstanding letters of credit at December 31, 2003. We expect that our available additional borrowing capacity combined with the cash flows expected to be generated from existing business will be sufficient to fund normal operating requirements and finance some additional acquisitions. We also have several smaller facilities that allow for borrowings or the issuance of letters of credit in various foreign locations to support our non-U.S. businesses. In total, these smaller facilities do not represent a significant source of credit for us.

Concurrent with the credit facility transaction, we issued through a public offering \$230 million of 3.75% subordinated convertible notes due 2034 at an original issue discount of 60.498% (the "Convertible Notes"). The Convertible Notes are subordinated in right of payment and collateral to all of our existing and future senior debt. Interest on the notes is payable semiannually, beginning July 15, 2004, until January 15, 2009. After that date, we will not pay cash interest on the notes prior to maturity unless contingent cash interest becomes payable. Instead, after January 15, 2009, interest will be recognized at the effective rate of 3.75% and will represent accrual of original issue discount, excluding any contingent cash interest that may become payable. We will pay contingent cash interest to the holders of the notes during any six month period commencing after January 15, 2009 if the average trading price of a note for a five trading day measurement period preceding the applicable six month period equals 120% or more of the sum of the issue price, accrued original issue discount and accrued cash interest, if any, for such note. The contingent cash interest payable per note in respect of any six month period will equal the annual rate of 0.25%. Holders may convert their notes into 6.211 shares of our common stock, subject to adjustment, only (1) if the sale price of our common stock reaches, or the trading price of the notes falls below, specified thresholds, (2) if the notes are called for redemption, or (3) if specified corporate transactions have occurred. Upon conversion, we will have the right to deliver, in lieu of our common stock, cash or common stock or a combination of cash and common stock. Holders may require us to purchase all or a portion of their notes on January 15, 2009 at a price of \$395.02 per note, on January 15, 2014 at a price of \$475.66 per note, on January 15, 2019 at a price of \$572.76 per note, on January 15, 2024 at a price of \$689.68 per note, and on January 15, 2029 at a price of \$830.47 per note, in each case plus accrued cash interest, if any, and accrued contingent cash interest, if any. We may only pay the purchase price of such notes in cash and not in common stock. In addition, if we experience a change in control, each holder may require us to purchase for cash all or a portion of such holder's notes at a price equal to the sum of the issue price plus accrued original issue discount for non-tax purposes, accrued cash interest, if any, and accrued contingent cash interest, if any, to the date of purchase.

We used all of the net proceeds from the Convertible Notes offering to redeem our outstanding senior notes and to repay amounts outstanding under our existing credit agreement.

At December 31, 2002, and 2003, the Company was in compliance with its restrictive covenants.

Future maturities of long-term debt during each of the next five years ending December 31 and thereafter were as follows (in thousands):

2004	\$ 21,109
2005	20,000
2006	60,000
2007	40,000
2008	280,000
Thereafter	230,000
	<hr/>
	\$ 651,109

(10) Retirement and Other Benefit Plans

Roper maintains two defined contribution retirement plans under the provisions of Section 401(k) of the Internal Revenue Code covering substantially all U.S. employees not subject to collective bargaining agreements. Roper partially matches employee contributions. Its costs related to these two plans were \$5,156,000, \$883,000, \$4,549,000, and \$4,126,000 for the twelve month period ended December 31, 2003, the two month period ended December 31, 2002, and the twelve month periods ended October 31, 2002 and 2001, respectively.

Roper also maintains various defined benefit retirement plans covering employees of non-U.S. subsidiaries and a plan that supplements certain employees for the contribution ceiling applicable to the Section 401(k) plans. The costs and accumulated benefit obligations associated with each of these plans were not material.

Pursuant to the fiscal 1999 Petroleum Analyzer acquisition, Roper agreed to assume a defined benefit pension plan covering certain U.S. employees subject to a collective bargaining agreement. Roper obtained the necessary regulatory approvals to terminate this plan during fiscal 2002 and all plan assets were distributed during fiscal 2002.

Pursuant to the fiscal 2002 Zetec acquisition, Roper agreed to assume a defined benefit pension plan covering certain U.S. employees. Roper has obtained the necessary regulatory approvals to terminate the plan and all plan assets will be distributed during fiscal 2004.

All U.S. employees are eligible to participate in Roper's stock purchase plan whereby they may designate up to 10% of eligible earnings to purchase Roper's common stock at a 10% discount to the average closing price of its common stock at the beginning and end of a quarterly offering period. The common stock sold to the employees

may be either treasury stock, stock purchased on the open market, or newly issued shares. During the twelve month period ended December 31, 2003, and the twelve month periods ended October 31, 2002 and 2001, participants of the employee stock purchase plan purchased 11,000, 11,000 and 8,000 shares, respectively, of Roper's common stock for total consideration of \$378,000, \$437,000 and \$257,000, respectively. There were no purchases during the two month period ended December 31, 2002. All of these shares were purchased from Roper's treasury shares.

(11) Common Stock Transactions

Roper's restated Certificate of Incorporation provides that each outstanding share of Roper's common stock entitles the holder thereof to five votes per share, except that holders of outstanding shares with respect to which there has been a change in beneficial ownership during the four years immediately preceding the applicable record date will be entitled to one vote per share.

Roper has a Shareholder Rights Plan whereby one Preferred Stock Purchase Right (a "Right") accompanies each outstanding share of common stock. Such Rights only become exercisable, or transferable apart from the common stock, ten business days after a person or group acquires various specified levels of beneficial ownership, with or without the Board's consent. Each Right may be exercised to acquire one one-thousandth of a newly issued share of Roper's Series A Preferred Stock, at an exercise price of \$170, subject to adjustment. Alternatively, upon the occurrence of certain specified events, the Rights allow holders to purchase Roper's common stock having a market value at such time of twice the Right's exercise price. The Rights may be redeemed by Roper at a redemption price of \$0.01 per Right at any time until the tenth business day following public announcement that a 20% position has been acquired or 10 business days after commencement of a tender or exchange offer. The Rights expire on January 8, 2006.

Roper periodically enters into agreements with the management of newly-acquired companies for the issuance of Roper's common stock based on the achievement of specified goals. A similar agreement was made with a corporate executive during fiscal 1996 that matured during fiscal 2002. During fiscal 2002, 20,000 shares of common stock were issued under such agreements. At December 31, 2003, there were no such agreements outstanding.

Concurrent with the NTGH acquisition, the Company completed a public offering of 4,200,000 shares of common stock for gross proceeds of approximately \$201.6 million. In connection with our acquisition of NTGH, we also purchased the remaining one-third interest in DAP Technologies that NTGH did not own. Part of the consideration for this one-third interest consisted of 34,000 shares of the Company's treasury shares. In January 2004, an underwriters' overallotment of 630,000 shares of common stock was exercised and closed, providing the Company with gross proceeds of approximately \$30.2 million before expenses.

(12) Stock Options

Roper has two stock incentive plans (the "1991 Plan" and the "2000 Plan") which authorize the issuance of shares of common stock to certain directors, key employees, and consultants of Roper as incentive and/or nonqualified stock options, stock appreciation rights or equivalent instruments. Stock options under both plans must be granted at prices not less than 100% of market value of the underlying stock at the date of grant. Stock options typically vest over a period of up to five years. Stock options expire ten years from the date of grant. Options may no longer be granted under the 1991 Plan. A total of 2,500,000 shares have been reserved in the 2000 Plan for issuance as incentive equity stock awards. The 2000 Plan has no expiration date for the granting of options and had the capacity to grant an additional 1,677,000 and 708,000 options or equivalent instruments at December 31, 2003 and 2002, respectively.

Roper also has a stock option plan for non-employee directors (the "Non-employee Director Plan"). The Non-employee Director Plan provides for each non-employee director appointed or elected to the Board initial options to purchase 4,000 shares of Roper's common stock and thereafter options to purchase an additional 4,000 shares each year under terms and conditions similar to the above-mentioned stock option plans, except that following their grant, all options become fully vested at the time of the Annual Meeting of Shareholders following the grant date and are exercisable ratably over five years following the date of grant. Stock options expire ten years from the date of grant. At December 31, 2003, and 2002, respectively, the Non-Employee Director Plan had the capacity to grant an additional 64,000 and 92,000 options.

A summary of stock option transactions under these plans and information about stock options outstanding at December 31, 2003 are shown below:

	Outstanding options		Exercisable options	
	Number	Average exercise price	Number	Average exercise price
October 31, 2000	2,083,000	\$ 20.69	1,199,000	\$ 16.45
Granted	515,000	34.85		
Exercised	(292,000)	18.34		
Canceled	(75,000)	25.39		
October 31, 2001	2,231,000	\$ 24.11	1,171,000	\$ 17.91
Granted	651,000	41.11		
Exercised	(469,000)	17.12		
Canceled	(118,000)	31.89		
October 31, 2002	2,295,000	\$ 29.94	1,034,000	\$ 22.59
Granted	479,000	38.35		
Exercised	(7,000)	20.80		
Canceled	(14,000)	36.98		
December 31, 2002	2,753,000	\$ 31.40	1,296,000	\$ 24.74
Granted	107,000	31.81		
Exercised	(438,000)	21.80		
Canceled	(107,000)	36.60		
December 31, 2003	2,315,000	\$ 33.00	1,284,000	\$ 29.30

Exercise price	Outstanding options			Exercisable options	
	Number	Average exercise price	Average remaining life (years)	Number	Average exercise price
\$ 3.75 - 15.00	118,000	\$ 11.77	0.9	118,000	\$ 11.77
15.01 - 25.00	343,000	19.54	3.1	336,000	19.46

25.01 - 35.00	664,000	31.39	6.3	407,000	31.21
35.01 - 48.76	1,190,000	39.88	8.3	422,000	40.17
\$ 3.75 - 48.76	2,315,000	\$ 33.00	6.6	1,284,000	\$ 29.30

For pro forma disclosure purposes, the following fair values and the primary assumptions used to determine these fair values were used. All stock options granted during the twelve month period ended December 31, 2003, the two month period ended December 31, 2002, and the twelve month periods ended October 31, 2002 and 2001 were at exercise prices equal to the market price of Roper's common stock when granted.

	Year ended December 31, 2003	Nov-Dec 2002	Year ended October 31, 2002	Year ended October 31, 2001
Weighted average fair value per share (\$)	12.06	15.46	16.77	16.86
Risk-free interest rate (%)	3.42-3.99	3.71	4.00-5.00	5.00-6.00
Average expected option life (years)	7.0	7.0	7.0	7.0
Expected volatility (%)	35-36	35	33-37	31-45
Expected dividend yield (%)	0.75	0.75	0.75	0.75

Had Roper recognized compensation expense during fiscal 2003, 2002, and 2001 for the fair value of stock options granted in accordance with the provisions of SFAS 123, pro forma earnings and pro forma earnings per share would have been approximately as presented below.

Net earnings, as reported (in thousands)	\$ 45,239	\$ 853	\$ 40,053	\$ 55,839
Net earnings, pro forma (in thousands)	\$ 39,291	\$ (330)	\$ 32,589	\$ 50,859
Net earnings per share, as reported:				
Basic	\$ 1.43	\$ 0.03	\$ 1.28	\$ 1.82
Diluted	1.41	0.03	1.26	1.77
Net earnings per share, pro forma:				
Basic	\$ 1.24	\$ (0.01)	\$ 1.04	\$ 1.65
Diluted	1.23	(0.01)	1.02	1.61

The disclosed pro forma effects on earnings do not include the effects of stock options granted prior to fiscal 1996 (affecting fiscal 2000) since the provisions of SFAS 123 are not applicable to stock options for this purpose. The pro forma effects of applying SFAS 123 to fiscal 2003, 2002 and 2001 may not be representative of the pro forma effects in future years. Based on the vesting schedule of Roper's stock option grants, the pro forma effects on earnings are most pronounced in the early years following each grant. The timing and magnitude of any future grants is at the discretion of Roper's Board of Directors and cannot be assured.

#### (13) Contingencies

Roper, in the ordinary course of business, is the subject of, or a party to, various pending or threatened legal actions, including those pertaining to product liability and employment practices. It is vigorously contesting all lawsuits that, in general, are based upon claims of the kind that have been customary over the past several years. Based upon Roper's past experience with resolution of its product liability and employment practices claims and the limits of the primary, excess, and umbrella liability insurance coverages that are available with respect to pending claims, management believes that adequate provision has been made to cover any potential liability not covered by insurance, and that the ultimate liability, if any, arising from these actions should not have a material adverse effect on the consolidated financial position, results of operations or cash flows of Roper. Included in other noncurrent assets at December 31, 2003 are estimated insurable settlements receivable from insurance companies of approximately \$2.6 million, which is consistent with the amount recorded at October 31, 2002.

Over recent years there has been a significant increase in certain U.S. states in asbestos-related litigation claims against numerous industrial companies. Roper or its subsidiaries have been named defendants in some such cases. No significant resources have been required by Roper to respond to these cases and Roper believes it has valid defenses to such claims and, if required, intends to defend them vigorously. Given the state of these claims it is not possible to determine the potential liability, if any.

Roper's rent expense was approximately \$11.6 million, \$10.7 million and \$9.3 million for fiscal 2003, 2002 and 2001, respectively. Roper's future minimum lease commitments totaled \$62.3 million at December 31, 2003. These commitments included \$11.8 million in fiscal 2004, \$9.7 million in fiscal 2005, \$7.1 million in fiscal 2006, \$5.3 million in fiscal 2007, \$4.5 million in fiscal 2008 and \$23.9 million thereafter.

A summary of the Company's warranty accrual activity for the year ended December 31, 2003 is presented below (in thousands):

	Balance at beginning of year	Additions charged to costs and expenses	Deductions	Other	Balance at end of year
December 31, 2003	\$ 3,649	\$ 1,591	\$ (1,970)	\$ 1,745	\$ 5,014

#### (14) Segment and Geographic Area Information

During the quarter ended January 31, 2003, Roper realigned its operations into four market-focused segments to capture value-creating opportunities around common customers, market orientation, sales channels and common cost opportunities. The four new segments are: Instrumentation; Industrial Technology; Energy Systems and Controls; and Scientific and Industrial Imaging. Our Instrumentation segment offers equipment and consumables for materials analysis, fluid properties testing and industrial leak testing. Products included within the Industrial Technology segment are industrial pumps, flow measurement and metering equipment, and industrial valves and controls. The Energy Systems and Controls segment's products include control systems, machinery vibration and other non-destructive inspection and measurement products and solutions. Our Scientific and Industrial Imaging segment offers high performance digital imaging products and software and following the NTHG acquisition, handheld computers and software. Roper's management structure and internal reporting are also aligned consistent with these four segments.

There were no material transactions between Roper's business segments during any of the twelve month period ended December 31, 2003, the two month period ended December 31, 2002, and the twelve month periods ended October 31, 2002 and 2001. Sales between geographic areas are primarily of finished products and are accounted for at prices intended to represent third-party prices. Operating profit by business segment and by geographic area is defined as sales less operating costs and expenses. These costs and expenses do not include unallocated corporate administrative expenses. Items below income from operations on Roper's statement of earnings are not allocated to business segments.

Identifiable assets are those assets used primarily in the operations of each business segment or geographic area. Corporate assets were principally comprised of cash, recoverable insurance claims, deferred compensation assets, unamortized deferred financing costs and property and equipment.

Selected financial information by business segment for twelve month period ended December 31, 2003, the two month period ended December 31, 2002, and the twelve month periods ended October 31, 2002 and 2001 follows (in thousands):

2003						
	Instrumentation	Industrial Technology	Energy Systems and Controls	Scientific and Industrial Imaging	Corporate	Total
Net sales	\$ 181,329	\$ 170,324	\$ 138,968	\$ 166,735	-	\$ 657,356
Operating profit	31,757	36,147	26,459	27,954	(14,217)	108,100
Total assets:						
Operating assets	76,759	138,688	58,617	77,590	32,671	384,325
Intangible assets, net	247,749	536,625	87,326	138,127	-	1,009,827
Other	11,697	6,396	(4,939)	13,054	94,635	120,843
Total						1,514,995
Capital expenditures	3,346	3,859	1,156	1,662	399	10,422
Goodwill amortization	-	-	-	-	-	-
Depreciation and other amortization	5,208	3,807	3,335	3,905	123	16,378
<b>Nov-Dec 2002</b>						
	Instrumentation	Industrial Technology	Energy Systems and Controls	Scientific and Industrial Imaging	Corporate	Total
Net sales	\$ 28,390	\$ 21,379	\$ 12,353	\$ 21,763	\$ -	\$ 83,885
Operating profit	4,504	3,072	(2,623)	1,212	(1,597)	4,568
Total assets:						
Operating assets	72,876	68,935	62,307	67,292	12,938	284,348
Intangible assets, net	223,987	78,412	85,808	113,710	-	501,917
Other	11,240	855	425	12,583	13,598	38,701
Total						824,966
Capital expenditures	83	251	132	153	39	658
Goodwill amortization	-	-	-	-	-	-
Depreciation and other amortization	809	640	514	646	11	2,620
<b>2002</b>						
	Instrumentation	Industrial Technology	Energy Systems and Controls	Scientific and Industrial Imaging	Corporate	Total
Net sales	\$ 175,490	\$ 164,160	\$ 126,709	\$ 151,103	\$ -	\$ 617,462
Operating profit	32,801	37,447	33,029	25,795	(13,527)	115,545
Total assets:						
Operating assets	74,046	69,857	75,199	68,763	-	287,865
Intangible assets, net	219,082	77,709	85,758	113,716	-	496,265
Other	10,256	(346)	(1,599)	12,823	23,709	44,843
Total						828,973
Capital expenditures	2,508	2,281	1,063	1,673	213	7,738
Goodwill amortization	-	-	-	-	-	-
Depreciation and other amortization	5,353	4,013	1,846	3,736	383	15,331
<b>2001</b>						
	Instrumentation	Industrial Technology	Energy Systems and Controls	Scientific and Industrial Imaging	Corporate	Total
Net sales	\$ 125,354	\$ 170,822	\$ 107,043	\$ 159,736	\$ -	\$ 562,955
Operating profit	21,580	37,886	25,513	25,575	(9,688)	100,866
Total assets:						
Operating assets	80,483	73,768	42,676	74,775	-	271,702
Intangible assets, net	196,211	80,354	38,004	131,072	-	445,641
Other	12,010	(515)	3,546	4,139	25,599	44,779
Total						762,122
Capital expenditures	1,695	2,192	1,652	1,782	111	7,432
Goodwill amortization	4,489	3,128	2,700	4,981	-	15,298
Depreciation and other amortization	2,154	3,883	1,471	3,534	372	11,411

Summarized data for Roper's U.S. and foreign operations (principally in Europe and Japan) for the twelve month period ended December 31, 2003, the two month period ended December 31, 2002, and the twelve month periods ended October 31, 2002 and 2001 were as follows (in thousands):

	United States	Non-U.S.	Corporate and eliminations	Total
<b>December 31, 2003</b>				
Sales to unaffiliated customers	\$ 399,373	\$ 257,983	\$ -	\$ 657,356
Sales between geographic areas	41,992	20,340	(62,332)	-
Net sales	\$ 441,365	\$ 278,323	\$ (62,332)	\$ 657,356
Long-lived assets	\$ 860,890	\$ 237,070	\$ 35,843	\$1,133,803
<b>Nov-Dec 2002</b>				
Sales to unaffiliated customers	\$ 50,192	\$ 33,693	\$ -	\$ 83,885
Sales between geographic areas	4,704	3,855	(8,559)	-
Net sales	\$ 54,896	\$ 37,548	\$ (8,559)	\$ 83,885
Long-lived assets	\$ 388,693	\$ 177,010	\$ 11,698	\$ 577,401
<b>October 31, 2002</b>				
Sales to unaffiliated customers	\$ 438,201	\$ 179,261	\$ -	\$ 617,462
Sales between geographic areas	35,629	17,534	(53,163)	-
Net sales	\$ 473,830	\$ 196,795	\$ (53,163)	\$ 617,462
Long-lived assets	\$ 380,655	\$ 188,279	\$ 11,212	\$ 580,146
<b>October 31, 2001</b>				
Sales to unaffiliated customers	\$ 427,638	\$ 135,317	\$ -	\$ 562,955
Sales between geographic areas	41,752	9,394	(51,146)	-
Net sales	\$ 469,390	\$ 144,711	\$ (51,146)	\$ 562,955
Long-lived assets	\$ 360,705	\$ 154,230	\$ 7,335	\$ 522,270

Export sales from the United States during the twelve month period ended December 31, 2003, the two month period ended December 31, 2002, and the twelve month periods ended October 31, 2002 and 2001 were \$216 million, \$19 million, \$223 million and \$238 million, respectively. In the year ended December 31, 2003, these exports were shipped primarily to Russia (14%), elsewhere in Europe (30%), Japan (11%), elsewhere in Asia excluding the Middle East (12%), Latin America (3%) and other (30%).

Sales to customers outside the United States accounted for a significant portion of Roper's revenues. Sales are attributed to geographic areas based upon the location where the product is ultimately shipped. Foreign countries that accounted for at least 5% of Roper's net sales in any of the twelve month period ended December 31, 2003, the two month period ended December 31, 2002, and the twelve month periods ended October 31, 2002 and 2001 have been individually identified in the following table (in thousands). Other countries have been grouped by region.

	Instrumentation	Industrial Technology	Energy Systems and Controls	Scientific and Industrial Imaging	Total
<b>December 31, 2003</b>					
Russia	\$ 2,962	\$ 19	\$ 30,478	\$ 5	\$ 33,464
Germany	18,739	13,624	3,297	16,152	51,812
Elsewhere in Europe	39,652	24,707	19,099	31,327	114,785
Japan	14,607	8	1,309	29,420	45,344
Elsewhere in Asia excluding the Middle East	10,130	6,018	9,494	12,725	38,367
Latin America	4,022	1,791	1,070	239	7,122
Rest of the world	25,447	16,002	31,401	14,347	87,197
Total	\$ 115,559	\$ 62,169	\$ 96,148	\$ 104,214	\$ 378,090
<b>Nov-Dec 2002</b>					
Russia	\$ 177	\$ -	\$ 105	\$ -	\$ 282
Germany	2,335	1,811	57	2,034	6,237
Elsewhere in Europe	6,521	2,909	1,906	4,098	15,435
Japan	2,270	91	105	4,272	6,738
Elsewhere in Asia excluding the Middle East	1,426	727	1,999	1,380	5,532
Latin America	640	195	235	29	1,099
Rest of the world	3,888	2,250	2,503	1,290	9,932
Total	\$ 17,256	\$ 7,983	\$ 6,911	\$ 13,103	\$ 45,253
<b>2002</b>					
Russia	\$ 2,572	\$ 34	\$ 59,996	\$ 18	\$ 62,620

Germany	14,971	10,597	2,574	11,327	39,469
Elsewhere in Europe	34,650	25,776	15,981	29,743	106,150
Japan	13,015	2,263	1,171	27,840	44,289
Elsewhere in Asia excluding the Middle East	17,248	5,844	7,486	17,653	48,231
Latin America	13,132	3,110	5,791	1,287	23,320
Rest of the world	12,312	11,523	9,168	4,357	37,360
Total	\$ 107,900	\$ 59,147	\$ 102,167	\$ 92,225	\$ 361,439

## 2001

Russia	\$ 1,083	\$ 15	\$ 58,344	\$ 306	\$ 59,748
Germany	7,295	9,651	2,134	14,524	33,604
Elsewhere in Europe	16,661	27,894	12,196	34,185	90,936
Japan	5,535	1,699	892	29,127	37,253
Elsewhere in Asia excluding the Middle East	12,597	4,386	4,155	15,119	36,257
Latin America	9,763	2,791	3,120	656	16,330
Rest of the world	8,663	7,767	5,478	3,944	25,852
Total	\$ 61,597	\$ 54,203	\$ 86,319	\$ 97,861	\$ 299,980

### (15) Restructuring Activities

In conjunction with segment realignment described in Management's Discussion and Analysis of Financial Condition and Results of Operations, Roper has commenced certain restructuring activities designed to reduce excess manufacturing capacity, move certain operations to lower-cost locations and transform activities to have lower fixed costs associated with those activities. Costs incurred to date have been as follows (amounts in thousands):

	3 month periods ended			
	March 31, 2003	June 30, 2003	September 30, 2003	December 31, 2003
Included in cost of sales	\$ 300	\$ 100	\$ -	\$ -
Included in selling, general and administrative expenses	608	3,149	1,028	723
Total	\$ 908	\$ 3,249	\$ 1,028	\$ 723

Roper expects these activities to continue through the first half of calendar 2004.

During the three months ended April 30, 2001, Roper recorded \$509,000 of expenses, reported as part of selling, general and administrative expenses, related to activities to consolidate certain operating facilities. All significant restructuring activities were completed by October 31, 2001. In addition, \$2,050,000 of restructuring activities were incurred in fiscal 2001 at our Petrotech unit which has been restated to discontinued operations.

### (16) Discontinued Operations

In connection with the realignment of our businesses during the first quarter of fiscal 2003, the Company formalized its decision to offer for sale the Petrotech operation. Accordingly, related operating results reported as discontinued operations for all periods presented are outlined as follows (amounts in thousands):

	Year ended December 31, 2003	2 months ended December 31, 2002	Year ended October 31,	
			2002	2001
Net sales	\$ 4,304	\$ 347	\$ 9,568	\$ 23,551
Loss before income taxes	\$ (3,368)	(598)	\$ (641)	\$ (2,426)
Income tax benefit/(expense)	546	211	226	850
Loss on discontinued operations	\$ (2,822)	\$ (387)	\$ (415)	\$ (1,576)

In addition, related assets and liabilities of Petrotech are recorded in the captions "Assets held for sale" and "Liabilities related to assets held for sale", respectively, in the Condensed Consolidated Balance Sheets at December 31, 2003 and 2002. The assets held for sale at December 31 are outlined as follows:

	2003	2002
	Current assets	\$ --
Property, plant and equipment, net	--	235
Goodwill	--	955
Assets held for sale	\$ --	\$ 5,113

Liabilities related to assets held for sale are comprised of accounts payable and other accrued liabilities.

The Petrotech operation was previously reported in the Company's Industrial Controls segment prior to the segment realignment. The accompanying financial statements

have been restated to conform to discontinued operations treatment for all historical periods presented. Petrotech was sold on August 31, 2003.

(17) Concentration of Risk

Financial instruments which potentially subject the Company to credit risk consist primarily of cash, cash equivalents and trade receivables.

The Company maintains cash and cash equivalents with various major financial institutions. Cash equivalents include investments in commercial paper of companies with high credit ratings, investments in money market securities and securities backed by the U.S. Government. At times such amounts may exceed the F.D.I.C. limits. The Company limits the amount of credit exposure with any one financial institution and believes that no significant concentration of credit risk exists with respect to cash investments.

Trade receivables subject the company to the potential for credit risk with customers. To reduce credit risk, the Company performs ongoing evaluations of its customers' financial condition.

(18) Subsequent Event

In January 2004, an underwriters' overallotment of 630,000 shares of common stock was exercised and closed, providing the Company with gross proceeds of approximately \$30.2 million before expenses.

(19) Quarterly Financial Data (unaudited)

	First quarter	Second quarter	Third quarter	Fourth quarter	Nov-Dec 2002
	(in thousands, except per share data)				
2003 (Calendar)					
Net sales	\$149,443	\$166,055	\$172,064	\$169,794	--
Gross profit	78,691	85,197	93,170	89,080	--
Income from operations	23,281	22,994	32,521	29,304	--
Earnings from continuing operations before change in accounting principle	13,297	13,082	19,785	1,897	--
Net earnings	12,797	12,672	17,873	1,897	--
Earnings from continuing operations before change in accounting principle per common share:					
Basic	0.42	0.42	0.63	0.06	--
Diluted	0.42	0.41	0.62	0.06	--
2002 (Fiscal)					
Net sales	\$146,517	\$150,827	\$152,830	\$167,288	\$ 83,885
Gross profit	78,547	82,016	82,409	90,783	41,565
Income from operations	24,940	30,236	28,219	32,150	4,568
Earnings from continuing operations before change in accounting principle	14,697	17,313	15,200	19,228	1,240
Net earnings	(11,460)	17,456	15,033	19,024	853
Earnings from continuing operations before change in accounting principle per common share:					
Basic	0.47	0.55	0.49	0.61	.04
Diluted	0.46	0.54	0.48	0.61	.04

\*The sum of the four quarters does not agree with the total for the year due to rounding.

(20) Transition Period Comparative Data

The following table presents certain financial information for the two months ended December 31, 2002 and 2001, respectively. (Amounts in thousands except for per share amounts).

	Two months ended December 31,	
	2002	2001 (unaudited)
Revenues	\$ 83,885	\$ 86,904
Gross profit	41,565	45,334
Earnings from continuing operations before income taxes and change in accounting principle	1,769	8,264
Income taxes	529	2,895
Loss from discontinued operations, net of tax benefit	387	317
Goodwill impairment, net of taxes of \$11,130	--	25,970
Net earnings/(loss)	\$ 853	\$ (20,918)
Net earnings per common share:		
Basic:		
Earnings from continuing operations before change in accounting principle	\$ 0.04	\$ 0.17



Loss from discontinued operations	(0.01)	(0.01)
Goodwill adjustment effective November 1, 2001	--	(0.84)
	<u>          </u>	<u>          </u>
Net Earnings/(Loss)	\$ 0.03	\$ (0.68)
	<u>          </u>	<u>          </u>
Diluted:		
Earnings from continuing operations before change in accounting principle	\$ 0.04	\$ 0.17
Loss from discontinued operations	(0.01)	(0.01)
Goodwill adjustment effective November 1, 2001	--	(0.82)
	<u>          </u>	<u>          </u>
Net Earnings/(Loss)	\$ 0.03	\$ (0.66)
	<u>          </u>	<u>          </u>
Weighted average common shares outstanding		
Basic	31,356	30,916
Diluted	31,854	31,742

## REPORT OF INDEPENDENT AUDITORS ON FINANCIAL STATEMENT SCHEDULE

To the Shareholders  
of Roper Industries, Inc.:

Our audits of the consolidated financial statements referred to in our report dated March 11, 2004 also included an audit of the financial statement schedule listed in Item 15(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP  
Atlanta, Georgia  
March 11, 2004

### ROPER INDUSTRIES, INC. AND SUBSIDIARIES

#### Schedule II - Consolidated Valuation and Qualifying Accounts

12 months ended December 31, 2003, 2 months ended December 31, 2002, and the 12 months ended October 31, 2002, and 2001

Allowance for doubtful accounts and sales allowances:

	Balance at beginning of year	Additions charged to costs and expenses	Deductions	Other	Balance at end of year
			(in thousands)		
2003	\$ 3,829	\$ 1,274	\$ (1,027)	\$ 421	\$ 4,498
Nov-Dec 2002	3,643	223	(74)	37	3,829
2002	4,072	1,401	(2,279)	449	3,643
2001	3,400	1,410	(1,479)	741	4,072

Reserve for inventory obsolescence:

2003	\$ 19,772	\$ 7,844	\$ (6,514)	\$ 2,454	\$ 23,556
Nov-Dec 2002	19,564	901	(615)	(78)	19,772
2002	14,894	4,532	(3,633)	3,771	19,564
2001	10,704	4,511	(4,044)	3,723	14,894

Deductions from the allowance for doubtful accounts represented the net write-off of uncollectible accounts receivable. Deductions from the inventory obsolescence reserve represented the disposal of obsolete items.

Other included the allowance for doubtful accounts and reserve for inventory obsolescence of acquired businesses at the dates of acquisition, the effects of foreign currency translation adjustments for those companies whose functional currency was not the U.S. dollar, reclassifications and other.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On May 14, 2002, Roper terminated its relationship with Arthur Andersen LLP ("Arthur Andersen") as our independent public accountants and engaged PricewaterhouseCoopers LLP as our independent public accountants. The decision to change independent public accountants was recommended by the audit committee and approved by our board of directors.

In connection with the audits of our Consolidated Financial Statements as of and for the two fiscal years ended October 31, 2001, and with respect to the subsequent period through May 14, 2002, (i) there were no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which disagreements, if not resolved to Arthur Andersen's satisfaction, would have caused them to make reference in connection with their report on our Consolidated Financial Statements to the subject matter of the disagreement and (ii) Arthur Andersen has not advised Roper of any reportable events as defined in paragraphs (A) through (D) of Regulations S-K Item 304 (a)(1)(v).

Arthur Andersen's reports on our Consolidated Financial Statements for the past two years ended October 31, 2001 did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

## ITEM 9A. CONTROLS AND PROCEDURES

As required by Securities and Exchange Commission rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this annual report. This evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer. Based on this evaluation, these officers have concluded that the design and operation of our disclosure controls and procedures are effective. There were no changes to our internal controls during the period covered by this annual report that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Disclosure controls and procedures are our controls and other procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act are accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

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## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Reference is made to the information to be included under the captions "BOARD OF DIRECTORS AND EXECUTIVE OFFICERS - Proposal 1: Election of Four (4) Directors", "- Code of Ethics", "- Executive Officers", "- Meetings of the Board and Board Committees", "- Director Nominations by Shareholders" and "SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE" in our definitive Proxy Statement which relates to our 2004 Annual Meeting of Shareholders to be held on May 26, 2004 to be filed within 120 days after the close of our 2003 fiscal year, which information is incorporated herein by this reference.

### ITEM 11. EXECUTIVE COMPENSATION

Reference is made to the information to be included under the captions "BOARD OF DIRECTORS AND EXECUTIVE OFFICERS - Compensation of Directors" and " - Compensation Committee Interlocks and Insider Participation in Compensation Decisions"; "COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION"; "EXECUTIVE COMPENSATION"; and "EXECUTIVE COMPENSATION-Employment Agreement and Executive Service Arrangments" contained in the Proxy Statement, which information is incorporated herein by this reference.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Reference is made to the information included under the captions "VOTING SECURITIES"; "COMMON STOCK OWNERSHIP BY MANAGEMENT AND PRINCIPAL SHAREHOLDERS"; and "EQUITY COMPENSATION PLAN INFORMATION" in the Proxy Statement, which information is incorporated herein by this reference.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Reference is made to the information included under the caption "INDEPENDENT PUBLIC AUDITORS" in the Proxy Statement, which information is incorporated herein by this reference.

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## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a)(1) The Consolidated Financial Statements listed in Item 8 of Part II are filed as a part of this Annual Report.
- (a)(2) The following consolidated financial statement schedule on page S-2 is filed in response to this Item. All other schedules are omitted or the required information is either inapplicable or is presented in the Consolidated Financial Statements or related notes:

Consolidated Valuation and Qualifying Accounts for the Years ended December 31, 2003, 2002 and 2001.

- (b) Reports on Form 8-K

We filed the following reports on Form 8-K during the fourth quarter of fiscal 2003:

On October 22, 2003, the Company furnished a Current Report on Form 8-K including a press release announcing the signing of a definitive agreement to acquire Neptune Technology Group Holdings Inc.

On October 22, 2003, the Company furnished a Current Report on Form 8-K including a copy of the investor presentation regarding the NTGH acquisition.

On October 27, 2003, the Company filed a Form 8-K announcing a change in the date of the 2004 Annual Meeting of Shareholders, disclosing certain information regarding shareholder proposals and furnishing a quarterly earnings press release.

On October 27, 2003, the Company furnished a Form 8-K including a copy of a slide presentation regarding third-quarter 2003 financial results.

On November 5, 2003, the Company furnished a Form 8-K including certain unaudited financial information for its 2001, 2002 and 2003 calendar-year quarters.

On November 14, 2003, the Company filed a Form 8-K including the stock purchase agreement regarding the NTGH acquisition, certain historical financial statements of NTGH and certain unaudited pro forma financial statements of Roper and NTGH that reflect the NTGH acquisition and related transactions.

On December 9, 2003, the Company filed a Form 8-K including a description of the NTGH businesses, Management's Discussion and Analysis of Financial

(c) Exhibits

The following exhibits are separately filed with this Annual Report.

Exhibit No.	Description of Exhibit
(a)2.1	Stock Purchase Agreement by and among Neptune Technology Group Holdings, Inc., the selling shareholders named therein, and Roper Industries, Inc., dated as of October 21, 2003.
(b)3.1	Amended and Restated Certificate of Incorporation, including Form of Certificate of Designation, Preferences and Rights of Series A Preferred Stock.
(c)3.2	Amended and Restated By-Laws.
(d)4.1	Rights Agreement between Roper Industries, Inc. and SunTrust Bank, Atlanta, Inc. as Rights Agent, dated as of January 8, 1996, including Certificate of Designation, Preferences and Rights of Series A Preferred Stock (Exhibit A), Form of Rights Certificate (Exhibit B) and Summary of Rights (Exhibit C).
(e)4.2	Form of Indenture for Debt Securities.
4.3	Form of Debt Securities (included in Exhibit 4.4).
(f)4.4	Supplemental Indenture between Roper Industries, Inc. and SunTrust Bank, dated as of December 29, 2003.
(g)10.01	1991 Stock Option Plan, as amended.†
(h)10.02	1993 Stock Plan for Nonemployee Directors, as amended and restated.†
(i)10.03	Form of Amended and Restated Indemnification Agreement.†
(j)10.04	Employee Stock Purchase Plan.†
(k)10.05	2000 Stock Incentive Plan, as amended.†
(l)10.06	Non-Qualified Retirement Plan, as amended.†
(m)10.07	Brian D. Jellison Employment Agreement, dated as of November 6, 2001.†
(n)10.08	C. Thomas O'Grady offer letter dated February 19, 2001.†
(o)10.09	Timothy J. Winfrey offer letter dated May 20, 2002.†
10.10	James A. Mannebach offer letter dated January 3, 2003.†
10.11	Credit Agreement among Roper Industries, Inc. and certain lenders, dated December 29, 2003. (schedules and exhibits to this agreement have been omitted and will be furnished supplementally upon request.)
12.1	Statement Regarding Computation of Ratio of Earnings to Fixed Charges.
21.1	List of Subsidiaries.
23.1	Consent of Independent Public Accountants.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer.
32.2	Section 1350 Certification of Chief Financial Officer.
99.1	Risk Factors.

(a) Incorporated herein by reference to Exhibit 2.1 to the Roper Industries, Inc. Current Report on Form 8-K filed November 14, 2003 (file no. 1-12273).

(b) Incorporated herein by reference to Exhibit 3.1 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed March 17, 2003 (file no. 1-12273).

(c) Incorporated herein by reference to Exhibit 3.2 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed September 13, 2000 (file no. 1-12273).

(d) Incorporated herein by reference to Exhibit 4.02 to the Roper Industries, Inc. Current Report on Form 8-K filed January 18, 1996 (file no. 0-19818).

(e) Incorporated herein by reference to Exhibit 4.2 to the Roper Industries, Inc. Pre-Effective Amendment No. 1 to the Registration Statement on Form S-3 filed November 28, 2003 (file no. 333-110491).

(f) Incorporated herein by reference to Exhibit 4.1 to the Roper Industries, Inc. Current Report on Form 8-K filed January 13, 2004.

(g) Incorporated herein by reference to Exhibit 10.02 to the Roper Industries, Inc. Annual Report on Form 10-K filed January 21, 1998 (file no. 1-12273).

(h) Incorporated herein by reference to Exhibit 10.2 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed June 16, 2003 (file no. 1-12273).

(i) Incorporated herein by reference to Exhibit 10.04 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed August 31, 1999 (file no. 1-12273).

(j) Incorporated herein by reference to Exhibits 10.04 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed June 12, 2000 (file no. 1-12273).

(k) Incorporated herein by reference to Annex B to the Roper Industries, Inc. Definitive Proxy Statement dated February 7, 2003 (file no. 1-12273).

(l) Incorporated herein by reference to Exhibits 10.06 and 10.09 to the Roper Industries, Inc. Annual Report on Form 10-K/A filed November 3, 2003 (file no. 1-12273).

(m) Incorporated herein by reference to Exhibits 10.07 and 10.09 to the Roper Industries, Inc. Annual Report on Form 10-K filed January 22, 2002 (file no. 1-12273).

† Management contract or compensatory plan or arrangement.

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

**ROPER INDUSTRIES, INC.**  
**(Registrant)**

By: /S/ BRIAN D. JELLISON

March 11, 2004

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

<u>/s/ Brian D. Jellison</u>	President, Chief Executive Officer	March 11, 2004
Brian D. Jellison	and Chairman of the Board of Directors	
<u>/s/ Martin S. Headley</u>	Vice President and Chief Financial Officer (Principal	March 11, 2004
Martin S. Headley	Financial Officer and Principal Accounting Officer)	
<u>/s/ W. Lawrence Banks</u>	Director	March 11, 2004
W. Lawrence Banks		
<u>/s/ David W. Devonshire</u>	Director	March 11, 2004
David W. Devonshire		
<u>/s/ Donald G. Calder</u>	Director	March 11, 2004
Donald G. Calder		
<u>/s/ John F. Fort, III</u>	Director	March 11, 2004
John F. Fort, III		
<u>/s/ Derrick N. Key</u>	Director	March 11, 2004
Derrick N. Key		
<u>/s/ Wilbur J. Prezzano</u>	Director	March 11, 2004
Wilbur J. Prezzano		
<u>/s/ Georg Graf Schall-Riaucour</u>	Director	March 11, 2004
Georg Graf Schall-Riaucour		
<u>/s/ Eriberto R. Scocimara</u>	Director	March 11, 2004
Eriberto R. Scocimara		
<u>/s/ Christopher Wright</u>	Director	March 11, 2004
Christopher Wright		

## EXHIBIT INDEX

Number	Exhibit
2.1	Stock Purchase Agreement by and among Neptune Technology Group Holdings, Inc., the shelling shareholders named therein, and Roper Industries, Inc., dated as of October 21, 2003 incorporated herein by reference to Exhibit 2.1 to the Roper Industries, Inc. Current Report on Form 8-K filed November 14, 2003 (file no. 1-12273).
3.1	Amended and Restated Certificate of Incorporation, including Form of Certificate of Designation, Preferences and Rights of Series A Preferred Stock incorporated herein by reference to Exhibit 3.1 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed March 17, 2003 (File No. 1-12273).
3.2	Amended and Restated By-Laws incorporated herein by reference to Exhibit 3.2 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed September 13, 2000 (File No. 1-12273).
4.1	Rights Agreement between Roper Industries, Inc. and SunTrust Bank, Atlanta, Inc. as Rights Agent, dated as of January 8, 1996, including Certificate of Designation, Preferences and Rights of Series A Preferred Stock (Exhibit A), Form of Rights Certificate (Exhibit B) and Summary of Rights (Exhibit C), incorporated herein by reference to Exhibit 4.02 to the Roper Industries, Inc. Current Report on Form 8-K filed January 18, 1996 (File No. 0-19818).
4.2	Form of indenture for Debt Securities, incorporated herein by reference to Exhibits 4.2, to the Roper Industries, Inc. Pre-Effective Amendment No. 1 to the Registration Statement on Form S-3 filed November 28, 2003 (File No. 333-110491).
4.3	Form of Debt Securities (included in Exhibit 4.4).
4.4	Supplemental Indenture between Roper Industries, Inc. and SunTrust Bank, dated as of December 29, 2003, incorporated herein by reference to Exhibit 4.1 to the Roper Industries, Inc. Current Report on Form 8-K filed January 13, 2004.
10.01	1991 Stock Option Plan, as amended incorporated herein by reference to 10.2 to the Roper Industries, Inc. Annual Report on Form 10-K filed January 21, 1998 (File No. 1-12273).
10.02	1993 Stock Plan for Nonemployee Directors, as amended and restated, incorporated herein by reference to Exhibit 10.2 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed June 16, 2003 (file No. 1-2273).
10.03	Form of Amended and Restated Indemnification Agreement incorporated herein by reference to Exhibit 10.04

- to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed August 31, 1999 (File No. 1-12273).
- 10.04 Employee Stock Purchase Plan incorporated herein by reference to Exhibit 10.04 to the Roper Industries, Inc. Quarterly Report on Form 10-Q filed June 12, 2000 (File No. 1-12273).
- 10.05 2000 Stock Incentive Plan, as amended, incorporated herein by reference to Annex B to the Roper Industries, Inc. Definitive Proxy Statement dated February 7, 2003 (File No. 1-12273).
- 10.06 Non-Qualified Retirement Plan, as amended, incorporated herein by reference to Exhibits 10.06 and 10.09 to the Roper Industries, Inc. Annual Report on form 10K/A filed November 3, 2003 (file no. 1-2273).
- 10.07 Brian D. Jellison Employment Agreement, dated as of November 6, 2001, incorporated herein by reference to Exhibits 10.07 and 10.09 to the Roper Industries, Inc. Annual Report on Form 10-K filed January 22, 2002 (file no. 1-2273).
- 10.08 C. Thomas O'Grady letter dated February 19, 2001, incorporated herein by reference to Exhibits 10.07 and 10.09 to the Roper Industries, Inc. Annual Report on Form 10-K filed January 22, 2002 (file No. 1-12273).
- 10.09 Timothy J. Winfrey offer letter dated May 20, 2002, incorporated herein by reference to Exhibits 10.06 and 10.09 to the Roper Industries, Inc. Annual Report on Form 10K/A filed November 3, 2003.(file no. 1-12273).
- 10.10 James A. Mannebach offer letter dated January 3, 2003
- 10.11 Credit Agreement among Roper Industries, Inc. and certain lenders, dated December 29, 2003 (schedule and exhibits to this agreement have been omitted and will be furnished supplementally upon request).
- 12.1 Statement Regarding Computation of Ratio of Earnings to Fixed Charges
- 21.1 List of Subsidiaries
- 23.1 Consent of Independent Public Accountants
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
- 32.1 Section 1350 Certification of Chief Executive Officer
- 32.2 Section 1350 Certification of Chief Financial Officer.
- 99.1 Risk Factors

\$625,000,000

## CREDIT AGREEMENT

among

ROPER INDUSTRIES, INC., as Parent Borrower,

The Foreign Subsidiary Borrowers Referred to Herein,

The Several Lenders from Time to Time Parties Hereto,

MERRILL LYNCH CAPITAL CORPORATION, BANK ONE, NA and  
KEY BANK NATIONAL ASSOCIATION, as Documentation Agents,  
WACHOVIA BANK, NATIONAL ASSOCIATION, as Syndication Agent,

and

JPMORGAN CHASE BANK, as Administrative Agent

Dated as of December 29, 2003

J.P. MORGAN SECURITIES INC. and WACHOVIA CAPITAL MARKETS, LLC, as Joint Bookrunners and Joint Lead Arrangers

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EXHIBITS:

A	Form of Guarantee and Collateral Agreement
B	Form of Compliance Certificate
C	Form of Closing Certificate
D	Form of Addendum
E	Form of Assignment and Assumption
F	Form of Legal Opinion of King & Spalding LLP
G	Form of Exemption Certificate
H-1	Form of Incremental Term Facility Activation Notice
H-2	Form of New Lender Supplement
I	Form of Notice of Conversion/Continuation
J	Form of Joinder Agreement

CREDIT AGREEMENT (this “Agreement”), dated as of December 29, 2003, among ROPER INDUSTRIES, INC., a Delaware corporation (the “Parent Borrower”), the Foreign Subsidiary Borrowers (as defined below), the several banks and other financial institutions or entities from time to time parties to this Agreement (the “Lenders”), MERRILL LYNCH CAPITAL CORPORATION, BANK ONE, NA, and KEY BANK NATIONAL ASSOCIATION, as documentation agents (in such capacity, the “Documentation Agents”), WACHOVIA BANK, NATIONAL ASSOCIATION, as syndication agent (in such capacity, the “Syndication Agent”), and JPMORGAN CHASE BANK, as administrative agent.

The parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

“ABR”: for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1%. Any change in the ABR due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

“ABR Loans”: Loans the rate of interest applicable to which is based upon the ABR.

“Acquisition”: the acquisition by the Parent Borrower (either directly or indirectly through one or more of its Subsidiaries) of 100% of Neptune’s outstanding Capital Stock, and in conjunction therewith, the acquisition of that portion of Capital Stock of DAP Technologies, Ltd. not owned by Neptune prior to the Closing Date.

“Acquisition Agreement”: (a) the Stock Purchase Agreement, dated as of October 21, 2003, among Neptune, the shareholders of Neptune listed on the signature pages thereto and the Parent Borrower and (b) a related letter of intent between Neptune and the DAP Sellers executed in connection with the Stock Purchase Agreement.

“Acquisition Claim Amounts”: any amounts received as a result of any breach of any term or provision of the Acquisition Documentation or otherwise in respect of any claim by any Group Member arising out of the Acquisition (other than with respects to amounts paid pursuant to working capital or similar adjustments or to the extent relating to indemnification or reimbursement of amounts paid by any Group Member to Persons other than Group Members).

“Acquisition Documentation”: collectively, the Acquisition Agreement and all schedules, exhibits and annexes thereto and all side letters and agreements affecting the terms thereof or entered into in connection therewith.

“Addendum”: an instrument, substantially in the form of Exhibit D, by which a Lender becomes a party to this Agreement as of the Closing Date.

“Adjustment Date”: as defined in the definition of “Pricing Grid”.

“Administrative Agent”: JPMorgan Chase Bank, together with its affiliates, as an arranger of the Commitments and as the administrative agent for the Lenders under this Agreement and the other Loan Documents, together with any of its successors. It is understood that matters concerning Alternative Currency Loans will be administered by J.P. Morgan Europe Ltd.

“Affiliate”: as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, a Person shall be deemed to control another Person if the controlling Person (a) is the “beneficial owner” (as defined in Rule 13d-3 under the Securities Exchange Act of 1934) of 10% or more of the aggregate voting securities (or other voting interests) required for the election of directors (or persons performing similar functions) of such controlled Person or (b) has the power to direct or cause the direction of the management and policies of the controlled Person, whether through ownership of Capital Stock, by contract or otherwise.

“Agents”: the collective reference to the Syndication Agent, the Documentation Agents and the Administrative Agent.

“Aggregate Exposure”: with respect to any Lender at any time, an amount equal to (a) until the Closing Date, the aggregate amount of such Lender’s Commitments at such time and (b) thereafter, the sum of (i) the then unpaid principal amount of such Lender’s US\$ Term Loans, (ii) the amount of such Lender’s Euro Term Commitment then in effect and (iii) the amount of such Lender’s Revolving Commitments then in effect or, if any such Revolving Commitments have been terminated, the amount of such Lender’s relevant Revolving Extensions of Credit then outstanding.

“Aggregate Exposure Percentage”: with respect to any Lender at any time, the ratio (expressed as a percentage) of such Lender’s Aggregate Exposure at such time to the Aggregate Exposure of all Lenders at such time.

“Agreement”: as defined in the preamble hereto.

“Alternative Currencies”: Euros and Sterling.



“Alternative Currency Agent”: the Alternative Currency Agent appointed pursuant to Schedule 2.1.

“Alternative Currency Loans”: Loans denominated in any Alternative Currency.

“Applicable Margin”: (a) for each Type of Loan (other than Incremental Term Loans), the rate per annum set forth under the relevant column heading below:

	ABR Loans	Eurocurrency Loans
Revolving Loans and Swingline Loans	1.0%	2.0%
Term Loans	1.0%	2.0%

and (b) for Incremental Term Loans, such per annum rates as shall be agreed to by the Parent Borrower and the applicable Incremental Term Lenders as shown in the applicable Incremental Term Facility Activation Notice; provided, that (i) from and after the date that is six months after the Closing Date, the Applicable Margin with respect to Revolving Loans and Swingline Loans will be determined pursuant to the Pricing Grid and (ii) if the all-in pricing of any Incremental Term Loan is more than 0.25% per annum above the pricing of any other Term Loans (as calculated by the Administrative Agent upon written notice which shall provide sufficient detail to support such increase), the Applicable Margin with respect to such other Term Loans shall be increased concurrently with the funding of such Incremental Term Loan such that the resulting pricing differential shall equal 0.25% per annum.

“Application”: an application, in such form as the Issuing Lender may specify from time to time, requesting the Issuing Lender to open a Letter of Credit.

“Approved Fund”: as defined in Section 10.6(b).

“Asset Sale”: any Disposition of property or series of related Dispositions of property (excluding any such Disposition permitted by clause (a), (b), (c), (d), (e) or (f) of Section 7.5) that yields gross proceeds to any Group Member (valued at the initial principal amount thereof in the case of non-cash proceeds consisting of notes or other debt securities and valued at fair market value in the case of other non-cash proceeds) in excess of \$1,000,000.

“Assignee”: as defined in Section 10.6(b).

“Assignment and Assumption”: an Assignment and Assumption, substantially in the form of Exhibit E.

“Available Multicurrency Revolving Commitment”: as to any Multicurrency Revolving Lender at any time, an amount equal to the excess, if any, of (a) such Lender’s Multicurrency Revolving Commitment then in effect over (b) such Lender’s Multicurrency Revolving Extensions of Credit then outstanding.

“Available US\$ Revolving Commitment”: as to any US\$ Revolving Lender at any time, an amount equal to the excess, if any, of (a) such Lender’s US\$ Revolving Commitment then in effect over (b) such Lender’s US\$ Revolving Extensions of Credit then outstanding; provided, that in calculating any Lender’s US\$ Revolving Extensions of Credit for the purpose of determining such Lender’s Available US\$ Revolving Commitment pursuant to Section 2.8(a), the aggregate principal amount of Swingline Loans then outstanding shall be deemed to be zero.

“Benefitted Lender”: as defined in Section 10.7(a).

“Board”: the Board of Governors of the Federal Reserve System of the United States (or any successor).

“Borrowers”: the collective reference to the Parent Borrower and the Foreign Subsidiary Borrowers.

“Borrowing Date”: any Business Day specified by the relevant Borrower as a date on which such Borrower requests the relevant Lenders to make Loans hereunder.

“Business”: as defined in Section 4.17(b).

“Business Day”: a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided that (a) with respect to any borrowings, disbursements and payments in respect of and calculations, interest rates and Interest Periods pertaining to Eurocurrency Loans, such day is also a day on which banks are open for general business in the principal financial center of the country of the relevant currency and (b) with respect to notices and determinations in connection with, and payments of principal and interest on, Loans denominated in Euros, such day is also a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System (TARGET) (or, if such clearing system ceases to be operative, such other clearing system (if any) determined by the Administrative Agent to be a suitable replacement) is open for settlement of payment in Euros.

“Calculation Date”: (a) three Business Days prior to the last Business Day of each calendar quarter and (b) any other Business Day selected by the Administrative Agent in its discretion; provided that each date that is on or about the date of any borrowing request or rollover request with respect to any Alternative Currency Loan shall also be a “Calculation Date” with respect to the relevant Alternative Currency.

“Capital Expenditures”: for any period, with respect to any Person, the aggregate of all expenditures by such Person and its Subsidiaries for the acquisition or leasing (pursuant to a capital lease) of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) that should be capitalized under GAAP on a consolidated balance sheet of such Person and its Subsidiaries.

“Capital Lease Obligations”: as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

“Capital Stock”: any shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any equivalent ownership interests in a Person (other than a corporation), any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person and any warrants, rights or options to purchase any of the foregoing; provided, that “Capital Stock” shall not include any debt securities convertible into equity securities prior to such conversion.

“Cash Equivalents”: (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurocurrency time deposits or overnight bank deposits having maturities of six months or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than \$500,000,000 or, in the case of Foreign Subsidiaries, any local office of any commercial bank organized under the laws of the relevant local jurisdiction or any OECD country or any political subdivision thereof which has a combined capital and surplus and undivided profits of not less than \$500,000,000; (c) commercial paper of an issuer rated at least A-1 by S&P or P-1 by Moody’s, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A2 by Moody’s; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any

commercial bank satisfying the requirements of clause (b) of this definition; (g) money market mutual or similar funds that invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition; (h) money market funds that (1) comply with the criteria set forth in SEC Rule 2a-7 under the Investment Company Act of 1940, as amended and (2) are rated A by S&P and A2 by Moody's and (iii) have portfolio assets of at least \$100,000,000; and (i) in the case of Foreign Subsidiaries, substantially similar Investments to those set forth in clauses (a) through (h) above denominated in foreign currencies, provided that references to the United States (or any agency, instrumentality or state thereof) shall be deemed to mean foreign countries having a sovereign rating of "A" or better from either S&P or Moody's.

"Closing Date": the date on which the conditions precedent set forth in Section 5.1 shall have been satisfied.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": all property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

"Commitment": any Term Commitment, Revolving Commitment or Euro Term Commitment.

"Commitment Fee Rate": 0.50% per annum; provided, that from and after the date that is six months after the Closing Date, the Commitment Fee Rate will be determined pursuant to the Pricing Grid.

"Commonly Controlled Entity": an entity, whether or not incorporated, that is under common control with the Parent Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes the Parent Borrower and that is treated as a single employer under Section 414 of the Code.

"Common Stock Offering": a registered primary public offering of the common stock of the Parent Borrower.

"Compliance Certificate": a certificate duly executed by a Responsible Officer substantially in the form of Exhibit B.

"Conduit Lender": any special purpose corporation organized and administered by any Lender for the purpose of making Loans otherwise required to be made by such Lender and designated by such Lender in a written instrument; provided, that the designation by any Lender of a Conduit Lender shall not relieve the designating Lender of any of its obligations to fund a Loan under this Agreement if, for any reason, its Conduit Lender fails to fund any such Loan, and the designating Lender (and not the Conduit Lender) shall have the sole right and responsibility to deliver all consents and waivers required or requested under this Agreement with respect to its Conduit Lender, and provided, further, that no Conduit Lender shall (a) be entitled to receive any greater amount pursuant to Section 2.18, 2.19, 2.20 or 10.5 than the designating Lender would have been entitled to receive in respect of the extensions of credit made by such Conduit Lender or (b) be deemed to have any Commitment.

"Confidential Information Memorandum": the Confidential Information Memorandum dated November 2003 and furnished to certain Lenders.

"Consideration": in connection with any acquisition or Investment, the consideration paid by any Group Member in connection therewith (including consideration in the form of issuance of Capital Stock of any Group Member and assumption of Indebtedness).

"Consolidated Current Assets": at any date, all amounts (other than cash and Cash Equivalents) that would, in conformity with GAAP, be set forth opposite the caption "total current assets" (or any like caption) on a consolidated balance sheet of the Parent Borrower at such date.

"Consolidated Current Liabilities": at any date, all amounts that would, in conformity with GAAP, be set forth opposite the caption "total current liabilities" (or any like caption) on a consolidated balance sheet of the Parent Borrower at such date, but excluding (a) the current portion of any Funded Debt of the Group Members, (b) without duplication of clause (a) above, all Indebtedness consisting of Revolving Loans or Swingline Loans to the extent otherwise included therein and (c) short-term Indebtedness incurred by Foreign Subsidiaries.

"Consolidated EBITDA": for any period, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense, amortization or writeoff of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness (including the Loans), (c) depreciation and amortization expense, (d) amortization of intangibles (including, but not limited to, goodwill) and organization costs, (e) any non-cash expenses in connection with Capital Stock compensation and (f) any extraordinary non-cash expenses or losses (other than any such losses excluded from Consolidated Net Income pursuant to clause (d) of the definition thereof), and minus, (a) to the extent included in the statement of such Consolidated Net Income for such period, the sum of (i) interest income, (ii) any extraordinary non-cash income or gains (including, whether or not otherwise includable as a separate item in the statement of such Consolidated Net Income for such period, gains on the sales of assets outside of the ordinary course of business) and (iii) income tax credits (to the extent not netted from income tax expense) and (b) any cash payments made during such period in respect of items described in clause (f) above subsequent to the fiscal quarter in which the relevant non-cash expenses or losses were reflected as a charge in the statement of Consolidated Net Income, all as determined on a consolidated basis.

For the purposes of calculating Consolidated EBITDA for any period of four consecutive fiscal quarters (each, a "Reference Period") (other than pursuant to any determination of the Consolidated Interest Coverage Ratio), (i) if at any time during such Reference Period the Parent Borrower or any Subsidiary shall have made any Material Disposition, the Consolidated EBITDA for such Reference Period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the property that is the subject of such Material Disposition for such Reference Period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such Reference Period and (ii) if during such Reference Period the Parent Borrower or any Subsidiary shall have made a Material Acquisition, Consolidated EBITDA for such Reference Period shall be calculated after giving pro forma effect thereto as if such Material Acquisition occurred on the first day of such Reference Period. As used in this definition, (a) "Material Acquisition" means the Acquisition and any other acquisition of property or series of related acquisitions of property that constitutes assets comprising all or substantially all of an operating unit of a business or constitutes all or substantially all of the common stock of a Person and (b) "Material Disposition" means any Disposition of property or series of related Dispositions of property that yields gross proceeds to the Group Members in excess of \$5,000,000.

"Consolidated Interest Coverage Ratio": for any period, the ratio of (a) Consolidated EBITDA for such period to (b) Consolidated Interest Expense for such period.

"Consolidated Interest Expense": for any period, total cash interest expense (including that attributable to Capital Lease Obligations) of the Group Members for such period with respect to all outstanding Indebtedness of the Group Members (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing, expenses comparable to or in the nature of interest under any Qualified Receivables Transaction and net costs under Swap Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP).

"Consolidated Net Income": for any period, the consolidated net income (or loss) of the Group Members, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Parent Borrower or is merged into or consolidated with any Group Member, (b) the income (or deficit) of any Person (other than a Subsidiary of the Parent Borrower) in which any Group Member has an ownership interest, except to the extent that any such income is actually received by the Parent Borrower or such Subsidiary in the form of dividends or similar distributions, (c) the undistributed earnings of any Subsidiary of the Parent Borrower to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary, (d) net losses for operations discontinued as reflected on the Parent Borrower's financial statements for periods ending on or prior to September 30, 2003 and (e) charges to such net income resulting from expenses and premiums paid in connection with the transactions contemplated hereby to the extent described on Schedule 5.1.

"Consolidated Net Worth": at a particular date, all amounts which would be included under shareholders' equity (including capital stock, additional paid-in capital and retained earnings) on the consolidated balance sheet for the Parent Borrower and its consolidated Subsidiaries determined in accordance with GAAP.

"Consolidated Senior Debt": all Consolidated Total Debt other than the Convertible Notes and any Subordinated Debt.

“Consolidated Senior Leverage Ratio”: as of any date, the ratio of (a) (i) Consolidated Senior Debt on such date minus (ii) aggregate Reinvestment Cash held on such date to (b) Consolidated EBITDA measured for the four consecutive fiscal quarters ending on such date.

“Consolidated Total Assets”: at any date, total assets of the Group Members at such date, determined on a consolidated basis in accordance with GAAP.

“Consolidated Total Debt”: at any date, the aggregate principal amount of all Indebtedness of the Group Members at such date, determined on a consolidated basis in accordance with GAAP.

“Consolidated Total Leverage Ratio”: as of any date, the ratio of (a) (i) Consolidated Total Debt on such date minus (ii) aggregate Reinvestment Cash held on such date to (b) Consolidated EBITDA measured for the four consecutive fiscal quarters ending on such date.

“Consolidated Total Revenue”: for any period, the consolidated revenue of the Group Members, determined on a consolidated basis in accordance with GAAP.

“Consolidated Working Capital”: at any date, the excess of Consolidated Current Assets on such date over Consolidated Current Liabilities on such date.

“Continuing Directors”: the directors of the Parent Borrower’s board of directors on the Closing Date and each other director nominated for election or elected to such board of directors with the approval of the Continuing Directors who were members of such board at the time of such nomination or election.

“Contractual Obligation”: as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Convertible Note Documents”: any indenture or other agreement entered into by the Parent Borrower governing the Convertible Notes, together with all instruments and other agreements entered into by any Group Member in connection therewith.

“Convertible Notes”: the Parent Borrower’s Senior Subordinated Convertible Notes due 2033, including, all such notes issued within 30 days of the Closing Date pursuant to the underwriters’ over allotment option set forth in the underwriting agreement pursuant to which such notes were sold by the Parent Borrower.

“Cost of Funds Rate”: with respect to any Alternative Currency, the rate of interest determined by the Administrative Agent (which determination shall be conclusive absent manifest error) to be the cost to the relevant Lenders of obtaining funds denominated in such currency for the relevant Interest Period.

“DAP Sellers”: immediately prior to the Closing Date, the shareholders of DAP Technologies, Ltd., other than Neptune.

“Default”: any of the events specified in Section 8, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Determination Date”: each date that is three Business Days after any Calculation Date.

“Disposition”: with respect to any property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof. The terms “Dispose” and “Disposed of” shall have correlative meanings.

“Disqualified Stock”: any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is 91 days after the latest final maturity of the Loans.

“Documentation Agents”: as defined in the preamble hereto.

“Dollar Equivalent”: on any date of determination, (a) for the purposes of determining compliance with Section 7 or the existence of an Event of Default under Section 8 (other than for the purpose of determining amounts outstanding hereunder, in which case clause (b) below shall govern), with respect to any amount denominated in a currency other than Dollars, the equivalent in Dollars of such amount, determined in good faith by the Parent Borrower in a manner consistent with the way such amount is or would be reflected on the Parent Borrower’s audited consolidated financial statements for the fiscal year in which such determination is made and (b) with respect to any amount hereunder denominated in an Alternative Currency, the amount of Dollars that may be purchased with such amount of such currency at the Exchange Rate (determined as of the applicable Determination Date) with respect to such currency on such date.

“Dollar Eurocurrency Loans”: Eurocurrency Loans denominated in Dollars.

“Dollars” and “\$”: dollars in lawful currency of the United States.

“Dollar Term Loans”: Term Loans denominated in Dollars.

“Domestic Subsidiary”: any Subsidiary of the Parent Borrower organized under the laws of any jurisdiction within the United States.

“ECF Percentage”: 75%; provided, that, with respect to each fiscal year of the Parent Borrower ending on or after December 31, 2004, the ECF Percentage shall be reduced to 0% if the Consolidated Senior Leverage Ratio as of the last day of such fiscal year is not greater than 2.0 to 1.0.

“Environmental Laws”: any and all foreign, Federal, state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority or other Requirements of Law (including common law) regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect.

“Equity Offering”: any Common Stock Offering and any registered public offering of the Parent Borrower’s convertible notes.

“ERISA”: the Employee Retirement Income Security Act of 1974, as amended from time to time.

“Eurocurrency Base Rate”: with respect to each day during each Interest Period pertaining to a Eurocurrency Loan, the rate per annum determined on the basis of the rate for deposits in the relevant currency for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on the relevant page of the Telerate screen as of 11:00 A.M., Local Time, two Business Days prior to the beginning of such Interest Period. In the event that such rate does not appear on the Telerate screen, the “Eurocurrency Base Rate” shall be determined by reference to such other comparable publicly available service for displaying eurocurrency rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered deposits in the relevant currency at or about 11:00 A.M., Local Time, two Business Days prior to the beginning of such Interest Period in the interbank eurocurrency market where its relevant eurocurrency and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

“Eurocurrency Loans”: Loans the rate of interest applicable to which is based upon the Eurocurrency Rate.

“Eurocurrency Rate”: with respect to each day during each Interest Period pertaining to a Eurocurrency Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

Eurocurrency Base Rate

## 1.00 - Eurocurrency Reserve Requirements

**“Eurocurrency Reserve Requirements”**: for any day as applied to a Eurocurrency Loan, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including basic, supplemental, marginal and emergency reserves) under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

**“Eurocurrency Tranche”**: the collective reference to Eurocurrency Loans under a particular Facility and made in a particular currency the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

**“Euros” and “€”**: the single currency of participating member states of the European Union.

**“Euro Term Commitments”**: the collective reference to the Euro Term Participating Commitments and the Euro Term Unparticipated Commitments.

**“Euro Term Fronting Commitment”**: as to any Lender, the obligation of such Lender, if any, to make a Euro Term Loan to Roper Germany in Euros in a principal amount not to exceed the amount set forth under the heading “Euro Term Fronting Commitment” opposite such Lender’s name on Schedule 1.1. The original aggregate amount of the Euro Term Fronting Commitments is € \_\_\_\_\_ [Euro equivalent of \$42,000,000 to be inserted].

**“Euro Term Fronting Lender”**: each Lender that has a Euro Term Fronting Commitment or a Euro Term Unparticipated Commitment or that holds a Euro Term Loan.

**“Euro Term Fronting Percentage”**: as to any Euro Term Fronting Lender at any time, the percentage which such Lender’s Euro Term Fronting Commitment then constitutes of the aggregate Euro Term Fronting Commitments (or, at any time after the Closing Date, the percentage which the principal amount of such Lender’s Euro Term Loan then outstanding constitutes of the aggregate principal amount of the Euro Term Loans then outstanding).

**“Euro Term Funded Participation”**: any amount funded by a Euro Term Participating Lender pursuant to Section 2.1(b).

**“Euro Term Lenders”**: as applicable, the Euro Term Fronting Lenders and/or the Euro Term Participating Lenders.

**“Euro Term Loan”**: as defined in Section 2.1(a).

**“Euro Term Participating Commitment”**: as to any Lender, the obligation of such Lender, if any, to refund to the Euro Term Fronting Lenders, in Dollars, a share of the Euro Term Loans pursuant to Section 2.1(b) in an aggregate principal amount not to exceed the amount set forth under the heading “Euro Term Participating Commitment” opposite such Lender’s name on Schedule 1.1 (which amount shall be subject to currency fluctuations, which in turn shall be subject to the limitations set forth in Section 2.11(g)).

**“Euro Term Participating Lender”**: each Lender that has a Euro Term Participating Commitment or that holds a Euro Term Funded Participation.

**“Euro Term Percentage”**: as to any Euro Term Lender at any time, the percentage which such Lender’s Euro Term Commitment then constitutes of the aggregate Euro Term Commitments.

**“Euro Term Unparticipated Commitment”**: as to any Euro Term Fronting Lender, the Dollar Equivalent of the portion of the principal amount of its Euro Term Loan that does not benefit from participations as described in Section 2.1(b), as set forth under the heading “Euro Term Unparticipated Commitment” opposite such Lender’s name on Schedule 1.1 (which amount shall be subject to currency fluctuations, which in turn shall be subject to the limitations set forth in Section 2.11(g)).

**“Event of Default”**: any of the events specified in Section 8, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

**“Excess Cash Flow”**: for any fiscal year of the Parent Borrower, the excess, if any, of (a) the sum, without duplication, of (i) Consolidated Net Income for such fiscal year, (ii) the amount of all non-cash charges (including depreciation and amortization) deducted in arriving at such Consolidated Net Income, (iii) decreases in Consolidated Working Capital for such fiscal year, and (iv) the aggregate net amount of non-cash loss on the Disposition of property by the Group Members during such fiscal year (other than sales of inventory in the ordinary course of business), to the extent deducted in arriving at such Consolidated Net Income over (b) the sum, without duplication, of (i) the amount of all non-cash credits included in arriving at such Consolidated Net Income, (ii) the aggregate amount actually paid by the Group Members in cash during such fiscal year on account of Capital Expenditures (excluding the principal amount of Indebtedness incurred to finance such expenditures and any such expenditures financed with the proceeds of any Reinvestment Deferred Amount), (iii) the aggregate amount of all prepayments of Revolving Loans and Swingline Loans during such fiscal year to the extent accompanying permanent optional reductions of the Revolving Commitments and all optional prepayments of the Term Loans during such fiscal year, (iv) the aggregate amount of all regularly scheduled principal payments of Indebtedness (including the Term Loans) of the Group Members made during such fiscal year (other than in respect of any revolving credit facility to the extent there is not an equivalent permanent reduction in commitments thereunder), (v) increases in Consolidated Working Capital for such fiscal year, (vi) the aggregate amount of all cash Restricted Payments actually made by the Parent Borrower during such fiscal year in accordance with Section 7.6(b) or (c), and (vii) the aggregate net amount of (a) non-cash gain on the Disposition of property by any Group Member and (b) any non-cash settlement of or payment, or series of related settlements or payments, in respect of any property or casualty insurance claim or any condemnation proceeding, in each case during such fiscal year (other than with respect to Dispositions of inventory in the ordinary course of business), to the extent included in arriving at such Consolidated Net Income.

**“Excess Cash Flow Application Date”**: as defined in Section 2.11(d).

**“Exchange Rate”**: on any day, with respect to any Alternative Currency, the rate at which such Alternative Currency may be exchanged into Dollars, as set forth at approximately 11:00 A.M., Local Time, on such day on the applicable Reuters World Spot Page. In the event that any such rate does not appear on any Reuters World Spot Page, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates reasonably selected by the Administrative Agent in consultation with the Parent Borrower for such purpose or, at the discretion of the Administrative Agent in consultation with the Parent Borrower, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Administrative Agent in the market where its foreign currency exchange operations in respect of such Alternative Currency are then being conducted, at or about 11:00 A.M., Local Time, on such day for the purchase of the applicable Alternative Currency for delivery three Business Days later, provided that, if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any other reasonable method it deems appropriate to determine such rate, and such determination shall be presumed correct absent manifest error.

**“Excluded Foreign Subsidiary”**: any Foreign Subsidiary selected by the Parent Borrower whose Capital Stock is not required to be pledged as Collateral in order to enable the Parent Borrower to remain in compliance with Section 6.10(c).

**“Facility”**: each of (a) the US\$ Term Commitments and the US\$ Term Loans made thereunder (the **“US\$ Term Facility”**), (b) the Euro Term Fronting Commitments, the Euro Term Commitments and the Euro Term Loans and Euro Term Loan Funded Participations made thereunder (the **“Euro Term Facility”**), (c) the US\$ Revolving Commitments and the extensions of credit made thereunder (the **“US\$ Revolving Facility”**), (d) the Multicurrency Revolving Commitments and the extensions of credit made thereunder (the **“Multicurrency Revolving Facility”**) and (e) the Incremental Term Loans (the **“Incremental Term Facility”**).

**“Federal Funds Effective Rate”**: for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by JPMorgan Chase Bank from three federal funds brokers of recognized standing selected by it.

“Fee Payment Date”: (a) the third Business Day following the last day of each March, June, September and December and (b) as applicable, the last day of the Revolving Commitment Period or the date on which all of the Term Loans or Revolving Commitments under a particular Facility have been paid in full or terminated.

“Foreign Subsidiary”: any Subsidiary of the Parent Borrower that is not a Domestic Subsidiary.

“Foreign Subsidiary Borrowers”: Roper Germany and any other Foreign Subsidiary with respect to which the conditions set forth in Sections 2.23 and 5.3 have been satisfied.

“Funded Debt”: as to any Person, all Indebtedness of such Person that matures more than one year from the date of its creation or matures within one year from such date but is renewable or extendible, at the option of such Person, to a date more than one year from such date or arises under a revolving credit or similar agreement that obligates the lender or lenders to extend credit during a period of more than one year from such date, including all current maturities and current sinking fund payments in respect of such Indebtedness whether or not required to be paid within one year from the date of its creation and, in the case of the Borrowers, Indebtedness in respect of the Loans.

“Funding Office”: the office of the Administrative Agent specified in Section 10.2 or such other office as may be specified from time to time by the Administrative Agent as its funding office by written notice to the Parent Borrower and the Lenders.

“GAAP”: generally accepted accounting principles in the United States as in effect from time to time, except that for purposes of Section 7.1, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the most recent audited financial statements referred to in Section 4.1(b). In the event that any “Accounting Change” (as defined below) shall occur and such change results in a change in the method of calculation of any covenants, standards or terms in this Agreement, then the Parent Borrower and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to reflect equitably such Accounting Changes with the desired result that the criteria for evaluating the Parent Borrower’s financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by the Parent Borrower, the Administrative Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. “Accounting Changes” refers to changes in accounting principles required by any final and effective rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants or, if applicable, the SEC.

“Governmental Authority”: any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization (including the National Association of Insurance Commissioners).

“Group Members”: the collective reference to the Parent Borrower and its Subsidiaries.

“Guarantee and Collateral Agreement”: the Guarantee and Collateral Agreement to be executed and delivered by each Borrower and each Subsidiary Guarantor, substantially in the form of Exhibit A.

“Guarantee Obligation”: as to any Person (the “guaranteeing person”), any obligation, including a reimbursement, counterindemnity or similar monetary obligation, of the guaranteeing person that guarantees or in effect guarantees, or which is given to induce the creation of a separate obligation by another Person (including any bank under any letter of credit) that guarantees or in effect guarantees, any Indebtedness, leases, dividends or other obligations (the “primary obligations”) of any other third Person (the “primary obligor”) in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person’s maximum reasonably anticipated liability in respect thereof as determined by the Parent Borrower in good faith.

“Incremental Term Facility Activation Notice”: a notice substantially in the form of Exhibit H-1.

“Incremental Term Lenders”: each Lender that holds an Incremental Term Loan.

“Incremental Term Loans”: any Loan made pursuant to Section 2.1(c).

“Incremental Term Maturity Date”: with respect to the Incremental Term Loans to be made pursuant to any Incremental Term Facility Activation Notice, the maturity date specified in such Incremental Term Facility Activation Notice, which date shall be a date no earlier than the final maturity of the other Term Loans.

“Indebtedness”: of any Person at any date, without duplication, such Person’s (a) obligations for borrowed money, (b) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of such Person’s business payable on terms customary in the trade and other than earn-outs or other similar forms of contingent purchase prices), (c) obligations, whether or not assumed, secured by Liens on or payable out of the proceeds or production from property or assets now or hereafter owned or acquired by such Person, (d) obligations which are evidenced by notes, acceptances, or other instruments, (e) Capital Lease Obligations, (f) obligations, contingent or otherwise, with respect to letters of credit or similar arrangements, (g) Off-Balance Sheet Liabilities, (h) Disqualified Stock, (i) Guarantee Obligations in respect of obligations of the kind referred to in clauses (a) through (h) above, and (j) for the purposes of Section 8(e) only, obligations in respect of Swap Agreements. The amount of Indebtedness of any Person at any date shall be without duplication (i) the outstanding balance at such date of all unconditional obligations as described above and the maximum liability of any Guarantee Obligations or contingent obligations described above at such date and (ii) in the case of Indebtedness of others secured by a Lien to which the property or assets owned or held by such Person is subject, the lesser of the fair market value at such date of any asset subject to a Lien securing the Indebtedness of others and the amount of the Indebtedness secured. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person’s ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor.

“Insolvency”: with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

“Insolvent”: pertaining to a condition of Insolvency.

“Intellectual Property”: the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including copyrights, copyright licenses, patents, patent licenses, trademarks, trademark licenses, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

“Interest Payment Date”: (a) as to any ABR Loan (other than any Swingline Loan), the last day of each March, June, September and December to occur while such Loan is outstanding and the final maturity date of such Loan, (b) as to any Eurocurrency Loan having an Interest Period of three months or less, the last day of such Interest Period, (c) as to any Eurocurrency Loan having an Interest Period longer than three months, each day that is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period, (d) as to any Loan (other than any Revolving Loan that is an ABR Loan and any Swingline Loan), the date of any repayment or prepayment made in respect thereof and (e) as to any Swingline Loan, the day that such Loan is required to be repaid.

“Interest Period”: as to any Eurocurrency Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurocurrency Loan and ending one, two, three or six months thereafter, as selected by the relevant Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurocurrency Loan and ending one, two, three or six months thereafter, as selected by the relevant Borrower by irrevocable notice to the Administrative Agent not later than 11:00 A.M., Local Time, on the date that is three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

- (i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;
- (ii) no Borrower may select an Interest Period under a particular Facility that would extend beyond the Revolving Termination Date or beyond the date final payment is due on the relevant Term Loans, as the case may be;
- (iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month; and
- (iv) each Borrower shall select Interest Periods so as not to require a payment or prepayment of any Eurocurrency Loan during an Interest Period for such Loan.

“Investments”: as defined in Section 7.8.

“Issuing Lender”: JPMorgan Chase Bank or any affiliate thereof, or, in the case of the Letters of Credit listed on Schedule 3.1, Bank One, N.A. or any affiliate thereof, in its capacity as issuer of any Letter of Credit. Each reference herein to “the Issuing Lender” shall be deemed to be a reference to the relevant Issuing Lender with respect to the relevant Letter of Credit.

“L/C Commitment”: \$20,000,000.

“L/C Obligations”: at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 3.5.

“L/C Participants”: the collective reference to all US\$ Revolving Lenders other than the Issuing Lender.

“Lenders”: as defined in the preamble hereto; provided, that unless the context otherwise requires, each reference herein to the Lenders shall be deemed to include any Conduit Lender.

“Letters of Credit”: as defined in Section 3.1(a).

“Lien”: any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing), but excluding any licensing of products, services or Intellectual Property in the ordinary course of business.

“Loan”: any loan made by any Lender pursuant to this Agreement.

“Loan Documents”: this Agreement, the Security Documents, the Notes and any amendment, waiver, supplement or other modification to any of the foregoing.

“Loan Parties”: each Group Member that is a party to a Loan Document.

“Local Time”: (a) in the case of Alternative Currency Loans, London time (or, in the case of the definition of “Eurocurrency Base Rate” with respect to Loans denominated in Euros, Brussels time) and (b) in all other cases, New York City time.

“Majority Facility Lenders”: with respect to any Facility, the holders of more than 50% of the aggregate amount of the US\$ Term Loans, Euro Term Commitments or Revolving Extensions of Credit, as the case may be, outstanding thereunder (or, in the case of the US\$ Revolving Facility or Multicurrency Revolving Facility, prior to any termination of the Revolving Commitments thereunder, the holders of more than 50% of such Revolving Commitments).

“Material Adverse Effect”: a material adverse effect on (a) the business, assets, liabilities (contingent or otherwise), operations, condition (financial or otherwise) or prospects of the Group Members taken as a whole or (b) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights or remedies of the Administrative Agent or the Lenders hereunder or thereunder.

“Materials of Environmental Concern”: any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, in each case to the extent regulated under any Environmental Law, including asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

“Moody’s”: Moody’s Investors Service, Inc.

“Multicurrency Revolving Commitment”: as to any Lender, the obligation of such Lender, if any, to make Revolving Loans in Dollars or any Alternative Currency in an aggregate principal amount not to exceed the amount set forth under the heading “Multicurrency Revolving Commitment” opposite such Lender’s name on Schedule 1.1 or in the Assignment and Assumption pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original amount of the aggregate Multicurrency Revolving Commitments is \$50,000,000.

“Multicurrency Revolving Extensions of Credit”: as to any Multicurrency Revolving Lender at any time, an amount equal to the aggregate principal amount of all Multicurrency Revolving Loans held by such Lender then outstanding. In the case of Multicurrency Revolving Loans denominated in Alternative Currencies, such amount shall be calculated using the Dollar Equivalent thereof.

“Multicurrency Revolving Lender”: each Lender that has a Multicurrency Revolving Commitment or that holds Multicurrency Revolving Loans.

“Multicurrency Revolving Loans”: as defined in Section 2.4(a).

“Multicurrency Revolving Percentage”: as to any Multicurrency Revolving Lender at any time, the percentage which such Lender’s Multicurrency Revolving Commitment then constitutes of the aggregate Multicurrency Revolving Commitments or, at any time after the Multicurrency Revolving Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender’s Multicurrency Revolving Extensions of Credit then outstanding constitutes of the aggregate principal amount of the Multicurrency Revolving Extensions of Credit then outstanding.

“Multiemployer Plan”: a Plan that is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“**Neptune**”: Neptune Technology Group Holdings Inc.

“**Net Cash Proceeds**”: (a) in connection with any Asset Sale or any Recovery Event, the proceeds thereof in the form of cash and Cash Equivalents (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received) of such Asset Sale or Recovery Event, net of attorneys’ fees, accountants’ fees, investment banking fees, brokerage commissions, amounts required to be applied to the repayment of Indebtedness secured by a Lien expressly permitted hereunder on any asset that is the subject of such Asset Sale or Recovery Event (other than any Lien pursuant to a Security Document), other customary fees and expenses actually incurred in connection therewith and net of taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements) and appropriate amounts to be provided by a Group Member as a reserve against any liabilities associated with the assets Disposed of, including pension and other post-employment benefit liabilities and liabilities related to environmental matters or against any indemnification obligations associated with assets Disposed of (collectively, “**Liability Reserves**”) (provided, that any such **Liability Reserves** shall be deemed “**Net Cash Proceeds**” to the extent any excess **Liability Reserves** exist following the payment in full, compromise, settlement or other liquidation of all related liabilities, or, if earlier, the stated expiration of any period during which claims may be made in respect of such liabilities as set forth in the documentation governing the relevant Asset Sale, but only to the extent of the amount by which the relevant **Liability Reserve** exceeds any relevant claims made) and (b) in connection with any issuance or sale of Capital Stock or any incurrence of Indebtedness, the cash proceeds received from such issuance or incurrence, net of attorneys’ fees, investment banking fees, accountants’ fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith.

“**New Lender Supplement**”: a supplement substantially in the form of Exhibit H-2.

“**Non-Excluded Taxes**”: as defined in Section 2.19(a).

“**Non-U.S. Lender**”: as defined in Section 2.19(d).

“**Notes**”: the collective reference to any promissory note evidencing Loans.

“**Off-Balance Sheet Liabilities**” of a Person means (a) any Receivables Transaction Attributed Debt and repurchase obligation or liability of such Person or any of its Subsidiaries with respect to Receivables or notes receivable sold by such Person or any of its Subsidiaries (calculated to include the unrecovered investment of purchasers or transferees of Receivables or notes receivable or any other obligation of such Person or any of its Subsidiaries or such transferor to purchasers/transferees of interests in Receivables or notes receivables or the agent for such purchasers/transferees), (b) any repurchase obligation or liability of such Person or any of its Subsidiaries under any sale and leaseback transactions which do not create a liability on the consolidated balance sheet of such Person, (c) any liability of such Person or any of its Subsidiaries under any so-called “synthetic” lease transaction, or (d) any obligations of such Person or any of its Subsidiaries arising with respect to any other transaction which is the functional equivalent of borrowing but which does not constitute a liability on the consolidated balance sheets of such Person and its Subsidiaries.

“**Other Taxes**”: any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“**Parent Borrower**”: as defined in the preamble hereto.

“**Participant**”: as defined in Section 10.6(c).

“**PBGC**”: the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

“**Permitted Acquisition**” : any acquisition by the Parent Borrower or any Subsidiary of all or substantially all of the Capital Stock of, or all or substantially all of the assets of, or of a business, unit or division of, any Person; provided that (a) the Parent Borrower shall be in compliance, on a **proforma** basis after giving effect to such acquisition, with the covenants contained in Section 7.1, in each case recomputed as at the last day of the most recently ended fiscal quarter of the Parent Borrower for which the relevant information is available as if such acquisition had occurred on the first day of each relevant period for testing such compliance (as demonstrated in a certificate of a Responsible Officer delivered to the Administrative Agent prior to the consummation of any acquisition where the Consideration paid exceeds \$25,000,000); (b) no Default or Event of Default shall have occurred and be continuing, or would occur after giving effect to such acquisition; (c) in the case of any acquisition of Capital Stock of a Person, such acquisition shall have been approved by the Board of Directors or comparable governing body of such Person; and (d) in the case of an acquisition pursuant to which Capital Stock of one or more Persons organized under the laws of a jurisdiction other than the United States or assets located in any such jurisdiction (collectively, “**Foreign Assets**”) are acquired, the Consideration paid for such **Foreign Assets**, together with the Consideration paid for all other **Foreign Assets** in the then-current fiscal year, shall not exceed, without the prior written consent of the Required Lenders, 40% of Consolidated Net Worth for such fiscal year prior to giving effect to such acquisition. For the purposes of clause (d) above, in the case of any acquisition involving **Foreign Assets** and assets that are not **Foreign Assets**, (i) the Parent Borrower shall determine in good faith the appropriate allocation of the Consideration paid for such acquisition between such asset classes and (ii) if one or more Domestic Subsidiaries of the type referred to in clause (x) of Section 6.10(b) are acquired, such Domestic Subsidiaries shall be deemed to be **Foreign Assets** if said Section 6.10(b) is not complied with by the date that is 90 days after the relevant acquisition.

“**Person**”: an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

“**Plan**”: at a particular time, any employee benefit plan that is covered by ERISA and in respect of which the Parent Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“**Pricing Grid**”: the table set forth below.

<b>Consolidated Total Leverage Ratio</b>	<b>Applicable Margin for Eurocurrency Loans</b>	<b>Applicable Margin for ABR Loans</b>	<b>Commitment Fee Rate</b>
Greater than or equal to 3.0 to 1.0	2.0%	1.0%	0.50%
Greater than or equal to 2.50 to 1.0 but less than 3.0 to 1.0	1.75%	0.75%	0.375%
Less than 2.50 to 1.0	1.50%	0.50%	0.375%

For the purposes of the Pricing Grid, changes in the rates set forth therein resulting from changes in the Consolidated Total Leverage Ratio shall become effective on the date (the “**Adjustment Date**”) that is three Business Days after the date on which financial statements are delivered to the Lenders pursuant to Section 6.1 and shall remain in effect until the next change to be effected pursuant to this paragraph (it being understood that on the date on which the Pricing Grid initially becomes effective, any applicable change shall be based on the most recent financial statements so delivered prior to such effective date). If any financial statements referred to above are not delivered within the time periods specified in Section 6.1, then, until the date that is three Business Days after the date on which such financial statements are delivered, the highest rate set forth in each column of the Pricing Grid shall apply. At all times while an Event of Default shall have occurred and be continuing, the highest rate set forth in each column of the Pricing Grid shall apply (which, in the case of interest rates, shall be in addition to the increase in the Applicable Margin described in the last sentence of the definition thereof). Each determination of the Consolidated Total Leverage Ratio pursuant to the Pricing Grid shall be made in a manner consistent with the determination thereof pursuant to Section 7.1.

“**Prime Rate**” shall mean the rate of interest per annum publicly announced from time to time by JPMorgan Chase Bank as its prime rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by JPMorgan Chase Bank in connection with extensions of credit to debtors).

“**Pro Forma Balance Sheet**”: as defined in Section 4.1(a).

“**Projections**”: as defined in Section 6.2(c).

“**Properties**”: as defined in Section 4.17(a).

“**Qualified Receivables Transaction**”: any transaction or series of transactions that may be entered into by any Group Member pursuant to which such Group Member may sell, convey or otherwise transfer to (a) a Receivables Entity (in the case of a transfer by such Group Member) or (b) any other Person (in the case of a transfer by a Receivables Entity), or may grant a security interest in, any Receivables (whether now existing or arising in the future) of such Group Member, and any assets related thereto including, without limitation, all collateral securing such Receivables, all contracts and all guarantees or other obligations in respect of such Receivables, the proceeds of such Receivables and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations involving Receivables.

“**Receivable**”: a right to receive payment arising from a sale or lease of goods or the performance of services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit and shall include, in any event, any items of property that would be classified as an “account”, “chattel paper”, a “payment intangible” or an “instrument” under the Uniform Commercial Code as in effect in the State of New York and any “supporting obligations” (as so defined) of such items.

“**Receivables Entity**”: either (a) any Subsidiary of the Parent Borrower or (b) another Person to which any Group Member transfers Receivables and related assets, in either case which engages in no activities other than in connection with the repurchase or financing of Receivables and which is designated by the Board of Directors of the Parent Borrower as a Receivables Entity:

(i) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (x) is guaranteed by any Group Member (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings); (y) is recourse to or obligates any Group Member in any way other than pursuant to Standard Securitization Undertakings; or (z) subjects any property or asset of any Group Member, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(ii) with which no Group Member has any material contract, agreement, arrangement or understanding (except in connection with any equity investment, a purchase money note or a Qualified Receivables Transaction permitted by Section 7.5(e) other than (x) on terms, taken as a whole, no less favorable to such Group Member than those that might be obtained at the time from Persons that are not Affiliates of such Group Member or (y) for the payment of fees in the ordinary course of business in connection with servicing Receivables; and

(iii) to which no Group Member has any obligation to maintain or preserve such entity’s financial condition or cause such entity to achieve certain levels of operating results.

“**Receivables Transaction Attributed Debt**”: the amount of obligations outstanding under the legal documents entered into as part of any receivables securitization (including any Qualified Receivables Transaction) on any date of determination that would be characterized as principal if such receivables securitization were structured as a secured lending transaction rather than as a purchase.

“**Recovery Event**”: any settlement of or payment, or series of related settlements or payments, in respect of any property or casualty insurance claim or any condemnation proceeding that yield gross proceeds to the Group Members in excess of \$1,000,000.

“**Refunded Swingline Loans**”: as defined in Section 2.7.

“**Register**”: as defined in Section 10.6(b).

“**Regulation U**”: Regulation U of the Board as in effect from time to time.

“**Reimbursement Obligation**”: the obligation of the Parent Borrower to reimburse the Issuing Lender pursuant to Section 3.5 for amounts drawn under Letters of Credit.

“**Reinvestment Cash**”: any Reinvestment Deferred Amount held by a Group Member in the form of cash or Cash Equivalents and not subject to any Lien other than pursuant to the Loan Documents, until the date on which such amount is reinvested as contemplated hereby or, if applicable, the date on which the Parent Borrower shall have determined not to, or shall have otherwise permanently ceased to, acquire or repair assets useful in the Group Members’ businesses with such Reinvestment Deferred Amount.

“**Reinvestment Deferred Amount**”: with respect to any Reinvestment Event, the aggregate Net Cash Proceeds received by any Group Member in connection therewith that are not applied to prepay the Term Loans or reduce the Revolving Commitments pursuant to Section 2.11(b).

“**Reinvestment Event**”: as defined in Section 2.11(b).

“**Reinvestment Prepayment Amount**”: with respect to any Reinvestment Event, the Reinvestment Deferred Amount relating thereto less any amount expended prior to the relevant Reinvestment Prepayment Date to acquire or repair assets useful in the Group Members’ business.

“**Reinvestment Prepayment Date**”: with respect to any Reinvestment Event, the earlier of (a) the date occurring twelve months after such Reinvestment Event and (b) the date on which the Parent Borrower shall have determined not to, or shall have otherwise permanently ceased to, acquire or repair assets useful in the Group Members’ businesses with all or any portion of the relevant Reinvestment Deferred Amount.

“**Reorganization**”: with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

“**Reportable Event**”: any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. § 4043.

“**Required Lenders**”: at any time, the holders of more than 50% of (a) until the Closing Date, the Commitments then in effect and (b) thereafter, the sum of (i) the aggregate unpaid principal amount of the US\$ Term Loans then outstanding, (ii) the aggregate Euro Term Commitments then in effect and (iii) the aggregate Revolving Commitments then in effect or, if the Revolving Commitments have been terminated under any Facility, the aggregate Revolving Extensions of Credit then outstanding thereunder.

“**Requirement of Law**”: as to any Person, the Certificate of Incorporation and By-Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“**Responsible Officer**”: the chief executive officer, president or chief financial officer of the Parent Borrower, but in any event, with respect to financial matters, the chief financial officer of the Parent Borrower.



“Restricted Payments”: as defined in Section 7.6.

“Revolving Commitment Period”: the period from and including the Closing Date to the Revolving Termination Date.

“Revolving Commitments”: the collective reference to the Multicurrency Revolving Commitments and the US\$ Revolving Commitments.

“Revolving Extensions of Credit”: the collective reference to the Multicurrency Revolving Extensions of Credit and the US\$ Revolving Extensions of Credit.

“Revolving Lender”: each Lender that has a Revolving Commitment or that holds Revolving Loans.

“Revolving Loans”: the collective reference to the Multicurrency Revolving Loans and the US\$ Revolving Loans.

“Revolving Termination Date”: the third anniversary of the Closing Date.

“Roper Germany”: Roper Capital Deutschland GmbH.

“S&P”: Standard & Poor’s Ratings Group.

“SEC”: the Securities and Exchange Commission, any successor thereto and any analogous Governmental Authority.

“Securities Act”: the Securities Act of 1933, as amended.

“Security Documents”: the collective reference to the Guarantee and Collateral Agreement and any other security documents hereafter delivered to the Administrative Agent granting a Lien on any property of any Person to secure the obligations and liabilities of any Loan Party under any Loan Document.

“Single Employer Plan”: any Plan that is covered by Title IV of ERISA, but that is not a Multiemployer Plan.

“Solvent”: when used with respect to any Person, means that, as of any date of determination, (a) the amount of the “present fair saleable value” of the assets of such Person will, as of such date, exceed the amount of all “liabilities of such Person, contingent or otherwise”, as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business, and (c) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) “debt” means liability on a “claim”, and (ii) “claim” means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

“Specified Change of Control”: a “Change of Control” (or any other defined term having a similar purpose) as defined in any Subordinated Debt Indenture.

“Specified Multicurrency Revolving Lender”: as defined in Section 2.23.

“Specified Swap Agreement”: any Swap Agreement entered into by the Parent Borrower and any Lender or affiliate thereof in respect of interest rates.

“Standard Securitization Undertakings”: representations, warranties, covenants and indemnities entered into by any Group Member which are reasonably customary in securitization of Receivables transactions.

“Sterling” and “£”: British pounds sterling.

“Subordinated Debt”: subordinated debt of the Parent Borrower (including any subordinated debt which extends, renews, replaces or is in exchange for existing subordinated debt of the Parent Borrower), so long as (i) such Indebtedness has no scheduled principal payments prior to the date that is three months after the latest final maturity of the Term Loans, (ii) the covenants and defaults, taken as a whole, contained in the Subordinated Debt Indenture are not materially more restrictive than those contained in this Agreement, as agreed to by the Administrative Agent, and (iii) the Subordinated Debt Indenture contains subordination terms that are no less favorable in any material respect to the Lenders than those applicable to offerings of “high-yield” subordinated debt by similar issuers of similar debt at or about the same time, as agreed to by the Administrative Agent.

“Subordinated Debt Indenture”: any indenture or other agreement entered into by the Parent Borrower documenting any Subordinated Debt, together with all instruments and other agreements entered into by any Group Member in connection therewith.

“Subsidiary”: as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a “Subsidiary” or to “Subsidiaries” in this Agreement shall refer to a Subsidiary or Subsidiaries of the Parent Borrower.

“Subsidiary Guarantor”: each Domestic Subsidiary of the Parent Borrower that is a party to the Guarantee and Collateral Agreement.

“Swap Agreement”: any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of any Group Member shall be a “Swap Agreement”.

“Swingline Commitment”: the obligation of the Swingline Lender to make Swingline Loans pursuant to Section 2.6 in an aggregate principal amount at any one time outstanding not to exceed \$20,000,000.

“Swingline Lender”: each of JPMorgan Chase Bank, Wachovia Bank, National Association, and Bank One, N.A., in its capacity as the lender of Swingline Loans. Each reference herein to “the Swingline Lender” shall be deemed to be a reference to the relevant Swingline Lender with respect to the relevant Swingline Loans, as selected by the Parent Borrower in its sole discretion.

“Swingline Loans”: as defined in Section 2.6.

“Swingline Participation Amount”: as defined in Section 2.7(c).

“Syndication Agent”: as defined in the preamble hereto.

“Term Commitments”: the collective reference to the US\$ Term Commitments and Euro Term Fronting Commitments.

“Term Lenders”: the collective reference to the US\$ Term Lenders, the Euro Term Lenders and the Incremental Term Lenders.

“Term Loans”: the collective reference to the US\$ Term Loans, the Euro Term Loans and the Incremental Term Loans.

“Transactions”: the Acquisition, the financing thereof and the transactions contemplated by the Acquisition Agreement.

“Transferee”: any Assignee or Participant.

“Type”: as to any Loan, its nature as an ABR Loan or a Eurocurrency Loan.

“United States”: the United States of America.

“US\$ Revolving Commitment”: as to any Lender, the obligation of such Lender, if any, to make Revolving Loans and participate in Swingline Loans and Letters of Credit in Dollars in an aggregate principal and/or face amount not to exceed the amount set forth under the heading “US\$ Revolving Commitment” opposite such Lender’s name on Schedule 1.1 or in the Assignment and Assumption pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original amount of the aggregate US\$ Revolving Commitments is \$175,000,000.

“US\$ Revolving Extensions of Credit”: as to any US\$ Revolving Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all US\$ Revolving Loans held by such Lender then outstanding, (b) such Lender’s US\$ Revolving Percentage of the L/C Obligations then outstanding and (c) such Lender’s US\$ Revolving Percentage of the aggregate principal amount of Swingline Loans then outstanding.

“US\$ Revolving Lender”: each Lender that has a US\$ Revolving Commitment or that holds US\$ Revolving Loans.

“US\$ Revolving Loans”: as defined in Section 2.4(a).

“US\$ Revolving Percentage”: as to any US\$ Revolving Lender at any time, the percentage which such Lender’s US\$ Revolving Commitment then constitutes of the aggregate US\$ Revolving Commitments or, at any time after the US\$ Revolving Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender’s US\$ Revolving Loans then outstanding constitutes of the aggregate principal amount of the US\$ Revolving Loans then outstanding, provided, that, in the event that the US\$ Revolving Loans are paid in full prior to the reduction to zero of the US\$ Revolving Extensions of Credit, the US\$ Revolving Percentages shall be determined in a manner designed to ensure that the other outstanding US\$ Revolving Extensions of Credit shall be held by the US\$ Revolving Lenders on a comparable basis.

“US\$ Term Commitment”: as to any Lender, the obligation of such Lender, if any, to make a US\$ Term Loan to the Parent Borrower in Dollars in a principal amount not to exceed the amount set forth under the heading “US\$ Term Commitment” opposite such Lender’s name on Schedule 1.1. The original aggregate amount of the US\$ Term Commitments is \$358,000,000.

“US\$ Term Lender”: each Lender that has a US\$ Term Commitment or that holds a US\$ Term Loan.

“US\$ Term Loan”: as defined in Section 2.1.

“US\$ Term Percentage”: as to any US\$ Term Lender at any time, the percentage which such Lender’s US\$ Term Commitment then constitutes of the aggregate US\$ Term Commitments (or, at any time after the Closing Date, the percentage which the principal amount of such Lender’s US\$ Term Loan then outstanding constitutes of the aggregate principal amount of the US\$ Term Loans then outstanding).

“Wholly Owned Subsidiary”: as to any Person, any other Person all of the Capital Stock of which (other than directors’ qualifying shares required by law) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

“Wholly Owned Subsidiary Guarantor”: any Subsidiary Guarantor that is a Wholly Owned Subsidiary of the Parent Borrower.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, (i) accounting terms relating to any Group Member not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP, (ii) the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”, (iii) the word “incur” shall be construed to mean incur, create, issue, assume, become liable in respect of or suffer to exist (and the words “incurred” and “incurrence” shall have correlative meanings), (iv) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, Capital Stock, securities, revenues, accounts, leasehold interests and contract rights, (v) references to agreements or other Contractual Obligations shall, unless otherwise specified, be deemed to refer to such agreements or Contractual Obligations as amended, supplemented, restated or otherwise modified from time to time and (vi) where applicable, any amount (including, without limitation, minimum borrowing, prepayment or repayment amounts) expressed in Dollars shall, when referring to any currency other than Dollars, be deemed to mean an amount of such currency having a Dollar Equivalent approximately equal to such amount.

(c) The words “hereof”, “herein” and “hereunder” and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

1.3 Exchange Rates. (a) Not later than 1:00 P.M., Local Time, on each Calculation Date, the Administrative Agent shall (i) determine the Exchange Rate as of such Calculation Date for each Alternative Currency in which a Loan is then outstanding and (ii) give notice thereof to the Parent Borrower. The Exchange Rates so determined shall become effective on the first Business Day immediately following the relevant Calculation Date (a “Reset Date”) and shall remain effective until the next succeeding Reset Date.

(b) Not later than 2:00 P.M., Local Time, on each Reset Date with respect to the Multicurrency Revolving Facility or the Euro Term Facility, the Administrative Agent shall (i) determine the aggregate amount of Multicurrency Revolving Extensions of Credit on such date (after giving effect to any Multicurrency Revolving Loans to be made in connection with such determination) or the Dollar Equivalent of the aggregate principal amount of the Euro Term Loans then outstanding, as the case may be, and (ii) notify the Parent Borrower (and, in the case of the Euro Term Facility, Roper Germany) of such determination.

## SECTION 2. AMOUNT AND TERMS OF COMMITMENTS

2.1 Term Commitments. (a) Subject to the terms and conditions hereof, (a) each US\$ Term Lender severally agrees to make a term loan in Dollars (a “US\$ Term Loan”) to the Parent Borrower on the Closing Date in an amount not to exceed the US\$ Term Commitment of such Lender and (b) each Euro Term Fronting Lender severally agrees to make a term loan in Euros (a “Euro Term Loan”) to Roper Germany on the Closing Date in an amount not to exceed the Euro Term Fronting Commitment of such Lender. The Term Loans may from time to time be Eurocurrency Loans or, in the case of Dollar Term Loans, ABR Loans, as determined by the relevant Borrower and notified to the Administrative Agent in accordance with Sections 2.2 and 2.12.

(b) On the Closing Date, each Euro Term Participating Lender shall be deemed to have automatically, irrevocably and unconditionally purchased and received from each Euro Term Fronting Lender an undivided interest and participation in and to the Euro Term Loan made by such Euro Term Fronting Lender in an amount equal to the Dollar Equivalent of such Euro Term Loan multiplied by such Lender’s Euro Term Percentage. In addition, immediately and automatically upon the occurrence of an Event of Default under Section 8(a) or (f) (a “Trigger Event”), all Euro Term Loans shall be converted to and redenominated in Dollars equal to the Dollar Equivalent of each such Euro Term Loan

determined as of the date of such conversion; provided, that to the extent such conversion shall occur other than at the end of an Interest Period, Roper Germany shall pay to each Euro Term Fronting Bank any amounts owing pursuant to Section 2.20. Each Euro Term Participating Lender shall pay to each Euro Term Fronting Lender not later than two Business Days following any request for payment from such Euro Term Fronting Lender made after the occurrence of a Trigger Event, in Dollars, an amount equal to the undivided interest in and participation in the Euro Term Loan purchased by such Euro Term Participating Lender from such Euro Term Fronting Lender pursuant to this Section 2.1(b). Each Euro Term Participating Lender's obligation to pay the amounts described above shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such Lender may have against the Euro Term Fronting Lenders, any Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or an Event of Default, (iii) any adverse change in the condition (financial or otherwise) of any Borrower, (iv) any breach of this Agreement or any other Loan Document by any Loan Party or any other Lender or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If any Lender fails to make payment to any Euro Term Fronting Lender of any amount due under this Section 2.1(b), the Administrative Agent shall be entitled to receive, retain and apply against such obligation the principal and interest otherwise payable to such Lender hereunder until the Administrative Agent receives from such Lender an amount sufficient to discharge such Lender's payment obligation as prescribed in this Section 2.1(b) together with interest thereon at the Federal Funds Effective Rate for each day during the period commencing on the date of demand by the relevant Euro Term Fronting Lender and ending on the date such obligation is fully satisfied. The Administrative Agent will promptly remit all payments received as provided above to the relevant Euro Term Fronting Lender. In consideration of the participations prescribed in this Section 2.1(b), each Euro Term Participating Lender shall receive, from the accrued interest paid by Roper Germany on each Euro Term Loan, a fee equal to such Lender's Euro Term Percentage of the Applicable Margin component of the interest accrued on such Loan. Such portion of the interest paid by Roper Germany on Euro Term Loans to the Alternative Currency Agent for the account of the relevant Euro Term Fronting Lender shall be promptly remitted by the Alternative Currency Agent to each Euro Term Fronting Lender, and then by each Euro Term Fronting Lender to the Administrative Agent and converted into Dollars as promptly as practicable by the Administrative Agent at the relevant Exchange Rate and paid ratably to the Euro Term Participating Lenders in proportion to their respective Euro Term Percentages. To the extent applicable (as determined by the Administrative Agent), each Euro Term Funded Participation shall be treated, mutatis mutandis, as a "Euro Term Loan" and a "Loan" for the purposes of this Agreement, including for purposes of allocating to the Euro Term Lenders any payment of principal or interest made by Roper Germany in respect of the Euro Term Loans after any Euro Term Funded Participation has been created. It is understood that certain payment mechanics and other matters with respect to the Euro Term Facility shall be administered through the Alternative Currency Agent as described in Schedule 2.1 and, to the extent that any provision of this Agreement is inconsistent with the provisions of Schedule 2.1, the provisions of Schedule 2.1 shall apply.

(c) So long as no Event of Default (including, on a pro forma basis, pursuant to Section 7.1) shall be in existence, the Parent Borrower and any one or more Lenders may from time to time agree that such Lenders (or any other additional bank, financial institution or other entity which becomes a Lender pursuant to this Section 2.1(c)) shall make Incremental Term Loans by executing and delivering to the Administrative Agent an Incremental Term Facility Activation Notice specifying (i) the amount of such Incremental Term Loans (which shall equal at least \$50,000,000 in the aggregate pursuant to each such Activation Notice unless otherwise agreed upon by the Administrative Agent), (ii) the applicable Incremental Term Maturity Date, (iii) the amortization schedule for such Incremental Term Loans, which shall comply with Section 2.3(c), (iv) the Applicable Margin for such Incremental Term Loans and (v) the proposed original issue discount applicable to such Incremental Term Loans, if any. In no event shall the original issue discount on any Incremental Term Loans be more than 0.25% above the discount at which the other Term Loans are trading below par (as determined, at the Parent Borrower's discretion, by the average of the bid and ask prices of (i) the Loan Syndications and Trading Association, Inc., (ii) LoanX or (iii) the Administrative Agent) as of the Business Day prior to the earlier of the commencement of the syndication of the relevant Incremental Term Loans or the announcement of the Parent Borrower's intent to seek such Incremental Term Loans; provided, that if the other Term Loans are trading above 97.5% of par (as determined, at the Parent Borrower's discretion, by the average of the bid and ask prices of (i) the Loan Syndications and Trading Association, Inc., (ii) LoanX or (iii) the Administrative Agent) on the Business Day prior to the earlier of the commencement of the syndication of the relevant Incremental Term Loans or the announcement of the Parent Borrower's intent to seek such Incremental Term Loans, then such Incremental Term Loans may be issued at any price agreed upon by the relevant Incremental Term Lenders and the Parent Borrower which is equal to or greater than 97.5% of par. Notwithstanding the foregoing, without the consent of the Required Lenders, the aggregate amount of borrowings of Incremental Term Loans shall not exceed \$200,000,000. Each existing Term Lender will be offered an opportunity to provide an Incremental Term Loan pursuant to the foregoing procedures, but no Lender shall have any obligation to participate in any increase described in this paragraph unless it agrees to do so in its sole discretion. Any additional bank, financial institution or other entity which, with the consent of the Borrower and the Administrative Agent (which consent shall not be unreasonably withheld), elects to become a "Lender" under this Agreement in connection with the making of any Incremental Term Loan shall execute a New Lender Supplement, whereupon such bank, financial institution or other entity shall become a Lender for all purposes and to the same extent as if originally a party hereto and shall be bound by and entitled to the benefits of this Agreement.

**2.2 Procedure for Term Loan Borrowing.** With respect to US\$ Term Loans and Euro Term Loans, the relevant Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 10:00 A.M., Local Time, one Business Day prior to the anticipated Closing Date) requesting that the Term Lenders make the Term Loans on the Closing Date and specifying the amount to be borrowed. Upon receipt of such notice the Administrative Agent shall promptly notify each Term Lender thereof. Not later than 12:00 Noon, Local Time, on the Closing Date each Term Lender shall make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the Term Loan or Term Loans to be made by such Lender. The Administrative Agent shall credit the account of the relevant Borrower on the books of such office of the Administrative Agent with the aggregate of the amounts made available to the Administrative Agent by the Term Lenders in immediately available funds. Any funding of Incremental Term Loans shall be made pursuant to such procedures as shall be agreed to by the Parent Borrower, the relevant Incremental Term Lenders and the Administrative Agent.

**2.3 Repayment of Term Loans.** (a) The US\$ Term Loan and Euro Term Loan of each relevant Term Lender shall mature in 20 consecutive quarterly installments, each of which shall be in an amount equal to such Lender's US\$ Term Percentage or Euro Term Fronting Percentage, as the case may be, multiplied by a percentage of the original aggregate principal amount of the US\$ Term Loans or the Euro Term Loans, as applicable, as set forth below:

Installment	Percentage
March 31, 2004	1.25%
June 30, 2004	1.25%
September 30, 2004	1.25%
December 31, 2004	1.25%
March 31, 2005	1.25%
June 30, 2005	1.25%
September 30, 2005	1.25%
December 31, 2005	1.25%
March 31, 2006	2.50%
June 30, 2006	2.50%
September 30, 2006	2.50%
December 31, 2006	2.50%
March 31, 2007	2.50%
June 30, 2007	2.50%
September 30, 2007	2.50%
December 31, 2007	2.50%
March 31, 2008	17.50%
June 30, 2008	17.50%
September 30, 2008	17.50%
Fifth anniversary of Closing Date	17.50%

(b) The Incremental Term Loans of each Incremental Term Lender shall mature in consecutive installments (which shall be no more frequent than quarterly) as specified in the Incremental Term Facility Activation Notice pursuant to which such Incremental Term Loans were made, provided, that the weighted average life of each Incremental Term Loan shall be no shorter than the remaining weighted average life of the other Term Loans.

**2.4 Revolving Commitments.** (a) Subject to the terms and conditions hereof, (i) each US\$ Revolving Lender severally agrees to make revolving credit loans in Dollars ("US\$ Revolving Loans") to the Parent Borrower from time to time during the Revolving Commitment Period in an aggregate principal amount at any one time outstanding which, when added to such Lender's US\$ Revolving Percentage of the sum of (x) the L/C Obligations then outstanding and (y) the aggregate principal amount of the Swingline Loans then

outstanding, does not exceed such Lender's US\$ Revolving Commitment and (ii) each Multicurrency Revolving Lender severally agrees to make revolving credit loans in Dollars and each Alternative Currency ("Multicurrency Revolving Loans") to the Parent Borrower and the Foreign Subsidiary Borrowers from time to time during the Revolving Commitment Period in an aggregate principal amount at any one time outstanding which does not exceed such Lender's Multicurrency Revolving Commitment. During the Revolving Commitment Period the relevant Borrowers may use the Revolving Commitments by borrowing, prepaying the Revolving Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof. The Revolving Loans may from time to time be Eurocurrency Loans or, in the case of Revolving Loans denominated in Dollars, ABR Loans, as determined by the relevant Borrower and notified to the Administrative Agent in accordance with Sections 2.5 and 2.12.

(b) Each Borrower shall repay all outstanding Revolving Loans borrowed by it on the Revolving Termination Date.

**2.5 Procedure for Revolving Loan Borrowing.** The Borrowers may borrow under the relevant Revolving Commitments during the Revolving Commitment Period on any Business Day, provided that the relevant Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 12:00 Noon, Local Time, (a) three Business Days prior to the requested Borrowing Date, in the case of Eurocurrency Loans, or (b) one Business Day prior to the requested Borrowing Date, in the case of ABR Loans) (provided that any such notice of a borrowing of ABR Loans under the Revolving Facility to finance payments required by Section 3.5 may be given not later than 10:00 A.M., Local Time, on the date of the proposed borrowing), specifying (i) the amount and Type of Revolving Loans to be borrowed, (ii) the requested Borrowing Date and (iii) in the case of Eurocurrency Loans, the respective amounts of each such Type of Loan and the respective lengths of the initial Interest Period therefor. Each borrowing under the Revolving Commitments shall be in an amount equal to (x) in the case of ABR Loans, \$1,000,000 or a whole multiple thereof (or, if the then aggregate Available Revolving Commitments are less than \$1,000,000, such lesser amount) and (y) in the case of Eurocurrency Loans, \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof; provided, that the Swingline Lender may request, on behalf of the Parent Borrower, borrowings under the US\$ Revolving Commitments that are ABR Loans in other amounts pursuant to Section 2.7(b). Upon receipt of any such notice, the Administrative Agent shall promptly notify each relevant Revolving Lender thereof. Each relevant Revolving Lender will make the amount of its pro rata share of each borrowing available to the Administrative Agent for the account of the relevant Borrower at the Funding Office prior to 1:00 P.M., Local Time, on the Borrowing Date requested by the relevant Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the relevant Borrower by the Administrative Agent crediting the account of such Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Revolving Lenders and in like funds as received by the Administrative Agent.

**2.6 Swingline Commitment.** (a) Subject to the terms and conditions hereof, the Swingline Lender agrees to make a portion of the credit otherwise available to the Parent Borrower under the US\$ Revolving Commitments from time to time during the Revolving Commitment Period by making swing line loans ("Swingline Loans") to the Parent Borrower; provided that (i) the aggregate principal amount of Swingline Loans outstanding at any time shall not exceed the Swingline Commitment then in effect (notwithstanding that the Swingline Loans outstanding at any time, when aggregated with the Swingline Lender's other outstanding US\$ Revolving Loans, may exceed the Swingline Commitment then in effect) and (ii) the Parent Borrower shall not request, and the Swingline Lender shall not make, any Swingline Loan if, after giving effect to the making of such Swingline Loan, the aggregate amount of the Available US\$ Revolving Commitments would be less than zero. During the Revolving Commitment Period, the Parent Borrower may use the Swingline Commitment by borrowing, repaying and reborrowing, all in accordance with the terms and conditions hereof. Swingline Loans shall be ABR Loans only.

(b) The Parent Borrower shall repay to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Revolving Termination Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least two Business Days after such Swingline Loan is made; provided that on each date that a US\$ Revolving Loan is borrowed, the Parent Borrower shall repay all Swingline Loans then outstanding.

**2.7 Procedure for Swingline Borrowing; Refunding of Swingline Loans.** (a) Whenever the Parent Borrower desires that the Swingline Lender make Swingline Loans it shall give the Swingline Lender irrevocable telephonic notice confirmed promptly in writing (which telephonic notice must be received by the Swingline Lender not later than 3:00 P.M., Local Time, on the proposed Borrowing Date), specifying (i) the amount to be borrowed and (ii) the requested Borrowing Date (which shall be a Business Day during the Revolving Commitment Period). Each borrowing under the Swingline Commitment shall be in an amount equal to \$100,000 or a whole multiple thereof. Not later than 4:00 P.M., Local Time, on the Borrowing Date specified in a notice in respect of Swingline Loans, the Swingline Lender shall make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the amount of the Swingline Loan to be made by the Swingline Lender. The Administrative Agent shall make the proceeds of such Swingline Loan available to the Parent Borrower on such Borrowing Date by depositing such proceeds in the account of the Parent Borrower with the Administrative Agent on such Borrowing Date in immediately available funds.

(b) The Swingline Lender, at any time and from time to time in its sole and absolute discretion may, on behalf of the Parent Borrower (which hereby irrevocably directs the Swingline Lender to act on its behalf), on one Business Day's notice given by the Swingline Lender no later than 12:00 Noon, Local Time, request each US\$ Revolving Lender to make, and each US\$ Revolving Lender hereby agrees to make, a US\$ Revolving Loan, in an amount equal to such US\$ Revolving Lender's US\$ Revolving Percentage of the aggregate amount of the Swingline Loans (the "Refunded Swingline Loans") outstanding on the date of such notice, to repay the Swingline Lender. Each US\$ Revolving Lender shall make the amount of such US\$ Revolving Loan available to the Administrative Agent at the Funding Office in immediately available funds, not later than 10:00 A.M., Local Time, one Business Day after the date of such notice. The proceeds of such US\$ Revolving Loans shall be immediately made available by the Administrative Agent to the Swingline Lender for application by the Swingline Lender to the repayment of the Refunded Swingline Loans. The Parent Borrower irrevocably authorizes the Swingline Lender to charge the Parent Borrower's accounts with the Administrative Agent (up to the amount available in each such account) in order to immediately pay the amount of such Refunded Swingline Loans to the extent amounts received from the US\$ Revolving Lenders are not sufficient to repay in full such Refunded Swingline Loans.

(c) If prior to the time a US\$ Revolving Loan would have otherwise been made pursuant to Section 2.7(b), one of the events described in Section 8(f) shall have occurred and be continuing with respect to the Parent Borrower or if for any other reason, as determined by the Swingline Lender in its sole discretion, US\$ Revolving Loans may not be made as contemplated by Section 2.7(b), each US\$ Revolving Lender shall, on the date such US\$ Revolving Loan was to have been made pursuant to the notice referred to in Section 2.7(b), purchase for cash an undivided participating interest in the then outstanding Swingline Loans by paying to the Swingline Lender an amount (the "Swingline Participation Amount") equal to (i) such US\$ Revolving Lender's US\$ Revolving Percentage times (ii) the sum of the aggregate principal amount of Swingline Loans then outstanding that were to have been repaid with such US\$ Revolving Loans.

(d) Whenever, at any time after the Swingline Lender has received from any US\$ Revolving Lender such Lender's Swingline Participation Amount, the Swingline Lender receives any payment on account of the Swingline Loans, the Swingline Lender will distribute to such Lender its Swingline Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Lender's pro rata portion of such payment if such payment is not sufficient to pay the principal of and interest on all Swingline Loans then due); provided, however, that in the event that such payment received by the Swingline Lender is required to be returned, such US\$ Revolving Lender will return to the Swingline Lender any portion thereof previously distributed to it by the Swingline Lender.

(e) Each US\$ Revolving Lender's obligation to make the Loans referred to in Section 2.7(b) and to purchase participating interests pursuant to Section 2.7(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such US\$ Revolving Lender or the Parent Borrower may have against the Swingline Lender, the Parent Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5, (iii) any adverse change in the condition (financial or otherwise) of the Parent Borrower, (iv) any breach of this Agreement or any other Loan Document by the Parent Borrower, any other Loan Party or any other US\$ Revolving Lender or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

**2.8 Commitment Fees, etc.** (a) The Parent Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender a commitment fee for the period from and including the date hereof to the last day of the Revolving Commitment Period, computed at the Commitment Fee Rate on the average daily amount of the Available US\$ Revolving Commitment or Available Multicurrency Revolving Commitment, as the case may be, of such Lender during the period for which payment is made, payable quarterly in arrears on each Fee Payment Date, commencing on the first such date to occur after the date hereof.

(b) Roper Germany agrees to pay to each Euro Term Fronting Lender, for its sole account, a fronting fee equal to 0.125% per annum on the Dollar Equivalent of the Euro Term Loan made by it, payable quarterly in arrears on each Fee Payment Date, commencing on the first such date to occur after the date hereof.

(c) The Parent Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates as set forth in any fee agreements with the Administrative Agent and to perform any other obligations contained therein.

2.9 Termination or Reduction of Commitments. (a) The Parent Borrower shall have the right, upon not less than three Business Days' notice to the Administrative Agent, to terminate the Revolving Commitments or, from time to time, to reduce the amount of the Revolving Commitments; provided that no such termination or reduction of Revolving Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Loans and Swingline Loans made on the effective date thereof, the aggregate Revolving Extensions of Credit under the relevant Facility would exceed the aggregate Revolving Commitments thereunder. Any such reduction shall be in an amount equal to \$1,000,000, or a whole multiple thereof, and shall reduce permanently the relevant Revolving Commitments then in effect.

(b) The aggregate Euro Term Commitments shall automatically be permanently reduced by the Dollar Equivalent of the amount of any reduction of the Euro Term Fronting Commitments or any prepayment or repayment of Euro Term Loans, which reduction shall be applied pro rata based on the respective Euro Term Percentages of the Euro Term Lenders.

2.10 Optional Prepayments. The relevant Borrower may at any time and from time to time prepay the Loans, in whole or in part, without premium or penalty, upon irrevocable notice delivered to the Administrative Agent no later than 11:00 A.M., Local Time, three Business Days prior thereto, in the case of Eurocurrency Loans, and no later than 11:00 A.M., Local Time, one Business Day prior thereto, in the case of ABR Loans, which notice shall specify the date and amount of prepayment and whether the prepayment is of Eurocurrency Loans or ABR Loans; provided, that if a Eurocurrency Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, such Borrower shall also pay any amounts owing pursuant to Section 2.20. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Revolving Loans that are ABR Loans and Swingline Loans) accrued interest to such date on the amount prepaid. Partial prepayments of Term Loans and Revolving Loans shall be in an aggregate principal amount of \$1,000,000 or a whole multiple thereof. Partial prepayments of Swingline Loans shall be in an aggregate principal amount of \$100,000 or a whole multiple thereof.

2.11 Mandatory Prepayments. (a) If any Indebtedness shall be incurred by any Group Member after the Closing Date (excluding any Indebtedness incurred in accordance with Section 7.2), an amount equal to 100% of the Net Cash Proceeds thereof shall be applied on the date of such incurrence toward the prepayment of the Term Loans and the reduction of the Revolving Extensions of Credit as set forth in Section 2.11(e).

(b) If on any date any Group Member shall receive Net Cash Proceeds from any Asset Sale or Recovery Event after the Closing Date (each such date a "Reinvestment Event"), any associated Reinvestment Prepayment Amount shall be applied on the relevant Reinvestment Prepayment Date toward the prepayment of the Term Loans and the reduction of the Revolving Extensions of Credit as set forth in Section 2.11(e).

(c) If any Group Member shall receive any Acquisition Claim Amount after the Closing Date, 100% of such amount shall be applied on the date of receipt toward the prepayment of the Term Loans and the reduction of the Revolving Extensions of Credit as set forth in Section 2.11(e).

(d) If, for any fiscal year of the Parent Borrower commencing with the fiscal year ending December 31, 2004, there shall be Excess Cash Flow, the Borrowers shall, on the relevant Excess Cash Flow Application Date, apply the ECF Percentage of such Excess Cash Flow toward the prepayment of the Term Loans and the reduction of the Revolving Extensions of Credit as set forth in Section 2.11(e). Each such prepayment and commitment reduction shall be made on a date (an "Excess Cash Flow Application Date") no later than five days after the earlier of (i) the date on which the financial statements of the Parent Borrower referred to in Section 6.1(a), for the fiscal year with respect to which such prepayment is made, are required to be delivered to the Lenders and (ii) the date such financial statements are actually delivered.

(e) Amounts to be applied in connection with prepayments and reductions made pursuant to the preceding paragraphs shall be applied, first, to the prepayment of the Term Loans in accordance with Section 2.17(b) and, second, to reduce the Revolving Extensions of Credit (without reducing the Revolving Commitments). If the aggregate principal amount of Revolving Loans and Swingline Loans then outstanding is less than the amount required to reduce the US\$ Revolving Extensions of Credit, the Parent Borrower shall, to the extent of such remaining amount, replace outstanding Letters of Credit and/or deposit an amount in cash in a cash collateral account established with the Administrative Agent for the benefit of the Lenders on terms and conditions satisfactory to the Administrative Agent. The application of any prepayment pursuant to Section 2.11 shall be made, first, to ABR Loans and, second, to Eurocurrency Loans. Each prepayment of the Loans under Section 2.11 (except in the case of Revolving Loans that are ABR Loans and Swingline Loans) shall be accompanied by accrued interest to the date of such prepayment on the amount prepaid.

(f) If, on any Determination Date, the aggregate Multicurrency Revolving Extensions of Credit exceed 105% of the aggregate Multicurrency Revolving Commitments, the Borrowers shall, without notice or demand, within three Business Days after such Determination Date, prepay Multicurrency Revolving Loans in an aggregate amount such that, after giving effect thereto, the aggregate Multicurrency Revolving Extensions of Credit do not exceed the aggregate Multicurrency Revolving Commitments.

(g) If, on any Determination Date, the Dollar Equivalent of the aggregate outstanding principal amount of the Euro Term Loans exceeds 105% of the aggregate Euro Term Commitments, Roper Germany shall, without notice or demand, within three Business Days after such Determination Date, prepay Euro Term Loans in an aggregate amount such that, after giving effect thereto, the Dollar Equivalent of the aggregate outstanding principal amount of the Euro Term Loans does not exceed the aggregate Euro Term Commitments.

2.12 Conversion and Continuation Options. (a) The Parent Borrower may elect from time to time to convert Dollar Eurocurrency Loans to ABR Loans by giving the Administrative Agent prior irrevocable notice of such election no later than 11:00 A.M., Local Time, on the Business Day preceding the proposed conversion date, provided that any such conversion of Eurocurrency Loans may only be made on the last day of an Interest Period with respect thereto. The Parent Borrower may elect from time to time to convert ABR Loans to Dollar Eurocurrency Loans by giving the Administrative Agent prior irrevocable notice of such election no later than 11:00 A.M., Local Time, on the third Business Day preceding the proposed conversion date (which notice shall specify the length of the initial Interest Period therefor), provided that no ABR Loan under a particular Facility may be converted into a Eurocurrency Loan when any Event of Default has occurred and is continuing and the Administrative Agent or the Majority Facility Lenders in respect of such Facility have determined in its or their sole discretion not to permit such conversions. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

(b) Any Eurocurrency Loan may be continued as such upon the expiration of the then current Interest Period with respect thereto by the relevant Borrower giving irrevocable notice to the Administrative Agent substantially in the form of Exhibit I and in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loans, provided that no Dollar Eurocurrency Loan under a particular Facility may be continued as such when any Event of Default has occurred and is continuing and the Administrative Agent has or the Majority Facility Lenders in respect of such Facility have determined in its or their sole discretion not to permit such continuations, and provided, further, that if the relevant Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso such Loans shall (i) in the case of Dollar Eurocurrency Loans, be automatically converted to ABR Loans on the last day of such then expiring Interest Period and (ii) otherwise, be automatically continued as a Eurocurrency Loan with an Interest Period of one month. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

2.13 Limitations on Eurocurrency Tranches. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions and continuations of Eurocurrency Loans and all selections of Interest Periods shall be in such amounts and be made pursuant to such elections so that, (a) after giving effect thereto, the aggregate principal amount of the Eurocurrency Loans comprising each Eurocurrency Tranche shall be equal to \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof and (b) no more than ten Eurocurrency Tranches shall be outstanding at any one time.

2.14 Interest Rates and Payment Dates. (a) Each Eurocurrency Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurocurrency Rate determined for such day plus the Applicable Margin.

(b) Each ABR Loan shall bear interest at a rate per annum equal to the ABR plus the Applicable Margin.

(c) (i) If all or a portion of the principal amount of any Loan or Reimbursement Obligation shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), all outstanding Loans and Reimbursement Obligations (whether or not overdue) shall bear interest at a rate per annum equal to (x) in the case of the Loans, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section plus 2% per annum or (y) in the case of Reimbursement Obligations, the rate applicable to ABR Loans under the US\$ Revolving Facility plus 2% per annum, and (ii) if all or a portion of any interest payable on any Loan or Reimbursement Obligation or any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to ABR Loans under the relevant Facility (or, in the case of the Euro Term Facility and the Multicurrency Revolving Facility, the rate then applicable to the relevant Eurocurrency Loans), plus 2% per annum (or, in the case of any such other amounts that do not relate to a particular Facility, the rate then applicable to ABR Loans under the US\$ Revolving Facility plus 2% per annum), in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (as well after as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this Section shall be payable from time to time on demand.

2.15 Computation of Interest and Fees. (a) Interest and fees payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed, except that, with respect to ABR Loans the rate of interest on which is calculated on the basis of the Prime Rate and Loans denominated in Sterling, the interest thereon shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Parent Borrower and the relevant Lenders of each determination of a Eurocurrency Rate. Any change in the interest rate on a Loan resulting from a change in the ABR or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Parent Borrower and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrowers and the Lenders in the absence of manifest error.

2.16 Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrowers) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurocurrency Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Majority Facility Lenders in respect of the relevant Facility that the Eurocurrency Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period,

the Administrative Agent shall give teletype or telephonic notice thereof to the relevant Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (w) any Dollar Eurocurrency Loans under the relevant Facility requested to be made on the first day of such Interest Period shall be made as ABR Loans, (x) any ABR Loans under the relevant Facility that were to have been converted on the first day of such Interest Period to Eurocurrency Loans shall be continued as ABR Loans, (y) any outstanding Dollar Eurocurrency Loans under the relevant Facility shall be converted, on the last day of the then-current Interest Period, to ABR Loans and (z) any affected Eurocurrency Loans denominated in an Alternative Currency shall automatically commence bearing interest at the Cost of Funds Rate plus the Applicable Margin. Until such notice has been withdrawn by the Administrative Agent, no further Dollar Eurocurrency Loans under any affected Facility shall be made or continued as such, nor shall the Parent Borrower have the right to convert Loans under any such Facility to Dollar Eurocurrency Loans.

2.17 Pro Rata Treatment and Payments. (a) Each borrowing by any Borrower from the Lenders hereunder, each payment by any Borrower on account of any commitment fee and any reduction of the Term Commitments or Revolving Commitments of the Lenders shall be made pro rata according to the respective US\$ Term Percentages, Euro Term Fronting Percentages, US\$ Revolving Percentages or Multicurrency Revolving Percentages, as the case may be, of the relevant Lenders. Any reduction of Term Commitments shall be applied ratably to the US\$ Term Commitments and the Euro Term Fronting Commitments, and any reduction of the Revolving Commitments shall be applied ratably to the US\$ Revolving Commitments and the Multicurrency Revolving Commitments.

(b) Each payment by any Borrower on account of principal of the Term Loans (other than pursuant to Section 2.3) shall be made pro rata according to the respective outstanding principal amounts of the Term Loans then held by the Term Lenders. Each payment by any Borrower on account of principal of the Term Loans under a particular Facility pursuant to Section 2.3 and of interest on the Term Loans under a particular Facility shall be made pro rata according to the respective outstanding principal amounts of the relevant Term Loans then held by the Term Lenders under such Facility. The amount of each principal prepayment of the Term Loans shall be applied to reduce the then remaining installments of the US\$ Term Loans, Euro Term Loans and Incremental Term Loans, as the case may be, pro rata based upon the respective then remaining principal amounts thereof. Amounts prepaid on account of the Term Loans may not be reborrowed.

(c) Each payment by any Borrower on account of principal of and interest on the Revolving Loans under a particular Facility shall be made pro rata according to the respective outstanding principal amounts of the Revolving Loans then held by the Revolving Lenders under such Facility.

(d) All payments (including prepayments) to be made by any Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 12:00 Noon, Local Time, on the due date thereof to the Administrative Agent, for the account of the Lenders, at the Funding Office, in Dollars or the relevant Alternative Currency and in immediately available funds. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt in like funds as received. If any payment hereunder (other than payments on the Eurocurrency Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurocurrency Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(e) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the relevant Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon, at a rate equal to the rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation (or, in the case of Dollar-denominated Loans, if greater, the Federal Funds Effective Rate), for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error. If such Lender's share of such borrowing is not made available to the Administrative Agent by such Lender within three Business Days after such Borrowing Date, the Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to ABR Loans (or, in the case of Alternative Currency Loans, the relevant rate applicable thereto) under the relevant Facility, on demand, from the relevant Borrower.

(f) Unless the Administrative Agent shall have been notified in writing by the relevant Borrower prior to the date of any payment due to be made by the relevant Borrower hereunder that the relevant Borrower will not make such payment to the Administrative Agent, the Administrative Agent may assume that such Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the relevant Borrower within three Business Days after such due date, the Administrative Agent shall be entitled to recover, on demand, from each Lender to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate (or, in the case of Alternative Currency Loans, the Cost of Funds Rate). Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrowers.

2.18 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof (but excluding any expected adoption or change in any Requirement of Law reasonably contemplated by any Lender, Participant or Assignee, based upon on the conditions applicable on the Closing Date (in the case of the initial Lenders) or on the date such Participant or Assignee first acquires rights under this Agreement):

- (i) shall subject any Lender to any new tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any Application or any Eurocurrency Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by Section 2.19 and changes in the rate of tax on the overall net income of such Lender);
- (ii) shall impose, modify or hold applicable any new reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurocurrency Rate; or
- (iii) shall impose on such Lender any other new condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount that such Lender deems to be material, of making, converting into, continuing or maintaining Eurocurrency Loans, participating in Euro Term Loans or issuing or participating in Letters of Credit, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the relevant Borrower shall promptly pay such Lender, upon its written demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this paragraph, it shall promptly certify in writing to the relevant Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under or in respect of any Letter of Credit to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, after submission by such Lender to the Parent Borrower (with a copy to the Administrative Agent) of a written certification therefor, the Parent Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such reduction.

(c) A certificate as to any additional amounts payable pursuant to this Section submitted by any Lender to the relevant Borrower (with a copy to the Administrative Agent) shall be presumed correct, subject to evidence to the contrary. Notwithstanding anything to the contrary in this Section, no Borrower shall be required to compensate a Lender pursuant to this Section for any amounts incurred more than six months prior to the date that such Lender notifies the relevant Borrower of such Lender's intention to claim compensation therefor; provided that, if the circumstances giving rise to such claim have a retroactive effect, then such six-month period shall be extended to include the period of such retroactive effect. The obligations of the Borrowers pursuant to this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.19 Taxes. (a) All payments made by the Borrowers under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") or Other Taxes are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement, provided, however, that the Borrowers shall not be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) or (e) of this Section or (ii) that are United States withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that (x) such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the relevant Borrower with respect to such Non-Excluded Taxes pursuant to this paragraph or (y) such amounts are attributable to Alternative Currency Loans or Loans made to Foreign Subsidiary Borrowers.

(b) In addition, the Borrowers shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by any Borrower, as promptly as possible thereafter such Borrower shall send to the Administrative Agent for its own account or for the account of the relevant Lender, as the case may be, a certified copy of an original official receipt received by such Borrower showing payment thereof. If any Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, such Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure.

(d) Each Lender (or Transferee) that is not a "U.S. Person" as defined in Section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall deliver to the Parent Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest", a statement substantially in the form of Exhibit G and a Form W-8BEN, or any subsequent versions thereof or successors thereto, properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Parent Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S. Lender on or before the date it becomes a party to this Agreement (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Parent Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Parent Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(e) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the relevant Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to such Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by such Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

(f) If the Administrative Agent or any Lender reasonably determines that it has received a refund of any Non-Excluded Taxes or Other Taxes as to which it has been indemnified by any Borrower or with respect to which such Borrower has paid additional amounts pursuant to this Section 2.19, it shall promptly pay over such refund to such Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section 2.19 with respect to the Non-Excluded Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that such Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to such Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative

Agent or such Lender is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to any Borrower or any other Person.

(g) The agreements in this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.20 Indemnity. Each Borrower agrees to indemnify each Lender for, and to hold each Lender harmless from, any loss or expense that such Lender may sustain or incur as a consequence of (a) default by such Borrower in making a borrowing of, conversion into or continuation of Eurocurrency Loans after such Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by such Borrower in making any prepayment of or conversion from Eurocurrency Loans after such Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment of Eurocurrency Loans or the creation of a Euro Term Funded Participation on a day that is not the last day of an Interest Period with respect to the relevant Eurocurrency Loans. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment, creation or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the relevant interbank eurocurrency market. A certificate as to any amounts payable pursuant to this Section submitted to the relevant Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

2.21 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 2.18 or 2.19(a) with respect to such Lender, it will, if requested by the Parent Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event with the object of avoiding the consequences of such event; provided, that such designation is made on terms that, in the sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage, and provided, further, that nothing in this Section shall affect or postpone any of the obligations of any Borrower or the rights of any Lender pursuant to Section 2.18 or 2.19(a).

2.22 Replacement of Lenders. The Parent Borrower shall be permitted to replace any Lender that (a) requests reimbursement for amounts owing pursuant to Section 2.18 or 2.19(a), (b) defaults in its obligation to make Loans hereunder or (c) is a Specified Multicurrency Revolving Lender (but, in the case of this clause (c), only as to its rights and obligations under the Multicurrency Revolving Facility), with a replacement financial institution; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) in the case of clause (a) above, prior to any such replacement, such Lender shall have taken no action under Section 2.21 so as to eliminate the continued need for payment of amounts owing pursuant to Section 2.18 or 2.19(a), (iv) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement (limited to Loans and other amounts under the Multicurrency Revolving Facility in the case of clause (c) above), (v) the relevant Borrowers shall be liable to such replaced Lender under Section 2.20 if any Eurocurrency Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (vi) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent, (vii) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 10.6 (provided that the Parent Borrower shall be obligated to pay the registration and processing fee referred to in Section 10.6(b)(ii)(B)), (viii) in the case of clause (a) above, until such time as such replacement shall be consummated, the Borrowers shall pay all additional amounts (if any) required pursuant to Section 2.18 or 2.19(a), as the case may be, and (ix) any such replacement shall not be deemed to be a waiver of any rights that the Borrowers, the Administrative Agent or any other Lender shall have against the replaced Lender.

2.23 Additional Foreign Subsidiary Borrowers. The Parent Borrower may at any time, with the prior consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed), add as a party to this Agreement any Foreign Subsidiary to be a Foreign Subsidiary Borrower upon satisfaction of the conditions specified in Section 5.3, in which case such Subsidiary shall for all purposes be a party hereto as a Foreign Subsidiary Borrower as fully as if it had executed and delivered this Agreement. The Administrative Agent shall notify the Multicurrency Revolving Lenders at least 5 Business Days prior to granting such consent, and shall withhold such consent if any such Lender (a "Specified Multicurrency Revolving Lender") notifies the Administrative Agent within 5 Business Days that it is not permitted by applicable Requirements of Law to make Loans to the relevant Foreign Subsidiary. So long as the principal of and interest on any Loans made to any Foreign Subsidiary Borrower under this Agreement shall have been paid in full and all other obligations of such Foreign Subsidiary Borrower under this Agreement shall have been fully performed, the Parent Borrower may, by not less than three Business Days' prior notice to the Administrative Agent (which shall promptly notify the relevant Lenders thereof), terminate such Subsidiary's status as a "Foreign Subsidiary Borrower".

### SECTION 3. LETTERS OF CREDIT

3.1 L/C Commitment. (a) Subject to the terms and conditions hereof, the Issuing Lender, in reliance on the agreements of the other US\$ Revolving Lenders set forth in Section 3.4(a), agrees to issue letters of credit ("Letters of Credit") for the account of the Parent Borrower on any Business Day during the Revolving Commitment Period in such form as may be approved from time to time by the Issuing Lender; provided that the Issuing Lender shall have no obligation to issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) the aggregate amount of the Available US\$ Revolving Commitments would be less than zero. Each Letter of Credit shall (i) be denominated in Dollars and (ii) expire no later than the earlier of (x) the first anniversary of its date of issuance, or such longer annual periods as the Issuing Lender may agree, and (y) the date that is five Business Days prior to the Revolving Termination Date, provided that any Letter of Credit with a term described in clause (x) above may provide for the renewal thereof for additional annual periods (which shall in no event extend beyond the date referred to in clause (y) above).

(b) The Issuing Lender shall not at any time be obligated to issue any Letter of Credit if such issuance would conflict with, or cause the Issuing Lender or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law.

3.2 Procedure for Issuance of Letter of Credit. The Parent Borrower may from time to time request that the Issuing Lender issue a Letter of Credit by delivering to the Issuing Lender at its address for notices specified herein an Application therefor, completed to the satisfaction of the Issuing Lender, and such other certificates, documents and other papers and information as the Issuing Lender may request. Upon receipt of any Application, the Issuing Lender will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Lender be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed to by the Issuing Lender and the Parent Borrower. The Issuing Lender shall furnish a copy of such Letter of Credit to the Parent Borrower promptly following the issuance thereof. The Issuing Lender shall promptly furnish to the Administrative Agent, which shall in turn promptly furnish to the Lenders, notice of the issuance of each Letter of Credit (including the amount thereof). Any Subsidiary of the Parent Borrower may request the issuance of a Letter of Credit on the same terms as the Parent Borrower is entitled to do so, in which case (a) the Parent Borrower shall be unconditionally liable in respect thereof in accordance with the provisions of this Section 3 whether or not the Parent Borrower authorized such Subsidiary to request such Letter of Credit and (b) if requested by any such Subsidiary that is a Subsidiary Guarantor, both the Parent Borrower and such Subsidiary shall be account parties in respect of such Letter of Credit and shall be jointly and severally liable for all obligations of the Parent Borrower in respect of such Letter of Credit.

3.3 Fees and Other Charges. (a) The Parent Borrower will pay a fee on all outstanding Letters of Credit at a per annum rate equal to the Applicable Margin then in effect with respect to Eurocurrency Loans under the US\$ Revolving Facility, shared ratably among the US\$ Revolving Lenders and payable quarterly in arrears on each Fee Payment Date after the issuance date. In addition, the Parent Borrower shall pay to the Issuing Lender for its own account a fronting fee of 0.125% per annum on the undrawn and unexpired amount of each Letter of Credit, payable quarterly in arrears on each Fee Payment Date after the issuance date.

(b) In addition to the foregoing fees, the Parent Borrower shall pay or reimburse the Issuing Lender for such normal and customary costs and expenses as are incurred or charged by the Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit.

3.4 L/C Participations. (a) The Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Lender to issue Letters of Credit, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Lender, on the terms and conditions set forth below, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's US\$ Revolving Percentage in the Issuing Lender's obligations and rights under and in respect of each Letter of Credit and the amount of each draft paid by the Issuing Lender thereunder. Each L/C Participant agrees with the Issuing Lender that, if a draft is paid under any Letter of Credit for which the Issuing Lender is not reimbursed in full by the Parent Borrower in accordance with the terms of this Agreement, such L/C Participant shall pay to



the Issuing Lender upon demand at the Issuing Lender's address for notices specified herein an amount equal to such L/C Participant's US\$ Revolving Percentage of the amount of such draft, or any part thereof, that is not so reimbursed. Each L/C Participant's obligation to pay such amount shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such L/C Participant may have against the Issuing Lender, the Parent Borrower or any other Person for any reason whatsoever, (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 5, (iii) any adverse change in the condition (financial or otherwise) of the Parent Borrower, (iv) any breach of this Agreement or any other Loan Document by the Parent Borrower, any other Loan Party or any other L/C Participant or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

(b) If any amount required to be paid by any L/C Participant to the Issuing Lender pursuant to Section 3.4(a) in respect of any unreimbursed portion of any payment made by the Issuing Lender under any Letter of Credit is paid to the Issuing Lender within three Business Days after the date such payment is due, such L/C Participant shall pay to the Issuing Lender on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal Funds Effective Rate during the period from and including the date such payment is required to the date on which such payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to Section 3.4(a) is not made available to the Issuing Lender by such L/C Participant within three Business Days after the date such payment is due, the Issuing Lender shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to ABR Loans under the US\$ Revolving Facility. A certificate of the Issuing Lender submitted to any L/C Participant with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after the Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its pro rata share of such payment in accordance with Section 3.4(a), the Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Parent Borrower or otherwise, including proceeds of collateral applied thereto by the Issuing Lender), or any payment of interest on account thereof, the Issuing Lender will distribute to such L/C Participant its pro rata share thereof; provided, however, that in the event that any such payment received by the Issuing Lender shall be required to be returned by the Issuing Lender, such L/C Participant shall return to the Issuing Lender the portion thereof previously distributed by the Issuing Lender to it.

**3.5 Reimbursement Obligation of the Parent Borrower.** If any draft is paid under any Letter of Credit, the Parent Borrower shall reimburse the Issuing Lender for the amount of (a) the draft so paid and (b) any taxes, fees, charges or other costs or expenses incurred by the Issuing Lender in connection with such payment, not later than 12:00 Noon, Local Time, on (i) the Business Day that the Parent Borrower receives notice of such draft, if such notice is received on such day prior to 10:00 A.M., Local Time, or (ii) if clause (i) above does not apply, the Business Day immediately following the day that the Parent Borrower receives such notice. Each such payment shall be made to the Issuing Lender at its address for notices referred to herein in Dollars and in immediately available funds. Interest shall be payable on any such amounts from the date on which the relevant draft is paid until payment in full at the rate set forth in (x) until the Business Day next succeeding the date of the relevant notice, Section 2.14(b) and (y) thereafter, Section 2.14(c).

**3.6 Obligations Absolute.** The Parent Borrower's obligations under this Section 3 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment that the Parent Borrower may have or have had against the Issuing Lender, any beneficiary of a Letter of Credit or any other Person. The Parent Borrower also agrees with the Issuing Lender that the Issuing Lender shall not be responsible for, and the Parent Borrower's Reimbursement Obligations under Section 3.5 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Parent Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Parent Borrower against any beneficiary of such Letter of Credit or any such transferee. The Issuing Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Issuing Lender. The Parent Borrower agrees that any action taken or omitted by the Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct, shall be binding on the Parent Borrower and shall not result in any liability of the Issuing Lender to the Parent Borrower.

**3.7 Letter of Credit Payments.** If any draft shall be presented for payment under any Letter of Credit, the Issuing Lender shall promptly notify the Parent Borrower of the date and amount thereof. The responsibility of the Issuing Lender to the Parent Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentation are substantially in conformity with such Letter of Credit.

**3.8 Applications.** To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Section 3, the provisions of this Section 3 shall apply.

#### SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, the Parent Borrower hereby represents and warrants to the Administrative Agent and each Lender that:

**4.1 Financial Condition.** (a) The unaudited pro forma consolidated balance sheet of the Parent Borrower and its consolidated Subsidiaries as at September 30, 2003 (including the notes thereto) (the "Pro Forma Balance Sheet"), copies of which have heretofore been furnished to each Lender, has been prepared giving effect (as if such events had occurred on such date) to (i) the consummation of the Acquisition, (ii) the Indebtedness to be incurred by the Borrowers on the Closing Date and the use of proceeds thereof and (iii) the payment of fees and expenses in connection with the foregoing. The Pro Forma Balance Sheet has been prepared based on the information known and available to the Parent Borrower as of the date of delivery thereof, and fairly presents on a pro forma basis the estimated financial position of the Parent Borrower and its consolidated Subsidiaries as at September 30, 2003, assuming that the events specified in the preceding sentence had actually occurred at such date.

(b) The audited consolidated balance sheets of the Parent Borrower as at October 31, 2000, October 31, 2001 and October 31, 2002, and the related consolidated statements of income and of cash flows for the fiscal years ended on such dates, accompanied by an unqualified report from PriceWaterhouseCoopers LLP, fairly presents the consolidated financial condition of the Parent Borrower, as at such date, and the consolidated results of its operations and its consolidated cash flows for the respective fiscal years then ended. The unaudited consolidated balance sheet of the Parent Borrower as at September 30, 2003, and the related unaudited consolidated statements of income and cash flows for the nine-month period ended on such date, present fairly the consolidated financial condition of the Parent Borrower, as at such date, and the consolidated results of its operations and its consolidated cash flows for the nine-month period then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein).

(c) The audited consolidated balance sheets of Neptune as at December 31, 2001 and December 31, 2002, and the consolidated statements of income and of cash flows for the fiscal years ended on December 31, 2000, December 31, 2001 and December 31, 2002, accompanied by an unqualified report from PriceWaterhouseCoopers LLP, fairly presents the consolidated financial condition of Neptune as at such date, and the consolidated results of its operations and its consolidated cash flows for the respective fiscal years then ended. The unaudited consolidated balance sheet of Neptune as at September 30, 2003, and the related unaudited consolidated statements of income and cash flows for the nine-month period ended on such date, present fairly the consolidated financial condition of Neptune, as at such date, and the consolidated results of its operations and its consolidated cash flows for the nine-month period then ended (subject to normal year-end audit adjustments). All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as approved by the aforementioned firm of accountants and disclosed therein).

**4.2 No Change.** Since (a) December 31, 2002, with respect to Neptune and its Subsidiaries, and (b) October 31, 2002, with respect to each other Group Member, there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect.

**4.3 Existence; Compliance with Law.** (a) The Parent Borrower (i) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) has the power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (iii) is duly qualified as a foreign corporation or other organization and in good standing under the laws of each jurisdiction where its ownership, lease or operation of

property or the conduct of its business requires such qualification and (iv) is in compliance with all Requirements of Law, except to the extent that the failure to comply with clauses (iii) and (iv) above could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Each Group Member (other than the Parent Borrower) (i) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (ii) has the power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (iii) is duly qualified as a foreign corporation or other organization and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification and (iv) is in compliance with all Requirements of Law, except to the extent that the failure to comply with clauses (i) through (iv) above could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

**4.4 Power; Authorization; Enforceable Obligations.** Each Loan Party has the power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Parent Borrower, to obtain extensions of credit hereunder. Each Loan Party has taken all necessary organizational action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrowers, to authorize the extensions of credit on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the Acquisition and the extensions of credit hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the Loan Documents, except (i) consents, authorizations, filings and notices described in Schedule 4.4, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and (ii) the filings referred to in Section 4.19. Each Loan Document has been duly executed and delivered on behalf of each Loan Party party thereto. This Agreement constitutes, and each other Loan Document upon execution will constitute, a legal, valid and binding obligation of each Loan Party party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

**4.5 No Legal Bar.** The execution, delivery and performance of this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any Contractual Obligation of any Group Member and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation (other than the Liens created by the Security Documents). No Requirement of Law or Contractual Obligation applicable to any Group Member could reasonably be expected to have a Material Adverse Effect.

**4.6 Litigation.** Except as otherwise disclosed on Schedule 4.6, no litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Parent Borrower, threatened by or against any Group Member or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) that could reasonably be expected to have a Material Adverse Effect.

**4.7 No Default.** No Group Member is in default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

**4.8 Ownership of Property; Liens.** Each Group Member has title in fee simple to, or a valid leasehold interest in, all its real property, and good title to, or a valid leasehold interest in, all its other property, and none of such property is subject to any Lien except as permitted by Section 7.3.

**4.9 Intellectual Property.** Each Group Member owns, or is licensed to use, all Intellectual Property to the extent necessary and material for the conduct of the business of the Group Members, taken as a whole, as currently conducted. No claim has been asserted and is pending by any Person challenging or questioning the use of any Intellectual Property or the validity or effectiveness of any Intellectual Property, nor does the Parent Borrower know of any valid basis for any such claim, except as could not reasonably be expected to have a Material Adverse Effect. The use of Intellectual Property by each Group Member does not infringe on the rights of any Person, except as could not reasonably be expected to have a Material Adverse Effect.

**4.10 Taxes.** Each Group Member has filed or caused to be filed all Federal, state and other material tax returns that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other material taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the relevant Group Member); no material tax Lien has been filed, and, to the knowledge of the Parent Borrower, no material claim is being asserted, with respect to any such material tax, fee or other charge.

**4.11 Federal Regulations.** No part of the proceeds of any Loans, and no other extensions of credit hereunder, will be used for "buying" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or for any purpose that violates the provisions of the Regulations of the Board. If requested by any Lender or the Administrative Agent, the Parent Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1, as applicable, referred to in Regulation U.

**4.12 Labor Matters.** Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes or other labor disputes against any Group Member pending or, to the knowledge of the Parent Borrower, threatened; (b) hours worked by and payment made to employees of each Group Member have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters; and (c) all payments due from any Group Member on account of employee health and welfare insurance have been paid or accrued as a liability on the books of the relevant Group Member.

**4.13 ERISA.** Neither a Reportable Event nor an "accumulated funding deficiency" (within the meaning of Section 412 of the Code or Section 302 of ERISA) has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. No termination of a Single Employer Plan has occurred, and no Lien in favor of the PBGC or a Plan has arisen, during such five-year period. The present value of all accrued benefits under each Single Employer Plan (based on those assumptions used to fund such Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits by a material amount. Neither the Parent Borrower nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan that has resulted or could reasonably be expected to result in a material liability under ERISA, and neither the Parent Borrower nor any Commonly Controlled Entity would become subject to any material liability under ERISA if the Parent Borrower or any such Commonly Controlled Entity were to withdraw completely from all Multiemployer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. No such Multiemployer Plan is in Reorganization or Insolvent.

**4.14 Investment Company Act; Other Regulations.** No Loan Party is an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the Board) that limits its ability to incur Indebtedness.

**4.15 Subsidiaries.** Except as disclosed to the Administrative Agent by the Parent Borrower in writing from time to time after the Closing Date, (a) Schedule 4.15 sets forth the name and jurisdiction of incorporation of each Subsidiary and, as to each such Subsidiary, the percentage of each class of Capital Stock owned by any Loan Party and (b) there are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than Capital Stock compensation granted to employees or directors and directors' qualifying shares) of any nature relating to any Capital Stock of the Parent Borrower or any Subsidiary, except as created by the Loan Documents and except as set forth in Schedule 4.15.

**4.16 Use of Proceeds.** The proceeds of the Term Loans shall be used to finance a portion of the purchase price (either directly or indirectly through one or more of the Parent Borrower's Subsidiaries) described in the Acquisition Documentation, to refinance existing Indebtedness and to pay related fees and expenses or, in the case of Incremental Term Loans, for general corporate purposes. The proceeds of the Revolving Loans and the Swingline Loans, and the Letters of Credit, shall be used for general corporate purposes (including the refinancing of Indebtedness).

**4.17 Environmental Matters.** Except as disclosed on Schedule 4.17 or as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect:

- (a) the facilities and properties owned, leased or operated by any Group Member (the “Properties”) do not contain, and have not previously contained, any Materials of Environmental Concern in amounts or concentrations or under circumstances that constitute or constituted a violation of, or could give rise to liability under, any Environmental Law;
- (b) no Group Member has received or is aware of any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the business operated by any Group Member (the “Business”), nor does the Parent Borrower have knowledge or reason to believe that any such notice will be received or is being threatened;
- (c) Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location that could give rise to liability under, any Environmental Law, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could give rise to liability under, any applicable Environmental Law;
- (d) no judicial proceeding or governmental or administrative action is pending or, to the knowledge of the Parent Borrower, threatened, under any Environmental Law to which any Group Member is or will be named as a party with respect to the Properties or the Business, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to the Properties or the Business;
- (e) there has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of any Group Member in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws;
- (f) the Properties and all operations at the Properties are in compliance, and have in the last three years been in compliance, with all applicable Environmental Laws, and there is no contamination at, under or about the Properties or violation of any Environmental Law with respect to the Properties or the Business; and
- (g) no Group Member has assumed any liability of any other Person under Environmental Laws.

4.18 Accuracy of Information, etc. No statement or information contained in this Agreement, any other Loan Document, the Confidential Information Memorandum or any other document, certificate or writing furnished by or on behalf of any Loan Party to the Administrative Agent or the Lenders, or any of them, for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, contained as of the date such document, certificate or writing was so furnished (or, in the case of the Confidential Information Memorandum, taken as a whole, as of the date of this Agreement), any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained herein or therein not misleading. The projections and pro forma financial information contained in the materials referenced above are based upon good faith estimates and assumptions believed by management of the Parent Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. There is no fact known to the Parent Borrower that could reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein, in the other Loan Documents, in the Confidential Information Memorandum or in any other documents, certificates and writings furnished to the Administrative Agent and the Lenders for use in connection with the transactions contemplated hereby and by the other Loan Documents.

4.19 Security Documents. The Guarantee and Collateral Agreement is effective to create in favor of the Administrative Agent, for the benefit of the Lenders, a legal, valid and enforceable security interest in the Collateral described therein and proceeds thereof. In the case of the Pledged Stock described in the Guarantee and Collateral Agreement, when stock certificates representing such Pledged Stock are delivered to the Administrative Agent, and in the case of the other Collateral described in the Guarantee and Collateral Agreement, when financing statements and other filings specified on Schedule 4.19 in appropriate form are filed in the offices specified on Schedule 4.19, the Guarantee and Collateral Agreement shall constitute a fully perfected Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Guarantee and Collateral Agreement), in each case prior and superior in right to any other Person (except Liens permitted by Section 7.3).

4.20 Solvency. Each Loan Party is, and after giving effect to the Acquisition and the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be and will continue to be, Solvent.

4.21 Senior Indebtedness. The obligations of the Parent Borrower under the Loan Documents to which it is a party constitute “Senior Indebtedness” (or the relevant comparable term) of the Parent Borrower under any Subordinated Debt Indenture. If applicable, the obligations of each Subsidiary Guarantor under the Guarantee and Collateral Agreement constitute “Guarantor Senior Indebtedness” (or the relevant comparable term) of such Subsidiary Guarantor under any Subordinated Debt Indenture.

## SECTION 5. CONDITIONS PRECEDENT

5.1 Conditions to Initial Extension of Credit. The agreement of each Lender to make the initial extension of credit requested to be made by it is subject to the satisfaction or waiver by the Required Lenders, no later than February 28, 2004, of the following conditions precedent:

- (a) Credit Agreement; Guarantee and Collateral Agreement. The Administrative Agent shall have received (i) this Agreement or, in the case of the Lenders, an Addendum, executed and delivered by the Administrative Agent, the Parent Borrower and each Person listed on Schedule 1.1, (ii) the Guarantee and Collateral Agreement, executed and delivered by each Borrower and each Subsidiary Guarantor and (iii) an Acknowledgement and Consent in the form attached to the Guarantee and Collateral Agreement, executed and delivered by each Issuer (as defined therein), if any, that is not a Loan Party.
- (b) Transactions. The board of directors of the Parent Borrower and Neptune shall have authorized and approved the Transactions, as applicable, and the Parent Borrower shall have furnished reasonably satisfactory evidence thereof. The Acquisition Agreement shall be in full force and effect, and there shall be no material adverse change to the Acquisition or waivers of any conditions or provisions in any material respect without the consent of the Administrative Agent (which consent shall not be unreasonably withheld except in the case of changes, waivers or modifications related to monetary terms of the Acquisition Agreement). The Parent Borrower and Neptune shall have complied in all material respects with all covenants and satisfied in all material respects all conditions set forth in the Acquisition Agreement and related documents (without waiver or amendment of any of the terms thereof unless consented to by the Administrative Agent, which consent shall not be unreasonably withheld except in the case of changes, waivers or modifications of monetary terms of the Acquisition Agreement) and concurrent with the initial funding hereunder, the Parent Borrower shall have consummated the Acquisition. The sources and uses of funds for the Transactions shall be consistent with the sources and uses of funds set forth in Schedule 5.1. After giving effect to the Transactions, the Parent Borrower shall own 100% of the fully diluted Capital Stock of Neptune. The Administrative Agent shall have received copies of all filings made with any governmental authority in connection with the Transactions. The Parent Borrower shall have entered into reasonably satisfactory documentation with respect to the Convertible Notes. Each of the Transactions shall be in compliance in all material respects with all Requirements of Law and there shall be no material breaches of the Loan Documents or the documentation related to the Equity Offerings claimed against the Parent Borrower in connection therewith.
- (c) Ratings. The Parent Borrower shall have a senior implied rating of not less than B1 from Moody’s and a corporate credit rating of not less than B+ from S&P, each with a stable outlook.
- (d) Litigation. Except as set forth on Schedule 4.6, there shall not exist any threatened, instituted or pending litigation, action, proceeding or counterclaim by or before any court or governmental, administrative or regulatory agency or authority, domestic or foreign, (i) challenging the consummation of any one or more of the Transactions, (ii) seeking to prohibit the ownership or operation by the Group Members of all or a material portion of any of their businesses or assets taken as a whole or the businesses or assets of Neptune or (iii) seeking to obtain, or which could reasonably be expected to result or has resulted in the entry of, any judgment, order or injunction that (A) would restrain, prohibit or impose materially adverse or materially burdensome conditions on the ability of the Lenders in their reasonable judgment to consummate the Acquisition or the transactions contemplated by this Agreement, (B) could be reasonably expected to have Material Adverse Effect or (C) could adversely affect the legality, validity or enforceability of the Loan Documents.

- (e) No Default. No event shall have occurred and be continuing or would result from the consummation of the Transactions, or from the application of the borrowings hereunder, that shall constitute a Default or Event of Default or a default under any material agreements of the Parent Borrower or Neptune except to the extent that any defaults in any material agreements of the Parent Borrower or Neptune that may result from the Transactions have been or will have been resolved or otherwise addressed in a manner reasonably satisfactory to the Administrative Agent.
- (f) Approvals. All requisite governmental and third party consents, approvals, authorizations, registrations or filings necessary in connection with the Acquisition and the financing thereof, shall have been obtained in a form reasonably acceptable to the Administrative Agent and shall be in full force and effect; all applicable waiting periods shall have expired without any regulatory agency requiring the divestiture of any material assets of the Parent Borrower, Neptune or any of their respective subsidiaries taken as a whole; and no law or regulation shall be applicable in the reasonable judgment of the Administrative Agent that restrains, prevents or imposes materially adverse conditions upon the Transactions.
- (g) Financial Information. The Lenders shall have received projected cash flows, balance sheets and income statements for the period of five years following the Closing Date. The Parent Borrower shall have made available and delivered to the extent required by the Administrative Agent, (i) (A) audited consolidated balance sheets of the Parent Borrower and its consolidated entities for each of its three fiscal years ended prior to the Closing Date, audited consolidated balance sheets of Neptune and its respective consolidated entities for each of its two fiscal years ended prior to the Closing Date, and in each case, related audited statements of income, stockholders' equity and cash flows of the Parent Borrower and Neptune and their respective consolidated entities for each of their three fiscal years ended prior to the Closing Date (with such financial statements of both the Parent Borrower and Neptune audited by PricewaterhouseCoopers LLP), and (B) unaudited consolidated balance sheets and related unaudited statements of income, stockholders' equity and cash flows of the Parent Borrower and Neptune and their respective consolidated Subsidiaries for the nine-month period ended September 30, 2003; (ii) pro forma financial statements prepared in accordance with GAAP; and (iii) the Pro Forma Balance Sheet.
- (h) Lien Search. The Administrative Agent shall have received the results of a recent Lien search in each of the jurisdictions and offices where assets of each of the Parent Borrower, Neptune and their Subsidiaries are located or recorded, and such search shall reveal no Liens on any of their assets except for Liens permitted hereby or Liens to be discharged in connection with the Transactions.
- (i) Fees and Expenses. All fees and expenses of the Administrative Agent, subject to Section 10.5(a), required to be paid in connection with the Facilities shall have been paid for by the Parent Borrower or shall be paid by the Parent Borrower simultaneously with the initial funding of the Facilities.
- (j) Consolidated EBITDA. After giving effect to the Transactions and any acquisitions made following the date of the relevant financial statements and prior to the Closing Date, (i) pro forma Consolidated EBITDA for the period ending September 30, 2003 shall not be less than \$180,000,000 and (ii) the pro forma Consolidated Total Leverage Ratio for the most recent 12-month period ending prior to the Closing Date for which the relevant financial information is available shall not be greater than (x) 3.80 to 1.0 if the Parent Borrower has raised gross proceeds of \$150,000,000 or more in any Common Stock Offerings or (y) 4.60 to 1.0, otherwise, and the Administrative Agent shall have received a certificate of a Responsible Officer as to the same, reasonably satisfactory to them (including satisfactory schedules and other supporting data).
- (k) Available Revolving Commitments. After giving effect to the Acquisition and the related financing transactions, the aggregate amount of the Available US\$ Revolving Commitments and Available Multicurrency Revolving Commitments shall equal at least \$50,000,000, which amount shall be decreased by up to \$10,000,000 on a dollar-for-dollar basis to the extent of Neptune's cash and Cash Equivalents denominated in Dollars on hand as of the Closing Date. In addition, the full amount of the Revolving Commitments shall be available to be drawn by the Parent Borrower without giving rise to a Default or Event of Default.
- (l) Existing Indebtedness. The Administrative Agent shall have received satisfactory evidence that (i) the Borrower's existing senior credit agreement shall have been terminated, all amounts thereunder shall have been paid in full and any Liens granted in connection therewith have been terminated and (ii) the Parent Borrower's existing private placement notes shall have been redeemed and the prepayment penalties associated therewith shall have been paid.
- (m) Closing Certificate; Certified Certificate of Incorporation; Good Standing Certificates. The Administrative Agent shall have received (i) a certificate of each Loan Party, dated the Closing Date, substantially in the form of Exhibit C, with appropriate insertions and attachments, including the certificate of incorporation of each Loan Party that is a corporation certified by the relevant authority of the jurisdiction of organization of such Loan Party, and (ii) a long form good standing certificate for each Loan Party from its jurisdiction of organization.
- (n) Legal Opinions. The Administrative Agent shall have received the following executed legal opinions:
- (i) the legal opinion of King & Spalding LLP, counsel to the Group Members, substantially in the form of Exhibit F;
  - (ii) the legal opinion of local counsel to Roper Germany, in form and substance reasonably satisfactory to the Administrative Agent; and
  - (iii) to the extent consented to by the relevant counsel, each legal opinion, if any, delivered in connection with the Acquisition Agreement, accompanied by a reliance letter in favor of the Lenders.
- (o) Pledged Stock; Stock Powers; Pledged Notes. The Administrative Agent shall have received (i) the certificates, if any, representing the shares of Capital Stock pledged pursuant to the Guarantee and Collateral Agreement, together with an undated stock power for each such certificate executed in blank by a duly authorized officer of the pledgor thereof (except, in the case of Capital Stock of Foreign Subsidiaries, to the extent delivery thereof is not reasonably practicable, in which case such certificates, if any, shall be delivered to the Administrative Agent within 30 days after the Closing Date) and (ii) each promissory note (if any) pledged to the Administrative Agent pursuant to the Guarantee and Collateral Agreement endorsed (without recourse) in blank (or accompanied by an executed transfer form in blank) by the pledgor thereof. Capital Stock of Foreign Subsidiaries shall be required to be pledged on the Closing Date only to the extent necessary to comply with Section 6.10(c), with Consolidated Total Revenue for such purpose being determined by reference to the financial statements of the Borrower for the four-quarter period ended September 30, 2003.
- (p) Filings, Registrations and Recordings. Each document (including any Uniform Commercial Code financing statement) required by the Security Documents or under law or reasonably requested by the Administrative Agent to be filed, registered or recorded in order to create in favor of the Administrative Agent, for the benefit of the Lenders, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 7.3), shall be in proper form for filing, registration or recordation.
- (q) Solvency Certificate. The Administrative Agent shall have received a satisfactory executed solvency certificate from a Responsible Officer.
- (r) Insurance. The Administrative Agent shall have received insurance certificates satisfying the requirements of Section 5.2(b) of the Guarantee and Collateral Agreement.

5.2 Conditions to Each Extension of Credit. The agreement of each Lender to make any extension of credit requested to be made by it on any date (including its initial extension of credit) is subject to the satisfaction of the following conditions precedent:

- (a) Representations and Warranties. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date.
- (b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such

date.

Each borrowing by and issuance of a Letter of Credit on behalf of the Parent Borrower hereunder shall constitute a representation and warranty by the Parent Borrower as of the date of such extension of credit that the conditions contained in this Section 5.2 have been satisfied.

5.3 Initial Loan to Each New Foreign Subsidiary Borrower. No Lender shall be required to make any Loans to any Foreign Subsidiary Borrower (other than Roper Germany) unless the Administrative Agent has received:

- (a) a Joinder Agreement, substantially in the form of Exhibit J, executed and delivered by such Borrower;
- (b) a certificate of such Borrower, substantially in the form of Exhibit C, with appropriate insertions and attachments; and
- (c) the legal opinion of counsel to such Borrower, in form and substance reasonably satisfactory to the Administrative Agent.

## SECTION 6. AFFIRMATIVE COVENANTS

The Parent Borrower hereby agrees that, so long as the Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, the Parent Borrower shall and shall cause each of its Subsidiaries to:

6.1 Financial Statements. Furnish to the Administrative Agent (for onward distribution to the Lenders):

- (a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Parent Borrower, a copy of the audited consolidated balance sheet of the Parent Borrower and its consolidated Subsidiaries as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by PriceWaterhouseCoopers LLP or other independent certified public accountants of nationally recognized standing; and
- (b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Parent Borrower, the unaudited consolidated balance sheet of the Parent Borrower and its consolidated Subsidiaries as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments).

All such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied (except as approved by such accountants or officer, as the case may be, and disclosed in reasonable detail therein) consistently throughout the periods reflected therein and with prior periods.

6.2 Certificates; Other Information. Furnish to the Administrative Agent (for onward distribution to the Lenders) or, in the case of clause (f), to the relevant Lender:

- (a) concurrently with the delivery of the financial statements referred to in Section 6.1(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Event of Default under Section 7.1 as of the last day of the fiscal year so reported, except as specified in such certificate;
- (b) concurrently with the delivery of any financial statements pursuant to Section 6.1, a Compliance Certificate executed by a Responsible Officer and including all information and calculations necessary for determining compliance by each Group Member with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the Parent Borrower, as the case may be, and (i) to the extent not previously disclosed to the Administrative Agent, a description of any change in the jurisdiction of organization of any Loan Party and a list of any Intellectual Property acquired by any Loan Party since the date of the most recent report delivered pursuant to this clause (ii) (or, in the case of the first such report so delivered, since the Closing Date);
- (c) as soon as available, and in any event no later than 45 days after the end of each fiscal year of the Parent Borrower, a detailed consolidated budget for the following fiscal year (including a projected consolidated balance sheet of the Parent Borrower as of the end of the following fiscal year, the related consolidated statements of projected cash flow, projected changes in financial position and projected income and a description of the underlying assumptions applicable thereto), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year (collectively, the "Projections"), which Projections shall in each case be accompanied by a certificate of a Responsible Officer stating that such Projections are based on reasonable estimates, information and assumptions and that such Responsible Officer has no reason to believe that such Projections are incorrect or misleading in any material respect (it being understood that access to any Projections shall be subject to customary restrictions on use of material nonpublic information);
- (d) no later than 5 Business Days prior to the effectiveness thereof, copies of substantially final drafts of any proposed amendment, supplement, waiver or other modification with respect to any Subordinated Debt Indenture, the Convertible Note Documents or the Acquisition Documentation;
- (e) within five Business Days after the same are sent, copies of all financial statements and reports that the Parent Borrower sends to the holders of any class of its debt securities or public equity securities and, within five Business Days after the same are filed, copies of all financial statements and reports that the Parent Borrower may make to, or file with, the SEC; and
- (f) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

6.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the relevant Group Member.

6.4 Maintenance of Existence; Compliance. (a)(i) Preserve, renew and keep in full force and effect its organizational existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 7.4 and except, in the case of clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.5 Maintenance of Property; Insurance. (a) Keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted and (b) maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business.

6.6 Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and account in which full, true and correct entries in conformity with all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities, (b) permit representatives of the Administrative Agent and each Lender (coordinated through the Administrative Agent) to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time

during any Business Day following reasonable written notice to the Parent Borrower; provided, that no Lender may make any such inspection more often than once in any calendar year unless an Event of Default is in existence (in which case such inspections may occur as often such Lender reasonably determines) and any such inspection made when no Event of Default is in existence shall be at the expense of such Lender, and (c) permit representatives of the Administrative Agent and each Lender to discuss the business, operations, properties and financial and other condition of the Group Members with officers and employees of the Group Members and with their independent certified public accountants.

6.7 Notices. Promptly give notice to the Administrative Agent and each Lender of:

- (a) the occurrence of any Default or Event of Default;
- (b) any (i) default or event of default under any Contractual Obligation of any Group Member or (ii) litigation, investigation or proceeding that may exist at any time between any Group Member and any Governmental Authority, that in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;
- (c) the following events, as soon as possible and in any event within 30 days after the Parent Borrower knows or has reason to know thereof: (i) the occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Parent Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the termination, Reorganization or Insolvency of, any Plan; and
- (d) any development or event that has had or could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section 6.7 shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the relevant Group Member proposes to take with respect thereto.

6.8 Environmental Laws. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect, (a) comply with, and ensure compliance by all tenants and subtenants, if any, with, all applicable Environmental Laws, and obtain and comply with and maintain, and ensure that all tenants and subtenants obtain and comply with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws and (b) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply with all lawful orders and directives of all Governmental Authorities regarding Environmental Laws.

6.9 Interest Rate Protection. In the case of the Parent Borrower, within 60 days after the Closing Date, enter into, and thereafter maintain, Swap Agreements to the extent necessary to provide that at least 50% of the aggregate principal amount of Indebtedness projected to appear on the Parent Borrower's balance sheet as of December 31, 2003 in accordance with GAAP is subject to either a fixed interest rate or interest rate protection for a period of not less than two years, which Swap Agreements shall have terms and conditions reasonably satisfactory to the Administrative Agent.

6.10 Additional Collateral, etc(a). (a) With respect to any property acquired after the Closing Date by the Parent Borrower or any Domestic Subsidiary (other than (x) real property and fixtures, (y) any property described in paragraph (b) or (c) below and (z) any property subject to a Lien expressly permitted by Section 7.3(g)) as to which the Administrative Agent, for the benefit of the Lenders, does not have a perfected Lien, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a security interest in such property and (ii) take all actions necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in such property, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent.

(b) With respect to any new Domestic Subsidiary created or acquired after the Closing Date by any Group Member (other than (x) any Domestic Subsidiary of a Foreign Subsidiary acquired pursuant to an Investment permitted by Section 7.8, unless and until such Domestic Subsidiary subsequently becomes a direct Subsidiary of the Parent Borrower or another Domestic Subsidiary and (y) any Receivables Entity), promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in the Capital Stock of such new Subsidiary that is directly owned by the Parent Borrower or a Domestic Subsidiary, (ii) deliver to the Administrative Agent the certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of the relevant Group Member, (iii) cause such new Subsidiary (A) to become a party to the Guarantee and Collateral Agreement, (B) to take such actions necessary or advisable to grant to the Administrative Agent for the benefit of the Lenders a perfected security interest in the Collateral described in the Guarantee and Collateral Agreement with respect to such new Subsidiary (subject only to Liens expressly permitted by Section 7.3), including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent and (C) to deliver to the Administrative Agent a certificate of such Subsidiary, substantially in the form of Exhibit C, with appropriate insertions and attachments, and (iv) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(c) With respect to any Foreign Subsidiary that is a direct Subsidiary of the Parent Borrower or any Domestic Subsidiary (other than any Excluded Foreign Subsidiary), promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Lenders, a perfected first priority security interest in the Capital Stock of such Foreign Subsidiary that is directly owned by the Parent Borrower or a Domestic Subsidiary (provided that in no event shall more than 65% (or, in the case of Roper Germany, 64.93%) of the total outstanding voting Capital Stock of any such Foreign Subsidiary be required to be so pledged), (ii) deliver to the Administrative Agent any certificates representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of the relevant Group Member, and take such other action as may be necessary or, in the opinion of the Administrative Agent, desirable to perfect the Administrative Agent's security interest therein, and (iii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent. The Parent Borrower shall, promptly after delivery of any financial statements pursuant to Section 6.1, cause to be taken the actions described in this paragraph to the extent necessary to ensure that the percentage of Consolidated Total Revenue for the four-quarter period ending on the date of such financial statements contributed by the Excluded Foreign Subsidiaries does not exceed 10%, provided that such percentage may exceed 10% if the Excluded Foreign Subsidiaries consist exclusively of Foreign Subsidiaries as to which such actions may not be taken due to applicable Requirements of Law.

(d) Notwithstanding anything to the contrary in this Section 6.10 or any other Loan Document, the Administrative Agent and the Lenders shall not have Liens on (and shall, at the request and expense of the Parent Borrower, timely release any Liens on): (i) the assets transferred to a Receivables Entity and assets of such Receivables Entity and (ii) if the documentation relating to the Receivables securitization to which such Receivables Entity is a party expressly prohibits such a Lien, the Capital Stock or debt (whether or not represented by promissory notes) of or issued by a Receivables Entity to any Group Member, in either case in connection with a Qualified Receivables Transaction, as applicable.

## SECTION 7. NEGATIVE COVENANTS

The Parent Borrower hereby agrees that, so long as the Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or the Administrative Agent hereunder, the Parent Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

7.1 Financial Condition Covenants.

(a) Consolidated Total Leverage Ratio. Permit the Consolidated Total Leverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Parent Borrower ending with any fiscal quarter set forth below to exceed the ratio set forth below opposite such fiscal quarter:

Fiscal Quarter Ending	Consolidated Total Leverage Ratio
March 31, 2004 - December 31, 2004	4.25 to 1.0
March 31, 2005 - December 31, 2005	4.00 to 1.0
March 31, 2006 - December 31, 2006	3.75 to 1.0
March 31, 2007 - December 31, 2007	3.50 to 1.0
March 31, 2008 and thereafter	3.25 to 1.0

(b) Consolidated Senior Leverage Ratio. Permit the Consolidated Senior Leverage Ratio as at the last day of any period of four consecutive fiscal quarters of the Parent Borrower ending with any fiscal quarter set forth below to exceed the ratio set forth below opposite such fiscal quarter:

Fiscal Quarter Ending	Consolidated Senior Leverage Ratio
March 31, 2004 - December 31, 2004	3.25 to 1.0
March 31, 2005 - December 31, 2005	3.00 to 1.0
March 31, 2006 - December 31, 2006	2.75 to 1.0
March 31, 2007 - December 31, 2007	2.50 to 1.0
March 31, 2008 and thereafter	2.25 to 1.0

(c) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio for any period of four consecutive fiscal quarters of the Parent Borrower (or, if less, the number of full fiscal quarters subsequent to the Closing Date) to be less than 5.0 to 1.0.

(d) Consolidated EBITDA. Permit Consolidated EBITDA for the fiscal year of the Parent Borrower ending December 31, 2003 to be less than \$180,000,000.

7.2 Indebtedness. Create, issue, incur, assume, become liable in respect of or suffer to exist any Indebtedness, except:

- (a) Indebtedness of any Loan Party pursuant to any Loan Document;
- (b) (i) Indebtedness of the Parent Borrower to any Subsidiary, (ii) Indebtedness of any Wholly Owned Subsidiary Guarantor to any Group Member, (iii) Indebtedness of any Foreign Subsidiary to any other Foreign Subsidiary and (iv) Indebtedness of any Foreign Subsidiary resulting from Investments made pursuant to Section 7.8(h)(ii), (j), (k) or (m);
- (c) Guarantee Obligations incurred in the ordinary course of business by any Group Member of obligations of any Wholly Owned Subsidiary Guarantor;
- (d) Indebtedness outstanding on the date hereof and listed on Schedule 7.2(d) and any refinancings, refundings, renewals or extensions thereof (without shortening the maturity, or increasing the principal amount, thereof);
- (e) Indebtedness (including, without limitation, Capital Lease Obligations) secured by Liens permitted by Section 7.3(g), provided that, at the time of incurrence of any Indebtedness pursuant to this paragraph (e), after giving effect thereto, the aggregate outstanding principal amount of all Indebtedness incurred pursuant to this paragraph (e) shall not exceed 2% of Consolidated Net Worth determined as of the last day of the most recent fiscal quarter for which the relevant financial information is available;
- (f) Guarantee Obligations incurred by any Group Member with respect to (i) recourse obligations resulting from endorsement of negotiable instruments for collection in the ordinary course of business and (ii) surety, appeal and performance bonds obtained in the ordinary course of business;
- (g) Indebtedness of the Parent Borrower in respect of the Convertible Notes or any Subordinated Debt incurred to refinance the Convertible Notes;
- (h) Indebtedness pursuant to letters of credit issued for the account of any Group Member other than pursuant to this Agreement in an aggregate principal amount not to exceed \$10,000,000 at any one time outstanding;
- (i) Receivables Transaction Attributed Debt pursuant to any Qualified Receivables Transaction in an aggregate amount not to exceed \$100,000,000 and all yield, interest, fees, indemnities and other amounts related thereto; and
- (j) in addition to Indebtedness otherwise expressly permitted by this Section 7.2, (i) Subordinated Debt of the Parent Borrower, (ii) Guarantee Obligations of any Subsidiary Guarantor in respect of such Subordinated Debt (provided that such Guarantee Obligations are subordinated to the same extent as the obligations of the Parent Borrower in respect of such Subordinated Debt) and (iii) other Indebtedness of the Group Members (not constituting Subordinated Debt); provided that (x) no Event of Default shall be in existence or result therefrom (including, on a pro forma basis, pursuant to Section 7.1), (y) at the time of incurrence of any Indebtedness pursuant to clause (iii) above, after giving effect thereto, the aggregate outstanding principal amount of all Indebtedness incurred pursuant to said clause (iii) shall not exceed the greater of (1) 5% of Consolidated Total Assets determined as of the last day of the most recent fiscal quarter for which the relevant financial information is available and (2) \$75,000,000 and (z) at the time of incurrence of any Indebtedness pursuant to this paragraph (j), after giving effect thereto, the aggregate outstanding principal amount of all Indebtedness incurred pursuant to this paragraph (j) (determined without duplication) shall not exceed the greater of (1) 15% of Consolidated Total Assets determined as of the last day of the most recent fiscal quarter for which the relevant financial information is available and (2) \$250,000,000.

7.3 Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired, except:

- (a) Liens for taxes not yet due or that are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Parent Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;
- (b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings;
- (c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;
- (d) deposits to secure the performance of bids, trade, forward or futures contracts (other than in respect of borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;
- (e) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not substantial in amount and that do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Group Members;
- (f) Liens in existence on the date hereof listed on Schedule 7.3(f), securing Indebtedness permitted by Section 7.2(d), provided that no such Lien is spread to cover any additional property after the Closing Date and that the amount of Indebtedness secured thereby is not increased;
- (g) Liens securing Indebtedness of any Group Member incurred pursuant to Section 7.2(e) to finance the acquisition of fixed or capital assets, provided that (i) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (ii) such Liens do not at any time encumber any property other than the property

financed by such Indebtedness and (iii) the amount of Indebtedness secured thereby is not increased;

- (h) Liens created pursuant to the Security Documents;
- (i) any interest or title of a lessor under any lease entered into by any Group Member in the ordinary course of its business and covering only the assets so leased;
- (j) Liens on assets transferred to a Receivables Entity or on assets of a Receivables Entity, in either case incurred in connection with a Qualified Receivables Transaction securing Indebtedness permitted by Section 7.2(i);
- (k) Cash collateral securing reimbursement obligations in respect of letters of credit permitted by Section 7.2(h);
- (l) Liens with respect to property acquired by any Group Member after the Closing Date (and not created in contemplation of such acquisition) pursuant to a Permitted Acquisition; provided, that such Liens shall extend only to the property so acquired; and
- (m) Liens not otherwise permitted by this Section so long as the aggregate outstanding principal amount of the Indebtedness secured thereby does not exceed (as to all Group Members) \$5,000,000 at any one time.

7.4 **Fundamental Changes.** Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of all or substantially all of its property or business, except that:

- (a) any Subsidiary of the Parent Borrower may be merged or consolidated with or into (i) the Parent Borrower (provided that the Parent Borrower shall be the continuing or surviving corporation), (ii) any Wholly Owned Subsidiary Guarantor, or any Person that simultaneously with, or immediately after, such merger or consolidation becomes a Wholly Owned Subsidiary Guarantor (provided, in either case, that the Wholly Owned Subsidiary Guarantor shall be the continuing or surviving entity) and (iii) in the case of any Foreign Subsidiary, any other Foreign Subsidiary;
- (b) any Subsidiary of the Parent Borrower may Dispose of any or all of its assets (i) to the Parent Borrower or any Wholly Owned Subsidiary Guarantor (upon voluntary liquidation or otherwise) or (ii) pursuant to a Disposition permitted by Section 7.5;
- (c) any Foreign Subsidiary of the Parent Borrower may Dispose of any or all of its assets to any Group Member (upon voluntary liquidation or otherwise); and
- (d) any Investment expressly permitted by Section 7.8 may be structured as a merger, consolidation or amalgamation.

7.5 **Disposition of Property.** Dispose of any of its property, whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's Capital Stock to any Person, except:

- (a) the Disposition of obsolete or worn out property in the ordinary course of business;
- (b) the sale of inventory in the ordinary course of business;
- (c) Dispositions permitted by clause (i) of Section 7.4(b);
- (d) (i) the sale, transfer or issuance of any Subsidiary's Capital Stock to the Parent Borrower or any Wholly Owned Subsidiary Guarantor and (ii) the sale, transfer or issuance of any Foreign Subsidiary's Capital Stock to any Wholly Owned Subsidiary of the Parent Borrower;
- (e) sales of Receivables and related assets or an interest therein of the type specified in the definition of "Qualified Receivables Transaction" pursuant to a Qualified Receivables Transaction, provided that 100% of the proceeds received in connection therewith (other than proceeds in the form of customary equity or debt interests in the relevant Receivables Entity) are in the form of cash or Cash Equivalents;
- (f) transfers of assets by the Parent Borrower or any Domestic Subsidiary to Foreign Subsidiaries so long as the aggregate book value of the assets subject to such asset transfer, when combined with the aggregate book value of the assets subject to all other such transfers consummated during the immediately preceding twelve-month period, shall not exceed 3% of Consolidated Total Assets determined as at the end of the most recently ended fiscal quarter for which the relevant financial information is available; and
- (g) Dispositions of other assets (other than pursuant to receivables securitizations) so long as (i) such transaction is for not less than fair market value (as determined in good faith by the Parent Borrower's management or board of directors), (ii) no Event of Default shall be in existence or result therefrom (including, on a pro forma basis, pursuant to Section 7.1) and (iii) in the case of any Asset Sale, when combined with all other Asset Sales consummated during the immediately preceding twelve-month period (collectively, "Relevant Asset Sales"), (x) the aggregate book value of the assets subject to such Relevant Asset Sales shall not exceed 15% of Consolidated Total Assets determined as at the end of the most recently ended fiscal quarter for which the relevant financial information is available and (y) the aggregate amount of consideration (other than cash and Cash Equivalents) received pursuant to such Relevant Asset Sales shall not exceed 5% of Consolidated Net Worth determined as at the end of such fiscal quarter.

7.6 **Restricted Payments.** Declare or pay any dividend (other than dividends payable solely in common stock of the Person making such dividend) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of any Group Member, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of any Group Member (collectively, "Restricted Payments"), except that:

- (a) any Subsidiary may make Restricted Payments to any Group Member;
- (b) so long as no Default or Event of Default shall have occurred and be continuing, the Parent Borrower may purchase the Parent Borrower's common stock or common stock options from present or former officers or employees of any Group Member upon the death, disability or termination of employment of such officer or employee, provided, that the aggregate amount of payments under this paragraph (b) after the date hereof shall not exceed \$1,000,000 in any fiscal year;
- (c) so long as no Default or Event of Default shall have occurred and be continuing, the Parent Borrower may pay dividends on its common stock in an aggregate amount in any fiscal year not to exceed 25% of Consolidated Net Income for such fiscal year; and
- (d) so long as (i) no Default or Event of Default shall have occurred and be continuing and (ii) the Parent Borrower has a senior implied rating of at least Baa3 by Moody's and a corporate credit rating of at least BBB- by S&P (and in each case not on negative watch), the Parent Borrower may repurchase its publicly held common stock.

7.7 **Capital Expenditures.** Make or commit to make Capital Expenditures during any fiscal year in an aggregate amount in excess of 15% of Consolidated EBITDA for the immediately preceding fiscal year.



7.8 Investments. Make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting a business unit of, or make any other investment in, any Person (all of the foregoing, "Investments"), except:

- (a) Investments in existence on the date hereof listed on Schedule 7.8(a);
- (b) extensions of trade credit in the ordinary course of business, and Investments in trade receivables received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;
- (c) investments in Cash Equivalents;
- (d) Guarantee Obligations permitted by Section 7.2;
- (e) loans and advances to employees of any Group Member in the ordinary course of business (including for travel, entertainment and relocation expenses) in an aggregate amount for all Group Members not to exceed \$5,000,000 at any one time outstanding;
- (f) the Acquisition;
- (g) (i) intercompany Investments by any Group Member in the Parent Borrower or any Person that, prior to such Investment, is a Wholly Owned Subsidiary Guarantor and (ii) intercompany Investments by any Foreign Subsidiary in any Person that, prior to such Investment, is a Wholly Owned Subsidiary;
- (h) (i) Permitted Acquisitions and (ii) any Investment made by a Group Member in another Group Member for the purposes of enabling the latter Group Member to consummate Permitted Acquisitions;
- (i) Investments comprised of capital contributions (whether in the form of cash, a note or other assets) to a Receivables Entity or otherwise resulting from transfers of assets permitted by Section 7.5(e) to such Receivables Entity;
- (j) intercompany transfers of cash made in the ordinary course of business by the Parent Borrower or any Subsidiary to the Parent Borrower or any Subsidiary, in each case pursuant to the cash management system of the Group Members;
- (k) Investments in any existing Foreign Subsidiary to the extent necessary to enable it to comply with Requirements of Law relating to minimum capitalization or similar matters;
- (l) Investments made pursuant to Section 7.5(f);
- (m) Investments made by the Parent Borrower or any Domestic Subsidiary in any newly created Foreign Subsidiary for the purposes of developing the business operations of any Group Member so long as the amount of such Investment, when combined with the aggregate amount of all other such Investments made during the immediately preceding twelve-month period, shall not exceed 3% of Consolidated Total Assets determined as at the end of the most recently ended fiscal quarter for which the relevant financial information is available; and
- (n) in addition to Investments otherwise expressly permitted by this Section 7.8, Investments in an aggregate amount at any time outstanding not to exceed 10% of Consolidated Net Worth.

7.9 Optional Payments and Modifications of Certain Debt Instruments. (a) Make or offer to make any optional or voluntary payment, prepayment, repurchase or redemption of or otherwise optionally or voluntarily defease or segregate funds with respect to the principal of the Convertible Notes or any Subordinated Debt (provided that (i) the Parent Borrower may issue Capital Stock upon conversion of the Convertible Notes in accordance with their terms and (ii) the Convertible Notes and any Subordinated Debt may be refinanced with other Subordinated Debt); (b) amend, modify, waive or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, the Convertible Note Documents or any Subordinated Debt Indenture (other than any such amendment, modification, waiver or other change that (i) would extend the maturity or reduce the amount of any payment of principal or reduce the rate or extend any date for payment of interest and (ii) does not involve the payment of a consent fee); or (d) designate any Indebtedness (other than obligations of the Loan Parties pursuant to the Loan Documents) as "Designated Senior Indebtedness" (or any other defined term having a similar purpose) for the purposes of any Subordinated Debt Indenture.

7.10 Transactions with Affiliates. Enter into any transaction, including any purchase, sale, lease or exchange of property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than the Parent Borrower or any Subsidiary) unless such transaction is (a) otherwise permitted under this Agreement, (b) in the ordinary course of business of the relevant Group Member, and (c) upon fair and reasonable terms no less favorable to the relevant Group Member than it would obtain in a comparable arm's length transaction with a Person that is not an Affiliate.

7.11 Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing by any Group Member of real or personal property that has been or is to be sold or transferred by such Group Member to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of such Group Member.

7.12 Swap Agreements. Enter into any Swap Agreement, except (a) Swap Agreements entered into to hedge or mitigate risks to which the relevant Group Member has actual exposure (other than those in respect of Capital Stock, the Convertible Notes or any Subordinated Debt) and (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of the relevant Group Member.

7.13 Changes in Fiscal Periods. Permit the fiscal year of the Parent Borrower to end on a day other than December 31 or change the Parent Borrower's method of determining fiscal quarters.

7.14 Negative Pledge Clauses. Enter into or suffer to exist or become effective any agreement that prohibits or limits the ability of any Group Member to create, incur, assume or suffer to exist any Lien upon any of its property or revenues, whether now owned or hereafter acquired, securing Indebtedness and other obligations and the Loan Documents (regardless of the amount thereof), other than (a) this Agreement and the other Loan Documents, (b) customary restrictions applicable to any Receivables entity in connection with any Qualified Receivables Transaction, (c) restrictions contained in the documents governing Indebtedness of any Foreign Subsidiary so long as such restrictions apply only to assets of such Foreign Subsidiary and its Subsidiaries, (d) restrictions and conditions imposed by law, (e) customary restrictions and conditions contained in agreements relating to the Disposition of a Subsidiary, property or assets pending such Disposition, provided such restrictions and conditions apply only to such Subsidiary, property or assets, (f) restrictions and conditions contained in documentation relating to a Subsidiary acquired in a Permitted Acquisition, provided that such restriction or condition (i) existed at the time such Person became a Subsidiary and was not created in contemplation of or in connection with such Person becoming a Subsidiary and (ii) applies only to such Subsidiary, (g) restrictions and conditions contained in any agreement relating to Indebtedness secured by Liens permitted under this Agreement if such restrictions and conditions apply only to the property or assets subject to such Liens and (h) customary provisions in leases, licenses and other contracts restricting or conditioning the assignment or encumbrance thereof, including, without limitation, licenses and sublicenses of patents, trademarks, copyrights and similar intellectually property rights.

7.15 Clauses Restricting Subsidiary Distributions. Enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary of the Parent Borrower to (a) make Restricted Payments in respect of any Capital Stock of such Subsidiary held by, or pay any Indebtedness owed to, any Group Member, (b) make loans or advances to, or other Investments in, any Group Member or (c) transfer any of its assets to any Group Member, except for such encumbrances or restrictions existing under or by

reason of (i) any restrictions existing under the Loan Documents, (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Capital Stock or assets of such Subsidiary and (iii) customary restrictions applicable to any Receivables entity in connection with any Qualified Receivables Transaction.

7.16 Lines of Business. Enter into any business that is not engaged principally in any of the design, manufacture or distribution of industrial products, solutions or services (including software design solutions and services), and businesses reasonably related thereto; provided, that this Section 7.16 shall not prohibit any Group Member from engaging in any business that does not otherwise satisfy the requirements set forth in this Section 7.16 if such business, together with all other such businesses of the Group Members, does not constitute a material portion of the businesses of the Group Members taken as a whole.

7.17 Amendments to Acquisition Documents. (a) Amend, supplement or otherwise modify (pursuant to a waiver or otherwise) the terms and conditions of the indemnities and licenses (other than licenses no longer required in the normal conduct of the Group Members' businesses) furnished to the Group Members pursuant to the Acquisition Documentation such that after giving effect thereto such indemnities or licenses shall be materially less favorable to the interests of the Loan Parties or the Lenders with respect thereto or (b) otherwise amend, supplement or otherwise modify the terms and conditions of the Acquisition Documentation or any such other documents except for any such amendment, supplement or modification that could not reasonably be expected to have a Material Adverse Effect.

## SECTION 8. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

- (a) any Borrower shall fail to pay any principal of any Loan or Reimbursement Obligation when due in accordance with the terms hereof; or any Borrower shall fail to pay any interest on any Loan or Reimbursement Obligation, or any other amount payable hereunder or under any other Loan Document, within five Business Days after any such interest or other amount becomes due in accordance with the terms hereof; or
- (b) any representation or warranty made or deemed made by any Loan Party herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made; or
- (c) any Loan Party shall default in the observance or performance of any agreement contained in Section 6.4(a)(i) (with respect to the Parent Borrower only), Section 6.7(a) or Section 7 of this Agreement or Sections 5.4 and 5.5(b) of the Guarantee and Collateral Agreement; or
- (d) any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days after notice to the Parent Borrower from the Administrative Agent or the Required Lenders; or
- (e) any Group Member shall (i) default in making any payment of any principal of any Indebtedness (including any Guarantee Obligation, but excluding the Loans) on the scheduled or original due date with respect thereto; or (ii) default in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided, that a default, event or condition described in clause (i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in clauses (i), (ii) or (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate \$10,000,000; or
- (f) (i) any Group Member shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Group Member shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Group Member any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against any Group Member any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) any Group Member shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) any Group Member shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or
- (g) (i) any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of any Group Member or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) any Group Member or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could, in the sole judgment of the Required Lenders, reasonably be expected to have a Material Adverse Effect; or
- (h) one or more judgments or decrees shall be entered against any Group Member at any time involving in the aggregate a liability (not paid or fully covered by insurance as to which the relevant insurance company has not disclaimed or reserved the right to disclaim coverage) of \$10,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof; or
- (i) any of the Security Documents shall cease, for any reason, to be in full force and effect, or any Loan Party or any Affiliate of any Loan Party shall so assert, or any Lien created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby; or
- (j) the guarantee contained in Section 2 of the Guarantee and Collateral Agreement shall cease, for any reason, to be in full force and effect or any Loan Party or any Affiliate of any Loan Party shall so assert; or
- (k) (i) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), excluding the Permitted Investors, shall become, or obtain rights (whether by means or warrants, options or otherwise) to become, the "beneficial owner" (as defined in Rules 13(d)-3 and 13(d)-5 under the Exchange Act), directly or indirectly, of more than 35% of the outstanding common stock of the Parent Borrower; (ii) the board of directors of the Parent Borrower shall cease to consist of a majority of Continuing Directors; (iii) a Specified Change of Control shall occur or (iv) any Foreign Subsidiary Borrower shall cease to be a direct or indirect Wholly Owned Subsidiary of the Parent Borrower; or
- (l) any Subordinated Debt, or any guarantees thereof, shall cease, for any reason, to be validly subordinated to the obligations of the Parent Borrower under the Loan Documents

to which it is a party or, if applicable, the obligations of the Subsidiary Guarantors under the Guarantee and Collateral Agreement, as provided in any Subordinated Debt Indenture, or any Loan Party, any Affiliate of any Loan Party, the trustee or agent in respect of any Subordinated Debt or the holders of at least 25% in aggregate principal amount of any issue of Subordinated Debt shall so assert;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to any Borrower, automatically the Commitments shall immediately terminate and the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Parent Borrower declare the Revolving Commitments to be terminated forthwith, whereupon the Revolving Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Parent Borrower, declare the Loans (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) to be due and payable forthwith, whereupon the same shall immediately become due and payable. With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Parent Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Parent Borrower hereunder and under the other Loan Documents. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Parent Borrower hereunder and under the other Loan Documents shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Parent Borrower (or such other Person as may be lawfully entitled thereto). Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived by the Parent Borrower.

## SECTION 9. THE AGENTS

9.1 Appointment. Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Loan Documents, and each such Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

9.2 Delegation of Duties. The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

9.3 Exculpatory Provisions. Neither any Agent nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Loan Party or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Agents under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any Loan Party a party thereto to perform its obligations hereunder or thereunder. The Agents shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party.

9.4 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, teletype, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Parent Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

9.5 Notice of Default. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default unless the Administrative Agent has received notice from a Lender or the Parent Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, if so specified by this Agreement, all Lenders); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

9.6 Non-Reliance on Agents and Other Lenders. Each Lender expressly acknowledges that neither the Agents nor any of their respective officers, directors, employees, agents, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of a Loan Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by any Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Loan Party or any affiliate of a Loan Party that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or affiliates.

9.7 Indemnification. The Lenders agree to indemnify each Agent in its capacity as such (to the extent not reimbursed by the Parent Borrower and without limiting the obligation of the Parent Borrower to do so), ratably according to their respective Aggregate Exposure Percentages in effect on the date on which indemnification is sought under this Section (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Aggregate Exposure Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against such Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and

nonappealable decision of a court of competent jurisdiction to have resulted from such Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder.

9.8 Agent in Its Individual Capacity. Each Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Loan Party as though such Agent were not an Agent. With respect to its Loans made or renewed by it and with respect to any Letter of Credit issued or participated in by it, each Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

9.9 Successor Administrative Agent. The Administrative Agent may resign as Administrative Agent upon 10 days' notice to the Lenders and the Parent Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 8(a) or 8(f) shall have occurred and be continuing) be subject to approval by the Parent Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 10 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

9.10 Documentation Agents and Syndication Agent. Neither the Documentation Agents nor the Syndication Agent shall have any duties or responsibilities hereunder in its capacity as such.

## SECTION 10. MISCELLANEOUS

10.1 Amendments and Waivers. Neither this Agreement, any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this Section 10.1. The Required Lenders and each Loan Party party to the relevant Loan Document may, or, with the written consent of the Required Lenders, the Administrative Agent and each Loan Party party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) forgive the principal amount or extend the final scheduled date of maturity of any Loan, extend the scheduled date of any amortization payment in respect of any Term Loan, reduce the stated rate of any interest or fee payable hereunder (except (x) in connection with the waiver of applicability of any post-default increase in interest rates (which waiver shall be effective with the consent of the Majority Facility Lenders of each adversely affected Facility) and (y) that any amendment or modification of defined terms used in the financial covenants in this Agreement shall not constitute a reduction in the rate of interest or fees for purposes of this clause (i)) or extend the scheduled date of any payment thereof, or increase the amount of any Lender's Revolving Commitment, in each case without the written consent of each Lender directly affected thereby; (ii) extend the expiration date of any Lender's Revolving Commitment without the written consent of each Revolving Lender directly affected thereby (it being agreed that, notwithstanding anything to the contrary in this Section 10.1, such extension may be effected without the approval of the Required Lenders); (iii) eliminate or reduce the voting rights of any Lender under this Section 10.1 without the written consent of such Lender; (iv) with respect to a particular Facility, change the ratable allocation of payments among the Lenders under such Facility specified in Section 2.17 without the written consent of each such Lender directly affected thereby; (v) reduce the amount of Net Cash Proceeds or Excess Cash Flow required to be applied to prepay Term Loans without the written consent of the holders of more than 50% of the aggregate amount of the Term Loans; (vi) reduce any percentage specified in the definition of Required Lenders, consent to the assignment or transfer by the Parent Borrower of any of its rights and obligations under this Agreement and the other Loan Documents, release all or substantially all of the Collateral or release all or substantially all of the Subsidiary Guarantors from their obligations under the Guarantee and Collateral Agreement, in each case without the written consent of all Lenders; (vii) reduce the percentage specified in the definition of Majority Facility Lenders with respect to any Facility without the written consent of all Lenders under such Facility; (viii) amend, waive or modify any condition precedent set forth in Section 5.2 with respect to any extensions of credit under the US\$ Revolving Facility or the Multicurrency Revolving Facility without the written consent of the Majority Facility Lenders under such Facility; (ix) amend, modify or waive any provision of Section 9 without the written consent of the Administrative Agent; (xi) amend, modify or waive any provision of Section 2.6 or 2.7 without the written consent of the Swingline Lender; or (xi) amend, modify or waive any provision of Section 3 without the written consent of the Issuing Lender. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders and the Administrative Agent shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon. In furtherance of clause (viii) of this Section 10.1, (i) any amendment, waiver or modification with respect to Section 7.1 or (ii) any amendment, waiver or modification of any provision of this Agreement or any other Loan Document at a time when a Default or Event of Default is in existence, and that would have the effect of eliminating such Default or Event of Default, shall in each case not be deemed to be effective for the purpose of determining whether the conditions precedent set forth in Section 5.2 to the making of any extension of credit under the US\$ Revolving Facility or the Multicurrency Revolving Facility have been satisfied unless the Majority Facility Lenders under such Facility shall have consented to such amendment, waiver or modification.

Notwithstanding the foregoing, this Agreement may be amended (or amended and restated) with the written consent of the Required Lenders, the Administrative Agent and the Parent Borrower (a) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Term Loans and Revolving Extensions of Credit and the accrued interest and fees in respect thereof and (b) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders and Majority Facility Lenders.

10.2 Notices. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of the Borrowers and the Administrative Agent, and as set forth in an administrative questionnaire delivered to the Administrative Agent in the case of the Lenders, or to such other address as may be hereafter notified by the respective parties hereto:

Parent Borrower and  
Foreign Subsidiary Borrowers:

Roper Industries, Inc.  
2160 Satellite Boulevard, Suite 200  
Duluth, Georgia 30097  
Attention: Martin S. Headley  
Telephone: 770-495-5109  
Telecopy: 770-495-5150

Administrative Agent:

JPMorgan Chase Bank  
1111 Fannin Street, 10th Floor  
Houston, Texas 77002  
Attention: Linda Escamilla  
Telephone: 713-750-2228  
Telecopy: 713-750-2606

Funding Office with respect to

J.P. Morgan Europe Ltd.

provided that any notice, request or demand to or upon the Administrative Agent or the Lenders shall not be effective until received.

Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Parent Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

10.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans and other extensions of credit hereunder.

10.5 Payment of Expenses and Taxes. The Parent Borrower agrees (a) to pay or reimburse the Administrative Agent for all its reasonable and customary out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including the reasonable fees and disbursements of counsel to the Administrative Agent and filing and recording fees and expenses, with statements with respect to the foregoing to be submitted to the Parent Borrower prior to the Closing Date (in the case of amounts to be paid on the Closing Date) and from time to time thereafter on a quarterly basis or such other periodic basis as the Administrative Agent shall deem appropriate; provided, that (i) with respect to legal counsel, the Parent Borrower shall only be required to reimburse the reasonable fees and disbursements of a single law firm for the Administrative Agent and any local counsel as shall be reasonably necessary (subject to any limitations agreed to in writing by the Administrative Agent) and (ii) any written request for reimbursement shall list in reasonable detail all expenses as to which reimbursement is being requested, (b) to pay or reimburse each Lender and the Administrative Agent for all its reasonable costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any such other documents related to the Loan Documents, including the reasonable fees and disbursements of counsel to each Lender and of counsel to the Administrative Agent, (c) to pay, indemnify, and hold each Lender and the Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify, and hold each Lender and the Administrative Agent and their respective officers, directors, trustees, employees, affiliates, agents, advisors and controlling persons (each, an "Indemnitee") harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents and any such other documents, including any of the foregoing relating to the use of proceeds of the Loans or the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of any Group Member or any of the Properties and the reasonable fees and expenses of legal counsel in connection with claims, actions or proceedings by any Indemnitee against any Loan Party under any Loan Document (all the foregoing in this clause (d), collectively, the "Indemnified Liabilities"), provided, that the Parent Borrower shall have no obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnitee. Without limiting the foregoing, and to the extent permitted by applicable law, the Parent Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries to waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnitee. All amounts due under this Section 10.5 shall be payable not later than 10 days after written demand therefor. Statements payable by the Parent Borrower pursuant to this Section 10.5 shall be submitted in writing to Martin S. Headley (Telephone No. 770-495-5109) (Telecopy No. 770-495-5150), at the address of the Parent Borrower set forth in Section 10.2, or to such other Person or address as may be hereafter designated by the Parent Borrower in a written notice to the Administrative Agent. The agreements in this Section 10.5 shall survive repayment of the Loans and all other amounts payable hereunder.

10.6 Successors and Assigns; Participations and Assignments. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any affiliate of the Issuing Lender that issues any Letter of Credit), except that (i) the Parent Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Parent Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section.

(b)(i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees (each, an "Assignee") all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld, delayed or conditioned) of:

(A) the Parent Borrower, provided that no consent of the Parent Borrower shall be required for an assignment to a Lender, an affiliate of a Lender, an Approved Fund (as defined below) or, if an Event of Default under Section 8(a) or (f) has occurred and is continuing, any other Person;

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment of all or any portion of a Term Loan to a Lender, an Affiliate of a Lender or an Approved Fund; and

(C) in the case of any assignment of a US\$ Revolving Commitment, the Issuing Lender.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitments or Loans under any Facility, the amount of the Commitments or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$1,000,000 unless each of the Parent Borrower and the Administrative Agent otherwise consent, provided that (1) no such consent of the Parent Borrower shall be required if an Event of Default under Section 8(a) or (f) has occurred and is continuing and (2) such amounts shall be aggregated in respect of each Lender and its affiliates or Approved Funds, if any;

(B) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500 (to be paid by the relevant Lender, except as provided in Section 2.22), provided, that contemporaneous assignments to a Person and its affiliates or Approved Funds shall be deemed to be a single assignment for the purposes of this clause (B); and

(C) the Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an administrative questionnaire.

For the purposes of this Section 10.6, "Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) below, from and after the effective date specified in each Assignment and Assumption the Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.18, 2.19, 2.20 and 10.5). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 10.6 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Parent Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Parent Borrower, the Administrative Agent, the Issuing Lender and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Parent Borrower or any Lender at any reasonable time, subject to reasonable advance notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an Assignee, the Assignee's completed administrative questionnaire (unless the Assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c)(i) Any Lender may, without the consent of the Parent Borrower or the Administrative Agent, sell participations to one or more banks or other entities (other than competitors of any Group Member) (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Parent Borrower, the Administrative Agent, the Issuing Lender and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly affected thereby pursuant to the proviso to the second sentence of Section 10.1 and (2) directly affects such Participant. Subject to paragraph (c)(ii) of this Section, the Parent Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.18, 2.19 and 2.20 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 10.7(b) as though it were a Lender, provided such Participant shall be subject to Section 10.7(a) as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.18 or 2.19 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Parent Borrower's prior written consent. Any Participant that is a Non-U.S. Lender shall not be entitled to the benefits of Section 2.19 unless such Participant complies with Section 2.19(d).

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or Assignee for such Lender as a party hereto.

(e) The Parent Borrower, upon receipt of written notice from the relevant Lender, agrees to issue Notes to any Lender requiring Notes to facilitate transactions of the type described in paragraph (d) above.

(f) Notwithstanding the foregoing, any Conduit Lender may assign any or all of the Loans it may have funded hereunder to its designating Lender without the consent of the Parent Borrower or the Administrative Agent and without regard to the limitations set forth in Section 10.6(b). Each of the Parent Borrower, each Lender and the Administrative Agent hereby confirms that it will not institute against a Conduit Lender or join any other Person in instituting against a Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any state bankruptcy or similar law, for one year and one day after the payment in full of the latest maturing commercial paper note issued by such Conduit Lender; provided, however, that each Lender designating any Conduit Lender hereby agrees to indemnify, save and hold harmless each other party hereto for any loss, cost, damage or expense arising out of its inability to institute such a proceeding against such Conduit Lender during such period of forbearance.

**10.7 Adjustments; Set-off.** (a) Except to the extent that this Agreement expressly provides for payments to be allocated to a particular Lender or to the Lenders under a particular Facility (with nothing in Section 8 being deemed to constitute such an allocation), if any Lender (a "Benefitted Lender") shall receive any payment of all or part of the obligations owing to it under any Loan Document by any Loan Party, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 8(f), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such obligations owing to such other Lender, such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of such obligations owing to each such other Lender, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to any Borrower, any such notice being expressly waived by each Borrower to the extent permitted by applicable law, upon the occurrence and during the continuance of an Event of Default, to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of such Borrower. Each Lender agrees promptly to notify the Parent Borrower and the Administrative Agent after any such setoff and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such setoff and application.

**10.8 Counterparts.** This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Parent Borrower and the Administrative Agent.

**10.9 Severability.** Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**10.10 Integration.** This Agreement and the other Loan Documents represent the entire agreement of the Borrowers, the Administrative Agent and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to the subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

**10.11 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**

**10.12 Submission To Jurisdiction; Waivers.** Each Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States for the

Southern District of New York, and appellate courts from any thereof;

- (b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;
- (c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Parent Borrower at its address referred to in Section 10.2;
- (d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and
- (e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

**10.13 Acknowledgements.** Each Borrower hereby acknowledges that:

- (a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;
- (b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to such Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between Administrative Agent and Lenders, on one hand, and such Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and
- (c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrowers and the Lenders.

**10.14 Releases of Guarantees and Liens.** (a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the Administrative Agent is hereby irrevocably authorized by each Lender (without requirement of notice to or consent of any Lender except as expressly required by Section 10.1) to take any action requested by the Parent Borrower having the effect of releasing any Collateral or guarantee obligations (i) to the extent necessary to permit consummation of any transaction not prohibited by any Loan Document or that has been consented to in accordance with Section 10.1 or (ii) under the circumstances described in paragraph (b) below.

(b) At such time as the Loans, the Reimbursement Obligations and the other obligations under the Loan Documents (other than obligations under or in respect of Swap Agreements) shall have been paid in full, the Commitments have been terminated and no Letters of Credit shall be outstanding, the Collateral shall be released from the Liens created by the Security Documents, and the Security Documents and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Loan Party under the Security Documents shall terminate, all without delivery of any instrument or performance of any act by any Person.

**10.15 Confidentiality.** Each of the Administrative Agent and each Lender agrees to keep confidential all non-public information provided to it by any Loan Party, the Administrative Agent or any Lender pursuant to or in connection with this Agreement that is designated by the provider thereof as confidential and use such information solely in connection with matters related to the Loan Documents; provided that nothing herein shall prevent the Administrative Agent or any Lender from disclosing any such information (a) to the Administrative Agent, any other Lender or any affiliate thereof in connection with matters related to the Loan Documents, (b) subject to an agreement to comply with the provisions of this Section, to any actual or prospective Transferee or any direct or indirect counterparty to any Swap Agreement (or any professional advisor to such counterparty) to which the Administrative Agent or such Lender is a party, (c) to its employees, directors, trustees, agents, attorneys, accountants and other professional advisors or those of any of its affiliates in connection with matters related to the Loan Documents, (d) upon the request or demand of any Governmental Authority, (e) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (f) if requested or required to do so in connection with any litigation or similar proceeding, (g) that has been publicly disclosed (other than, to the knowledge of the relevant Person, in violation of this Agreement), (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, or (i) in connection with the exercise of any remedy hereunder or under any other Loan Document. Notwithstanding anything herein to the contrary, any party to this Agreement subject to confidentiality obligations hereunder or under any other related document (and any employee, representative or other agent of such party) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure. However, no such party shall disclose any information relating to such tax treatment or tax structure to the extent nondisclosure is reasonably necessary in order to comply with applicable securities laws.

**10.16 WAIVERS OF JURY TRIAL. EACH BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.**

**10.17 Judgment Currency.** (a) The Borrowers' obligations hereunder and under the other Loan Documents to make payments in a specified currency (the "Obligation Currency") shall not be discharged or satisfied by any tender or recovery pursuant to any judgment expressed in or converted into any currency other than the Obligation Currency, except to the extent that such tender or recovery results in the effective receipt by the Administrative Agent or a Lender of the full amount of the Obligation Currency expressed to be payable to the Administrative Agent or such Lender under this Agreement or the other Loan Documents. If, for the purpose of obtaining or enforcing judgment against any Loan Party in any court or in any jurisdiction, it becomes necessary to convert into or from any currency other than the Obligation Currency (such other currency being hereinafter referred to as the "Judgment Currency") an amount due in the Obligation Currency, the conversion shall be made, at the rate of exchange (as quoted by the Administrative Agent or if the Administrative Agent does not quote a rate of exchange on such currency, by a known dealer in such currency designated by the Administrative Agent) determined, in each case, as of the Business Day immediately preceding the date on which the judgment is given (such Business Day being hereinafter referred to as the "Judgment Currency Conversion Date").

(b) If there is a change in the rate of exchange prevailing between the Judgment Currency Conversion Date and the date of actual payment of the amount due, the Borrowers covenant and agree to pay, or cause to be paid, such additional amounts, if any (but in any event not a lesser amount), as may be necessary to ensure that the amount paid in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of Judgment Currency stipulated in the judgment or judicial award at the rate of exchange prevailing on the Judgment Currency Conversion Date.

(c) For purposes of determining any rate of exchange or currency equivalent for this Section, such amounts shall include any premium and costs payable in connection with the purchase of the Obligation Currency.

**10.18 Delivery of Addenda.** Each initial Lender shall become a party to this Agreement by delivering to the Administrative Agent an Addendum duly executed by such Lender.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

ROPER INDUSTRIES, INC.

By: \_\_\_\_\_

Name:

Title:

ROPER CAPITAL DEUTSCHLAND GMBH

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

JPMORGAN CHASE BANK, as Administrative Agent  
By: \_\_\_\_\_  
Name:  
Title:

WACHOVIA BANK, NATIONAL ASSOCIATION, as Syndication Agent  
By: \_\_\_\_\_  
Name:  
Title:

MERRILL LYNCH CAPITAL CORPORATION, as a Documentation Agent  
By: \_\_\_\_\_  
Name:  
Title:

BANK ONE, NA, as a Documentation Agent  
By: \_\_\_\_\_  
Name:  
Title:

KEY BANK NATIONAL ASSOCIATION, as a Documentation Agent  
By: \_\_\_\_\_  
Name:  
Title:

KBC BANK DEUTSCHLAND AG, as initial Alternative Currency Agent  
By: \_\_\_\_\_  
Name:  
Title:



## STATEMENT OF RATIO OF EARNINGS TO FIXED CHARGES

The table below shows the ratio of earnings to fixed charges for our Company, which includes our subsidiaries, on a consolidated basis.

For purposes of calculating the ratios:

- (1) earnings include:
- income(loss) from continuing operations before income taxes and change in accounting principle, *plus*
  - equity in the net income (losses) of less-than-50% owned entities.
- (2) fixed charges include:
- interest expense incurred;
  - amortization of capitalized debt issuance costs; and
  - the interest component of rent.

The ratio of earnings to fixed charges is calculated as follows:

$$\frac{(\text{Earnings}) + (\text{Fixed Charges})}{(\text{Fixed Charges})}$$

The following table sets forth our ratio of earnings to fixed charges for the periods indicated:

	Year Ended October 31,				Year Ended
	1999	2000	2001	2002	December 31, 2003
Ratio of earnings to fixed charges	8.4	5.7	5.7	5.4	4.3

NAME OF SUBSIDIARY	JURISDICTION OF INCORPORATION/ORGANIZATION
Abel Equipos, S.A	Spain
Abel Pumps, L.P.	Delaware
Abel Pumpen GmbH	Germany
Abel GmbH & Co KG	Germany
Acton Research Corporation	Delaware
Ai Cambridge Ltd.	United Kingdom
Amot Controls Corporation	Delaware
Amot/Metrix Investment Company	Delaware
Amot Controls GmbH	Germany
Antek Instruments GmbH	Germany
Compressor Controls Corp. B.V	Netherlands
Compressor Controls Corporation S.r.l	Italy
Compressor Controls Corporation (an Iowa Corp)	Iowa
Compressor Controls Corporation (a Delaware Corporation) d/b/a in Iowa as Compressor Controls - CIS/EE)	Delaware
Cornell Pump Company	Delaware
Cornell Pump Manufacturing Corporation	Delaware
Cybor Corporation	California
DAP Technologies Ltd.	Canada
DAP Technologies Corp.	Delaware
DAP Technologies Limited Europe	United Kingdom
DAP Technologies SARL	France
DB Microware, Inc.	Texas
Fluid Metering, Inc.	Delaware
FTI Flow Technology, Inc.	Delaware
Gatan, Inc.	Pennsylvania
Gatan Service Corporation	Pennsylvania
Gatan GmbH	Germany
Hansen Technologies Corporation	Illinois
Hansen Technologies Europe GmbH	Germany
Integrated Designs L.P.	Delaware
ISL Holdings, S.A.S	France
ISL Investissement EURL	France
ISL Scientifique de Laboratoire - ISL, S.A.S	France
K/S Roper Finance	Denmark
Logitech Limited	United Kingdom
Marumoto Struers KK	Japan
Media Cybernetics Inc.	Delaware
Metrix Instrument Co., L.P.	Delaware
Neptune Technology Group Inc.	Delaware
Neptune Technology Group (Canada) Ltd.	Canada
Neptune Technology Group Servicios S. de R.L. de C.V	Mexico
Neptune Technology Group Mexico S. de C.V	Mexico
Nippon Roper K.K	Japan
PAC Denmark ApS	Denmark
PAC GmbH	Germany
Petrotech International, Inc.	Louisiana
Petroleum Analyzer Company LP	Delaware
Princeton Instruments Limited	United Kingdom
Qualitek Leaktest Ltd.	United Kingdom
Quantitative Imaging Corp.	Canada
Redlake MASD, LLC	Delaware
RI Insurance Ltd.	Delaware
Ropintassco Holdings L.P.	Delaware
Ropintassco 1	Delaware
Ropintassco 2	Delaware
Ropintassco 3	Delaware
Ropintassco 4	Delaware
Ropintassco 5	Delaware
Ropintassco 6	Delaware
Ropintassco 7	Delaware
Roper Georgia, Inc.	Delaware
Roper Marketing India Private Ltd.	India
Roper Canada Holdings, Inc.	Canada
Roper Canada Partners, Inc.	Canada
Roper Capital Deutschland GmbH	Germany
Roper Fundings KG	Germany
Roper Industries Deutschland GmbH	Germany
Roper Holdings, Inc.	Delaware
Roper Holdings, Limited	United Kingdom
Roper Industrial Products Investment Company	Iowa
Roper Industries B.V	Netherlands
Roper Industries Denmark ApS	Denmark
Roper Industries (Europe) Limited	United Kingdom
Roper Industries Limited	United Kingdom
Roper Industries Manufacturing (Shanghai) Co., Ltd.	China
Roper International Products, LTD	Virgin Islands
Roper-Mex, L.P.	Delaware

Roper Pump Company	Delaware
Roper Pump Europe GmbH	Germany
Roper Scientific B.V	Netherlands
Roper Southeast Asia LLC	Delaware
Roper Scientific, Inc.	Delaware
Roper Scientific GmbH	Germany
Roper Scientific EURL	France
Struers A/S	Denmark
Struers GmbH	Germany
Struers Inc.	Delaware
Struers Limited	United Kingdom
Struers S.A.S	France
Uson L.P.	Delaware
Uson GmbH	Germany
Uson Ltd.	United Kingdom
Walter Herzog GmbH	Germany
Zetec, Inc.	Washington

I, Brian D. Jellison, certify that:

1. I have reviewed this Annual Report on Form 10-K of Roper Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2004

/s/ Brian D. Jellison

\_\_\_\_\_  
Brian D. Jellison  
Chief Executive Officer and President

I, Martin S. Headley, certify that:

1. I have reviewed this Annual Report on Form 10-K of Roper Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this annual report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2004

/s/ Martin S. Headley

Martin S. Headley  
Chief Financial Officer

## CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Roper Industries, Inc. (the "Company") on Form 10-K for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 15, 2004

/s/ Brian D. Jellison

\_\_\_\_\_  
Brian D. Jellison  
President and Chief Executive Officer

## CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Roper Industries, Inc. (the "Company") on Form 10-K for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 15, 2004

/s/ Martin S. Headley

\_\_\_\_\_  
Martin S. Headley  
Vice President, Chief Financial Officer

**CONSENT OF INDEPENDENT ACCOUNTANTS**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-110491) and Form S-8 (Nos. 33-71094, 33-77770, 33-78026, 333-36897, 333-73139, 333-35666, 333-35672, 333-35648, 333-59130, 333-105919, 333-105920) of Roper Industries, Inc. of our report dated March 11, 2004 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Atlanta, Georgia  
March 11, 2004



## RISK FACTORS

***We may not be able to realize the anticipated benefits from the NTGH acquisition and we may experience unforeseen liabilities in connection with the acquisition.***

We may not be able to realize the anticipated benefits from the businesses we acquired in the NTGH acquisition, either in the amount or the time frame that we currently expect. These anticipated benefits include furthering our market leadership in niche markets, establishing a strong platform in the water management market, balancing our portfolio in attractive markets and enhancing our cash flow characteristics and growth profile. Factors that could affect our ability to achieve these benefits include:

- significant competition in the water management market;
- buying patterns of municipalities, utilities and other customers, many of which are currently facing fiscal constraints; and
- the introduction of new technologies into the marketplace.

If NTGH's businesses do not operate as we anticipate, we may not be able to benefit from these opportunities, which could materially harm our business, financial condition and results of operations.

In addition, under the agreement governing the NTGH acquisition, we agreed to assume NTGH's liabilities. If NTGH's known liabilities are greater than projected, or if there are obligations of NTGH of which we were not aware at the time of completion of the acquisition, we will not receive indemnification from any party to cover costs associated with those liabilities. As a result, we could incur liabilities that could have a material adverse effect on our business, financial condition and results of operations.

***Our indebtedness may affect our business and may restrict our operating flexibility.***

As of December 31, 2003, we had \$650.1 million in total consolidated indebtedness. Our total consolidated debt could increase due to additional borrowing capacity. Subject to certain restrictions contained in our new senior secured credit facility and other debt agreements, we may incur additional indebtedness in the future, including indebtedness incurred to finance, or which is assumed in connection with, acquisitions.

Our level of indebtedness and the debt servicing costs associated with that indebtedness could have important effects on our operations and business strategy. For example, our indebtedness could:

- limit our flexibility in planning for, or reacting to, changes in the industries in which we compete;
- place us at a competitive disadvantage relative to our competitors, some of which have lower debt service obligations and greater financial resources than us;
- limit our ability to borrow additional funds;
- limit our ability to complete future acquisitions;
- limit our ability to pay dividends;
- limit our ability to make capital expenditures; and
- increase our vulnerability to general adverse economic and industry conditions.

Our ability to make scheduled payments of principal of, to pay interest on, or to refinance our indebtedness and to satisfy our other debt obligations depends upon our future operating performance, which may be affected by factors beyond our control. In addition, there can be no assurance that future borrowings or equity financing will be available to us on favorable terms for the payment or refinancing of our indebtedness. If we are unable to service our indebtedness, our business, financial condition and results of operations would be materially adversely affected.

In addition, our new senior secured credit facility contains financial covenants requiring us to achieve certain financial and operating results and maintain compliance with specified financial ratios. Our ability to meet the financial covenants or requirements in our senior secured credit facility may be affected by events beyond our control, and we may not be able to satisfy such covenants and requirements. A breach of these covenants or our inability to comply with the financial ratios, tests or other restrictions contained in our senior secured credit facility could result in an event of default under this facility, which in turn could result in an event of default under the terms of our other indebtedness. Upon the occurrence of an event of default under our senior secured credit facility, and the expiration of any grace periods, the lenders could elect to declare all amounts outstanding under the facility, together with accrued interest, to be immediately due and payable. If this were to occur, our assets may not be sufficient to fully repay in full the payments due under this facility or our other indebtedness.

***Our operating results could be adversely affected by a reduction of business with Gazprom.***

Our largest customer is OAO Gazprom, a large Russian gas exploration and distribution company, with whom we have dealt over the past eleven years through a number of its procurement affiliates. In late 2002, Gazprom assigned a new procurement affiliate to negotiate with us and during the second calendar quarter of 2003 we secured a new supply agreement. Orders received under this agreement have been received on a delayed basis and at lower levels than initially indicated by the procurement affiliate and consequently have resulted in lower order bookings volume than in comparable prior year periods. New orders received under this agreement during our fiscal 2003 totaled \$25.2 million, or 3.9% of total new orders. Total net sales to Gazprom during fiscal 2003 were \$22.8 million as compared to \$56.5 million during the year ended October 31, 2002, or 3.5% of total sales compared to 9.2% of total sales, respectively. We have no agreement providing for a minimum commitment of purchases by Gazprom. The level and timing of future business with Gazprom will depend on our relationship with Gazprom as well as its ability to obtain financing, increased competition for obtaining Gazprom business and customer delays in commissioning and start-up of installations and on general economic conditions in Russia. If Gazprom continues to reduce the amount of products it purchases from us for any reason, we likely could not replace these sales and our operating results would be negatively affected.

***Unfavorable changes in foreign exchange rates may significantly harm our business.***

Several of our operating companies have transactions and balances denominated in currencies other than the U.S. dollar. Most of these transactions and balances are denominated in euros, British pounds, Danish krone and Japanese yen. Sales by our operating companies whose functional currency is not the U.S. dollar represented approximately 27% of our total net sales for fiscal 2003 compared to 30% for 2002. Unfavorable changes in exchange rates between the U.S. dollar and those currencies could significantly reduce our reported sales and earnings. At present, we do not hedge against foreign currency risks.

***We export a significant portion of our products. Difficulties associated with the export of our products could harm our business.***

Sales to customers outside the U.S. by our businesses located in the U.S. account for a significant portion of our net sales. These sales accounted for approximately 32.9% and 36.1% of our net sales for the years ended December 31, 2003 and October 31, 2002, respectively. We are subject to risks that could limit our ability to export our products or otherwise reduce the demand for these products in our foreign markets. Such risks include, without limitation, the following:

- unfavorable changes in or noncompliance with U.S. and other jurisdictions' export requirements;
- restrictions on the export of technology and related products;
- unfavorable changes in U.S. and other jurisdictions' export policies to certain countries;
- unfavorable changes in the import policies of our foreign markets; and
- a general economic downturn in our foreign markets.

The occurrence of any of these events and our ability to comply with applicable law could limit our ability to export our products generally or to certain countries, or could reduce the foreign demand for our products and therefore, could materially negatively affect our future sales and earnings.

***Economic, political and other risks associated with our international operations could adversely affect our business.***

As of December 31, 2003, approximately 26% of our total assets were attributable to operations outside the U.S. We expect our international operations to continue to contribute materially to our business for the foreseeable future. Our international operations are subject to varying degrees of risk inherent in doing business outside the U.S. including, without limitation, the following:

- adverse changes in a specific country's or region's political or economic conditions, particularly in emerging markets;
- trade protection measures and import or export requirements;
- trade liberalization measures which could expose our international operations to increased competition;
- subsidies or increased access to capital for firms who are currently or may emerge as competitors in countries in which we have operations;
- partial or total expropriation;
- potentially negative consequences from changes in tax laws;
- difficulty in staffing and managing widespread operations;
- differing labor regulations;
- differing protection of intellectual property;
- unexpected changes in regulatory requirements; and
- longer payment cycles of foreign customers and difficulty in collecting receivables in foreign jurisdictions.

The impact of any of these events could materially harm our business.

***Our growth strategy includes acquisitions. We may not be able to identify suitable acquisition candidates, complete acquisitions or integrate acquisitions successfully.***

Our ability to achieve significant growth has depended and is likely to continue to depend, to a significant degree on our ability to make acquisitions and to successfully integrate acquired businesses. We intend to continue to seek additional acquisition opportunities both to expand into new markets and to enhance our position in existing markets globally. We cannot assure you, however, that we will be able to successfully identify suitable candidates, negotiate appropriate acquisition terms, obtain necessary financing on acceptable terms, complete proposed acquisitions, successfully integrate acquired businesses into our existing operations or expand into new markets. Once integrated, acquired operations may not achieve levels of revenues, profitability or productivity comparable with those achieved by our existing operations, or otherwise perform as expected.

Acquisitions involve numerous risks, including difficulties in the integrations of the operations, technologies, services and products of the acquired companies and the diversion of management's attention from other business concerns. Although our management will endeavor to evaluate the risks inherent in any particular transaction, we cannot assure you that we will properly ascertain all such risks. In addition, prior acquisitions have resulted, and future acquisitions could result, in the incurrence of substantial additional indebtedness and other expenses. Future acquisitions may also result in potentially dilutive issuances of equity securities. We cannot assure you that difficulties encountered with acquisitions will not have a material adverse effect on our business, financial condition and results of operations.

***Product liability, insurance risks and increased insurance costs could harm our operating results.***

Our business exposes us to potential product liability risks that are inherent in the design, manufacturing and distribution of our products. In addition, certain of our products are used in potentially hazardous environments. We currently have product liability insurance; however, we may not be able to maintain our insurance at a reasonable cost or in sufficient amounts to protect us against potential losses. We also maintain other insurance policies, including directors and officers liability insurance. Our insurance costs increased in recent periods and may continue to increase in the future. We believe that we have adequately accrued estimated losses, principally related to deductible amounts under our insurance policies, with respect to all product liability and other claims, based upon our past experience and available facts. However, a successful product liability and other claim or series of claims brought against us could have a material adverse effect on our business, financial condition and results of operations. In addition, a significant increase in our insurance costs could have an adverse impact on our operating results.

***We face intense competition. If we do not compete effectively, our business may suffer.***

We face intense competition from numerous competitors. Each of our product lines face different competitors with different financial resources. We may not be able to compete effectively with all of these competitors. Our products compete primarily on the basis of product quality, performance, innovation, price, applications expertise and established customer service capabilities with existing customers. To remain competitive, we must develop new products, respond to new technologies and periodically enhance our existing products in a timely manner. We anticipate that we may have to adjust prices of many of our products to stay competitive. In addition, new competitors may emerge, and product lines may be threatened by new technologies or market trends that reduce the value of these product lines.

***Changes in the supply of, or price for, parts and components used in our products could affect our business.***

We purchase many parts and components from suppliers. The availability and prices of parts and components are subject to curtailment or change due to, among other things, suppliers' allocations to other purchasers, interruptions in production by suppliers, changes in exchange rates and prevailing price levels. Some high-performance components for digital imaging products may be in short supply and/or suppliers may have occasional difficulty manufacturing these components to meet our specifications. In addition, some of our products are provided by sole source suppliers. Any change in the supply of, or price for, these parts and components could affect our business, financial condition and results of operations.

***Environmental compliance costs and liabilities could increase our expenses and adversely affect our financial condition.***

Our operations and properties and those recently acquired from NTGH are subject to laws and regulations relating to environmental protection, including laws and regulations governing air emissions, water discharges, waste management and workplace safety. We use, generate and dispose of hazardous substances and waste in our operations and, as a result, could be subject to potentially material liabilities relating to the investigation and clean-up of contaminated properties and to claims alleging personal injury. We are required continually to conform our operations and properties to these laws and adapt to regulatory requirements in all countries as these requirements change. We have experienced, and expect to continue to experience, modest costs relating to our compliance with environmental laws and regulations. In connection with our acquisitions, we may assume significant environmental liabilities, some of which we may not be aware of, or may not be quantifiable, at the time of acquisition. In addition, new laws and regulations, stricter enforcement of existing laws and regulations, the discovery of previously unknown contamination or the imposition of new clean-up requirements could increase our environmental compliance costs or subject us to new or increased liabilities.

***Many of the industries in which we operate are cyclical, and, accordingly, our business is subject to changes in the economy.***

Many of the business areas in which we operate are subject to specific industry and general economic cycles. Certain businesses are subject to industry cycles, including but not limited to, the energy and semiconductor industries. Accordingly, any downturn in these or other markets in which we participate could materially adversely affect us. If demand changes and we fail to respond accordingly, our results of operations could be materially adversely affected in any given quarter. The business cycles of our different operations, including the NTGH acquisition businesses, may occur contemporaneously. Consequently, the effect of an economic downturn may have a magnified negative effect on our business.

***Our intangible assets are valued at an amount that is high relative to our total assets and a write-off of our intangible assets would negatively affect our results of operations and total capitalization.***

Our total assets reflect substantial intangible assets, primarily goodwill. At December 31, 2003, goodwill totaled \$711 million compared to \$656 million of stockholders' equity, which was slightly less than half of our total assets of \$1,515 million. The goodwill results from our acquisitions, representing the excess of cost over the fair value of the net assets we have acquired. We assess at least annually whether there has been an impairment in the value of our intangible assets. If future operating performance at one or more of our business units were to fall significantly below current levels, if competing or alternative technologies emerge or if business valuations become more conservative, we could incur, under current applicable accounting rules, a non-cash charge to operating earnings for goodwill impairment. Any determination requiring the write-off of a significant portion of unamortized intangible assets would negatively affect our results of operations and total capitalization, which effect could be material.

***We depend on our abilities to develop new products.***

The future success of our business will depend, in part, on our ability to design and manufacture new competitive products and to enhance existing products so that our products can be sold with high margins. This product development may require substantial investment by us. There can be no assurance that unforeseen problems will not occur with respect to the development, performance or market acceptance of new technologies or products or that we will otherwise be able to successfully develop and market new products. Failure of our products to gain market acceptance or our failure to successfully develop and market new products could reduce our margins, which would have an adverse effect on our business, financial condition and results of operations.

***Our technology is important to our success and our failure to protect this technology could put us at a competitive disadvantage.***

Because many of our products rely on proprietary technology, we believe that the development and protection of these intellectual property rights is important to the future success of our business. In addition to relying on patent, trademark, and copyright rights, we rely on unpatented proprietary know-how and trade secrets, and employ various methods, including confidentiality agreements with employees, to protect our know-how and trade secrets. Despite our efforts to protect proprietary rights, unauthorized parties or competitors may copy or otherwise obtain and use these products or technology. The steps we have taken may not prevent unauthorized use of this technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the U.S., and there can be no assurance that others will not independently develop the know-how and trade secrets or develop better technology than us or that current and former employees, contractors and other parties will not breach confidentiality agreements, misappropriate proprietary information and copy or otherwise obtain and use our information and proprietary technology without authorization or otherwise infringe on our intellectual property rights.

***The recent conflict in Iraq and any future armed conflict or terrorist activities may cause the economic conditions in the U.S. or abroad to deteriorate, which could harm our business.***

The U.S. and other countries recently engaged in a war in Iraq and military personnel are still engaged in that country. The duration and outcome of these activities are unknown. Continued occupation of Iraq, future terrorist attacks against U.S. targets, rumor or threats of war, additional conflicts involving the U.S. or its allies or trade disruptions may impact our operations or cause general economic conditions in the U.S. and abroad to deteriorate. A prolonged economic slowdown or recession in the U.S. or in other areas of the world could reduce the demand for our products and, therefore, negatively affect our future sales and profits. Any of these events could have a significant impact on our business, financial condition or results of operations and may result in the volatility of the market price for our common stock and other securities.

***Our business may be adversely impacted by a new outbreak of Severe Acute Respiratory Syndrome or a similar health crisis.***

In 2003, there was an outbreak of Severe Acute Respiratory Syndrome, or SARS, primarily in Asia. The occurrence of this medical crisis severely disrupted business activity in Asia, particularly in Hong Kong and elsewhere in China. During fiscal 2003, approximately 13% of our net sales were attributable to Asia and we have operations in Asia. The U.S. or other countries could impose import restrictions on products, or private parties may cease purchasing products, from areas impacted by a new outbreak of SARS or a similar health crisis. We are unable to predict the ultimate impact that a renewed outbreak of SARS or a similar health crisis would have on us or our operations, but it could become material to our business, financial condition or results of operations.

***Our stock price may fluctuate significantly.***

The market price of our common stock could fluctuate significantly in response to variations in quarterly operating results and other factors, such as:

- changes in our business, operations or prospects;
- developments in our relationships with our customers;
- announcements of technological innovations or new products by us or by our competitors;
- announcement or completion of acquisitions by us or by our competitors;
- changes in existing or adoption of additional government regulations;
- unfavorable or reduced analyst coverage; and
- prevailing domestic and international market and economic conditions.

In addition, the stock market has experienced significant price fluctuations in recent years. Many companies experienced material fluctuations in their stock price that were unrelated to their operating performance. Broad market fluctuations, general economic conditions and specific conditions in the industries in which we operate may adversely affect the market price of our common stock.

***Limited trading volume of our common stock may contribute to its price volatility.***

Our common stock is traded on the New York Stock Exchange, or NYSE. During the twelve months ended December 31, 2003, the average daily trading volume for our common stock as reported by the NYSE was approximately 175,000 shares. We are uncertain whether a more active trading market in our common stock will develop. Also, many investment banks no longer find it profitable to provide securities research on small-cap and mid-cap companies. If analysts were to discontinue coverage of our stock, our trading volume may be further reduced. As a result, relatively small trades may have a significant impact on the market price of our common stock, which could increase the volatility and depress the price of our stock.

***Future sales of our common stock may cause our stock price to decline.***

We may, in the future, sell additional shares of our common stock in subsequent public offerings and may also issue additional shares of our common stock to finance future acquisitions. Shares of our common stock are also available for future sale pursuant to stock options that we have granted to our employees. Sales of substantial amounts of our common stock, or the perception that such sales could occur, may adversely affect prevailing market prices for shares of our common stock and could impair our ability to raise capital through future offerings.

***We may not be able to pay cash dividends in the foreseeable future.***

We have paid a cash dividend in each fiscal quarter since our February 1992 initial public offering and we have also increased our dividend rate each year. During fiscal 2001, 2002 and the 2003, we paid quarterly dividends of \$0.0750, \$0.0825 and \$0.0875 per share, respectively. In November 2003, our board of directors increased the dividend to be paid in the quarter ending March 31, 2004 to \$0.09625 per share, an increase of 10% from the prior rate. Any future cash dividends will depend upon our results of operations, financial conditions, cash requirements, the availability of a surplus and other factors, including restrictions imposed by our new senior secured credit facility or other future debt instruments and the ability of our subsidiaries to make distributions to us, which ability is restricted in the manner described above.

***Provisions in our certificate of incorporation and bylaws and Delaware state law could make a merger, tender offer or proxy contest difficult, including provisions relating to some of our holders having five votes per share.***

Our certificate of incorporation provides that each share of common stock that is held by the same person for at least four years entitles the holder to five votes, and that each share held for less than four years entitles the holder to one vote. In addition, under our certificate of incorporation, our board of directors has the authority to issue common stock carrying five votes per share in private placement transactions. The existence of shares carrying five votes may result in the holders of those shares, who may own a relatively small number of shares of common stock, being able to control the outcome of a matter submitted to the stockholders for approval.

Our certificate of incorporation and bylaws contain certain other provisions that may discourage, delay or prevent a change in control of our company that stockholders may consider favorable. Our certificate of incorporation and bylaws:

- authorize the board of directors to fix the terms of and issue preferred stock without stockholder approval, which could be used to oppose a takeover attempt;
- provide for a board of directors comprised of three classes with staggered terms;
- limit who may call special meetings of stockholders;
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders;
- establish advance notice requirements for nominating directors and proposing matters to be voted on by stockholders at stockholder meetings;
- provide that directors may be removed by stockholders only for cause; and
- require that vacancies on our board of directors, including newly-created directorships, be filled only by a majority vote of directors then in office.

Our board of directors has also adopted a stockholder rights plan intended to encourage anyone seeking to acquire us to negotiate with the board prior to attempting a takeover.

In addition, Section 203 of the Delaware General Corporation Law also imposes restrictions on mergers and other business combinations between us and any holder of 15% or more of our common stock, which may discourage, delay or prevent a change in control favored by stockholders generally.

Any or all of these provisions may discourage or prevent a change of control that might offer our stockholders a premium over prevailing market prices, or otherwise benefit our stockholders, even if such a change of control is favored by a majority of stockholders.

January 3, 2003

Mr. James Mannebach  
35 Portland Place  
St. Louis, MO 63108

OFFER LETTER OF EMPLOYMENT

Dear Jim,

It is my great pleasure to extend to you an offer to join the management of Roper Industries, Inc. ("Roper"), the terms of which are set out as follows.

- Position:** You will serve as a corporate officer of Roper and as head of a group of our businesses. Roper's offer is subject to your satisfactory completion of a company physical and a start date no later than January 20, 2003.
- Base Salary:** Your starting base salary will be at the annual rate of \$275,000 and, under the Board's current policy, will be annually reviewed each November with the adjusted annual rate commencing the following January 1. You will also be paid at the commencement of your employment a \$25,000 sign-on bonus.
- Incentive Bonus:** You will participate in Roper's discretionary annual corporate officer bonus programs, your bonuses under which will be based upon the fiscal-year performance of the business group you head and will be paid in January following Roper's fiscal year-end (October 31). Under the fiscal 2003 incentive bonus program you could earn a bonus of up to 100% or more of your base salary; you will be guaranteed a minimum incentive bonus of \$100,000 for fiscal 2003.
- Incentive Stock Program:** You will be a participant in the Company's 2000 Stock Incentive Plan under which you will be granted 40,000 stock options (three-year vesting) at the commencement of your employment. You will receive an additional grant of 25,000 stock options in November 2003 and thereafter will participate in this Plan with all other Roper corporate officers as determined appropriate by Roper's Board of Directors.

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James Mannebach  
January 3, 2003  
Page Two

- Employee Benefits:** You will be eligible for all Company employee benefits available to Roper's corporate officers including disability, health, dental, vision, a 401-K Plan (subject to its six-month waiting period) under which the Company would make base and matching contributions of up to 7-1/2% of your salary and a non-qualified deferred compensation plan (no waiting period) under which you could defer up to 100% of your cash compensation.
- Auto Car Allowance:** Roper will lease (3-years) an automobile of your choice for your use under its customary corporate officer program.
- Relocation:** Roper will reimburse (and gross up) the customary moving and relocation expenses you incur at the time of your relocation to the Atlanta area and will provide reasonable temporary accommodations in the Atlanta area per Roper's policy for corporate officers until your relocation.
- Severance:** If Roper terminates your employment without cause (your commission of any crime involving the funds or the assets of the Company, your willful breach of the Company's ethical and other policies guidelines of conduct applicable to you, your personal conduct or misbehavior which is substantially detrimental or threatening to the reputation, prospects, welfare or security of the Company, or your continued non-performance of ordinary and customary duties in the manner requested by the Chief Executive Officer after written notice thereof), you will be entitled to receive one year's severance (monthly installments) equal to your then-current monthly base salary and any bonus which would be earned based on Company performance up through the period of termination.

Please indicate your acceptance of this offer by executing this letter in the space provided below and returning the fully executed letter to me.

Sincerely yours,

Brian D. Jellison  
President and  
Chief Executive Officer

Accepted by

\_\_\_\_\_  
James Mannebach

Date: \_\_\_\_\_