

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 1997

OR

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

For the transition period from _____ to _____

Commission File Number 0-22529

inTEST Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware

22-2370659

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2 Pin Oak Lane, Cherry Hill, New Jersey

08003

(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (609) 424-6886

Indicate by check X whether the registrant: (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days.

Yes X No

Number of shares of Common Stock, \$.01 par value, outstanding as of September
30, 1997:

5,911,034

INTEST CORPORATION

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inTEST CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	Sept. 30, 1997 ----- (Unaudited)	Dec. 31, 1996 ----- (Audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$10,247	\$ 3,692
Trade accounts and notes receivable, net of allowance for doubtful accounts of \$96 at December 31, 1996 and \$146 at September 30, 1997	4,521	1,953
Inventories	1,308	1,313
Other current assets	318	70
Total current assets	----- 16,394	----- 7,028
Property and equipment:		
Machinery and equipment	1,103	1,096
Leasehold improvements	170	173
Less: accumulated depreciation	----- 1,273 (773)	----- 1,269 (676)
Net property and equipment	----- 500	----- 593
Other assets	139	95
Goodwill	1,312	-
Total assets	----- \$18,345 =====	----- \$ 7,716 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current installments of long-term debt	\$ -	\$ 34
Accounts payable	1,126	574
Dividends payable	-	973
Accrued wages and expenses	770	595
Domestic and foreign income taxes payable	1,013	475
Total current liabilities	----- 2,909	----- 2,651
Long-term debt	-	155
Minority interest	-	323
Total liabilities	----- 2,909	----- 3,129
Stockholders' equity:		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$0.01 par value; 20,000,000 shares authorized; 5,911,034 shares issued and outstanding at September 30, 1997; 3,790,591 shares issued and outstanding at December 31, 1996	59	38
Additional paid-in capital	13,961	689
Retained earnings	1,464	3,833
Foreign currency translation adjustment	(48)	27
Total stockholders' equity	----- 15,436	----- 4,587
Total liabilities and stockholders' equity	----- \$18,345 =====	----- \$ 7,716 =====

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except share data)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	1997	1996	1997	1996
Revenues	\$ 6,212	\$ 4,780	\$14,719	\$15,912
Cost of revenues	2,319	1,850	5,756	5,438
Gross profit	3,893	2,930	8,963	10,474
Operating expenses:				
Selling expense	706	586	1,799	1,922
Research and development expense	455	425	1,230	1,275
General and administrative expense	666	453	1,567	1,326
Total operating expenses	1,827	1,464	4,596	4,253
Operating income	2,066	1,466	4,367	5,951
Other income (expense):				
Interest income	138	41	204	98
Interest expense	(6)	(1)	(14)	(7)
Other	(8)	(1)	(6)	(20)
Total other income (expense)	124	39	184	71
Earnings before income taxes and minority interest	2,190	1,505	4,551	6,022
Provision for income taxes:				
Domestic	673	26	827	137
Foreign	251	154	546	688
Income tax expense	924	180	1,373	825
Earnings before minority interest	1,266	1,325	3,178	5,197
Minority interest	-	(67)	(25)	(247)
Net earnings	\$ 1,266	\$ 1,258	\$ 3,153	\$ 4,950
Net earnings per share (actual for three months ended 9/30/97 and pro forma for nine months ended 9/30/97)(Note 3)	\$ 0.21		\$ 0.53	
Weighted average shares outstanding (actual for three months ended 9/30/97 and pro forma for nine months ended 9/30/97) (Note 3)	5,969,334		4,804,417	

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997

(In thousands, except share data)

(Unaudited except Balance, December 31, 1996)

	Common Stock ----- Shares Amount -----	Additional Paid-In Capital -----	Retained Earnings -----	Foreign Currency Translation Adjustment -----	Total Stockholders' Equity -----
Balance, December 31, 1996	3,790,591 \$ 38	\$ 689	\$ 3,833	\$ 27	\$ 4,587
Dividends	- -	-	(5,522)	-	(5,522)
Net earnings	- -	-	3,153	-	3,153
Acquisition of minority interest	300,443 3	1,655	-	-	1,658
Issuance of common stock, net	1,820,000 18	11,617	-	-	11,635
Foreign currency translation adjustment	- -	-	-	(75)	(75)
	-----	-----	-----	-----	-----
Balance, September 30, 1997	5,911,034 \$ 59 =====	\$13,961 =====	\$ 1,464 =====	\$(48) =====	\$15,436 =====

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except share data)

	Nine Months Ended Sept. 30,	
	----- 1997 -----	----- 1996 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 3,153	\$ 4,950
Adjustments to reconcile net earnings to net cash:		
Depreciation and amortization	157	24
Minority interest	26	244
Allowance for bad debts	50	50
Changes in assets and liabilities:		
Inventories	(10)	(58)
Accounts and notes receivable	(2,640)	(286)
Other current assets	(250)	(150)
Accounts payable	567	(449)
Dividends payable	(973)	-
Accrued wages and expenses	166	292
Domestic and foreign income taxes payable	553	70
	-----	-----
Total adjustments	(2,354)	(263)
	-----	-----
Net cash provided by operating activities	799	4,687
	-----	-----
CASH FLOW PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchase of property and equipment	(50)	(391)
Other long-term asset	(49)	(24)
	-----	-----
Net cash provided by (used in) investing activities	(99)	(415)
	-----	-----
CASH FLOW PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Dividends paid	(5,551)	(2,156)
Principal debt borrowing (repayment)	(189)	197
Net proceeds from public offering	11,635	-
	-----	-----
Net cash provided by (used in) financing activities	5,895	(1,959)
	-----	-----
Effects of exchange rates on cash	(40)	(11)
	-----	-----
Net cash provided by (used in) all activities	\$ 6,555	\$ 2,302
	=====	=====
Cash at beginning of period	\$ 3,692	\$ 1,919
Cash at end of period	\$10,247	\$ 4,221

See accompanying Notes to Consolidated Financial Statements.

inTEST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Information as of September 30, 1997 and for the three months and nine months ended September 30, 1997 and 1996 is unaudited)

(In thousands, except for share data)

(1) NATURE OF OPERATIONS

inTEST Corporation (the "Company") designs, manufactures and markets docking hardware and test head manipulators used by semiconductor manufacturers during the testing of wafers and packaged devices. The Company also designs and markets related automatic test equipment interface products. The Company operates in a single industry segment.

The consolidated entity is comprised of inTEST Corporation (parent) and three 100% owned foreign subsidiaries: inTEST Limited (Thame, UK), inTEST Kabushiki Kaisha (Kichijoji, Japan) and inTEST PTE, Limited (Singapore). All significant intercompany accounts and transactions have been eliminated upon consolidation.

The Company manufactures its products in the U.S. and the U.K. Marketing and support activities are conducted worldwide from the Company's facilities in the U.S., U.K., Japan and Singapore.

On June 20, 1997, the Company completed an initial public offering of 2.275 million common shares through which the Company issued 1.82 million new shares of common stock (the "Offering"). Simultaneous with the closing of the Offering, the Company acquired the 21% minority interests in each of its three foreign subsidiaries in exchange for an aggregate of 300,443 shares of the Company's common stock (the "Exchange"). Prior to the Offering the Company owned 79% of each of the three foreign subsidiaries. In addition, upon the effective date of the Company's registration statement, the grant of options to purchase a total of 150,000 shares of the Company's common stock became effective. Such options are exercisable at a price of \$7.50 per share.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Reporting

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments (consisting only of normally recurring adjustments) necessary to present fairly the financial position, results of operations, and changes in cash flows for the interim periods presented.

Certain footnote information has been condensed or omitted from these financial statements. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and

inTEST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interim Financial Reporting (Continued)

accompanying footnotes included in the Company's Prospectus dated June 17, 1997.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Earnings Per Common Share

Net earnings per common share is computed by dividing net earnings by the weighted average number of shares of common stock and common stock equivalent shares outstanding during the period. Common stock equivalents include stock options using the treasury stock method.

Income Taxes

Just prior to the closing of the Offering, the Company terminated its status as an S corporation for Federal tax purposes and in the State of New Jersey. As an S corporation, any Federal and certain New Jersey state income tax liabilities were those of the former S corporation stockholders, not of the Company. All tax liabilities on income earned subsequent to the revocation of the S corporation election are liabilities of the Company. The Company accounts for income taxes in accordance with the Statement of Financial Accounting Standard No. 109, Accounting for Income Taxes.

Foreign Currency

The accounts of the foreign subsidiaries are translated in accordance with the Statement of Financial Accounting Standard No. 52, Foreign Currency Translation, which requires that assets and liabilities of international operations be translated using the exchange rate in effect at the balance sheet date. The results of operations are translated using an average exchange rate for the period. The effects of rate fluctuations in translating assets and liabilities of international

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign Currency (Continued)

operations into U.S. dollars are accumulated and reflected as a foreign currency translation adjustment in the consolidated statements of stockholders' equity. Transaction gains or losses are included in net earnings.

New Accounting Pronouncements

In February 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 128, Earnings per Share (SFAS 128). This Statement introduces new methods for calculating earnings per share. The adoption of this Statement will not affect results of operations, financial condition, or long-term liquidity, but will require the Company to restate earnings per share reported in prior periods. Compliance with this Statement, which will be effective for periods ending after December 31, 1997, is not expected to have a material effect on the Company's earnings per share amounts.

In June 1997, the FASB issued SFAS 130, Reporting Comprehensive Income. This Statement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company plans to adopt this Statement on January 1, 1998, as required. The adoption of this Statement will not affect results of operations, financial condition, or long-term liquidity, but will require the Company to classify items of other comprehensive income in a financial statement and display the accumulated balance of other comprehensive income separately in the equity section of the balance sheet.

In June 1997, the FASB issued SFAS 131, Disclosures About Segments of an Enterprise and Related Information. This Statement established standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to shareholders. It also establishes standards for related disclosure about products and services, geographic areas and major customers. The Company plans to adopt this Statement on January 1, 1998, as required. The adoption of this Statement will not affect results of operations, financial condition or long-term liquidity.

inTEST CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

(3) PRO FORMA STATEMENT OF EARNINGS INFORMATION

The Company terminated its status as an S corporation just prior to the closing of the Offering, and is subject to Federal and additional state income taxes for periods after such termination.

Accordingly, for informational purposes, the following pro forma information for the nine months ended September 30, 1997 is presented to show pro forma earnings on an after-tax basis, assuming the Company had been taxed as a C corporation since January 1, 1997. The results of operations for the three months ended September 30, 1997 do not require pro forma adjustment because the Company was a C corporation throughout such period. The difference between the Federal statutory income tax rate and the pro forma income tax rate are as follows:

	9 Months Ended Sept. 30, 1997 -----
Federal statutory tax rate	34%
State income taxes, net of Federal benefit	3
Foreign income taxes	7
Non-deductible goodwill amortization	1
Research credits	(1)
	--
Pro forma income tax rate	44%

	9 Months Ended Sept. 30, 1997 -----
Pro forma earnings before income taxes	\$4,511
Pro forma income taxes	1,964
Pro forma net earnings	2,547
Pro forma net earnings per common share	\$ 0.53
Pro forma weighted average common and common stock equivalent shares outstanding	4,804,417

In addition, the pro forma results for the nine months ended September 30, 1997 also reflect goodwill amortization resulting from the acquisition of minority interests in foreign subsidiaries, net of the elimination of the minority interest charge reflected in the historical financial statements, as if the Exchange had occurred on January 1, 1997. The goodwill resulting from the Exchange, which totaled \$1.3 million, is being amortized over 15 years.

Pro forma net earnings per common share was calculated by dividing pro forma net earnings by the pro forma weighted average number of shares of common stock and common stock equivalent shares outstanding during the period calculated as if the Exchange had occurred on January 1, 1997.

inTEST CORPORATION AND SUBSIDIARIES

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

The Company designs, manufacturers and markets docking hardware and test head manipulators, which are used with automatic test equipment ("ATE") by semiconductor manufacturers during the testing of wafers and packaged devices. The Company also designs and markets related ATE interface products including high performance test sockets, interface boards and probing assemblies. The Company's products are designed to improve the utilization and cost-effectiveness of ATE (including testers, wafer probers and device handlers) during the testing of linear, digital and mixed signal integrated circuits.

The Company's revenues have fluctuated generally as a result of cyclicalities in the semiconductor manufacturing industry. The Company believes that purchases of the Company's docking hardware and manipulators are typically made from its customers' capital expenditure budgets, while related ATE interface products, which must be replaced periodically, are typically made from its customers' operating budgets. When semiconductor manufacturing activity generally slowed during much of 1996, many semiconductor manufacturers reduced their capital expenditure budgets and, correspondingly, postponed or canceled orders for ATE and related equipment. As a result, starting in the second quarter of 1996 through the fourth quarter of 1996, orders for and sales of docking hardware and manipulators declined substantially. During this same period, orders for and sales of related ATE interface products also declined, but to a lesser extent. Starting in the first quarter of 1997, orders for and sales of docking hardware and manipulators began increasing from the sequential quarterly declines experienced during 1996. The increase in order activity during 1997 is reflected in the growth in the Company's backlog, which increased from \$1.8 million at December 31, 1996 to \$5.0 million at September 30, 1997. Backlog represents orders for the Company's products, but because there can be no assurance that the Company's customers will purchase the products subject to such orders, backlog is not necessarily indicative of sales for any future period. The increase in order activity is due to renewed demand for ATE by semiconductor manufacturers. During 1997, the Company's quarterly revenues grew from \$3.9 million in the first quarter to \$6.2 million in the third quarter, an increase of approximately 60%. Although the Company experienced a record level of sales during the third quarter of 1997, its revenues for the nine months ended September 30, 1997 are still less than those of the comparable period in 1996.

On June 20, 1997 the Company completed an initial public offering of 2.275 million common shares through which the Company issued 1.82 million new shares of common stock (the "Offering"). Prior to the Offering the Company was an S corporation, and the net earnings of the Company were taxed as income to the Company's stockholders for Federal and certain New Jersey state income tax purposes. The Company terminated its status as an S corporation prior to the closing of the Offering and is subject to Federal and additional state income taxes for periods after such termination.

Results of Operations

- - - - -
Three Months Ended September 30, 1997 Compared to Three Months Ended September 30, 1996:

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Revenues. Revenues were a record \$6.2 million for the quarter ended September 30, 1997 compared to \$4.8 million for the same period in 1996, an increase of \$1.4 million or 30%. The significant increase in revenue over the comparable prior period reflects the aforementioned increased demand for ATE experienced during 1997.

Gross Margin. Gross margin increased to 63% for the quarter ended September 30, 1997 compared to 61% for the comparable period in 1996. The improvement in gross margin was the result of lower incremental material costs due to increased purchasing volume, which was partially offset by a significant increase in the level of sales to ATE manufacturers, which increased from approximately one fifth of total sales in the comparable period in 1996 to approximately one third of total sales during 1997. Sales to ATE manufacturers generally result in lower gross margin than direct sales to semiconductor manufacturers because the Company offers larger sales discounts to ATE manufacturers than on sales to semiconductor manufacturers for which the Company may also pay sales commissions. While the Company believes this shift in customer mix is not indicative of a trend, it cannot reasonably predict future shifts in the mix of sales.

Selling Expense. Selling expense was \$706,000 for the quarter ended September 30, 1997 compared to \$586,000 for the same period in 1996, an increase of \$120,000 or 21%. The increase was primarily attributable to higher salary expense resulting from the allocation of additional personnel costs to selling expense and, to a lesser extent, salary increases for existing personnel. In addition, commission expense increased over the comparable period in 1996 due to an increase in the level of commissioned sales to semiconductor manufacturers in the third quarter of 1997 compared to the same period in 1996. The increase in selling expense also reflects an increase in advertising expense over the comparable prior period. These increases were offset by reductions in travel expense, warranty costs and freight expense.

Research and Development Expense. Research and development expense was \$455,000 for the quarter ended September 30, 1997 compared to \$425,000 for the same period in 1996, an increase of \$30,000 or 7%. The increase was due to increased levels of spending on research and development materials in 1997 as compared to 1996.

General and Administrative Expense. General and administrative expense was \$666,000 for the quarter ended September 30, 1997 compared to \$453,000 for the same period in 1996, an increase of \$213,000 or 47%. The increase was attributable to accruals for investor relations costs, additions to the provision for bad debts, amortization of goodwill resulting from the acquisition of the minority interests in the Company's three foreign subsidiaries in connection with the offering and salary increases of administrative staff.

Income Tax Expense. Income tax expense increased to \$924,000 for the quarter ended September 30, 1997 from \$180,000 for the comparable

inTEST CORPORATION AND SUBSIDIARIES

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

period in 1996, an increase of \$744,000. The Company's effective tax rate was 42% for the third quarter of 1997 compared to 12% for the same period in 1996. The significant increase in the effective tax rate was caused by the accrual of Federal income tax on the Company's earnings due to the change of tax status from S corporation to C corporation prior to the Offering and, to a lesser extent, to a greater percentage of earnings before income taxes and minority interest being attributable to the Company's Japanese subsidiary.

Nine Months Ended September 30, 1997 Compared to Nine Months Ended September 30, 1996:

Revenues. Revenues were \$14.7 million for the nine months ended September 30, 1997 compared to \$15.9 million for the comparable period in 1996, a decrease of \$1.2 million or 8%. While revenues have declined on a year-to-year basis, the quarterly trends in 1997 have shown sequential revenue growth which reflect the increased demand for ATE experienced in 1997.

Gross Margin. Gross margin declined to 61% for the nine months ended September 30, 1997 from 66% for the same period in 1996. The decline was primarily attributable to a higher percentage of sales to ATE manufacturers, which increased from approximately one fifth of total sales in the comparable period in 1996 to approximately one third of total sales during 1997. The reduced gross margin also reflects higher incremental costs, due to lower manufacturing levels in the first two quarters of 1997 than during the same periods in 1996, and higher fixed costs (principally rent, depreciation and salaries) during 1997 compared to the same period in 1996.

Selling Expense. Selling expense was \$1.8 million for the nine months ended September 30, 1997 compared to \$1.9 million for the same period in 1996, a decrease of \$0.1 million or 6%. The decline was due principally to a decrease in commissions attributable to the lower percentage of sales to semiconductor manufacturers on which the Company pays sales commissions. The decline in selling expense also reflects reductions in travel expense, warranty costs, and freight expense. These declines were offset by increases in salary expense due to the allocation of additional personnel costs to selling expense and higher levels of advertising expense.

Research and Development Expense. Research and development expense was \$1.2 million for the nine months ended September 30, 1997 compared to \$1.3 million for the comparable period in 1996, a decline of 4%. The decrease was primarily due to reduced levels of spending on research and development materials in 1997 as compared to 1996.

General and Administrative Expense. General and administrative expense was \$1.6 million for the nine months ended September 30, 1997 compared to \$1.3 million for the same period in 1996, an increase of 18%. The increase was attributable to increased compensation expense related to additional

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

staff in accounting, MIS and finance, accruals for investor relations costs and amortization of goodwill resulting from the acquisition of the minority interests in the Company's three foreign subsidiaries in connection with the offering.

Income Tax Expense. Income tax expense increased to \$1.4 million for the nine months ended September 30, 1997 from \$825,000 for the comparable period in 1996, an increase of \$548,000. The Company's effective tax rate was 30% for the first nine months of 1997 compared to 14% for the same period in 1996. The increase is attributable to the accrual of Federal income tax on the Company's earnings due to the change of tax status from S corporation to C corporation prior to the Offering and a greater percentage of earnings before income taxes and minority interest being attributable to the Company's Japanese subsidiary.

Liquidity and Capital Resources

The Company realized net cash proceeds of \$11.6 million (after payment of direct expenses of the Offering) from the sale of 1.82 million newly issued shares in the Offering. The proceeds from the Offering are expected to be used for working capital, general corporate purposes and possible acquisitions of businesses, technologies or products complementary to the Company's business.

Net cash provided by operations for the nine months ended September 30, 1997 was \$799,000. Accounts receivable increased \$2.6 million from December 31, 1996 to September 30, 1997 due to increased sales generally and also due to an increase in the percentage of consolidated sales by one of the Company's foreign subsidiaries where trade practices permit longer credit terms. Other current assets increased \$250,000, primarily as a result of increases in prepaid expenses including insurance premiums. Accounts payable and accrued expenses increased \$567,000 and \$166,000, respectively, as a result of higher sales levels. Domestic and foreign income taxes payable increased \$553,000 primarily as a result of the accrual of Federal income tax on earnings subsequent to the offering and, to a lesser extent, to a greater percentage of earnings before income taxes and minority interest being attributable to the Company's Japanese subsidiary.

During the nine months ended September 30, 1997, the Company repaid the balance of a term loan. At January 1, 1997, the outstanding balance of such term loan was \$189,000.

In connection with the termination of the Company's status as an S corporation, the Company paid dividends of \$3.4 million on June 23, 1997 and \$886,000 on September 5, 1997 to its former S corporation shareholders which represented the final distribution of previously taxed but undistributed retained earnings.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Simultaneous with the Offering, the Company acquired the 21% minority interests in each of its three foreign subsidiaries in exchange for an aggregate of 300,443 shares of the Company's common stock. This acquisition, which was accounted for using the purchase method, created goodwill of approximately \$1.3 million, which is being amortized over a period of 15 years.

The Company believes that existing cash and cash equivalents, its \$1.5 million line of credit and the anticipated net cash provided from operations will be sufficient to satisfy the Company's cash requirements for the foreseeable future. However, if the Company were to make any acquisitions, the Company may require additional equity or debt financing to meet working capital requirements or capital expenditure needs. Although the Company, as an S corporation, has historically paid cash dividends to its stockholders, the Company does not anticipate that it will pay dividends in the foreseeable future.

Statements of a forward-looking nature relating to future events or the future financial performance of the Company are only predictions and may be affected by various risks and uncertainties, including without limitation, the effect of general economic and market conditions in the United States and foreign markets, industry market conditions, changes in supply and demand for the Company's products, competitor pricing and other factors. Actual events or results may be materially different. In addition, the Company cannot reasonably predict what effect, if any, the current economic conditions in the Far East may have on its business.

Part II. Other Information

Item 1. Legal Proceedings

None

Item 2. Changes in Securities and Use of Proceeds

On June 17, 1997, the Company's Registration Statement on Form S-1 covering the Offering of 2,275,000 shares of the Company's Common Stock, Commission file number 333-26457, was declared effective. The Offering commenced on June 20, 1997, managed by Janney Montgomery Scott, Inc. and Needham & Company, Inc. as representatives of the several underwriters named in the Registration Statement (the "Underwriters").

Of the 2,275,000 shares sold pursuant to the Offering, 1,820,000 shares were sold by the Company and 455,000 were sold by certain selling stockholders (the "Selling Stockholders"). In addition, the Underwriters exercised an over-allotment option to purchase an additional 341,250 shares of the Company's Common Stock from the Selling Stockholders. The total price to the public for the shares offered and sold by the Company and the Selling Stockholders was \$13,650,000 and \$5,971,875, respectively.

The amount of expenses incurred for the Company's account in connection with the Offering are as follows:

Underwriting discounts and commissions:	\$1,023,750
Finders' fees:	None
Expenses paid to or for the Underwriters:	16,650
Other expenses:	975,000

Total expenses:	\$2,015,400
	=====

All of the foregoing expenses were direct or indirect payments to persons other than (i) directors, officers or their associates; (ii) persons owning ten percent (10%) or more of the Company's Common Stock; or (iii) affiliates of the Company.

The net proceeds of the Offering to the Company (after deducting the foregoing expenses) was \$11,634,600. From the effective date of the Registration Statement, the net proceeds have been used for the following purposes:

Part II. Other Information (Continued)

Item 2. Changes in Securities and Use of Proceeds (Continued)

Construction of plant, building and facilities	\$	-
Purchase and installation of machinery and equipment		13,894
Purchase of real estate		-
Acquisition of other business		-
Repayment of indebtedness		173,266
Working capital		599,725
Temporary investments, including cash & cash equivalents		10,246,950
Other purposes (for which at least \$100,000 has been used), including:		
Payment of final S corporation distribution		600,765

		\$11,634,600
		=====

In connection with the termination of the Company's status as an S corporation, the Company used \$601,000 of the net proceeds to pay a portion of the \$4.3 million final distribution of previously taxed but undistributed earnings of the Company.

All of the foregoing payments with the exception of the final S corporation distribution were direct or indirect payments to persons other than (i) directors, officers or their associates; (ii) persons owning ten percent (10%) or more of the Company's Common Stock; or (iii) affiliates of the Company.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Securities Holders

None

Item 5. Other Information

None

inTEST CORPORATION

PART II. Other Information (Continued)

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

3(i) Articles of Incorporation: Previously filed by the Company as an Exhibit to the Company's Registration Statement on Form S-1, File No. 333-26457, and incorporated herein by reference.

3(ii) By-Laws: Previously filed by the Company as an Exhibit to the Company's Registration Statement on Form S-1, File No. 333-26457, and incorporated herein by reference.

10 Lease Agreement between the Company and Cherry Hill Industrial Sites, Inc. dated August 22, 1997.

27 Financial Data Schedule

(b) Reports on Form 8-K

None

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

inTEST Corporation

Date: November 14, 1997

/s/ Alyn R. Holt

Alyn R. Holt
Chairman and Chief Executive Officer

Date: November 14, 1997

/s/ Hugh T. Regan, Jr.

Hugh T. Regan, Jr.
Treasurer and Chief Financial Officer

Index to Exhibits

Item 6. Exhibits and Reports on Form 8-K

10 Lease Agreement

27 Financial Data Schedule

LEASE AGREEMENT

THIS LEASE AGREEMENT, made this 22nd day Of August 1997 between CHERRY HILL INDUSTRIAL SITES, INC., a New Jersey Corporation having its principal office at 1998 Springdale Road, Cherry Hill, New Jersey 08003, (hereinafter referred to as Landlord), and MS

INTEST, INC. (hereinafter referred to as Tenant)

having an office at
Building #16
2 Pin Oak Lane
Cherry Hill Industrial Center
Cherry Hill, New Jersey 08003,

Contacts: Alyn Holt, President,
Tel: 609-424-6886

(hereinafter referred to as TENANT).

Landlord and Tenant hereby covenant as follows:

1. LEASED PREMISE. Landlord hereby agrees to lease to Tenant, and Tenant hereby agrees to rent from Landlord approximately 11,082 square feet, in building #24 and land adjacent thereto, situated in Cherry Hill township, Block 468.04, Lot 1 as shown and defined on exhibit A attached hereto and made a part hereof (hereinafter referred to as the PREMISES) for the term of 5 years and 4 months (64 months inclusive, or until such prior termination as hereinafter provided to commence February 1, 1998 and end on May 31, 2003 (inclusive).

Tenant agrees that this Lease unless sooner terminated, pursuant to the covenants hereof, shall expire absolutely on the expiration date without the requirement of any further notice from Landlord.

2. USE. Tenant shall use the Premises for offices, warehousing, distribution and related uses as permitted in an I-R zone of Cherry Hill Township.

3. Base RENT. The Base Term rental shall be \$221,632.00 except as same may be modified elsewhere in this Lease, payable by Tenant to Landlord, in lawful money of the United States in base monthly rental installments \$3,463.00 during the term.

Rent is payable on the first day of each month, in advance, during the Term, at the office of the Landlord or such other place as Landlord may designate. Tenant shall assume the risk of lateness or failure of delivery of the mails, and no lateness or failure of the mails will excuse Tenant from its obligation to have made any payment of rent or additional rent as required under this Lease.

No payment by Tenant or receipt or acceptance by Landlord of a lesser amount than the correct rent or additional rent shall be deemed to

be other than a payment on account, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance or pursue any other remedy in this Lease or at law provided.

The basic rent and the CAM rent for the first full month of the Term shall be paid upon the signing of this Lease.

4. SECURITY. Lease, Tenant has deposited with Landlord the sum of \$4,848.00 as security for the faithful performance and observance by Tenant of the covenants of this Lease. The depositing of said sum with the Landlord is a condition precedent to the valid execution of the Lease. Landlord, at its option, may use, apply or retain the whole or any part of the security so deposited for the payment of any sum for which Tenant is in default or for any sum which Landlord, at its option, may expend by reason of Tenant's default of any of the covenants of this Lease. Any expenditures made by Landlord as herein stipulated shall be paid by Tenant as additional rent. Landlord shall be permitted to co-mingle Tenant security funds with other funds of Landlord and shall not be required to pay interest on any sum so held.

In the event that Tenant shall fully and faithfully comply with all the covenants of this Lease, the security shall be returned to Tenant after the date fixed as the end of the Lease and after delivery of the Premises by Tenant to Landlord pursuant to the covenants of this Lease.

In the event of a sale of the Premises, Landlord shall have the right to transfer the security to the buyer and Landlord shall thereupon be relieved by Tenant from all liability for the return of such security and Tenant agrees to look to the buyer solely for the return of said security. The provisions hereof shall apply to every transfer or assignment made of the security to a new buyer. Tenant further covenants that it will not assign or encumber or attempt to assign or encumber the monies deposited herein as security and that neither the Landlord nor its successors or assigns shall be bound by any such assignment and/or encumbrance.

5. CAM RELATED CHARGES. Tenant shall pay to Landlord during the Term, in advance, as additional rent, except as same may be modified herein, in lawful money of the United States, the amount of \$638.00 per month as Tenants contribution towards Landlords costs for the following charges, expenses and/or services related to the Premises:

a. real property taxes and assessments under or by virtue of the lawful authority having jurisdiction over the Premises.

However real property taxes during the Term ensuing from added assessments related to alterations and improvements made to the Premises on behalf of, or by Tenant, shall be payable by Tenant, as additional rent, in the month following Landlords giving Tenant notice of same.

b. work arranged by Landlord related to grass cutting and landscape maintenance pursuant to standards as established by Landlord.

However: Tenant shall keep the lawn, landscaped areas, paved surfaces, sidewalks and similar areas free of debris and other waste/discarded material at all times.

In the event Landlord, at its option, removes any trash, wood pallets, debris and similar material from any such areas Tenant shall pay all expenses incurred by Landlord related to such removal and disposal as additional rent. Landlord may, at its option, utilize Tenants canisters/dumpsters for the disposal of any such materials.

c. removal of snow from the exterior paved areas of the Premises within 24 hours after the cessation of any particular snowstorm provided the average accumulation from said storm exceeds two inches on the paved surfaces, as measured by Landlord.

However:

- (i) In the event Landlord is unable to remove the snow by reason of vehicles thereon, or other obstructions/blockages or similar occurrences not caused by Landlord or Landlord's contractor, there shall be no further obligation or responsibility on the part of Landlord or Landlord's contractor to remove snow from that particular snowstorm. In such event no credit or abatement shall be due Tenant.
- (ii) Snow of less than a 2 inch average accumulation on the paved surfaces of the Premises, as measured by Landlord, are not subject to removal by Landlord or Landlord's contractor, but are the sole responsibility of Tenant.
- (iii) The responsibility of Landlord and Landlord's contractor is restricted to the work specified herein. Work related to the clearing of snow from sidewalks, platforms, steps or other similar items is excluded and shall be the sole responsibility of Tenant.
- (iiii) Tenant is responsible for all sanding, salting and de-icing operations related to the Premises.

d. sprinkler supervisory service and sprinkler standby charges/expenses.

e. Landlord's fire and casualty insurance policy insuring Landlord's property.

In regards to Landlords policy, Tenant agrees: (i) it will not do nor permit any acts or things which will invalidate or be in conflict with any provisions thereof or which shall cause the insurance rate on the Premises to be higher than on the date of the commencement of this Lease; (ii) it shall comply with all present and future rules, regulations and recommendations thereof and shall promptly make all changes, modifications,

replacements and alterations as are necessary and/or required; (iii) Landlord will not be responsible for charges and/or costs related to damage, loss, or repair and/or replacement of any property caused by conditions exclusions or reasons not covered therein and/or for any property not owned by Landlord.

6. UTILITIES. Tenant shall pay for all deposits, costs and charges relating to heat, electricity, gas, water, and similar services (except as specifically provided for elsewhere in this Lease) rendered or supplied to or upon the Premises, or in connection with the use and occupation of the Premises on or prior to the date same are due.

Tenant shall not be released or excused from the performance of any of its obligations under this Lease for any failure, interruption or curtailment of any utilities or services, nor shall any such failure, interruption or curtailment constitute a constructive or partial eviction.

7. PERSONAL PROPERTY TAXES. Tenant shall pay all personal property taxes and other taxes and assessments pertaining to its goods, chattels, machinery, equipment, fixtures, personal property and similar items on or prior to the date same are due.

8. TENANT'S INSURANCE OBLIGATIONS. Tenant, as a minimum, shall carry the following insurance policies applicable to the Premises (and other areas as may be required herein) with reputable companies authorized to issue policies in the State of New Jersey having a Moody rating of at least A. The Certificate of Insurance shall indicate Cherry Hill Industrial Sites, Inc. as the additional insured under the "description" portion of the certificate, as follows: "Cherry Hill Industrial Sites, Inc. as additional insured relative to any and all lease/rental premises utilized by the Tenant".

a. Comprehensive Public Liability Insurance. Such insurance shall be for a Combined Single Limit (CSL) for bodily injury (including death) and property damage or loss (for occurrences in or about the Premises or arising out of Tenants ownership, maintenance, use or occupancy of the Premises) in the amount of \$1,000,000 for each occurrence, and \$3,000,000 in the aggregate.

b. Personal Property Insurance in amounts and types of coverage to insure against damage or loss to any property including, but not limited to any Tenant alterations, improvements or betterments in or about the Premises that is not the property of Landlord caused by: (1) water, rain, sleet, snow, or ice entering seeping or leaking into or through the Premises or any portion thereof; (2) fire, explosion, tornado, wind, earthquake or any other casualty or any other similar occurrences; (3) theft, burglary, vandalism, malicious mischief, or other similar occurrences; (4) accidents of any kind, type or nature; (5) electrical, gas or water failure, cutoffs, surges or similar occurrences; (6) loss or damage to property not owned by Landlord by any similar reason.

c. Boiler and pressure vessel insurance (when equipment relating to this type of insurance is located in/and or upon the Premises) with Landlord as a named insured in sufficient amount to insure against damage or loss to any property whether belonging to Tenant, Landlord, or others.

d. Such other insurance, and in such amount, as may from time to time be reasonably required by Landlord or required by law. No insurance requirements as set forth in this Lease shall preclude Tenant from obtaining whatever additional insurance coverages Tenant shall deem necessary or prudent.

e. NOTE: Tenant shall have the right to procure its required insurance on a blanket master policy basis and/or an umbrella basis; provided, however, that all such coverage shall otherwise comply with all of the requirements contained herein.

f. Prior to the commencement date of this Lease and by the fifteenth day of March of each year thereafter Tenant shall deliver to the Landlord proof that all the insurance coverages required of Tenant pursuant to the covenants of this Lease are in force and that premiums related thereto are paid.

All insurance policies required of Tenant shall: (a) provide at least thirty (30) days prior notice to Landlord and Tenant of any change, modifications or cancellation and (b) contain a waiver of subrogation of the rights of the Tenant's insurance carrier to proceed against the Landlord for matters which are required to be or are covered by the Tenant's insurance policies.

Tenant shall give prompt notice to Landlord in case of any fire, casualty, accident or similar occurrence.

9. FIRE. If the Premises shall be partially damaged by fire or similar casualty as is covered under insurance policies carried by Landlord, the damage shall be repaired by and at the expense of Landlord to the extent provided for pursuant to the provisions thereof. Any fire or similar casualty damage to the Premises, within the deductible limits of the aforementioned policies shall be repaired by Landlord, but paid for by Tenant as additional rent.

The rent, until such repairs are made, shall be apportioned according to the portion of the Premises which was damaged or which has been made unusable, whichever is less. Nevertheless the Lease shall continue in full force and effect.

If the Premises are totally or substantially damaged by fire or similar casualty as is covered under policies required of Landlord pursuant to the covenants of this Lease, and if Landlord, at its option, decides not to restore or not to rebuild same, Landlord shall then, within sixty (60) days after such fire, give Tenant notice of such decision, and thereupon this Lease shall expire by lapse of time upon the fifth day after such notice is given. Tenant shall then vacate the Premises and surrender same to Landlord.

For the purpose of this Lease substantial damage is defined as that which is greater than thirty (30%) percent of the insured value of the premises as determined by the cost estimate of Landlord.

Tenant acknowledges that Landlord will not carry insurance on the furniture, furnishings, inventory, fixtures, equipment, improvements, alterations, additions, property, appurtenances, or similar items that are not the property of Landlord in or upon the Premises and agrees that Landlord is not and shall not be obligated to repair any damage or loss thereto, nor replace same, nor compensate any person or party for any loss, damage, or destruction regardless of cause and/or reason.

In the event Landlord, at its option, decides to restore or rebuild the Premises, no penalty shall accrue for reasonable delay which may arise by reason of adjustment of insurance on the part of Landlord and/or Tenant, or for delays on account of labor troubles or other reasons or causes beyond Landlord's control.

In accordance with this paragraph, Tenant explicitly waives applicability of N.J.S.A. 46:8-6 and N.J.S.A. 46:8-7.

10. FIRE PREVENTION SYSTEMS. If the National Board of Fire Underwriters or any local Board of Fire Underwriters or Insurance Exchange (or other bodies hereafter exercising similar functions), and/or if any law, regulation, or order by/of any Federal, State, and/or Municipal Government having Jurisdiction shall require or recommend the installation of fire extinguishers, a "sprinkler system", fire detection and prevention equipment (including, but not limited to, smoke detectors and heat sensors), or any changes, modification, alterations, or the installation of additional sprinkler heads or other equipment for any existing sprinkler system, fire extinguishing system, and/or fire detection system for any reason, whether or not attributable to Tenant's use of the Premises or alterations performed by or on behalf of Tenant and/or; if any such installations, changes modifications, alterations, sprinkler heads, or other equipment become necessary to prevent the imposition of a penalty, an additional charge, or an increase in the fire insurance rate:

then Tenant shall promptly make such installation, changes, modifications, alterations as required or recommended.

11. REPAIRS, REPLACEMENTS. Tenant shall keep the entire Premises in good order and condition and shall promptly make any and all repairs, maintenance, and replacements to the Premises of whatever nature, ordinary and extraordinary, foreseen and unforeseen, except as is specifically provided for in this Lease. All repairs, maintenance and replacements shall be in quality, usefulness, and class at least equal to the original installation.

Landlord shall not be required to furnish any services, improvements, alterations, or similar items, nor to make any repairs maintenance, or replacements to the Premises except as is specifically provided for in this Lease.

Landlord may enter the Premises, but shall not be obligated to do so, at any reasonable time on reasonable notice to Tenant for the purpose of making such repairs, maintenance or replacements to the Premises required of Tenant, which Tenant has failed to perform. Tenant shall have no claims or cause of action against Landlord for interruption to Tenant's business, however occurring, including but not limited to that arising from the negligence of Landlord, its agents, servants or invitees, or from defects, errors or omissions in the construction or design of the Premises, or any portion thereof.

12. ALTERATIONS. Tenant shall not make any alterations, additions or improvements without Landlord's approval, which shall not be unreasonably withheld or delayed.

In the event Tenant proposes any alterations, additions, or improvements, it shall submit a complete set of plans and specifications relating thereto, prepared by any architect or professional engineer registered in the State of New Jersey to Landlord. Landlord may impose any reasonable conditions and/or requirements upon Tenant as Landlord reasonably considers necessary or prudent to protect Landlord's interest in the Premises.

If Landlord shall grant approval for the proposed work and provided Tenant has agreed to any conditions and/or requirements made a part of such approval, the following additional conditions shall apply:

a. Prior to making any alterations, additions, or improvements Tenant shall assure itself that the work will not impair the structural integrity of the Premises, or any portion thereof. Approval of the proposed work by Landlord shall not constitute or imply a warranty or representation by Landlord that the existing Premises, or any part thereof, is adequate to withstand work proposed by Tenant. By making any alterations, additions, or improvements, Tenant expressly warrants that the same will not impair the structural integrity of the Premises nor any part thereof and are in full compliance with the requirements of all governmental agencies or authorities having jurisdiction.

b. All costs related to the proposed work, irrespective of their nature, are the sole responsibility of Tenant and shall be promptly paid by Tenant at such time as they may be due.

c. All contractors, labor and/or material suppliers; and similar parties shall agree, in writing, prior to the commencement of any work or procurement of materials (i) to jointly comply with Tenant with the mechanics lien restrictions contained elsewhere in this Lease; (2) that they are entering into any agreements for labor and/or material with Tenant and not on behalf or for the benefit of Landlord; (3) that the work to be done shall be in substantial conformance with the last plans and specifications approved by Landlord and that no material changes shall be made thereto without the prior approval of Landlord and Tenant; and (4) that they, and their employees and other agents, shall comply with all

rules and regulations contained in Tenant's Lease regarding their conduct on the Premises. Proof of such agreements shall be given to Landlord prior to the commencement of the proposed work.

d. Tenant shall insure, indemnify and hold Landlord harmless for any loss to which Landlord may be subject or which Landlord may sustain relating to accidents, injury to persons (including death), property loss or damage of any nature whatsoever, regardless of cause, arising during or ensuing from the work undertaken by Tenant.

e. All such alterations, additions and improvements upon completion shall immediately become the property of Landlord, without compensation by Landlord to Tenant or any other party, simultaneously become part of the Premises, and Tenant's obligations and responsibilities pursuant to the terms and conditions of this Lease shall thenceforth apply to the aforementioned alterations, additions or improvements. Prior to the termination of Tenant's lease and/or Tenant's vacating of the Premises, Tenant shall remove said alterations, additions and improvements (or any portion thereof) at Tenant's expense, if so requested by Landlord.

f. Upon completion of the work, Tenant will submit to Landlord as-built drawings and certifications of inspections certifying the completion of the alteration, addition or improvement.

13. COMPLIANCE WITH LAWS. With respect to the Premises or the use and occupation thereof Tenant shall promptly comply with all laws orders, regulations, and requirements now in force, or which may hereafter be in force, of (a) Federal, State, County, and Municipal authorities and (b) private, quasi-public and public utility companies and similar parties providing services.

Tenant acknowledges that during the term of this Lease, a system, or materials or components thereof, now existing on the Premises may be legally banned or subject to mandatory modification or conversion to some other system, material or component. Tenant agrees that it will not, on the basis of such legal ban or mandatory modification or conversion, claim frustration of purpose, seek termination of the Lease, or seek abatement of rent.

Tenant shall immediately notify Landlord upon receipt of notice of a ban, conversion requirement, violation or alleged violation of any of the foregoing. Tenant shall also provide Landlord, upon Landlord's request, affidavits and/or representations executed by a knowledgeable officer or principal of the company concerning Tenant's best knowledge and belief regarding Tenant's compliance with particular laws, orders, regulations and requirements as may be cited by Landlord in its request.

14. RULES AND REGULATIONS. Without limiting or reducing Tenant's obligations pursuant to any of the terms and conditions of this Lease, Tenant has the following duties:

a. Between April 15 and May 15 of each year Tenant shall provide to Landlord, in form and content satisfactory to Landlord, a certification and HVAC unit location schematic from a reputable heating, ventilating and air conditioning contractor acceptable to Landlord, or a professional engineer licensed to practice in the State of New Jersey, confirming that all heating, ventilating and air conditioning systems within the Premises are in good working order and repair and are being properly serviced by Tenant. Tenant understands that Landlord may rely on the accuracy of such certification and agrees to be primarily responsible for any misrepresentations contained therein.

b. Tenant shall keep: (1) the roof and exterior wall systems in a watertight condition; (2) gutters, downspouts, drainage, and sewerage systems free from obstructions and blockages; (3) all yard and exterior wall mounted lighting on during night-time hours; (4) walkways, platforms and similar items free from ice and snow hazards; (5) the Premises in a clean, safe, and orderly condition free from debris, refuse, trash, wood pallets (and/or similar storage systems), vermin, pests, and similar items; (6) the dissemination of smoke, dust, odors, fumes and other noxious gases within the limits of the industrial tolerance standards of the State Department of Health, Bureau of Adult and Industrial Health.

c. Tenant shall not cause, commit or permit: (1) areas allocated for driveways, walkways, or the parking of automobile vehicles to be used for any other purpose; (2) any public or private nuisance; (3) use or occupancy in a manner reasonably offensive or objectionable to the Landlord by reason of, but not limited to, noise and/or vibrations; (4) debris, dirt, holes, scuff marks, smears, graphics and/or similar items on wall, floor, or ceiling surfaces; (5) any utility service or equipment to be overloaded; (6) anything that will impair or tend to impair, in Landlord's reasonable judgment, the character, value, or appearance of the Premises; (7) outside storage of any kind except as is specifically provided for herein; (8) parking of inoperable vehicles, non-motorized vehicles or trailers in or about the Premises; (9) any part or the whole of the sidewalks, entrances, passages, stairways, corridors or halls of the premises to be obstructed or encumbered or used for any purpose other than ingress and egress to and from the Premises; (10) any signs, advertisements, objects, notices or other lettering to be exhibited, inscribed, painted, or affixed on any part of the outside or inside of the Premises, so as to be visible from the exterior without prior approval of Landlord; (11) any show cases or other items to be put in front of or affixed to any part of the exterior of the building; (12) any water and wash closets and other plumbing fixtures to be used for any purposes other than those for which they were designed/ constructed, or sweepings, rubbish, rags or similar substances shall be thrown/discarded therein; (13) disturbance or interference with other Tenants or occupants of the building or neighboring buildings; (14) canvassing, soliciting or peddling within the Premises; (15) installation of a television, radio, or two-way radio antenna, or any other similar antenna, on the roof, in the windows or upon the exterior of the Premises, without the prior approval of Landlord; (16) unusual or objectionable odors to be produced upon or emanate from the

Premises; (17) storage, manufacture or sale of liquor, narcotics or illegal drugs; (18) any portion of the Premises to be used for lodging or sleeping or for any immoral or illegal purpose; (19) animals of any kind to be brought or kept about the Premises without Landlord's prior approval; (20) burning of trash or garbage in or about the Premises.

d. Tenant shall: (1) store discarded material being placed outside of the floor space of the Premises in appropriate waste storage containers at locations approved by Landlord. Such containers/canisters shall: (i) have lids kept in a closed position except when being loaded, (ii) not be allowed to overflow, (iii) shall be removed and replaced in a timely fashion; (2) arrange for and enforce good housekeeping procedures and practices satisfactory to Landlord; (3) arrange for liquid wastes and effluents to be discharged into an approved existing sewage treatment plant in accordance with that plant's regulations and state and federal regulations, or shall treat its own wastes and effluents in a treatment plant or process which is in compliance with the New Jersey State and Federal Statutes and with the requirements of the New Jersey State Department of Health; (4) comply with the New Jersey State Statutes and requirements of the New Jersey State Department of Labor and Industry precaution against fire hazards, radiation, explosion, proper handling and storage of materials and structural design, and safeguards for the health of workers.

e. Tenant, its agents, employees, contractors, invitees, licensees, and similar parties shall not: (1) interfere with the business of Landlord or other Tenants or persons on any other property owned by Landlord; (2) bring or keep within the Premises any flammable, combustible or explosive fluid, chemical or substance of types or quantities not permitted by law and/or Landlord's fire and casualty insurance carrier.

f. Tenant, its agents, employees, contractors, invitees, licensees, and similar parties shall: (1) obey speed limit, warning and related type signs posted within the road/driveway system of the Cherry Hill Industrial Center; (2) obey fire regulations and procedures governing the Premises.

g. Landlord shall have the right to prohibit any advertising by any Tenant which, in Landlord's reasonable judgment, tends to impair the reputation of said Tenant's Premises or the Cherry Hill Industrial Center, and upon notice from Landlord, such Tenant shall refrain from or discontinue such advertising. Landlord shall have the right to enforce this provision by injunction.

h. Landlord's employees shall not be required to perform, and shall not be required by tenant to perform, any work outside of their regular duties, unless under specific instructions from the office of Landlord.

i. Tenant shall immediately notify Landlord of any serious breakage, fire, accident, vandalism or disorder, occurring within the Premises.

j. Landlord reserves the right to rescind, amend, alter or waive any of the foregoing Rules and Regulations at any time when, in its judgment, it deems it necessary, desirable or proper for its best interest and/or for the best interest of the tenants, and no such rescission, amendment, alteration or waiver of any rule or regulation in favor of one Tenant shall operate as an alteration or waiver in favor of any other Tenant. Any such rescission, amendment, alteration, or waiver shall become effective ten (10) days after notice by Landlord to Tenant.

k. Nothing contained in this Lease shall be construed to impose upon Landlord any duty or obligation to impose the rules and regulations against any other Tenant or any employees or agents of any other Tenant, and Landlord shall not be responsible or liable to Tenant or others for non-observance or violation of the rules and regulations by any other Tenant or its employees, agents, invitees, licensees or similar parties at any time.

l. Tenant its employees, contractors, agents, assignees, sublessees, invitees, licensees and similar parties shall obey and observe all reasonable rules and regulations established by Landlord from time to time for the conductor Tenant and/or the welfare, care, cleanliness, preservation of good order, and/or safety of the Cherry Hill Industrial Center. Landlord shall give Tenant at least (10) days notice of the establishment thereof.

15. EMINENT DOMAIN. If the Premises or any portion thereof are taken under the power of eminent domain, this Lease shall terminate as to the part so taken as of the date the condemning authority takes title. If more than 10% of the floor area of the Premises, or more than 25% of the non floor area of the Premises is taken by condemnation, Tenant may, at Tenant's option, to be exercised by written notice to the Landlord within 10 days after the Landlord shall have given Tenant notice of such taking, terminate this Lease as of the date the condemning authority takes title. If Tenant does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the rent shall be reduced in proportion to the floor area of the Premises taken to the total floor area of the Premises. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of the Landlord, whether such award shall be made as compensation for diminution in value of the Leasehold or for the taking of the fee, or as severance damages, or other compensation to which Landlord may be entitled. Tenant may make a separate application for compensation relating to its trade fixtures or personal property.

16. FORCE MAJEURE. Force Majeure shall mean and include those situations beyond Landlord's control, including by way of example and not by way of limitation, acts of God; accidents; repairs; strikes; shortage of labor; supply or materials; inclement weather; or where applicable, the passage of time while waiting for an adjustment of insurance proceeds. Any time limits required to be met by Landlord hereunder, except as the effect

of Force Majeure may be expressly excluded elsewhere in this lease, shall be automatically extended by the number of days by which any performance called for is delayed due to Force Majeure.

17. LANDLORD'S NON-LIABILITY. Except when caused by acts of affirmative negligence by Landlord without any contributory negligence by Tenant or as specifically provided for in this Lease.

Landlord shall not be liable or responsible for any loss or damage to any property regardless of its nature or ownership at any time on or about the Premises.

Landlord shall not be liable or responsible for any harm or injury (including death) to any person at any time on or about the Premises. Tenant shall not hold Landlord in any way responsible or liable therefor and hereby releases and remises Landlord therefrom.

Without limiting or diminishing Landlord's non-liability as provided for herein, Landlord shall not be responsible or liable to Tenant, its employees, invitees, agents, or any other party for any loss or damage to any property or harm or injury to any persons (including death): (a) which is and/or should have been covered by an insurance policy required of Tenant or which Tenant failed to obtain or keep in force and effect; (b) caused by work stoppages, business interruptions, or similar events; (c) caused by other Tenants, its agents, invitees, employees, and similar parties; (d) caused by operations in construction of any private, public or quasi-public works; (e) caused by any latent or patent defects in the Premises or in any part of the building of which the Premises may form a part; (f) arising out of the design or construction of the Premises; (g) caused by snow, wind, rain, leakage, and similar events into or out of any portion of the Premises; (h) caused by leakage, overflows, obstructions, blockages, explosions, collapse bursts, surges, and similar events of any mechanical, structural, or other component and/or part thereof; (i) arising from or caused by Tenant's business operation, occupancy and/or use of the Premises and/or the streets, rights of way, and walkways adjacent thereto, or any other similar reason.

All non-liability, waivers of liability, and save and hold harmless references in this Lease given Cherry Hill Industrial Sites, Inc., as Landlord, shall apply to: (a) Cherry Hill Industrial Sites, Inc., as General Contractor, Designer, Contractor, or Subcontractor; and (b) any partner, joint venturer, director, officer, agent, stockholder, and employee of Cherry Hill Industrial Sites, Inc.

18. INDEMNIFICATION. Tenant shall not do, nor permit to be done, any act or thing in or upon the Premises, which may, will, or does subject Landlord to any claims, penalties, expenses, judgments, responsibility, liability, damages or similar occurrence by reason of damage or loss to any property or harm and/or injury (including death) to any persons at any time.

Except when caused by acts of affirmative negligence by Landlord without any contributory negligence by Tenant or as specifically provided for in this Lease:

Tenant agrees to and shall hold and save harmless and indemnify the Landlord from and for any and all payments, expenses, costs, attorney fees, claims and liability for losses or damage to property and/or injury to any person (including death) resulting from any acts or omissions by the Tenant, or its agents, employees, guests, licensees, invitees, sub-tenants, contractors and similar parties, or for any cause or reason arising out of or by reason of Tenant's use and/or occupancy of the Premises and/or the conduct of Tenant's business and/or the breach by Tenant of any of the terms and conditions of this Lease and/or similar reason.

19. FAILURE TO GIVE POSSESSION. If Landlord, for any reason, shall be unable to give possession of the Premises on the date set for the commencement of the Term, Landlord shall not be subject to any liability for such failure. Under such circumstances, provided the delay is not caused or contributed to by Tenant, the rent payments shall not commence until possession of the Premises is given or the Premises are available for occupancy by Tenant, whichever occurs first. Failure to give possession on the date of commencement of the term shall in no way affect the validity of this Lease or the obligations of Tenant hereunder.

If Landlord, at its option, grants Tenant permission to enter into the possession of the Premises prior to the date specified as the commencement of the Term, Tenant agrees that such occupancy shall be pursuant to the terms and conditions of this Lease.

20. LIENS. Tenant shall not do anything which shall interfere with Landlord's rights of ownership in the Premises. Tenant shall not permit nor allow any notice of intention to file any type of lien (including, but not limited to, mechanics liens) to be filed against the Premises. However, in the event any notice of intention to file a lien is filed for work to be performed, material to be furnished, or a lien is filed for work claimed to have been done or for materials claimed to have been furnished to Tenant, same shall be discharged of record and satisfied by Tenant within five (5) days thereafter at Tenant's own cost and expense, or Tenant shall file a bond pursuant to statute releasing such liens failure to do so shall entitle Landlord to resort to such remedies as are provided herein in case of any default of this Lease, in addition to such as are permitted by law.

21. ACCESS TO PREMISES. Landlord, its employees and agents shall have the right to enter the Premises at all reasonable times for the purpose of: (a) examining or inspecting the Premises; (b) showing the Premises to prospective purchasers, mortgagees or Tenants; (c) making such alterations, repairs, improvements or additions to the Premises or to the Building as may be required of Landlord as specifically provided for elsewhere in this lease, or as Landlord may have the option to perform (if Landlord elects to exercise such option) as provided for elsewhere in this lease, (d) any other similar or reasonable purpose.

If representatives of Tenant shall not be present to open and permit entry into the Premises at an time when such entry by Landlord is necessary or permitted hereunder, Landlord may enter by means of a master key (or forcibly in the event of an emergency) without: (a) liability to Landlord, its employees, agents, invitees and similar parties, (b) hindrance or molestation from Tenant, its employees, and agents; and (c) such entry constituting an eviction of Tenant or termination of this Lease.

22. ASSIGNMENT.

a. Tenant shall not assign, mortgage, pledge, encumber or in any manner transfer this Lease or any portion thereof, or any interest herein, or sublet the whole or any part of the Premises, without obtaining the approval of Landlord. In the event of any such occurrence, with or without Landlord's approval, Tenant shall, nevertheless, remain liable for the performance of all of the terms and conditions of this Lease and will require any assignee/sublessee to execute and deliver to Landlord an assumption of all of the terms and conditions of this Lease in form satisfactory to Landlord. Landlord shall be entitled to, and Tenant shall promptly remit to Landlord, any profit which may inure to the benefit of Tenant as a result of any partial or entire subletting of the Premises or assignment of this Lease, whether or not approved by Landlord.

b. For the purposes of this paragraph, Tenant understands that the transfer of a majority of Tenant's stock is tantamount to an assignment.

c. As a condition precedent to Tenant's right to sublease the Premises or to assign this Lease, Tenant shall, at Tenant's own expense, first comply with ECRA and fulfill all of Tenant's environmental obligations pursuant to this Lease. If this condition is not satisfied, then Landlord shall have the right to withhold consent to sublease or assignment.

Tenant shall promptly furnish to Landlord true and complete copies of all documents, submissions and correspondence provided by Tenant to the Element and all documents reports, directives and correspondence provided by the Element to Tenant. Tenant shall also promptly furnish to Landlord true and complete copies of all sampling and test results obtained from samples and tests taken at and around the Premises. Tenant shall notify Landlord in advance of all meetings scheduled between Tenant and NJDEP, and Landlord may attend all such meetings.

d. Should Tenant make an assignment or sublet the Premises or any portion thereof without the approval of Landlord, then Landlord may, at its option, terminate this Lease by giving Tenant five (5) days notice of Landlord's intention to do so and, upon the expiration of five (5) days, this Lease shall terminate, and Tenant shall peaceably quit and surrender the Premises to Landlord; nevertheless Tenant shall remain liable as provided elsewhere in this Lease. This Lease shall not, nor shall any interest therein, be assignable as to the interest of Tenant by operation of law, without the approval of Landlord.

e. Subletting or assigning this Lease to anyone other than an actual user of the Premises is positively prohibited.

23. SUBORDINATION. This Lease shall be subject and subordinate at all times to the lien of any mortgages and/or other encumbrances, common right-of-way's, easements and similar items existing or hereafter placed upon the Premises by Landlord, or with the permission of Landlord, without the necessity of any further instrument or act on the part of Tenant to effectuate such subordination. Tenant agrees, however, at the election of a mortgagee, to attorn to any holder of any mortgage to which this Lease is subordinate. Tenant agrees to execute and deliver promptly upon demand, and without charger such further instrument or instruments evidencing such subordination of this Lease to the lien of any mortgage and/or other encumbrance. Tenant hereby irrevocably appoints Landlord as Tenant's attorney-in-fact to execute and deliver such instrument or instruments for and in the name of the Tenant provided same have not been executed by Tenant within ten (10) days after Landlord's notice to Tenant.

24. CERTIFICATIONS. Tenant agrees, within ten (10) days after Landlord's notice, to execute, acknowledge and deliver to Landlord a written instrument in recordable form certifying: (1) that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same are in full force and effect as modified and stating the modifications); (2) that the Tenant has accepted possession of the Premises and the date on which the term of the Lease commenced; (3) the dates to which rent and additional rent have been paid in advance, if any; (4) whether or not to the best knowledge of the signer of such certificate, Landlord is in default in the performance of any covenant of this Lease, and, if so, specifying each such default of which the signers may have knowledge; (5) any other reasonable stipulation as may be required and/or requested by Landlord. It is understood that such instrument may be relied upon by a prospective purchaser of the fee or any mortgagee of the Premises.

Tenant shall provide to Landlord, if requested, its latest audited financial statement, accurately reflecting its financial condition for the latest fiscal year of Tenant. It is understood that such statement may be relied upon by a prospective purchaser of the fee or any mortgagee of the Premises.

25. DEFAULT AND REMEDIES.

a. Default. The occurrence of any of the following shall constitute a material default and breach of this Lease by Tenant:

(1) Failure of Tenant to accept possession of the Premises within thirty (30) days after the effective date of the Lease;

(2) The vacating or abandonment of the Premises by Tenant;

(3) The failure by Tenant to pay, when due, any installment of rent hereunder or any additional rent or any such other sum herein required to be paid by Tenant;

(4) A failure by Tenant to observe and perform any other covenant of this Lease to be observed or performed by Tenant, where such failure continues for fifteen (15) days (or a lesser time period when an emergency or law requires or makes such a reduction for abatement and/or correction prudent, or when a lesser or non-notice provision is specifically provided for in any covenant of this Lease) after written notice thereof from Landlord to Tenant.

However, if the nature of the default is such that the same cannot reasonably be cured within such fifteen (15) day period, Tenant shall not be deemed to be in default if Tenant shall within such period commence such cure and thereafter diligently prosecute the same to completion;

b. Remedies. Upon the occurrence of any such event of default set forth above:

(1) Landlord may (but shall not be required to) perform for the account of Tenant the curing of any default of Tenant and immediately recover as additional rent any expenditure made and the amount of any obligations incurred in connection therewith, plus interest at the rate of four percent (4%) per annum over the Commerce Bank N.A. prime rate from the date of such expenditure;

(2) Tenant may cure any monetary default by making payment of the monies due, together with a late charge of 5% of the amount due not later than ten (10) calendar days after notice of the default has been given to Tenant. If said default should continue for a longer period, Landlord may accelerate all rent and additional rent due for the term of this Lease and declare the same to be immediately due and payable.

(3) Tenant may cure any non-monetary default by correcting the default condition described in Landlord's notice to Tenant if said corrections are completed within twenty (20) calendar days after notice of the default has been given to Tenant. If said default should continue for a longer period, Landlord may accelerate all rent and additional rent due for the term of this Lease and declare the same to be immediately due and payable.

(4) In the event of default, and the failure of Tenant to cure same within the designated time period, Landlord at its option, may serve notice upon Tenant that this Lease and the then unexpired term hereof and all renewal options (if any) shall cease and expire and become absolutely void on the date specified in such notice, to be not less than five (5) days after the date of such notice without any right on the part of the Tenant to save the forfeiture by payment of any sum due or by the performance of any terms, provision, covenant agreement or condition broken; and, thereupon and at the expiration of the time limit in such notice, this Lease and the term hereof granted, as well as the right, title and interest of the Tenant hereunder, shall wholly cease and expire and become void in the same manner and with the same force and effect (except

as to Tenant's liability) as if the date fixed in such notice were the date herein granted for expiration of the term of this Lease. Thereupon, Tenant shall immediately quit and surrender to Landlord the Premises, and Landlord may enter into and repossess the Premises by summary proceedings, detainer, ejectment or otherwise and remove all occupants thereof and, at Landlord's option any property thereon without being liable to indictment, prosecution or damages therefor. No such expiration or termination of this Lease shall relieve Tenant of its liability and obligations under this Lease, whether or not the Premises shall be relet.

(5) Landlord may, at any time after the occurrence of any event of default, re-enter and repossess the Premises and any part thereof and attempt in its own name and to relet all or any part of such Premises for and upon such terms and to such persons, firms or corporations and for such period or periods as Landlord, in its sole discretion, shall determine, including the term beyond the termination of this Lease, and Landlord shall not be required to accept any tenant offered by Tenant or observe any instruction given by Tenant about such reletting or do any act or exercise any care or diligence with respect to such reletting or to the mitigation of damages. For the purpose of such reletting, Landlord may decorate or make repairs, changes, alterations or additions in or to the Premises to the extent deemed by Landlord desirable or convenient; and the cost of such decoration, repairs, changes, alterations or additions shall be charged to and be payable by Tenant as additional rent hereunder, as well as any reasonable brokerage and legal fees expended by Landlord; and any sums collected by Landlord from any new tenant obtained on account of the Tenant shall be credited against the balance of the rent due hereunder as aforesaid. Tenant shall pay to Landlord monthly, on the days when the rent would have been payable under this Lease, the amount due hereunder less the amount obtained by Landlord from such new Tenant;

(6) The parties recognize and agree that the damage to Landlord resulting from any failure by Tenant to timely surrender possession of the Premises will be substantial, will exceed the amount of the monthly installments of the Rent payable hereunder, and will be impossible to measure accurately. Tenant therefore agrees that if possession of the Premises is not surrendered to Landlord upon the expiration date or sooner termination of the Lease, in addition to any other rights or remedies Landlord may have hereunder or at law, Tenant shall pay to Landlord, as liquidated damages, for each month and for each portion of any month during which Tenant holds over in the Premises after the expiration date or sooner termination of this Lease, a sum equal to two times the aggregate of that portion of Base Annual Rent and Additional Rent that was payable under this Lease during the last month of the Term.

(7) Nothing herein contained shall be deemed to permit Tenant to retain possession of the Premises after the expiration date or sooner termination of the Lease.

(8) In addition to all remedies provided herein or by law, Tenant shall pay to Landlord reasonable attorneys fees and court costs and any other expenses incurred as a result of such breach or default.

26. BANKRUPTCY.

a. Anything elsewhere in this lease to the contrary notwithstanding, this Lease may be canceled by Landlord by the sending of a written notice to Tenant within a reasonable time after the happening of any one or more of the following events: (1) the commencement of a case in bankruptcy or under the laws of any state naming Tenant as the debtor which case is not dismissed within 60 days; or (2) the making by Tenant of an assignment or any other arrangement for the benefit of creditors under any state statute. Neither Tenant nor any person claiming through or under Tenant, or by reason of any statute or order of court, shall thereafter be entitled to possession of the premises demised but shall forthwith quit and surrender the premises.

b. It is stipulated and agreed that in the event of the termination of this Lease pursuant to (a) hereof, Landlord shall forthwith, notwithstanding any other provisions of this Lease to the contrary, be entitled to recover from Tenant as and for liquidated damages an amount equal to the difference between the rent reserved hereunder for the unexpired portion of the term demised and the fair and reasonable rental value of the demised premises for the period for which such installment was payable discounted to the date of termination at the rate of four percent (4%) per annum over the prime rate of Commerce Bank, N.A. in effect on the date of termination. If such premises or any part thereof be re-let by the Landlord for the unexpired term of said Lease, or any part thereof, before presentation of proof of such liquidated damages to any court, commission or tribunal, the amount of rent reserved upon such reletting shall be deemed to be the fair and reasonable rental value for the part or the whole of the premises so re-let during the term of the re-letting. Nothing herein contained shall limit or prejudice the right of the Landlord to prove for and obtain as liquidated damages by reason of such termination, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which such damages are to be proved, whether or not such amount be greater, equal to, or less than the amount of the difference referred to above.

27. EXPIRATION. Upon the expiration date of this Lease or prior termination specified by Landlord pursuant to notice as provided for elsewhere in this Lease: (a) Tenant shall remove all of its personal property from the Premises; (b) Tenant shall peacefully quit and surrender to Landlord the Premises, broom clean and in the same condition in which Tenant has agreed to keep it during the Term. Tenant's obligation to observe or perform this covenant shall survive the expiration or prior termination date of this Lease; (c) Tenant, for itself and on behalf of any and all persons claiming through or under it, including, but not limited to, creditors of every kind, shall and does hereby waive and surrender all rights and privileges which it may have under or by reason of any present or future law, to redeem the Premises or to have a continuance of this Lease; (d) Landlord may enter and repossess the Premises as of Landlord's former estate and expel Tenant, and those claiming through or under Tenant from the Premises; (e) Any property not-owned by Landlord remaining on the Premises after the last day of the Term or after the last day of any prior

lease termination date shall be conclusively deemed abandoned. Landlord, at Landlord's option, may remove from the Premises any property of Tenant and/or the property of those claiming through or under Tenant and, without notice to Tenant or others and without being liable to indictment, prosecution or damages therefor, sell such property or any part thereof at public or private sale or Landlord may treat such property or any part thereof as abandoned and dispose of same in any manner as Landlord, at its option, elects, all at the risk and cost of Tenant and without any liability to Landlord whatsoever. Tenant shall reimburse Landlord for the cost of such removal and disposal. Landlord, at its option may have any such property stored at Tenant's risk and expense.

If during the last month of the term or prior termination, Tenant has removed all or substantially all of the Tenant's property from the Premises, Landlord may, without notice to Tenant, immediately enter the Premises to renovate and decorate the Premises, without liability to Tenant and without reducing or otherwise affecting Tenant's obligations hereunder.

28. NON-WAIVER BY LANDLORD. Landlord may restrain any breach or threatened breach of any covenant of this Lease by Tenant. However, the recitation herein of any particular remedy shall not preclude the Landlord from any other remedy it may have, either at law or in equity. Landlord, at its option, may pursue more than one remedy available either concurrently or separately. The failure of Landlord to insist upon the strict performance of any covenant of this Lease or to exercise any right, remedy or election provided for in this Lease, or permitted by law, shall not constitute or be construed as a waiver or relinquishment of such right, remedy or election. Landlord may, at its option, mitigate any damages caused or arising out of Tenant's breach of any of the covenants of this Lease, but shall not be under any obligation or duty to do so. Any rights and remedies of Landlord, whether created by the terms of this Lease or existing at law, in equity, or otherwise, shall be distinct, separate and cumulative and no one of them, whether exercised by Landlord or not, shall be deemed to be in exclusion of any other.

No covenant of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing, signed by Landlord.

29. QUIET ENJOYMENT. Landlord covenants that upon Tenant observing and performing all the terms and conditions of this Lease, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises for the term aforementioned.

30. BILLS/NOTICES. Except as otherwise provided for in this Lease, any bill, statement, or notice shall be deemed sufficient if written and delivered to Tenant personally or sent by certified mail, return receipt requested, to Tenant at the Premises. The time of mailing of such bill or statement and of the giving of such notice or communication shall be deemed to be the time when same is mailed to Tenant as herein provided. Any notice by Tenant to Landlord must be served by certified mail, return receipt requested, to Landlord at the address herein given or at such other address as Landlord shall designate.

31. WAIVER OF TRIAL BY JURY. Landlord and Tenant agree that the respective parties shall and hereby do waive trial by Jury in any action or proceeding brought by either of the parties hereto against the other on any matters arising out this Lease.

This Lease shall be construed without regard to any presumption or other rule requiring construction against the party causing this Lease to be drafted.

If Landlord institutes a dispossession or eviction action in response to Tenant's refusal to vacate the Premises, Tenant waives its right to invoke N.J.S.A. 2A:18-60. In any action brought by the Landlord against the Tenant, Tenant shall not interpose any counterclaim against Landlord, but same shall be subject to an independent action which is not to be consolidated with the Landlord's action.

32. SIGNS. The Tenant shall not place nor allow to be placed any signs upon or about the exterior of the building or the grounds of the Premises, or other property of Landlord unless of a design and structure and at such locations as shall be first approved by the Landlord and then the appropriate governmental authorities and/or agencies, if required.

33. NO REPRESENTATIONS.

Except as specifically provided for herein: (a) Tenant has rented the Premises after a complete inspection and examination of its present condition and without any representation on the part of the Landlord, its agents, employees, and similar parties as to the condition or usefulness of the Premises; (b) Tenant does not acquire any rights, easements or licenses by implication or otherwise; (c) Tenant's possession of the Premises shall be conclusive evidence that the Premises were in good and satisfactory condition at the time Tenant took possession and that Tenant accepted same "as is" and in its present condition without any express or implied warranties; (d) upon execution of this Lease or anytime thereafter Tenant assumes the full and sole responsibility for the condition, safety, operation and management of the Premises pursuant to the terms and conditions contained herein.

34. LANDLORD'S APPROVAL. Except where specifically stated otherwise:

Whenever Landlord's approval or consent is required pursuant to any term or condition of this Lease, such approval shall be in writing and in advance for each occurrence. Landlord is under no duty or obligation to grant approvals.

Whenever this Lease provides for a Landlord's option, it is agreed such does not imply or constitute a duty or an obligation of Landlord.

Whenever this Lease provides for Landlord's approval which shall not be unreasonably withheld, it is agreed that Tenant's remedy in the event of Landlord's non-approval is limited to specific performance.

35. NET LEASE. It is intended that the rent and additional rent reserved hereunder shall be an absolutely net return to the Landlord throughout the Term. The rent and additional rent reserved hereunder shall be paid to the Landlord without any claim on the part of Tenant, or those claiming under Tenant, for diminution, setoff, deduction, or abatement except as is specifically provided for herein.

Tenant's obligation to pay rent and additional rent hereunder, and to perform the terms and conditions of this Lease shall in no way be affected, impaired or excused because Landlord is unable to fulfill any of its obligations hereunder, or because Tenant's use and occupancy of the Premises is disturbed for any reason other than as is specifically provided for herein.

36. LANDLORD'S BREACH. Tenant shall look solely to a sum that shall not exceed five percent (5%) of the net annual rental during any calendar year for the satisfaction of the remedies of Tenant in the event of a breach by Landlord of any of the covenants of this Lease.

37. TENANTS WARRANTY. Tenant warrants that: (a) it is duly incorporated and/or qualified under the laws of the State of NEW JERSEY and is authorized to do business in the State of New Jersey and is in good standing; (b) all necessary action to authorize the execution of this Lease upon the terms and conditions set forth herein have been duly taken; and (c) the officer(s) executing and delivering this Lease have been duly authorized to bind Tenant to the covenants herein contained.

38. ADVERSE POSSESSION. Tenant shall not suffer or permit the Premises, or any portion thereof, to be used without restriction or in such a manner as might reasonably tend to impair Landlord's title to the Premises or in such manner as might reasonably make possible claims of adverse usage or adverse possession, or of implied dedication of the Premises or any portion thereof.

39. COMPLIANCE WITH THE NJ INDUSTRIAL SITE RECOVERY ACT, FORMERLY KNOWN AS THE ENVIRONMENTAL CLEANUP RESPONSIBILITY ACT. Tenant shall comply with the Industrial Site Recovery Act, formerly known as the Environmental Cleanup Responsibility Act, N.J.S.A. 13:1K-6 et seq., the regulations promulgated, thereunder and any successor legislation and regulations, and any amendments or additions thereto (hereinafter referred to as "ISRA"). Tenant shall make all submissions to, provide all information to, and comply with all requirements of the New Jersey Department of Environmental Protection ("NJDEP") or any successor thereto.

a. Without diminishing any other of Tenant's obligations pursuant to this lease, Tenant's obligation shall arise if there is any closing, terminating or transferring of operations or transfer of ownership of an industrial establishment at the Premises pursuant to ISRA, whether triggered by Landlord or Tenant.

Provided this Lease is not previously terminated, pursuant to the covenants hereof, Tenant shall commence its submission to the NJDEP in anticipation of the end of the lease term, no later than one (1) year prior to the normal expiration of the lease term. Tenant shall promptly furnish to Landlord true and complete copies of all documents, submissions, correspondence and written communications provided by Tenant to and from NJDEP. Tenant shall promptly furnish to Landlord true and complete copies of all sampling and test results and reports obtained and prepared from samples and tests taken at and about the Premises.

b. Should NJDEP determine that a cleanup plan be prepared and that a cleanup be undertaken because of a spill or discharge of a hazardous substance or waste at the Premises which occurred during the term of the Lease, Tenant shall promptly prepare and submit the required plan and financial assurances and shall promptly carry out the approved plans.

c. Tenant shall promptly provide all information requested by Landlord or NJDEP for preparation of a non-applicability affidavit, de minimus quantity exemption application, negative declaration application, limited conveyance application or other submission and shall promptly sign such affidavits and submissions when requested by Landlord or the NJDEP.

d. Should Tenant's operations at the Premises be outside of those industrial operations covered by ISRA, Tenant shall, at Tenant's own expense, obtain a letter of non-applicability or de minimus quantity exemption from NJDEP prior to termination of the Lease term and shall promptly provide Tenant's submission and the NJDEP's exemption letter to Landlord. Should Tenant obtain a letter of non-applicability or de minimus quantity exemption from NJDEP, then Tenant shall, at Landlord's option, hire a consultant satisfactory to Landlord to undertake sampling at the Premises sufficient to determine whether or not Tenant's operations have resulted in a spill or discharge of a hazardous substance or waste at or around the Premises. Should the sampling reveal any spill or discharge of a hazardous substance or waste, then Tenant shall promptly cleanup the Premises to the satisfaction of Landlord and NJDEP.

e. If Tenant fails to obtain either: (i) a non-applicability letter; (ii) a de minimus exemption; (iii) a negative declaration; or (iv) final approval of cleanup; (collectively referred to as "ISRA Clearance") from NJDEP; or fails to clean up the Premises pursuant to the requirements of this Lease prior to the expiration or earlier termination of the lease term, then upon the expiration or earlier termination of the lease term Landlord shall have the option either to consider the Lease as having ended or to treat Tenant as a holdover tenant in possession of the Premises. If Landlord considers the Lease as having ended, then Tenant shall nevertheless be obligated to promptly obtain ISRA clearance and to fulfill the obligations set forth herein. If Landlord treats Tenant as a holdover tenant in possession of the Premises, then Tenant shall monthly pay to Landlord double the regular and additional monthly rent which Tenant would otherwise have paid, until such time as Tenant obtains ISRA clearance and fulfills its obligations hereunder, and during the holdover period all of the terms of this Lease shall remain in full force and effect.

f. Tenant represents and warrants to Landlord that Tenant intends to use the Premises for the uses specified in this lease pursuant to the laws, rules and regulations of governmental authorities having jurisdiction; which operations have the following Standard Industrial Classification ("SIC") numbers as defined by the most recent edition of the Standard Industrial Classification Manual-published by the Federal Executive Office of the President, Office of Management and Budget: 3999. Tenant's use of the Premises shall be restricted to the classifications set forth above unless Tenant obtains Landlord's written prior written consent to any change in use of the Premises. Following commencement of the lease term, Tenant shall notify Landlord by way of an Officer's Affidavit, as to any changes in Tenant's operation, SIC number or use or generation of hazardous substances and wastes. Tenant shall also supplement and update the Officer's Affidavit upon each anniversary of the commencement of the lease term. Tenant shall not commence or alter any operations at the Premises prior to (i) obtaining all required operating and discharge permits or approvals, including, but not limited to, air pollution control permits and pollution discharge elimination system permits from NJDEP, all governmental or public authorities having jurisdiction over Tenant's operations or the Premises, and (ii) providing copies of permits and approvals to Landlord.

g. Tenant shall permit Landlord and Landlord's agents, servants and employees, including, but not limited to, legal counsel and environmental consultants and engineers, access to the Premises for the purposes of environmental inspections and sampling during regular business hours, or during other hours either by agreement of the parties or in the event of any environmental emergency. Tenant shall not restrict access to any part of the Premises, and Tenant shall not impose any conditions to access. In the event that Landlord's environmental inspection shall include sampling and testing of the Premises, Landlord shall use its best efforts to avoid interfering with Tenant's use of the Premises, and upon completion of sampling and testing shall repair and restore the affected areas of the Premises from any damage caused by the sampling and testing.

h. Tenant's indemnification of Landlord as set forth elsewhere within this Lease shall extend to any and all claims, liabilities, losses, damages and costs, foreseen or unforeseen, including without limitation counsel, engineering and other professional or expert fees, which Landlord may incur by reason of Tenant's action or non-action with regard to Tenant's obligations under this paragraph.

i. This paragraph shall survive the expiration or earlier termination of this Lease. Tenant's failure to abide by the terms of this paragraph shall be restrainable by injunction without limiting Landlord's right to remedy as provided for elsewhere in this Lease.

j. Landlord represents and warrants that as of the date of the Lease, there are no outstanding/unresolved notice(s) of violations of any Environmental Laws pertaining to the Premises.

k. Notwithstanding anything in this Lease to the contrary, Landlord agrees that Tenant shall not be responsible for any environmental conditions on, under or about the Premises arising or occurring prior to the commencement date of this Lease.

40. RESPONSIBILITY FOR HAZARDOUS SUBSTANCES.

a. Hazardous Substances. The term 'Hazardous Substances', as said in this Lease, shall included but shall not be limited to, flammables, explosives, radioactive materials, asbestos, polychlorinated biphenyls (PCBs), chemicals known to cause cancer or reproductive toxicity, pollutants, contaminants, hazardous wastes toxic substances or related materials petroleum and petroleum products, and substances declared to be hazardous or toxic under any law or regulation now or hereafter enacted or promulgated by any governmental authority having jurisdiction.

b. Tenant shall not cause or permit to occur:

- (i) Any violation of any federal, state, or local law, ordinance, or regulation now or hereafter enacted, related to environmental conditions on, under, or about the Premises, or arising from Tenant's use or occupancy of the Premises, including, but not limited to, soil and ground water conditions; or
- (ii) The use, generation, release, manufacture, refining, production, processing, storage, or disposal of any Hazardous Substance, on, under or about the Premises, or the transportation to or from the Premises of any Hazardous Substance, except as specifically required during the lawful conduct of Tenant's permitted use, as such is defined elsewhere herein.

41. ENVIRONMENTAL CLEANUP. Tenant shall:

a. comply with all laws regulating the use, generation, storage, transportation, or disposal of Hazardous Substances.

b. prepare, provide and submit any cleanup plan to be undertaken because of any deposit, spill, discharge, or other release of Hazardous Substances that occurs during the term of the Lease, at or from the Premises, or which arises at any time from Tenant's use or occupancy of the Premises. Tenant Shall provide all required bonds and other financial assurances and Tenant shall carry out all such cleanup plans in a timely manner.

c. promptly provide all information regarding the use, generation, storage, transportation, or disposal of Hazardous Substances that is requested by the Landlord. If Tenant fails to fulfill any such request within a reasonable time, Landlord may do so; and in such case, Tenant shall cooperate with Landlord in order to prepare all documents Landlord deems necessary or appropriate to determine the applicability of

the Laws to the Premises and Tenant's use thereof, and for compliance therewith, and Tenant shall execute all documents promptly. No such action by Landlord and no attempt made by Landlord to mitigate damages under any Law shall constitute a waiver of any of Tenant's obligations.

42. TENANT'S ENVIRONMENTAL INDEMNITY. Tenant shall indemnify, defend and hold harmless Cherry Hill Industrial Sites, Inc. as Landlord, Landlord and Contractor, and its officers, directors, beneficiaries, shareholders, partners, agents, and employees from all fines, suits, procedures, claims, and actions of every kind, and all costs associated therewith (including attorneys' and consultants' fees) arising out of or in any way connected with any deposit, spill, discharge, or other release of Hazardous Substances that occurs during the term of this Lease, at or from the Premises, or which arises at any time from Tenant's use or occupancy of the Premises, or from Tenant's failure to provide all information, make all submissions, and take all steps required by all Authorities under the Laws and all other environmental laws.

Tenant's obligations and liabilities under this paragraph shall survive the natural expiration or sooner termination of this Lease.

43. ENVIRONMENTAL LIENS. Tenant shall promptly notify Landlord as to any liens threatened or attached against the Premises pursuant to the Spill Act or any other environmental law. In the event that such a lien is filed against the Premises, then Tenant shall, within thirty (30) days from the date that the lien is placed against the Premises, and at any rate prior to the date any governmental authority commences proceedings to sell the Premises pursuant to the lien, either: (a) pay the claim and remove the lien from the Premises; or (b) furnish either (i) a bond satisfactory to Landlord in the amount of the claim out of which the lien arises, (ii) a cash deposit in the amount of the claim but of which the lien arises, or (iii) other security satisfactory to Landlord in an amount sufficient to discharge the claim out of which the lien arises.

44. BINDING OFFER. It is understood and agreed by the Landlord and Tenant that this Lease is an offer only and is submitted to Tenant for signature with the understanding that it shall not bind Landlord unless and until it has been executed by Landlord.

45. ENTIRE AGREEMENT. This Lease constitutes the entire agreement between the parties. No representative, agent, or employee of the Landlord has been authorized to make any representations or promises or to vary, alter or modify the covenants hereof. No addition, changes, modifications, renewals or extensions of this Lease shall be binding unless reduced to writing and signed by the Landlord and the Tenant.

This Lease may not be canceled or terminated by Tenant without the consent of Landlord except as is specifically provided for elsewhere in this Lease.

46. APPLICATION AND DURATION. Wherever in this Lease an obligation is imposed upon or required of Tenant, same shall be at Tenant's sole cost and expense.

Obligations of Tenant pursuant to the terms and conditions of this Lease are: (a) for the Premises as set forth in exhibit "A" unless extended in scope pursuant to any particular provision and/or as the sense and circumstances of the text may require; (b) for the duration/term of the Lease unless having application before the commencement date and/or if they survive the expiration date or prior termination date pursuant to any provision contained herein.

47. VALIDITY. The terms and conditions of this Lease shall be deemed severable, if any clause or provision herein shall be adjudged to be invalid or unenforceable by a court of competent jurisdiction or by the operation of any applicable law, such an occurrence shall not affect the validity of any other clause and/or provision herein, and this Lease and such other clauses and provisions shall remain in full force and effect.

Landlord, however, at its option, may pursue the relief or remedy sought in any invalid clause by conforming the said clause with the provisions of the statutes or the regulations of any governmental agency as if the particular provisions of the applicable statutes or regulations were set forth herein at length.

48. COUNTERPARTS. This Lease may be executed in several counterparts each of which shall be deemed to be an original copy, and all of which taken together shall constitute one agreement binding on all parties hereto, notwithstanding that the parties shall not have signed the same counterpart.

49. GENDER NEUTER. In all references herein to any pronouns, parties, persons, entities, or corporation, the use of any particular gender or the plural or singular number is intended to include the appropriate gender or number as the sense and circumstances of the context may require.

50. BINDING AGREEMENT. All the terms and conditions contained herein shall be for and shall inure to the benefit of and shall bind the respective parties hereto, their heirs, successors and assigns.

51. APPLICABLE LAW. Landlord and Tenant agree that this Lease and any suits and/or special proceedings under it will be governed and construed-pursuant to the laws of the State of New Jersey.

52. ADDITIONAL RENT. Additional rent charges shall be paid to Landlord within 10 days of notice of a bill sent by Landlord to Tenant.

53. CAPTIONS. The captions are inserted only as a matter of convenience and in no way define, limit or describe the scope of this Lease nor the intent of any covenant thereof.

54. BROKER. Tenant represents to Landlord that it has not dealt with any brokerage company this Lease. Tenant shall hold and keep Landlord harmless from and against any claim for brokerage commissions and all liabilities and expenses arising therefrom from any other broker or similar party.

55. LANDLORDS WORK. Landlord shall effect the following alteration work on behalf of Tenant:

Put the Premises into a CCO condition prior to the commencement date of this lease.

56. TENANT'S OPTION TO LEASE ADDITIONAL ADJACENT SPACE IN BUILDING #16. In the event that during the original term, or any renewal of this Lease, the westerly adjacent 12,300 square feet Premises in building #16 presently occupied by London Textiles or the easterly adjacent 10,300 square foot Premises in building #16 presently occupied by General Floor Mechanic becomes available; Landlord shall provide Tenant with the Lease terms and conditions related thereto. Tenant has the option of Leasing the space submitted by Landlord by executing Landlord's proposed Lease within 15 days of submission thereof by Landlord to Tenant. If this option is executed, this lease shall terminate the month following tenant's lease commencement date for the option space within building #16. If Tenant does not return any such Lease proposal to Landlord, as provided herein, then Landlord shall be free to lease such adjacent Premises in building #16 to any other person or entity.

IN WITNESS WHEREOF, Landlord and Tenant have respectively signed and sealed this Lease as of the date written.

CHERRY HILL INDUSTRIAL SITES, INC.

/s/H. Regan

Witness as to Landlord

/s/Paul Heise

Paul Heise, President

INTEST CORP.

/s/ H. Regan

Witness as to Tenant

/s/Jack Edmunds

Jack Edmunds, Operating Manager

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INTEST CORPORATION

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DEC-31-1997	JAN-01-1997	SEP-30-1997
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