

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
(No Fee Required)

For the Fiscal Year Ended December 31, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 (No Fee Required)

For the Transition Period from _____ to _____

Commission File Number 0-10436

L. B. FOSTER COMPANY
(Exact name of registrant as specified in its charter)

Pennsylvania 25-1324733
(State of Incorporation) (I.R.S. Employer Identification No.)

415 Holiday Drive, Pittsburgh, Pennsylvania 15220
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (412) 928-3417

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On
None	Which Registered

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, Par Value \$.01

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

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

The aggregate market value on March 16, 2000 of the voting stock held by nonaffiliates of the Company was \$42,103,229. Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

Class	Outstanding at March 16, 2000
Common Stock, Par Value \$.01	9,599,106 Shares

Documents Incorporated by Reference:

Portions of the Proxy Statement prepared for the 2000 annual meeting of stockholders are incorporated by reference in Items 10, 11, 12 and 13 of Part III.

PART I

ITEM 1. BUSINESS

Summary Description of Businesses

L. B. Foster Company is engaged in the manufacture, fabrication and distribution of products that serve the nation's surface transportation infrastructure. As used herein, "Foster" or the "Company" means L. B. Foster Company and its divisions and subsidiaries, unless the context otherwise requires.

For rail markets, Foster provides a full line of new and used rail, trackwork, and accessories to railroads, mines and industry. The Company also designs and produces concrete ties, bonded rail joints, power rail, track fasteners, coverboards, signaling and communication devices, and special accessories for mass transit and other rail systems.

For the construction industry, the Company sells and rents steel sheet piling and H-bearing pile for foundation and earth retention requirements. In addition, Foster supplies bridge decking, expansion joints, overhead sign structures, mechanically stabilized earth wall systems and other products for highway construction and repair.

For tubular markets, the Company supplies pipe coatings for pipelines and utilities. The Company produces pipe-related products for special markets, including water wells and irrigation.

The Company classifies its activities into three business segments: rail products, construction products, and tubular products. Financial information concerning the segments is set forth in Note 20 to the financial statements included in the Company's Annual Report to Stockholders for 1999. The following table shows for the last three fiscal years the net sales generated by each of the current business segments as a percentage of total net sales.

Percentage of Net Sales

	1999	1998	1997
Rail Products	61%	55%	51%
Construction Products	29%	24%	25%
Tubular Products	10%	21%	24%
	100%	100%	100%

RAIL PRODUCTS

L. B. Foster Company's rail products include heavy and light rail, relay rail, concrete ties, insulated rail joints, rail accessories, transit products and signaling and communication devices. The Company is a major rail products supplier to industrial plants, contractors, railroads, mines and mass transit systems.

The Company sells heavy rail mainly to transit authorities, industrial companies, and rail contractors for railroad sidings, plant trackage, and other carrier and material handling applications. Additionally, the Company makes some sales of heavy rail to railroad companies and to foreign buyers. The Company sells light rail for mining and material handling applications.

Rail accessories include trackwork, ties, track spikes, bolts, angle bars and other products required to install or maintain rail lines. These products are sold to railroads, rail contractors and industrial customers and are manufactured within the company or purchased from other manufacturers.

The Company's Allegheny Rail Products (ARP) division engineers and markets insulated rail joints and related accessories for the railroad and mass transit industries, worldwide. Insulated joints are made in-house and subcontracted.

The Company's Transit Products division supplies power rail, direct fixation fastener, coverboards and special accessories primarily for mass transit systems. Most of these products are manufactured by subcontractors and are usually sold by sealed bid to transit authorities or to rail contractors, worldwide.

The Company's Mining division sells new and used rail, rail accessories, trackwork from the Pomeroy, OH plant and iron clad ties from the Watson-Haas Lumber division in St. Mary's, WV. The Pomeroy, OH plant also produces trackwork for industrial and export markets.

The Company's Rail Technologies subsidiary supplies rail signaling and communication devices to North American railroads.

The Company's CXT subsidiary manufactures engineered concrete products for the railroad and transit industries. CXT's product line includes prestressed concrete railroad ties, grade railroad crossing panels, and precast concrete buildings.

CONSTRUCTION PRODUCTS

L. B. Foster Company's construction products consist of sheet and bearing piling and fabricated highway products.

Sheet piling products are interlocking structural steel sections that are generally used to provide lateral support at construction sites. Bearing piling products are steel H-beam sections which, in their principal use, are driven into the ground for support of structures such as bridge piers and high-rise buildings. Sheet piling is sold or leased and bearing piling is sold principally to contractors and construction companies.

Other construction products consist of fabricated highway products. Fabricated highway products consist principally of bridge decking, aluminum bridge rail, overhead sign structures and other bridge products, which are fabricated by the Company, as well as mechanically stabilized earth wall systems. The major purchasers of these products are contractors for state, municipal and other governmental projects.

Sales of the Company's construction products are partly dependent upon the level of activity in the construction industry. Accordingly, sales of these products have traditionally been somewhat higher during the second and third quarters than during the first and fourth quarters of each year.

TUBULAR PRODUCTS

The Company adds value to purchased tubular products by preparing them to meet customer specifications using various fabricating processes, including the finishing of oil country tubular goods and the welding, coating, wrapping and lining of other pipe products.

The Company provides fusion bond and other coatings for corrosion protection on oil, gas and other pipelines.

The Company also supplies special pipe products such as water well casing, column pipe, couplings, and related products for agricultural, municipal and industrial water wells.

MARKETING AND COMPETITION

L. B. Foster Company generally markets its rail, construction and tubular products directly in all major industrial areas of the United States through a national sales force of 52 salespeople. The Company maintains 18 sales offices and 18 plants or warehouses nationwide. During 1999, less than 5% of the Company's total sales were for export.

The major markets for the Company's products are highly competitive. Product availability, quality, service and price are principal factors of competition within each of these markets. No other company provides the same product mix to the various markets the Company serves. There are one or more companies that compete with the Company in each product line. Therefore, the Company faces significant competition from different groups of companies.

RAW MATERIALS AND SUPPLIES

Most of the Company's inventory is purchased in the form of finished or semifinished product. With the exception of relay rail which is purchased from railroads or rail take-up contractors, the Company purchases most of its inventory from domestic and foreign steel producers. There are few domestic suppliers of new rail products and the Company could be adversely affected if a domestic supplier ceased making such material available to the Company. Additionally, the Company has not had a domestic sheet piling supplier since March 1997. The Company has become Chaparral Steel's exclusive North American distributor of steel sheet piling and "H" bearing pile. Shipments of "H" bearing pile began very late in the third quarter of 1999 from Chaparral's new Petersburg, VA facility, while current mill projections are to begin initial test rollings of sheet piling during the second quarter of 2000. The Company does not expect production of sheet piling in meaningful quantities until the third quarter of 2000. See Note 18 to the consolidated financial statements for additional information on this matter.

The Company's purchases from foreign suppliers are subject to the usual risks associated with changes in international conditions and to United States laws which could impose import restrictions on selected classes of products and antidumping duties if products are sold in the United States below certain prices.

BACKLOG

The dollar amount of firm, unfilled customer orders at December 31, 1999 and 1998 by segment follows:

(in thousands)	December 31, 1999	December 31, 1998
Rail Products	\$111,078	\$ 62,481
Construction Products	41,842	42,542
Tubular Products	2,012	3,541
	\$154,932	\$108,564

Approximately \$73,000,000 of the December 31, 1999 backlog is attributable to CXT, recently acquired as part of the rail segment. Approximately 65% of the December 31, 1999 backlog is expected to be shipped in 2000.

RESEARCH AND DEVELOPMENT

The Company's expenditures for research and development are negligible.

ENVIRONMENTAL DISCLOSURES

While it is not possible to quantify with certainty the potential impact of actions regarding environmental matters, particularly for future remediation and other compliance efforts, in the opinion of management compliance with environmental protection laws will not have a material adverse effect on the financial condition, competitive position, or capital expenditures of the Company. However, the Company's efforts to comply with stringent environmental regulations may have an adverse effect on the Company's future earnings.

EMPLOYEES AND EMPLOYEE RELATIONS

The Company has 719 employees, of whom 407 are hourly production workers and 312 are salaried employees. Approximately 233 of the hourly paid employees are represented by unions. The Company has not suffered any major work stoppages during the past five years and considers its relations with its employees to be satisfactory.

Substantially all of the Company's hourly paid employees are covered by one of the Company's noncontributory, defined benefit plans and a defined contribution plan. Substantially all of the Company's salaried employees are covered by a defined contribution plan.

ITEM 2. PROPERTIES

The location and general description of the principal properties which are owned or leased by L. B. Foster Company, together with the segment of the Company's business using the properties, are set forth in the following table:

Location	Function	Acres	Business Segment	Lease Expires
Birmingham, Alabama	Pipe coating.	32	Tubular	2002
Doraville, Georgia	Fabrication of components for highways. Yard storage.	28	Tubular, Rail and Construction	Owned
Niles, Ohio	Rail fabrication. Yard storage.	35	Rail	Owned
Pomeroy, Ohio	Trackwork manufacturing.	5	Rail	Owned
Houston, Texas	Casing, upset tubing, threading, heat treating and painting. Yard storage.	127	Tubular, Rail and Construction	Owned
Bedford, Pennsylvania	Bridge component fabricating plant.	10	Construction	Owned
Pittsburgh, Pennsylvania	Corporate Headquarters.	-	Corporate	2007
Georgetown, Massachusetts	Bridge component fabricating plant	11	Construction	Owned
Spokane, Washington	CXT concrete tie, crossings and pre-cast plants. Yard storage.	26	Rail	2003
Grand Island, Nebraska	CXT concrete tie plant	9	Rail	2003

Including the properties listed above, the Company has 18 sales offices and 18 warehouse, plant and yard facilities located throughout the country. The Company's facilities are in good condition and the Company believes that its production facilities are adequate for its present and foreseeable requirements.

ITEM 3. LEGAL PROCEEDINGS

None.

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

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED MATTERS

Stock Market Information

The Company had 825 common shareholders of record on January 31, 2000. Common stock prices are quoted daily through the National Association of Security Dealers, Inc. in its over-the-counter NASDAQ quotation service (Symbol FSTR). The quarterly high and low bid price quotations for common shares (which represent prices between broker-dealers and do not include markup, markdown or commission and may not necessarily represent actual transactions) follow:

Quarter	1999		1998	
	High	Low	High	Low
First	\$ 6 1/2	\$ 4 9/16	\$ 5 5/8	\$ 4 3/8
Second	5 31/32	4 5/8	5 9/16	5
Third	5 15/16	4 13/16	5 7/8	4 3/8
Fourth	5 3/8	4 5/8	6 5/8	3 3/4

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Dividends

No cash dividends were paid on the Company's Common stock during 1999 and 1998.

ITEM 6. SELECTED FINANCIAL DATA

(All amounts are in thousands except per share data)

Income Statement Data	Year Ended December 31,				
	1999	1998(1)(2)	1997(1)	1996	1995
Net sales	\$ 241,923	\$ 219,449	\$ 220,343	\$ 243,071	\$ 264,985
Operating profit	9,327	8,478	7,912	8,195	6,769
Income from continuing operations	4,618	5,065	3,765	3,858	5,043
Loss from discontinued operations, net of tax	(2,115)	(688)	(478)		
Net income before cumulative effect of change in accounting principle	2,503	4,377	3,287	3,858	5,043
Net income	2,503	4,377	3,287	3,858	4,824
Basic earnings per common share:					
Continuing operations	0.48	0.51	0.37	0.39	0.51
Discontinued operations	(0.22)	(0.07)	(0.05)		
Basic earnings per common share before cumulative effect of change in accounting principle	0.26	0.44	0.32	0.39	0.51
Basic earnings per common share	0.26	0.44	0.32	0.39	0.49
Diluted earnings per common share:					
Continuing operations	0.46	0.50	0.37	0.38	0.50
Discontinued operations	(0.21)	(0.07)	(0.05)		
Diluted earnings per common share before cumulative effect of change in accounting principle	0.25	0.43	0.32	0.38	0.50
Diluted earnings per common share	0.25	0.43	0.32	0.38	0.48

Balance Sheet Data	December 31,				
	1999	1998	1997	1996	1995
Total assets	\$ 164,731	\$ 119,434	\$ 126,969	\$ 123,004	\$ 124,423
Working capital	67,737	54,604	60,096	62,675	57,859
Long-term debt	44,136	13,829	17,530	21,816	25,034
Stockholders' equity	74,650	73,494	70,527	67,181	63,173

(1) 1998 and 1997 were restated to reflect the classification of the Monitor Group as a discontinued operation.

(2) In 1998, the Company recognized a pretax gain on the sale of the Fosterweld division of the tubular segment of approximately \$1,700,000, a write-down of approximately \$900,000 on a property subject to a sale negotiation, and a provision for losses of approximately \$900,000 relating to certain sign structure contracts in the construction segment.

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

RESULTS OF OPERATIONS
(Dollars in thousands)

	Three Months Ended		Twelve Months Ended		
	December 31,		December 31,		
	1999	1998	1999	1998	1997

Net Sales:					
Rail Products	\$42,176	\$38,322	\$148,296	\$121,271	\$112,712
Construction Products	20,469	13,697	68,666	51,870	55,923
Tubular Products	3,700	8,850	24,676	46,044	51,762
Other	27	21	285	264	(54)

Total Net Sales	\$66,372	\$60,890	\$241,923	\$219,449	\$220,343
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Gross Profit:					
Rail Products	\$ 7,092	\$ 5,913	\$ 21,440	\$ 18,675	\$ 15,025
Construction Products	3,734	2,384	12,671	9,440	9,608
Tubular Products	532	1,009	3,952	5,675	5,661
Other	(339)	14	(978)	(578)	(652)

Total Gross Profit	11,019	9,320	37,085	33,212	29,642

Expenses:					
Selling and Administrative Expenses	7,980	7,114	27,758	24,734	21,730
Interest Expense	1,072	254	3,230	1,631	2,495
Other Income	(293)	(198)	(1,184)	(1,731)	(475)

Total Expenses	8,759	7,170	29,804	24,634	23,750

Income from Continuing Operations,					
Before Income Taxes	2,260	2,150	7,281	8,578	5,892
Income Tax Expense	859	932	2,663	3,513	2,127

Income from Continuing Operations	\$ 1,401	\$ 1,218	\$ 4,618	\$ 5,065	\$ 3,765
Loss from Discontinued Operations,					
Net of Tax	\$(1,448)	\$ (201)	\$ (2,115)	\$ (688)	\$ (478)

Net Income	\$ (47)	\$ 1,017	\$ 2,503	\$ 4,377	\$ 3,287
=====					
Gross Profit %:					
Rail Products	16.8%	15.4%	14.5%	15.4%	13.3%
Construction Products	18.2%	17.4%	18.5%	18.2%	17.2%
Tubular Products	14.4%	11.4%	16.0%	12.3%	10.9%
Total Gross Profit %	16.6%	15.3%	15.3%	15.1%	13.5%
=====					

FOURTH QUARTER OF 1999 VS. FOURTH QUARTER OF 1998

The income from continuing operations for the current quarter was \$1.4 million or \$0.15 per share. This compares to a 1998 fourth quarter income from continuing operations of \$1.2 million or \$0.13 per share. Net sales in 1999 were \$66.4 million or 9% higher than the comparable quarter last year.

The fourth quarter of 1999 also includes a nonrecurring, non-cash charge of \$1.2 million resulting from the Company's decision to classify the Monitor Group, the Company's portable mass spectrometer segment, as a discontinued operation, pending its sale. Fourth quarter net operating losses from the unit were \$0.2 million in 1999 and 1998.

Rail products' net sales of \$42.2 million increased 10% from the 1998 fourth quarter, primarily due to sales by the recently acquired CXT Incorporated (CXT). Construction products' net sales in the 1999 fourth quarter increased 49% from the year earlier quarter. This increase was the result of sales generated by the Foster Geotechnical and the Fabricated Products divisions' operations. Tubular products' net sales declined 58% from last year's fourth quarter as a result of closing the Company's Newport, KY pipe coating facility in September, 1998, along with lower production volume at the Company's Birmingham, AL pipe coating facility in the fourth quarter of 1999. Changes in net sales are primarily the result of changes in volume rather than changes in pricing.

The gross margin percentage for the total Company increased to 17% in the 1999 fourth quarter compared to 15% from the same period last year. The gross margin percentage for the rail products segment increased to 17% from 15% primarily due to CXT results. Construction products' gross margin percentage increased from 17% to 18% due to increased margins in fabricated products and geotechnical units which more than offset reduced margins in piling. The gross margin percentage for tubular products increased to 14% from 11%, in the fourth quarter of 1999 as a result of more efficient operations at the Langfield, TX pipe threading facility.

Selling and administrative expenses increased 12% from the same period last year principally due to the inclusion of expenses associated with CXT operations. Interest expense increased over the year earlier quarter due to an increase in outstanding borrowings associated with the acquisition of CXT. The income tax provision for the fourth quarter of 1999 was recorded at 38% compared to 43% in the same period last year due primarily to the effect of adjustments to prior year tax liabilities. See Note 13 to the consolidated financial statements for more information regarding income taxes.

THE YEAR 1999 COMPARED TO THE YEAR 1998

Income from continuing operations for 1999 was \$4.6 million or \$0.48 per share on net sales of \$241.9 million. This compares to an income from continuing operations of \$5.1 million or \$0.51 per share for 1998 on net sales of \$219.4 million.

Net operating losses from the Monitor Group, classified as a discontinued operation on December 31, 1999, were \$0.9 million in 1999 versus \$0.7 million in 1998.

Rail products' 1999 net sales were \$148.3 million compared to \$121.3 million in 1998. This 22% increase was primarily due to sales by CXT. Additionally, new rail and transit products' increased sales volumes offset lower volumes in Allegheny Rail Products and relay rail products' operations. Construction products' net sales rose 32% to \$68.7 million in 1999, as the Company benefitted from an entire year of Foster Geotechnical sales, as well as increased volume of "H" bearing pile, flat web sheet piling, and fabricated products shipments. Net sales of tubular products declined 46% in 1999 as a result of the sale of the Company's Fosterweld division and the closing of the Newport, KY pipe coating facility.

The gross margin percentage for the Company was 15% in 1999 and 1998. Rail products' gross margin percentage declined 1% from 1998, primarily due to lower margins on certain relay rail, Allegheny Rail Products, and transit projects. The gross profit percentage for construction products remained at approximately 18% in 1999, as improved fabricated products and geotechnical margins offset reduced piling margins. Tubular products' gross margin percentage increased to 16% in 1999 from 12% in 1998 primarily due to more efficient operations at the Langfield, TX pipe threading facility, and the closure of the Newport, KY coated pipe facility.

Selling and administrative expenses for 1999 were 12% higher than in 1998. The increase was primarily due to added expenses associated with the operation of CXT, as well as an entire year of expenses related to the Company's geotechnical and rail technologies operations. Interest expense rose 98% due to an increase in outstanding borrowings, associated with the CXT acquisition. Other income in 1999 included dividend income and accrued interest on the DM&E stock owned by the Company. The provision for income taxes in 1999 is recorded at 37% versus 41% in 1998. The decrease in the effective tax rate from 1998 is due primarily to the effect of adjustments to prior year tax liabilities. See Note 13 to the consolidated financial statements for more information regarding income taxes.

THE YEAR 1998 COMPARED TO THE YEAR 1997

Income from continuing operations for 1998 was \$5.1 million or \$0.51 per share on net sales of \$219.4 million. This compares to an income from continuing operations of \$3.8 million or \$0.37 per share for 1997 on net sales of \$220.3 million.

Net operating losses from the Monitor Group, classified as a discontinued operation on December 31, 1999, were \$0.7 million in 1998 versus \$0.5 million in 1997.

Rail products' 1998 net sales were \$121.3 million compared to \$112.7 million in 1997. This 8% increase resulted primarily from higher sales volume of project sales primarily to transit systems. Construction products' net sales declined 7% to \$51.9 million compared to \$55.9 million in 1997, as the loss of sheet piling sales more than offset increased volume brought about by an entire years' sales

of the Precise fabricating division. Net sales of tubular products declined 11% in 1998 as a result of the sale of the Company's Fosterweld division.

The gross margin percentage for the Company in 1998 increased to 15% from 13% in 1997. Rail products' gross margin percentage increased to 15% from 13% primarily due to higher gross margin on certain relay rail and transit projects. The gross profit percentage for construction products increased to 18% from 17% in 1997 as a result of high demand for a limited supply of sheet piling products and the addition of the Foster Geotechnical division which offset losses associated with certain catenary fabrication contracts. Tubular products' gross margin percentage increased to 12% in 1998 from 11% in 1997 primarily due to higher margins on coated pipe products and the effect of the suspension of operations of the Newport, KY facility.

Selling and administrative expenses for 1998 were 14% higher than in 1997. The increase was primarily due to added expenses associated with the operation of the Company's Precise and Geotechnical divisions and increased incentive related compensation associated with increased corporate profits. Interest expense decreased 35% due to a reduction in outstanding borrowings, principally resulting from the receipt of Fosterweld sale proceeds. Other income in 1998 included the \$1.7 million gain on the sale of the Fosterweld division, the \$0.9 million write down of the recorded land value at the Langfield, TX facility, and gains on sales of other assets totaling \$0.6 million. The provision for income taxes in 1998 is recorded at 41% versus 36% in 1997. The increase in the effective tax rate from 1997 is due primarily to the effect of adjustments to prior year tax liabilities.

LIQUIDITY AND CAPITAL RESOURCES

The Company generates internal cash flow from the sale of inventory and the collection of accounts receivable. During 1999, the average turnover rate for accounts receivable was lower than in 1998 due to slower collections of certain transit and fabricated products' projects. The average turnover rate for inventory was higher in 1999 than in 1998 primarily in coated pipe products. Working capital at December 31, 1999 was \$67.7 million compared to \$54.6 million in 1998.

The Company completed an initial 500,000 share buy-back of its common stock in January 1999. The cost of this program which commenced in 1997, was \$2.8 million. During the first quarter of 1999, the Company announced another program to purchase up to an additional 1,000,000 shares. As of December 31, 1999, 225,298 shares had been purchased under this program at a cost of \$1.3 million.

Excluding the CXT acquisition, the Company had capital expenditures, including capital leases, of \$6.5 million, in 1999. Capital expenditures in 2000, excluding acquisitions, are expected to be approximately \$4.0 million and are anticipated to be funded by cash flow from operations.

Total revolving credit agreement borrowings at December 31, 1999, were \$45.0 million, an increase of \$32.7 million from the end of the prior year. At December 31, 1999, the Company had \$11.7 million in unused borrowing commitment. Outstanding letters of credit at December 31, 1999, were \$2.7 million. Management believes its internal and external sources of funds are adequate to meet anticipated needs.

Effective June 1999, the Company's \$45.0 million revolving credit agreement was amended and increased to \$70.0 million. On December 30, 1999, the Company reduced the revolving credit agreement to \$65.8 million. The interest rate is, at the Company's option, based on the prime rate, the domestic certificate of deposit rate (CD rate) or the Euro-bank rate (LIBOR). The interest rates are established quarterly based upon cash flow and the level of outstanding borrowings to debt as defined in the agreement. Interest rates range from prime to prime plus 0.25%, the CD rate plus 0.575% to 1.8%, LIBOR rate plus .575% to 1.8%. Borrowings under the agreement, which expires July 1, 2003, are secured by eligible accounts receivable, inventory, and the pledge of the Company held Dakota Minnesota & Eastern Railroad Preferred stock.

The agreement includes financial covenants requiring a minimum net worth, a minimum level for the fixed charge coverage ratio, and a maximum level for the consolidated total indebtedness to EBITDA ratio. The agreement also restricts investments, indebtedness, and the sale of certain assets.

DAKOTA, MINNESOTA AND EASTERN RAILROAD

The Company maintains a significant investment in the Dakota, Minnesota & Eastern Railroad Corporation (DM&E), a privately-held, regional railroad which operates over 1,100 miles of track in five states.

At December 31, 1998, the Company's investment in the stock was recorded at its

historical cost of \$1.7 million, comprised of \$0.2 million of common stock and \$1.5 million of the DM&E's Series B Preferred Stock and warrants. On January 13, 1999, the Company increased its investment in the DM&E by acquiring \$6.0 million of DM&E Series C Preferred Stock and warrants. On a fully diluted basis, the Company owns approximately 16% of the DM&E's common stock. Although the market value of the DM&E is not readily determinable, management believes that this investment, regardless of the DM&E's Powder River Basin project, is worth significantly more than its historical cost.

The DM&E announced in June 1997 that it plans to build an extension from the DM&E's existing line into the low sulfur coal market of the Powder River Basin in Wyoming and to rebuild approximately 600 miles of its existing track (the Project). The DM&E also has announced that the estimated cost of this project is \$1.4 billion.

The Project is subject to approval by the Surface Transportation Board (STB). In December 1998, the STB made a finding that the DM&E had satisfied the transportation aspects of applicable regulations. The STB still must address the extent and nature of the project's environmental impact and whether such impact can be adequately mitigated. New construction on this project may not begin until the STB reaches a final decision.

The DM&E has stated that it could repay project debt and cover its operating costs if it captures a 5% market share in the Powder River Basin. If the Project proves to be viable, management believes that the value of the Company's investment in the DM&E could increase dramatically.

OTHER MATTERS

In September 1998, the Company suspended production at its Newport, KY pipe coating facility due to unfavorable market conditions. Management intends to dispose of the assets and has reclassified the machinery and equipment as assets held for resale.

On June 30, 1999, the Company acquired CXT, based in Spokane, WA. CXT is a manufacturer of engineered prestressed and precast concrete products primarily used in the railroad and transit industries. The addition of CXT is viewed by management as an opportunity to vertically integrate the Company's transit products segment and to increase the Company's product offerings to Class I railroads.

In August 1999, the Company executed an agreement to sell, subject to certain contingencies, an undeveloped 62 acre portion of a 127 acre Houston, TX property for approximately \$2.0 million. The sale, if consummated, is expected to be completed by the end of the first quarter of 2000 and will not have a material impact on the Company's earnings.

The Company continues to explore the divestiture of its real estate located in Doraville, GA, as well as its Mining division, which is comprised of facilities and inventory located at Pomeroy, OH and St. Marys, WV.

Management continues to evaluate the overall performance of its operations. A decision to terminate an existing operation could have a material adverse effect on near-term earnings but would not be expected to have a material adverse effect on the financial condition of the Company.

IMPACT OF YEAR 2000

In prior years, the Company discussed the nature and progress of its plans to become Year 2000 ready. In January, 1999, the Company completed its remediation and testing of systems. As a result of those planning and implementation efforts, the Company experienced no significant disruptions in mission-critical information technology and non-information technology systems and believes those systems successfully responded to the Year 2000 date change. The costs associated with the installation of the year 2000 compliant release are considered by management to be in the ordinary course of business and are not material to its financial results.

The Company is not aware of any material problems resulting from Year 2000 issues, either with its products, its internal systems, or the products and services of third parties. The Company will continue to monitor its mission critical computer applications and those of its suppliers and vendors throughout the year to ensure that any latent year 2000 matters that may arise are addressed promptly.

OUTLOOK

Revenues from piling products declined following the closure of Bethlehem's

structural mill in April 1997 and continue to be at reduced levels as the Company's remaining sheet piling inventory is liquidated. The Company has become Chaparral Steel's exclusive North American distributor of steel sheet piling and "H" bearing pile. Shipments of "H" bearing pile began very late in the third quarter of 1999 from Chaparral's new Petersburg, VA facility, while current mill projections are to begin initial test rollings of Z-shaped sheet piling during the second quarter of 2000. The Company does not expect production of Z-shaped sheet piling in meaningful quantities until the third quarter of 2000.

The rail segment of the business depends on one source for fulfilling certain trackwork contracts. At December 31, 1999, the Company had \$9.7 million committed to this supplier including inventory progress payments, a note receivable, equipment, and other receivables, principally interest charges on inventory progress payments. If, for any reason, this supplier is unable to perform, the Company could experience a negative short-term effect on earnings.

The Company's CXT subsidiary and Allegheny Rail Products division are dependent on one customer for a significant portion of their business. In addition, a substantial portion of the Company's operations is heavily dependent on governmental funding of infrastructure projects. Significant changes in the level of government funding of these projects could have a favorable or unfavorable impact on the operating results of the Company. Additionally, governmental actions concerning taxation, tariffs, the environment or other matters could impact the operating results of the Company. The Company's operating results may also be affected by adverse weather conditions.

Although backlog is not necessarily indicative of future operating results, total Company backlog at December 31, 1999, was approximately \$154.9 million. The following table provides the backlog by business segment.

(in thousands)	December 31,		
	1999	1998	1997

Backlog:			
Rail Products			
excluding CXT	\$ 41,685	\$ 62,481	\$ 51,584
CXT	69,393		
Construction Products	41,842	42,542	23,284
Tubular Products			
excluding Fosterweld	2,012	3,541	1,660
Fosterweld			2,295

Total Backlog	\$154,932	\$ 108,564	\$ 78,823
=====			

MARKET RISK AND RISK MANAGEMENT POLICIES

The Company is not subject to significant exposure to change in foreign currency exchange rates. The Company does hedge the cash flows of the operations of its Canadian subsidiary. The Company manages its exposures to changes in foreign currency exchange rates on firm sales commitments by entering into foreign currency forward contracts. The Company's risk management objective is to reduce its exposure to the effects of changes in exchange rates on sales revenue over the duration of the transaction.

At year end, the Company had foreign currency forward contracts to purchase \$200,000 Canadian for approximately \$137,000 US.

The Company has entered into an interest rate swap agreement as the fixed rate payor to reduce the impact of changes in interest rates on a portion of its revolving borrowings. At December 31, 1999, the swap agreement had a notional value of \$8,000,000 at 5.48%, and expires in January 2001. The swap agreement's floating rate is based on LIBOR. Any amount paid or received under the agreement is recognized as an adjustment to interest expense. Neither the fair market value of the agreement nor the interest expense adjustments associated with the agreement has been material.

FORWARD-LOOKING STATEMENTS

Statements relating to the potential value or viability of the DM&E or the Project, or management's belief as to such matters, are forward-looking statements and are subject to numerous contingencies and risk factors. The Company has based its assessments on information provided by the DM&E and has not independently verified such information. In addition to matters mentioned above, factors which can adversely affect the value of the DM&E, its ability to complete the Project or the viability of the Project include the following: labor disputes, any inability to obtain necessary environmental and governmental approvals for the Project in a timely fashion, the expense of environmental

mitigation measures required by the Surface Transportation Board, an inability to obtain financing for the Project, competitors' responses to the Project, market demand for coal or electricity and changes in environmental and other laws and regulations.

The Company wishes to caution readers that various factors could cause the actual results of the Company to differ materially from those indicated by forward-looking statements made from time to time in news releases, reports, proxy statements, registration statements and other written communications (including the preceding sections of this Management's Discussion and Analysis), as well as oral statements made from time to time by representatives of the Company. Additional delays in Chaparral's production of steel sheet piling would, for example, have an adverse effect on the Company's performance. Except for historical information, matters discussed in such oral and written communications are forward-looking statements that involve risks and uncertainties, including but not limited to general business conditions, the availability of material from major suppliers, the impact of competition, the seasonality of the Company's business, taxes, inflation and governmental regulations. Sentences containing words such as "anticipates", "expects", or "will" generally should be considered forward-looking statements.

/s/Roger F. Nejes
Roger F. Nejes
Senior Vice President
Finance and Administration
Chief Financial Officer

/s/Linda K. Patterson
Linda K. Patterson
Controller

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1999 AND 1998

ASSETS (in thousands)	1999	1998

CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,558	\$ 874
Accounts receivable - net	53,112	47,283
Inventories	45,601	36,159
Current deferred tax assets	1,925	
Other current assets	981	614
Property held for resale	2,856	

Total Current Assets	106,033	84,930

PROPERTY, PLANT AND EQUIPMENT - NET	30,126	20,433

PROPERTY HELD FOR RESALE	4,203	615

OTHER ASSETS:		
Goodwill and other intangibles - net	7,474	3,791
Investments	8,610	1,693
Net assets of discontinued operations		2,174
Deferred tax assets	1,720	
Other assets	6,565	5,798

Total Other Assets	24,369	13,456

TOTAL ASSETS	\$164,731	\$119,434
=====		
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 1,141	\$ 1,098
Short-term borrowings	5,000	2,275
Accounts payable - trade	24,446	19,667
Accrued payroll and employee benefits	3,619	4,498
Current deferred tax liabilities	1,857	334
Other accrued liabilities	2,233	2,454

Total Current Liabilities	38,296	30,326

LONG-TERM DEBT	44,136	13,829

DEFERRED TAX LIABILITIES	6,293	678

OTHER LONG-TERM LIABILITIES	1,356	1,107

COMMITMENTS AND CONTINGENT LIABILITIES (Note 17)		

STOCKHOLDERS' EQUITY		
Common stock, issued 10,228,739 shares in 1999 and 1998	102	102
Paid-in capital	35,377	35,431
Retained earnings	42,505	40,002
Treasury stock - at cost, Common stock, 590,133 shares in 1999 and 378,233 shares in 1998	(3,364)	(2,046)
Accumulated other comprehensive income	30	5

Total Stockholders' Equity	74,650	73,494

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$164,731	\$119,434
=====		

See Notes to Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME FOR
THE THREE YEARS ENDED DECEMBER 31, 1999

(in thousands, except per share data)	1999	1998	1997
NET SALES	\$241,923	\$219,449	\$220,343
COSTS AND EXPENSES:			
Cost of goods sold	204,838	186,237	190,701
Selling and administrative expenses	27,758	24,734	21,730
Interest expense	3,230	1,631	2,495
Other income	(1,184)	(1,731)	(475)
	234,642	210,871	214,451
INCOME FROM CONTINUING OPERATIONS, BEFORE INCOME TAXES			
	7,281	8,578	5,892
INCOME TAX EXPENSE	2,663	3,513	2,127
INCOME FROM CONTINUING OPERATIONS			
	4,618	5,065	3,765
LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX			
	(2,115)	(688)	(478)
NET INCOME			
	\$2,503	\$ 4,377	\$ 3,287
BASIC EARNINGS PER COMMON SHARE:			
CONTINUING OPERATIONS	\$0.48	\$0.51	\$ 0.37
DISCONTINUED OPERATIONS	(0.22)	(0.07)	(0.05)
BASIC EARNINGS PER COMMON SHARE			
	\$0.26	\$0.44	\$ 0.32
DILUTED EARNINGS PER COMMON SHARE:			
CONTINUING OPERATIONS	\$0.46	\$0.50	\$ 0.37
DISCONTINUED OPERATIONS	(0.21)	(0.07)	(0.05)
DILUTED EARNINGS PER COMMON SHARE			
	\$0.25	\$0.43	\$ 0.32

1998 and 1997 results have been restated to reflect the classification of the Monitor Group segment as a discontinued operation.

See Notes to Consolidated Financial Statements.

L. B. FOSTER COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE THREE YEARS ENDED DECEMBER 31, 1999

(in thousands)	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income from continuing operations	\$4,618	\$5,065	\$3,765
Adjustments to reconcile net income to net cash provided by operating activities:			
Deferred income taxes	(133)	581	1,251
Depreciation and amortization	4,493	2,825	2,537
Loss (gain) on sale of property, plant and equipment	76	(1,360)	(112)
Change in operating assets and liabilities:			
Accounts receivable	2,243	1,766	3,471
Inventory	(5,839)	3,253	787
Property held for resale	(30)	261	(54)
Other current assets	(208)	(46)	(159)
Other noncurrent assets	(839)	(2,673)	(340)
Accounts payable - trade	544	8,394	(8,742)
Accrued payroll and employee benefits	(1,576)	1,490	(537)
Other current liabilities	862	1,731	(671)
Other liabilities	249	(1,099)	328
Net Cash Provided by Continuing Operations	4,460	20,188	1,524
Net Cash Used by Discontinued Operations	(1,159)	(968)	(620)
Net Cash Provided by Operating Activities	3,301	19,220	904
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from the sale of property, plant and equipment	4,410	1,269	1,578
Proceeds from the sale of Fosterweld division		7,258	
Capital expenditures on property, plant and equipment	(5,001)	(2,775)	(2,063)
Purchase of DM&E stock	(6,000)		(1,500)
Acquisition of business	(17,514)	(3,774)	(6,739)
Net Cash (Used) Provided by Investing Activities	(24,105)	1,978	(8,724)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds (repayments) of revolving credit agreement borrowings	32,725	(20,836)	9,111
Proceeds from industrial revenue bond		2,045	
Exercise of stock options and stock awards	330	412	571
Treasury share transactions	(1,702)	(1,808)	(531)
Repayments of long-term debt	(9,881)	(1,293)	(1,376)
Net Cash Provided (Used) by Financing Activities	21,472	(21,480)	7,775
Effect of exchange rate changes on cash	16		
Net Increase (Decrease) in Cash and Cash Equivalents	684	(282)	(45)
Cash and Cash Equivalents at Beginning of Year	874	1,156	1,201
Cash and Cash Equivalents at End of Year	\$1,558	\$ 874	\$ 1,156
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Interest Paid	\$2,376	\$1,839	\$2,493
Income Taxes Paid	\$2,869	\$2,136	\$627

During 1999, 1998 and 1997, the Company financed certain capital expenditures totaling \$1,502,000, \$336,000 and \$33,500, respectively, through the issuance of capital leases.

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF
STOCKHOLDERS' EQUITY
FOR THE THREE YEARS ENDED
DECEMBER 31, 1999

(in thousands, except share data)	Common Stock	Paid-in Capital	Retained Earnings	Treasury Stock	Accum- ulated Other Compre- hensive Income	Total
Balance, January 1, 1997	\$102	\$35,276	\$32,338	\$(535)		\$67,181
Net Income			3,287			3,287
Other comprehensive income net of tax:						
Minimum pension lia- bility adjustment					\$19	19
Comprehensive income						3,306
Exercise of options to purchase 190,000 shares of Common stock		158		413		571
Treasury stock purchases of 105,500 shares				(531)		(531)
Balance, December 31, 1997	102	35,434	35,625	(653)	19	70,527
Net Income			4,377			4,377
Other comprehensive income net of tax:						
Foreign currency trans- lation losses					(14)	(14)
Comprehensive income						4,363
Exercise of options to purchase 93,200 shares of Common stock		(3)		415		412
Treasury stock purchases of 330,989 shares				(1,808)		(1,808)
Balance, December 31, 1998	102	35,431	40,002	(2,046)	5	73,494
Net Income			2,503			2,503
Other comprehensive income net of tax:						
Foreign currency trans- lation adjustment					25	25
Comprehensive income						2,528
Exercise of options to purchase 39,000 shares of Common stock		(54)		384		330
Treasury stock purchases of 288,809 shares				(1,702)		(1,702)
Balance, December 31, 1999	\$102	\$35,377	\$42,505	\$(3,364)	\$30	\$74,650

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF FINANCIAL STATEMENT PRESENTATION - The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated. The term "Company" refers to L. B. Foster Company and its subsidiaries, as the context requires.

CASH EQUIVALENTS - The Company considers securities with maturities of three months or less, when purchased, to be cash equivalents.

INVENTORIES - Inventories are generally valued at the lower of the last-in, first-out (LIFO) cost or market. Approximately 14% in 1999 and 5% in 1998 of the Company's inventory is valued at average cost or market, whichever is lower.

PROPERTY, PLANT AND EQUIPMENT - Maintenance, repairs and minor renewals are charged to operations as incurred. Major renewals and betterments which substantially extend the useful life of the property are capitalized. Upon sale or other disposition of assets, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss, if any, is reflected in income. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of 30 to 40 years for buildings and 3 to 10 years for machinery and equipment. Leasehold improvements are amortized over 2 to 7 years which represent the lives of the respective leases or the lives of the improvements, whichever is shorter.

GOODWILL - Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired. Goodwill is being amortized on a straight-line basis over periods of 10 to 20 years. Useful life is established at the time of acquisition based upon the estimated period of future benefit. When factors indicate that goodwill should be evaluated for impairment, the excess of the unamortized goodwill over the fair value determined using a multiple of cash flows from operations will be charged to operations. Goodwill amortization expense was \$660,000, \$513,000 and \$178,000 in 1999, 1998 and 1997, respectively.

INTEREST RATE AGREEMENTS - To offset exposures to changes in interest rates on variable rate debt, the Company enters into interest rate swap agreements. The effects of movements in interest rates on these instruments are recognized as they occur.

ENVIRONMENTAL REMEDIATION AND COMPLIANCE - Environmental remediation costs are accrued when the liability is probable and costs are estimable. Environmental compliance costs, which principally include the disposal of waste generated by routine operations, are expensed as incurred. Capitalized environmental costs are depreciated, when appropriate, over their useful life.

EARNINGS PER SHARE - Basic earnings per share is calculated by dividing net income by the weighted average of common shares outstanding during the year. Diluted earnings per share is calculated by using the weighted average of common shares outstanding adjusted to include the potentially dilutive effect of outstanding stock options.

REVENUE RECOGNITION - Customers are invoiced and income is recognized when material is shipped from stock or when the Company is billed for material shipped directly from the vendor. Gross sales are reduced by sales taxes, discounts and freight to determine net sales.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

STOCK-BASED COMPENSATION - The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. The Company follows the requirements of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," in accounting for stock-based compensation, and, accordingly, recognizes no compensation expense for stock option grants.

NEW ACCOUNTING PRONOUNCEMENTS - In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative financial instruments and hedging activities. In June 1999, FASB Statement No. 137, "Accounting for Derivative Instruments and Hedging Activities: Deferral of Effective Date of the FASB Statement No. 133," was issued. This statement delays the effective date to

all fiscal quarters of all fiscal years beginning after June 15, 2000. This statement will be adopted by the Company in 2001 and is not expected to have a material effect on the consolidated financial statements.

FOREIGN CURRENCY TRANSLATION - To avoid foreign exchange exposure whenever possible, hedging techniques are used to protect transaction costs and profits.

NOTE 2.
ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 1999 and 1998 are summarized as follows:

(in thousands)	1999	1998
Trade	\$53,665	\$47,921
Allowance for doubtful accounts	(1,555)	(1,438)
Other	1,002	800
	\$53,112	\$47,283

The Company's customers are principally in the rail, construction and tubular segments of the economy. As of December 31, 1999 and 1998, trade receivables, net of allowance for doubtful accounts, from customers in these markets were as follows:

(in thousands)	1999	1998
Rail	\$33,278	\$30,676
Construction	17,116	12,478
Tubular	1,716	3,329
	\$52,110	\$46,483

Credit is extended on an evaluation of the customer's financial condition and generally collateral is not required.

NOTE 3. INVENTORIES

Inventories at December 31, 1999 and 1998 are summarized as follows:

(in thousands)	1999	1998
Finished goods	\$28,755	\$26,877
Work-in-process	13,000	7,520
Raw materials	6,298	4,546
Total inventories at current costs	48,053	38,943
Less:		
Current cost over LIFO stated values	(1,852)	(2,184)
Inventory valuation reserve	(600)	(600)
	\$45,601	\$36,159

At December 31, 1999 and 1998, the LIFO carrying value of inventories for book purposes exceeded the LIFO carrying value for tax purposes by approximately \$4,106,000 and \$4,427,000, respectively. During 1999 and 1998, inventory quantities were reduced resulting in a liquidation of certain LIFO inventory layers. The majority of these quantities were carried at costs which were higher than current purchases. The net effect of these reductions in 1999 and 1998 was to increase cost of goods sold by \$531,000 and \$146,000, respectively.

NOTE 4.
PROPERTY HELD FOR RESALE

Property held for resale at December 31, 1999 and 1998 consists of the following:

(in thousands)	1999	1998
Location:		
Norcross, GA	\$ 3,055	

Houston, TX	1,511	
Newport, KY	1,345	
Pomeroy, OH	665	
St. Marys, WV	483	
Marrero, LA		\$ 615

Property held for resale	7,059	615

Less current portion	2,856	

	\$ 4,203	\$ 615
=====		

The Norcross, GA location consists of buildings and approximately 28 acres of land, which are being underutilized in the Company's business.

In the second quarter of 1998, the Company recorded an impairment write-down to the recorded value of the entire parcel of land at the Houston, TX location of approximately \$900,000, which was classified within Other Income on the Consolidated Statements of Income. The impairment was determined based upon management's estimate of fair value arising from ongoing negotiations to sell the facility. The negotiations were not consummated; however, management considers the estimate to continue to be an appropriate measure of fair value. A portion of the remaining Houston property is utilized in the Company's rail, construction and tubular operating segments.

In August 1999, the Company executed an agreement to sell, subject to certain contingencies, an undeveloped 62-acre portion of a 127-acre Houston, TX property for approximately \$2,000,000. The sale, if consummated, is expected to be completed by the end of the first quarter of 2000 and will not have a material impact on the Company's earnings.

The Newport, KY location consisting of machinery and equipment was included in the Company's coated pipe division of the tubular products segment. Due to unfavorable market conditions, management suspended operations in September 1998 and intends to dispose of the assets. An impairment loss of \$183,000 was recorded in 1999 in anticipation of the disposal cost.

The St. Marys, WV and Pomeroy, OH locations, consisting of machinery and equipment, buildings, land and land improvements which comprise the Company's Mining division of the rail products segment, were determined not to meet the Company's long-range strategic goals. The Company continues to explore the divestiture of these assets.

The Marrero, LA location was formerly leased to a third party, but is currently planned to be used for yard storage in the future. This land has been reclassified to property, plant and equipment.

NOTE 5.
DISCONTINUED OPERATIONS

In the fourth quarter of 1999, the Company made the decision to classify the Monitor Group, a developer of portable mass spectrometers, as a discontinued operation, pending its sale. Accordingly, the operating results of the Monitor Group, including a complete write-off of assets have been segregated from continuing operations and reported as separate line items on the financial statements.

The Company has restated its financial statements to reflect the operating results of the Monitor Group as a discontinued operation, for the prior periods presented.

Operating results, excluding corporate interest charges, from discontinued operations are as follows:

(in thousands)	1999	1998	1997

Net sales	\$ 73	\$ 26	
Cost of goods sold	1,276	985	\$ 565
Selling and administrative expenses	144	206	183

Operating loss	(1,347)	(1,165)	(748)
Provision for disposal of assets	(1,984)		

Loss before income taxes	(3,331)	(1,165)	(748)
Income tax credits	(1,216)	(477)	(270)

Loss from discontinued			

operations (\$2,115) (\$ 688) (\$ 478)
 =====

The asset write-off consists of the following components, in thousands:

Intangibles\$1,764
 Inventory 209
 Equipment 11

 \$1,984
 =====

NOTE 6.
 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 1999 and 1998 consists of the following:

(in thousands)	1999	1998
Land	\$ 3,138	\$ 6,038
Improvements to land and leaseholds	4,632	4,458
Buildings	3,382	3,879
Machinery and equipment, including equipment under capitalized leases (see Note 14, Rental and Lease Information)	38,877	28,558
Construction in progress	1,718	626
-----	51,747	43,559
Less accumulated depreciation and amortization, including accumulated amortization of capitalized leases (see Note 14, Rental and Lease Information)	21,621	23,126
-----	\$30,126	\$20,433
=====		

NOTE 7.
 OTHER ASSETS AND INVESTMENTS

At December 31, 1999 and 1998, other assets include notes receivable and accrued interest totaling \$2,679,000 and \$2,445,000, respectively, from investors in the Dakota, Minnesota & Eastern Railroad Corporation (DM&E). The Company also holds investments in the stock of the DM&E, which is recorded at its historical cost of \$7,693,000 and \$1,693,000 at December 31, 1999 and 1998, respectively. This investment is comprised of \$193,000 of DM&E Common Stock, \$1,500,000 of DM&E's Series B Preferred Stock and Common Stock warrants, and \$6,000,000 in DM&E Series C Preferred Stock and warrants. The Company has accrued dividend income on the Series B and C Preferred Stock of \$872,000 and \$78,750 in 1999 and 1998, respectively. Although the market value of the investments in DM&E stock are not readily determinable, management believes the fair value of this investment exceeds its carrying amount.

Additionally, at December 31, 1999 and 1998, the Company has classified as noncurrent a \$2,000,000 note receivable from a major trackwork supplier (see Note 18, Risks and Uncertainties).

NOTE 8.
 BORROWINGS

Effective June 1999, the Company's \$45,000,000 revolving credit agreement was amended and increased to \$70,000,000. On December 30, 1999, the Company reduced the revolving credit agreement to \$65,800,000. The interest rate is, at the Company's option, based on the prime rate, the domestic certificate of deposit rate (CD rate) or the Euro-bank rate (LIBOR). The interest rates are established quarterly based upon cash flow and the level of outstanding borrowings to debt as defined in the agreement. Interest rates range from prime, to prime plus 0.25%, the CD rate plus 0.575% to 1.8%, and the LIBOR rate plus 0.575% to 1.8%. Borrowings under the agreement, which expires July 1, 2003, are secured by eligible accounts receivable, inventory, and the pledge of the Company-held Dakota, Minnesota & Eastern Railroad Corporation Preferred Stock.

The agreement includes financial covenants requiring a minimum net worth, a

minimum level for the fixed charge coverage ratio and a maximum level for the consolidated total indebtedness to EBITDA ratio. The agreement also restricts investments, indebtedness, and the sale of certain assets.

As of December 31, 1999, the Company was in compliance with all the agreement's covenants. At December 31, 1999, 1998 and 1997, the weighted average interest rate on short term borrowings was 6.78%, 6.95% and 7.06%, respectively. At December 31, 1999, the Company had borrowed \$45,000,000 under the agreement of which \$40,000,000 was classified as long-term (see Note 9). Under the agreement, the Company had approximately \$11,667,000 in unused borrowing commitment at December 31, 1999.

NOTE 9.
LONG-TERM DEBT AND RELATED MATTERS

Long-term debt at December 31, 1999 and 1998 consists of the following:

(in thousands)	1999	1998

Revolving Credit Agreement with weighted average interest rate of 6.78% at December 31, 1999 and 6.95% at December 31, 1998, expiring July 1, 2003	\$40,000	\$10,000

Lease obligations payable in installments through 2004 with a weighted average interest rate of 8.07% at December 31, 1999 and 7.99% at December 31, 1998	3,232	2,882

Massachusetts Industrial Revenue Bond with an average interest rate of 3.53% at December 31, 1999 and 3.73% at December 31, 1998, payable March 1, 2013	2,045	2,045

	45,277	14,927
Less current maturities	1,141	1,098

	\$44,136	\$13,829
=====		

The \$40,000,000 revolving credit borrowings included in long-term debt were obtained under the revolving loan agreement discussed in Note 8 and are subject to the same terms and conditions. This portion of the borrowings is classified as long-term because the Company does not anticipate reducing the borrowings below \$40,000,000 during 2000.

The Massachusetts Industrial Revenue Bond is secured by a \$2,085,000 standby letter of credit.

The Company has entered into an interest rate swap agreement as the fixed rate payor to reduce the impact of changes in interest rates on a portion of its revolving borrowings. At December 31, 1999, the swap agreement had a notional value of \$8,000,000 at 5.48%, expiring in January 2001. The swap agreement's floating rate is based on LIBOR. Any amounts paid or received under the agreement are recognized as adjustments to interest expense. Neither the fair market value of the agreement nor the interest expense adjustments associated with the agreement has been material.

The maturities of long-term debt for each of the succeeding five years subsequent to December 31, 1999 are as follows: 2000 - \$1,141,000; 2001 - \$837,000; 2002 - \$693,000; 2003 - \$40,417,000; 2004 and after - \$2,189,000.

NOTE 10.
STOCKHOLDERS' EQUITY

At December 31, 1999 and 1998, and as a result of the Company's reincorporation in Pennsylvania in May, 1998, the Company had authorized shares of 20,000,000 in Common stock and 5,000,000 in Preferred stock. No Preferred stock has been issued. The Common stock has a par value of \$.01 per share. No par value has been assigned to the Preferred stock.

The Company's Board of Directors authorized the purchase of up to 1,500,000 shares of its Common stock at prevailing market prices. The timing and extent of the purchases will depend on market conditions. 1,500,000 shares represent approximately 15% of the Company's outstanding Common stock. As of December 31, 1999, the Company had repurchased 725,298 shares at a total cost of approximately \$4,040,600.

No cash dividends on Common stock were paid in 1999, 1998, or 1997.

NOTE 11.
STOCK OPTIONS

The Company has two stock option plans currently in effect under which future grants may be issued: The 1985 Long-Term Incentive Plan (1985 Plan) and the 1998 Long-Term Incentive Plan (1998 Plan).

The 1985 Plan, as amended and restated in March 1994, provides for the award of options to key employees and directors to purchase up to 1,500,000 shares of Common stock at no less than 100% of fair market value on the date of the grant. The 1998 Plan, as amended and restated in February 1999, provides for the award of options to key employees and directors to purchase up to 450,000 shares of Common stock at no less than 100% of fair market value on the date of the grant. Both Plans provide for the granting of "nonqualified options" and "incentive stock options" with a duration of not more than ten years from the date of grant. The Plans also provide that, unless otherwise set forth in the option agreement, options are exercisable in installments of up to 25% annually beginning one year from date of grant. Stock to be offered under the Plans may be authorized from unissued Common stock or previously issued shares which have been reacquired by the Company and held as Treasury shares. At December 31, 1999, 1998 and 1997, Common stock options outstanding under the Plans had option prices ranging from \$2.63 to \$6.00, with a weighted average price of \$4.24, \$3.96 and \$3.71 per share, respectively.

The weighted average remaining contractual life of the stock options outstanding for the three years ended December 31, 1999 are: 1999 - 6.3 years; 1998 - 5.9 years; and 1997 - 5.2 years.

The Option Committee of the Board of Directors which administers the Plans may, at its discretion, grant stock appreciation rights at any time prior to six months before an option's expiration date. Upon exercise of such rights, the participant surrenders the exercisable portion of the option in exchange for payment (in cash and/or Common stock valued at its fair market value) of an amount not greater than the spread, if any, by which the average of the high and low sales prices quoted in the Over-the-Counter Exchange on the trading day immediately preceding the date of exercise of the stock appreciation right exceeds the option price. No stock appreciation rights were issued or outstanding during 1999, 1998 or 1997.

Options exercised during 1999, 1998 and 1997 totaled 39,000, 93,200 and 190,000 shares, respectively. The weighted average exercise price per share of the options in 1999, 1998 and 1997 was \$3.35, \$3.31 and \$3.00, respectively.

Certain information for the three years ended December 31, 1999 relative to employee stock options is summarized as follows:

	1999	1998	1997

Number of shares under Incentive Plan:			
Outstanding at beginning of year	967,500	858,500	944,000
Granted	135,000	215,000	141,500
Canceled	(113,000)	(12,800)	(37,000)
Exercised	(39,000)	(93,200)	(190,000)

Outstanding at end of year	950,500	967,500	858,500
=====			
Exercisable at end of year	656,875	723,875	659,250
=====			
Number of shares available for			

future grant:			
Beginning of year	5,550	182,750	287,250
=====			
End of year	408,550	5,550	182,750
=====			

The weighted average fair value of options granted at December 31, 1999, 1998, and 1997 was \$2.68, \$2.40 and \$2.94, respectively.

The Company has adopted the disclose-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," but applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option plans. Accordingly, no compensation expense has been recognized. Had compensation expense for the Company's stock option plans been determined using the method required by SFAS No. 123, the effect to the Company's net income and earnings per share would have been reduced to the pro forma amounts that follow:

(in thousands, except per share amounts)	1999	1998	1997

Net income from continuing operations	\$4,478	\$4,887	\$3,726
Loss from discontinued operations, net of tax	(2,115)	(688)	(478)

Net income	\$2,363	\$4,199	\$3,248
=====			
Basic earnings per common share:			
Continuing operations	\$ 0.46	\$ 0.49	\$ 0.37
Discontinued operations	(0.22)	(0.07)	(0.05)

Basic earnings per common share	\$ 0.24	\$ 0.42	\$ 0.32
=====			
Diluted earnings per common share:			
Continuing operations	\$ 0.45	\$ 0.49	\$ 0.37
Discontinued operations	(0.21)	(0.07)	(0.05)

Diluted earnings per common share	\$ 0.24	\$ 0.42	\$ 0.32
=====			

The fair value of stock options used to compute pro forma net income and earnings per share disclosures is the estimated present value at grant date using the Black-Sholes option-pricing model with the following weighted average assumptions used for grants in 1999, 1998 and 1997, respectively: risk-free interest rates of 6.14% , 4.77% and 6.29%; dividend yield of 0.0% for all three years; volatility factors of the expected market price of the Company's Common stock of .30, .31 and .38; and a weighted average expected life of the option of ten years.

NOTE 12.
EARNINGS PER COMMON SHARE

The following table sets forth the computation of basic and diluted earnings per common share:

(in thousands, except per share amounts)	Years ended December 31,		
	1999	1998	1997

Numerator:			
Numerator for basic and diluted earnings per common share - net income available to common stockholders:			
Income from continuing operations	\$ 4,618	\$ 5,065	\$ 3,765
Loss from discontinued operations	(2,115)	(688)	(478)

Net income	\$ 2,503	\$ 4,377	\$ 3,287
=====			
Denominator:			
Weighted average shares	9,664	9,988	10,122

Denominator for basic earnings per common share	9,664	9,988	10,122

Effect of dilutive securities:

Contingent issuable shares pursuant to the Company's 1998 & 1997 Bonus Plan	51	15	
Employee stock options	231	205	165

Dilutive potential common shares	282	220	165
Denominator for diluted earnings per common share - adjusted weighted average shares and assumed conversions	9,946	10,208	10,287
=====			
Basic earnings per common share:			
Continuing operations	\$ 0.48	\$ 0.51	\$ 0.37
Discontinued operations	(0.22)	(0.07)	(0.05)

Basic earnings per common share	\$ 0.26	\$ 0.44	\$ 0.32
=====			
Diluted earnings per common share:			
Continuing operations	\$ 0.46	\$ 0.50	\$ 0.37
Discontinued operations	(0.21)	(0.07)	(0.05)

Diluted earnings per common share	\$ 0.25	\$ 0.43	\$ 0.32
=====			
Weighted average antidilutive stock options	42	54	36
=====			

NOTE 13.
INCOME TAXES

At December 31, 1999 and 1998 the tax benefit of net operating loss carryforwards available for foreign and state income tax purposes was approximately \$1,063,000 and \$631,000, respectively. The Company also has alternative minimum federal tax credit carryforwards at December 31, 1999 and 1998, of approximately \$430,000 and \$131,000, respectively. For financial reporting purposes, a valuation allowance of \$460,000 at December 31, 1999 and \$125,000 at December 31, 1998 has been recognized to offset the deferred tax assets related to the foreign and state income tax carryforwards. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 1999 and 1998, are as follows:

(in thousands)	1999	1998

Deferred tax liabilities:		
Depreciation	\$ 5,537	\$ 1,318
Inventories	1,154	1,272

Total deferred tax liabilities	6,691	2,590
=====		
Deferred tax assets:		
Accounts receivables	531	533
Net operating loss carryforwards	1,063	631
Tax credit carryforwards	430	131
Other - net	622	408

Total deferred tax assets	2,646	1,703
Valuation allowance for deferred tax assets	460	125

Deferred tax assets	2,186	1,578

Net deferred tax liability	\$ (4,505)	\$ (1,012)
=====		

The valuation allowance for deferred tax assets was increased by \$335,000 during 1999 and reduced by \$25,000 during 1998.

Significant components of the provision for income taxes are as follows:

(in thousands)	1999	1998	1997

Current:			
Federal	\$2,746	\$2,594	\$ 736
State	50	338	140

Total current	2,796	2,932	876

Deferred:			
Federal	8	507	1,082
Foreign	32	(106)	
State	(173)	180	169

Total deferred	(133)	581	1,251
=====			
Total income tax expense	\$2,663	\$3,513	\$ 2,127
=====			

The reconciliation of income tax computed at statutory rates to income tax expense (benefit) is as follows:

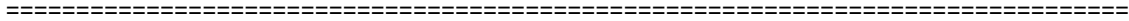
	1999	1998	1997

Statutory rate	34.0%	34.0%	34.0%
State income tax	(2.1)	4.6	4.0
Foreign income tax	8.4	1.3	
Nondeductible expenses	3.9	1.8	1.7
Prior period tax	(7.0)	(0.3)	(3.6)
Other	(0.6)	(0.4)	

36.6%

41.0%

36.1%



NOTE 14.
RENTAL AND LEASE INFORMATION

The Company has capital and operating leases for certain plant facilities, office facilities, and equipment. Rental expense for the years ended December 31, 1999, 1998, and 1997 amounted to \$2,449,000, \$1,885,000 and \$1,801,000, respectively. Generally, the land and building leases include escalation clauses.

On December 30, 1999, the Company entered into a \$4,200,000 sale-leaseback transaction whereby the Company sold and leased back the assets of the Grand Island, NE facility. The resulting lease is being accounted for as an operating lease. There was no gain or loss recorded on the sale. The lease base term is five years with balloon payment options at amounts approximating fair value at the end of the base term. The interest rate for this transaction is 7.42% with escalation provisions if LIBOR exceeds 7.249%.

The following is a schedule, by year, of the future minimum payments under capital operating leases, together with the present value of the net minimum payments as of December 31, 1999:

(in thousands)	Capital Leases	Operating Leases
Year ending December 31,		
2000	\$ 1,355	\$ 2,723
2001	976	2,507
2002	765	2,412
2003	511	1,898
2004 and thereafter	146	2,653
Total minimum lease payments	3,753	\$12,193
Less amount representing interest	521	
Total present value of minimum payment	3,232	
Less current portion of such obligations	1,141	
Long-term obligations with interest rates ranging from 3.66% to 8.86%	\$2,091	

Assets recorded under capital leases are as follows:

(in thousands)	1999	1998
Machinery and equipment at cost	\$4,117	\$6,867
Construction in progress	180	
Less accumulated amortization	4,297	6,867
	1,757	3,291
Net property, plant and equipment	2,540	3,576
Machinery and equipment held for resale, at cost	2,046	
Less accumulated amortization/valuation	843	
Net property held for resale	1,203	
Net prepaid expenses	121	45
Net capital lease assets	\$3,864	\$3,621

NOTE 15.
ACQUISITIONS

On June 30, 1999, the Company acquired all of the outstanding stock of CXT Incorporated, a Spokane, WA based manufacturer of engineered prestressed and precast concrete products primarily used in the railroad and transit industries. The purchase price of \$17,514,000 has been preliminarily allocated based on the

estimated fair values of the assets acquired and liabilities assumed. This allocation has resulted in acquired goodwill of approximately \$4,221,000, which is being amortized on a straight-line basis over twenty years. The Company expects to finalize all purchase accounting adjustments within one year of the acquisition, none of which is expected to be significant.

In 1998, the Company purchased assets related to the business of supplying rail signaling and communication devices for \$1,668,000. In addition, the Company acquired the assets and patents of the Geotechnical division of VSL Corporation for \$2,100,000, plus the assumption of certain liabilities, of which \$100,000 was assigned to a patent. The Geotechnical division is a leading supplier of mechanically stabilized earth systems.

The acquisitions have been reported using the purchase method of accounting and have been included in operations since the date of acquisition. For each acquisition, the purchase price was allocated to the assets and liabilities based on their estimated fair values as of the acquisition date.

Cost in excess of net assets acquired is being amortized on a straight-line basis over ten years, with the exception of CXT Incorporated. Pro forma results of the acquisitions, excluding CXT, assuming they had been made at the beginning of each year, would not be materially different from reported results.

Had the CXT acquisition been made at the beginning of 1998, the Company's pro forma unaudited results would have been:

(in thousands, except per share amounts)	Twelve Months Ended December 31,	
	1999	1998
Net sales	\$261,588	\$251,553
Income from continuing operations	4,762	4,213
Basic earnings per share from continuing operations	\$0.49	\$0.42

The unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which would have actually resulted had the acquisition been in effect on January 1, 1998, or of future results of operations.

NOTE 16.
RETIREMENT PLANS

Substantially all of the Company's hourly paid employees are covered by one of the Company's noncontributory, defined benefit plans and a defined contribution plan. Substantially all of the Company's salaried employees are covered by a defined contribution plan established by the Company.

The hourly plan assets consist of various mutual fund investments. The following tables present a reconciliation of the changes in the benefit obligation, the fair market value of the assets and the funded status of the plan, with the accrued pension cost in other current liabilities in the Company's balance sheets:

(in thousands)	1999	1998
CHANGES IN BENEFIT OBLIGATION:		
Benefit obligation at beginning of year	\$ 2,295	\$ 2,163
Service cost	77	85
Interest cost	155	147
Actuarial losses	8	8
Benefits paid	(83)	(108)
Benefit obligation at end of year	\$ 2,452	\$ 2,295
CHANGE TO PLAN ASSETS:		
Fair value of assets at beginning of year	\$ 2,287	\$ 2,138
Actual return on plan assets	468	212
Employer contribution	46	45
Benefits paid	(83)	(108)
Fair value of assets at end of year	\$ 2,718	\$ 2,287
Funded status	\$ 266	\$ (8)
Unrecognized actuarial gain	(478)	(200)
Unrecognized net transition asset	(83)	(92)
Unrecognized prior service cost	73	81
Minimum pension liability	(18)	(61)
Net amount recognized	\$ (240)	\$ (280)
Amounts recognized in the statement of financial position consist of:		
Prepaid benefit cost	\$ (213)	\$ (204)
Accrued benefit liability	(27)	(76)
Intangible asset	18	61
Minimum pension liability	(18)	(61)
Accumulated other comprehensive income		

 Net amount recognized \$ (240) \$ (280)
 =====

The Company's funding policy for defined benefit plans is to contribute the minimum required by the Employee Retirement Income Security Act of 1974. Net periodic pension costs for the three years ended December 31, 1999 are as follows:

(in thousands)	1999	1998	1997

COMPONENTS OF NET PERIODIC BENEFIT COST:			
Service cost	\$ 77	\$ 85	\$ 82
Interest cost	155	147	138
Actual return on plan assets	(468)	(212)	(293)
Amortization of prior service cost	(2)	7	8
Recognized actuarial gain	287	31	135

Net periodic benefit cost	\$ 49	\$ 58	\$ 70
=====			

An assumed discount rate of 7% and an expected rate of return on plan assets of 8% were used to measure the projected benefit obligation and develop net periodic pension costs for the three years ended December 31, 1999.

Amounts applicable to the Company's pension plan with accumulated benefit obligations in excess of plan assets are as follows:

(in thousands)	1999	1998	1997

Projected benefit obligation	\$ 657	\$ 575	\$ 531
Accumulated benefit obligation	657	575	531
Fair value of plan assets	629	499	411
=====			

The Company's defined contribution plan, available to substantially all salaried employees, contains a matched savings provision that permits both pretax and after-tax employee contributions. Participants can contribute from 2% to 15% of their annual compensation and receive a 50% matching employer contribution on up to 6% of their annual compensation.

Further, the plan requires an additional matching employer contribution, based on the ratio of the Company's pretax income to equity, up to 50% of 6% of the employees' annual compensation. Additionally, the Company contributes 1% of all salaried employees annual compensation to the plan without regard for employee contribution. The defined contribution plan expense was \$863,000 in 1999, \$874,000 in 1998, and \$756,000 in 1997.

NOTE 17.
COMMITMENTS AND CONTINGENT LIABILITIES

The Company is subject to laws and regulations relating to the protection of the environment, and the Company's efforts to comply with increasingly stringent environmental regulations may have an adverse effect on the Company's future earnings. In the opinion of management, compliance with the present environmental protection laws will not have a material adverse effect on the financial condition, competitive position, or capital expenditures of the Company.

The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position of the Company.

At December 31, 1999, the Company had outstanding letters of credit of approximately \$2,653,000.

NOTE 18.
RISKS AND UNCERTAINTIES

The Company's future operating results may be affected by a number of factors. The Company is dependent upon a number of major suppliers. If a supplier had operational problems or ceased making material available to the Company, operations could be adversely affected.

Revenues from piling products declined following the closure of Bethlehem's structural mill in April 1997, and continue to be at reduced levels, as the majority of the Company's sheet piling inventory has been liquidated since the closure. The Company has become Chaparral Steel's exclusive North American distributor of steel sheet piling and "H" bearing pile. Shipments of "H" bearing pile began very late in the third quarter of 1999 from Chaparral's new Petersburg, Virginia facility while current mill projections are to begin initial test rollings of Z-shaped sheet piling during the second quarter of 2000. The Company does not expect production of Z-shaped sheet piling in meaningful quantities until the third quarter of 2000.

The rail segment of the business depends on one source for fulfilling certain trackwork contracts. At December 31, 1999, the Company had committed to this supplier \$9,700,000 including inventory progress payments, a note receivable, equipment, and other receivables, principally interest charges on inventory progress payments. If, for any reason, this supplier is unable to perform, the Company could experience a negative short-term effect on earnings.

The Company's CXT subsidiary and Allegheny Rail Products division are dependent on one customer for a significant portion of their business. In addition, a substantial portion of the Company's operations are heavily dependent on governmental funding of infrastructure projects. Significant changes in the

level of government funding of these projects could have a favorable or unfavorable impact on the operating results of the Company. Additionally, governmental actions concerning taxation, tariffs, the environment or other matters could impact the operating results of the Company. The Company's operating results may also be affected by adverse weather conditions.

NOTE 19.
FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of accounts receivable, accounts payable, short-term and long-term debt, and interest rate swap agreements.

The carrying amounts of the Company's financial instruments at December 31, 1999 approximate fair value.

NOTE 20.
BUSINESS SEGMENTS

L. B. Foster Company is organized and evaluated by product group, which is the basis for identifying reportable segments. The Company is engaged in the manufacture, fabrication and distribution of rail, construction and tubular products and was previously engaged in the manufacture and distribution of portable mass spectrometers.

The Company's rail segment provides a full line of new and used rail, trackwork and accessories to railroads, mines and industry. The Company also designs and produces concrete ties, bonded rail joints, power rail, track fasteners, coverboards and special accessories for mass transit and other rail systems.

The Company's construction segment sells and rents steel sheet piling and H-bearing pile for foundation and earth retention requirements. In addition, the Company's Fabricated Products division sells bridge decking, heavy steel fabrications, expansion joints, sign structures and other products for highway construction and repair. The Company's Geotechnical division designs and supplies mechanically-stabilized earth wall systems.

The Company's tubular segment supplies pipe coatings for pipelines and utilities. Additionally, the Company also produces pipe-related products for special markets, including water wells and irrigation.

The Company's portable mass spectrometer segment, the Monitor Group, was classified as a discontinued operation on December 31, 1999. Prior period results have been adjusted to reflect this classification (see Note 5, Discontinued Operations).

The Company markets its products directly in all major industrial areas of the United States primarily through a national sales force.

The following table illustrates revenues, profits, assets, depreciation/amortization and capital expenditures of the Company by segment. Segment profit is the earnings before income taxes. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies except that the Company accounts for inventory on a first-in, first-out (FIFO) basis at the segment level compared to a last-in, first-out (LIFO) basis at the consolidated level.

(in thousands)		1999			
	Net Sales	Segment Profit	Segment Assets	Depreciation/Amortization	Expenditures for Long-Lived Assets
Rail Products	\$148,296	\$ 4,080	\$ 91,089	\$ 775	\$ 20,125
Construction Products	68,666	2,296	31,786	975	3,465
Tubular Products	24,676	1,889	8,270	772	323
Total	\$241,638	\$ 8,265	\$131,145	\$ 2,522	\$ 23,913

(in thousands)		1998			
	Net Sales	Segment Profit	Segment Assets	Depreciation/Amortization	Expenditures for Long-Lived Assets
Rail Products	\$121,271	\$ 6,320	\$ 60,500	\$ 470	\$ 1,042
Construction Products	51,870	551	26,063	667	2,022
Tubular					

Products	46,044	1,698	13,437	1,043	771
Total	\$219,185	\$ 8,569	\$100,000	\$ 2,180	\$ 3,835

(in thousands)

1997

	Net Sales	Segment Profit	Segment Assets	Depreciation/Amortization	Expenditures for Long-Lived Assets
Rail Products	\$112,712	\$ 3,033	\$ 54,894	\$ 436	\$ 1,214
Construction Products	55,923	1,810	27,848	357	4,292
Tubular Products	51,762	902	24,651	1,171	1,063
Total	\$220,397	\$ 5,745	\$107,393	\$ 1,964	\$ 6,569

Sales to any individual customer do not exceed 10% of consolidated revenues. Sales between segments are immaterial.

Reconciliations of reportable segment net sales, profit, assets, depreciation and amortization, and expenditures for long-lived assets to the Company's consolidated totals are illustrated as follows (in thousands):

Net Sales	1999	1998	1997
Total for reportable segments	\$ 241,638	\$ 219,185	\$ 220,397
Other net sales	285	264	(54)
	\$ 241,923	\$ 219,449	\$ 220,343

Net Profit

Total for reportable segments	\$ 8,265	\$ 8,569	\$ 5,745
Adjustment of inventory to LIFO	332	426	(536)
Unallocated other income	1,184	1,731	475
Other unallocated amounts	(2,500)	(2,148)	208
Income from continuing operations, before income taxes	\$ 7,281	\$ 8,578	\$ 5,892

Assets

Total for reportable segments	\$ 131,145	\$ 100,000	\$ 107,393
Unallocated corporate assets	27,527	13,919	12,409
LIFO and market value inventory reserves	(2,452)	(2,784)	(3,210)
Unallocated property, plant and equipment	8,511	8,299	10,377
Total assets	\$ 164,731	\$ 119,434	\$ 126,969

Depreciation/Amortization

Total reportable for segments	\$ 2,522	\$ 2,180	\$ 1,964
Other	1,971	645	573
	\$ 4,493	\$ 2,825	\$ 2,537

Expenditures for Long-Lived Assets

Total for reportable segments	\$ 23,913	\$ 3,835	\$ 6,569
Expenditures included in acquisition of business	(17,961)	(1,069)	(6,589)
Expenditures financed under capital leases	(1,386)		
Expenditures included in Property Held for Sale	(30)	(60)	(272)
Other unallocated expenditures	465	69	2,355
	\$ 5,001	\$ 2,775	\$ 2,063

Approximately 98% of the Company's total net sales were to customers in North

America, and a majority of the remaining sales were to countries in Central and South America.

All of the Company's long-lived assets are located in North America and almost 100% of those assets are located in the United States.

NOTE 21.
 QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly financial information for the years ended December 31, 1999 and 1998 is presented below:

(in thousands, except
 per share amounts)

	1999				
	First Quarter(1)	Second Quarter(1)	Third Quarter(1)(2)	Fourth Quarter(2)	Total
Net sales	\$53,783	\$58,743	\$63,025	\$66,372	\$241,923
Gross profit	\$ 7,159	\$ 8,945	\$ 9,962	\$11,019	\$ 37,085
Income from continuing operations	\$ 694	\$ 1,497	\$ 1,026	\$ 1,401	\$ 4,618
Loss from discontinued operations	(\$ 234)	(\$ 259)	(\$ 174)	(\$ 1,448)	(\$ 2,115)
Net income/(loss)	\$ 460	\$ 1,238	\$ 852	(\$ 47)	\$ 2,503
Basic earnings per common share:					
From continuing operations	\$ 0.07	\$ 0.15	\$ 0.11	\$ 0.15	\$ 0.48
From discontinued operations	(\$ 0.02)	(\$ 0.03)	(\$ 0.02)	(\$ 0.15)	(\$ 0.22)
Basic earnings per common share	\$ 0.05	\$ 0.12	\$ 0.09	\$ 0.00	\$ 0.26
Diluted earnings per common share:					
From continuing operations	\$ 0.07	\$ 0.15	\$ 0.11	\$ 0.14	\$ 0.46
From discontinued operations	(\$ 0.02)	(\$ 0.03)	(\$ 0.02)	(\$ 0.14)	(\$ 0.21)
Diluted earnings per common share	\$ 0.05	\$ 0.12	\$ 0.09	\$ 0.00	\$ 0.25

(1) The first, second and third quarters were restated to reflect the classification of the Monitor Group segment as a discontinued operation. (2) The second half results reflect the June 30, 1999 acquisition of CXT, Incorporated which accounted for the majority of the reported sales increase.

(in thousands, except
 per share amounts)

	1998				
	First Quarter(1)	Second Quarter(1)(2)	Third Quarter(1)(3)	Fourth Quarter(1)	Total(1)
Net sales	\$49,341	\$58,850	\$50,368	\$60,890	\$219,449
Gross profit	\$ 7,309	\$ 9,135	\$ 7,448	\$ 9,320	\$ 33,212
Income from continuing operations	\$ 867	\$ 2,106	\$ 874	\$ 1,218	\$ 5,065
Loss from discontinued operations	(\$ 161)	(\$ 165)	(\$ 161)	(\$ 201)	(\$ 688)
Net income	\$ 706	\$ 1,941	\$ 713	\$ 1,017	\$ 4,377
Basic earnings per common share:					
From continuing operations	\$ 0.09	\$ 0.21	\$ 0.08	\$ 0.13	\$ 0.51
From discontinued operations	(\$ 0.02)	(\$ 0.02)	(\$ 0.01)	(\$ 0.02)	(\$ 0.07)
Basic earnings per common share	\$ 0.07	\$ 0.19	\$ 0.07	\$ 0.11	\$ 0.44
Diluted earnings per common share:					
From continuing operations	\$ 0.09	\$ 0.21	\$ 0.08	\$ 0.12	\$ 0.50
From discontinued operations	(\$ 0.02)	(\$ 0.02)	(\$ 0.01)	(\$ 0.02)	(\$ 0.07)

Diluted earnings per
common share \$ 0.07 \$ 0.19 \$ 0.07 \$ 0.10 \$ 0.43
=====

(1) All quarters of 1998 were restated to reflect the classification of the Monitor Group segment as a discontinued operation. (2) The second quarter includes a pretax gain on the sale of the Fosterweld division of approximately \$1,700,000 and a \$900,000 write-down for a property subject to a sale negotiation. (3) The third quarter included a provision for losses relating to certain catenary sign structure contracts of approximately \$900,000.

REPORT OF INDEPENDENT AUDITORS AND RESPONSIBILITY FOR FINANCIAL STATEMENTS

To the Board of Directors and Stockholders of L. B. Foster Company:

We have audited the accompanying consolidated balance sheets of L. B. Foster Company and subsidiaries at December 31, 1999 and 1998, and the related consolidated statements of income, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1999. Our audits also included the financial statement schedule listed in the index at Item 14 (a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of L. B. Foster Company and subsidiaries at December 31, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/Ernst & Young LLP

Pittsburgh, Pennsylvania
January 25, 2000

To the Stockholders of L. B. Foster Company:

The management of L. B. Foster Company is responsible for the integrity of all information in the accompanying consolidated financial statements and other sections of the annual report. Management believes the financial statements have been prepared in conformity with generally accepted accounting principles that reflect, in all material respects, the substance of events and transactions, and that the other information in the annual report is consistent with those statements. In preparing the financial statements, management makes informed judgments and estimates of the expected effects of events and transactions being accounted for currently.

The Company maintains a system of internal accounting control designed to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded to permit the preparation of financial statements in accordance with generally accepted accounting principles. Underlying the concept of reasonable assurance is the evaluation of the costs and benefits derived from control. This evaluation requires estimates and judgments by the Company. The Company believes that its internal accounting controls provide an appropriate balance between costs and benefits.

The Board of Directors pursues its oversight role with respect to the financial statements through the Finance and Audit Committee which is composed of outside directors. The Finance and Audit Committee meets periodically with management, the internal auditing department and our independent auditors to discuss the adequacy of the internal accounting control, the quality of financial reporting and the nature, extent and results of the audit effort. Both the internal auditing department and the independent auditors have free access to the Finance and Audit Committee.

/s/Lee B. Foster
Lee B. Foster II
Chairman of the Board
and Chief Executive Officer

/s/Roger F. Nejes
Roger F. Nejes
Senior Vice President

Finance and Administration
and Chief Financial Officer

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information concerning the directors is set forth under "Election of Directors" in the Company's Proxy Statement for the 2000 annual meeting of stockholders ("2000 Proxy Statement"). Such information is incorporated herein by reference. Information concerning the executive officers who are not directors of the Company is set forth below. With respect to the period prior to August 18, 1977, references to the Company are to the Company's predecessor, Foster Industries, Inc.

NAME	AGE	POSITION
Alec C. Bloem	49	Senior Vice President - Concrete Products
Anthony G. Cipicchio	53	Vice President - Fabricated Products
William S. Cook, Jr.	58	Vice President - Strategic Planning & Acquisitions
Paul V. Dean	68	Senior Vice President - Piling Products
Samuel K. Fisher	47	Vice President - Rail Procurement
Dean A. Frenz	56	Senior Vice President - Rail Distribution Products
Steven L. Hart	53	Vice President - Operations
Stan L. Hasselbusch	52	President and Chief Operating Officer
David L. Minor	56	Vice President - Treasurer
Roger F. Nejes	57	Senior Vice President - Finance and Administration and Chief Financial Officer
Henry M. Ortwein, Jr.	57	Senior Vice President - Rail Manufactured Products
Linda K. Patterson	50	Controller
Gary E. Ryker	50	Executive Vice President - Rail Products
Robert W. Sigle	70	Vice President - Tubular Products
Linda M. Terpenning	54	Vice President - Human Resources
David L. Voltz	47	Vice President, General Counsel and Secretary

Mr. Bloem was elected Senior Vice President - Concrete Products in March 2000, having previously served as Vice President Geotechnical and Precast Division from October 1999, and President - Geotechnical Division from August 1998. Prior to joining the Company in August 1998, Mr. Bloem served as Vice President- VSL Corporation.

Mr. Cipicchio was elected Vice President - Fabricated Products in August 1998. Mr. Cipicchio joined the Company in May 1997 and initially held the position of Vice President - Operations. Prior to joining the Company, Mr. Cipicchio was Vice President of Operations for Omsco Industries, a supplier of drill string components to the oil and gas industry.

Mr. Cook was elected Vice President - Strategic Planning & Acquisitions in October 1993. Prior to joining the Company in March 1993, Mr. Cook was President of Cook Corporate Development, a business and financial advisory firm.

Mr. Dean was elected Senior Vice President - Piling Products in May 1998, having previously been a Vice President since September 1987. Mr. Dean joined the Company in 1964.

Mr. Fisher was elected Vice President - Rail Procurement in October 1997, having previously served as Vice President - Relay Rail since October 1996. Prior to October 1996, he served in various other capacities with the Company since his employment in 1977.

Mr. Frenz was elected Senior Vice President - Rail Distribution Products in August 1998. Previously Mr. Frenz served as Senior Vice President - Rail Products from December 1996 to August 1998, Senior Vice President - Rail and Tubular Products from September, 1995, through November, 1996, and Senior Vice President - Product Management from October 1993 to September 1995. Mr. Frenz joined the Company in 1966.

Mr. Hart was elected Vice President - Operations in October, 1998 having previously served as Vice President from December 1997 to October 1998 and in a variety of capacities prior to December 1997. Mr. Hart joined the Company in 1977.

Mr. Hasselbusch was elected President and Chief Operating Officer in March, 2000 having previously served as Executive Vice President and Chief Operating Officer from January 1999, Vice President - Construction and Tubular Products from December, 1996 to December 1998, Senior Vice President - Construction Products from September 1995 to December 1996, and as Senior Vice President - Sales from October 1993 to September 1995. Mr. Hasselbusch joined the Company in 1972.

Mr. Minor was elected Treasurer in February 1988 and was elected to the additional office of Vice President in February 1997. Mr. Minor joined the Company in 1983.

Mr. Nejes was elected Senior Vice President - Finance and Administration and Chief Financial Officer in October 1993, previously having served as Vice President - Finance and Chief Financial Officer from February 1988.

Mr. Ortwein was elected Senior Vice President - Rail Manufactured Products in May 1998. Mr. Ortwein was Group Vice President - Rail Manufactured Products from March 1997 to May 1998. Additionally, he served as Vice President - Rail Manufacturing from October 1993 to March 1997. Mr. Ortwein joined the Company in 1992.

Ms. Patterson was elected Controller in February 1999, having previously served as Assistant Controller since May 1997 and Manager of Accounting since March 1988. Prior to March 1988, she served in various other capacities with the Company since her employment in 1977.

Mr. Ryker was elected Executive Vice President - Rail Products in March 2000. Prior to joining the Company in March 2000, Mr. Ryker served from February 1999 as President of Motor Coils Manufacturing, a manufacturer of equipment for locomotives, as President and Chief Executive Officer of Union Switch & Signal Inc., a signaling company, from September 1997 to August 1998, and as Executive Vice President of Harmon Industries, a signaling company, from April 1992 until September 1997.

Mr. Sigle was elected Vice President - Tubular Products in December 1990. Mr. Sigle joined the Company in 1965.

Ms. Terpenning was elected Vice President - Human Resources in October 1987. Ms. Terpenning joined the Company in 1985.

Mr. Voltz was elected Vice President, General Counsel and Secretary in December 1987. Mr. Voltz joined the Company in 1981.

Officers are elected annually at the organizational meeting of the Board of Directors following the annual meeting of stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The information set forth under "Executive Compensation" in the 2000 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information set forth under "Ownership of Securities by Management" and "Principal Stockholders" in the 2000 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information set forth under "Certain Transactions" in the 2000 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this Report:

1. FINANCIAL STATEMENTS

The following consolidated financial statements, accompanying notes and Report of Independent Auditors in the Company's Annual Report to Stockholders for 1999 have been included in Item 8 of this Report:

Consolidated Balance Sheets at December 31, 1999 and 1998.

Consolidated Statements of Income For the Three Years Ended December 31, 1999, 1998 and 1997.

Consolidated Statements of Cash Flows For the Three Years Ended December 31, 1999, 1998 and 1997.

Consolidated Statements of Stockholders' Equity for the Three Years Ended December 31, 1999, 1998 and 1997.

Notes to Consolidated Financial Statements.

Report of Independent Auditors.

2. FINANCIAL STATEMENT SCHEDULE

Schedules for the Three Years Ended December 31, 1999, 1998 and 1997:

II - Valuation and Qualifying Accounts.

The remaining schedules are omitted because of the absence of the conditions upon which they are required.

3. EXHIBITS

The exhibits marked with an asterisk are filed herewith. All exhibits are incorporated herein by reference:

- 3.1 Restated Certificate of Incorporation as amended to date, filed as Appendix B to the Company's April 17, 1998 Proxy Statement.
- 3.2 Bylaws of the Registrant, as amended to date, filed as Exhibit 3B to Form 8-K on May 21, 1997.
- 4.0 Rights Agreement, dated as of May 15, 1997, between L.B. Foster Company and American Stock Transfer & Trust Company, including the form of Rights Certificate and the Summary of Rights attached thereto, filed as Exhibit 4A to Form 8-A dated May 23, 1997.
- 4.0.1 Amended Rights Agreement dated as of May 14, 1998 between L. B. Foster Company and American Stock Transfer & Trust Company, filed as Exhibit 4.0.1 to Form 10-Q for the quarter ended June 30, 1998.
- 4.1 Third Amended and Restated Loan Agreement by and among the Registrant and Mellon Bank, N.A., PNC Bank, National Association and First Union National Bank, dated as of June 30, 1999 and filed as Exhibit 4.1 to Form 10-Q for the quarter ended June 30, 1999.
- * 10.12 Lease between CXT Incorporated and Pentzer Development Corporation, dated April 1, 1993.
- * 10.12.1 Amendment dated March 12, 1996 to lease between CXT Incorporated and Pentzer Corporation.
- * 10.13 Lease between CXT Incorporated and Crown West Realty, L.L.C., dated December 20, 1996.
- * 10.14 Lease between CXT Incorporated and Pentzer Development Corporation, dated November 1, 1991.
- * 10.15 Lease between CXT Incorporated and Union Pacific Railroad Company, dated February 13, 1998.
- 10.16 Lease between Registrant and Greentree Building Associates for Headquarters office, dated as of June 9, 1986, as amended to date, filed as Exhibit 10.16 to Form 10-K for the year ended December 31, 1988.

- 10.16.1 Amendment dated June 19, 1990 to lease between Registrant and Greentree Building Associates, filed as Exhibit 10.16.1 to Form 10-Q for the quarter ended June 30, 1990.
- 10.16.2 Amendment dated May 29, 1997 to lease between Registrant and Greentree Building Associates, filed as Exhibit 10.16.2 to Form 10-Q for the quarter ended June 30, 1997.
- 10.19 Lease Between the Registrant and American Cast Iron Pipe Company for Pipe-Coating Facility in Birmingham, Alabama dated December 11, 1991, filed as Exhibit 10.19 to Form 10-K for the year ended December 31, 1991.
- 10.19.1 Amendment to Lease between the Registrant and American Cast Iron Pipe Company for Pipe Coating Facility in Birmingham, Alabama dated April 15, 1997, filed as Exhibit 10.19.1 to Form 10-Q for the quarter ended March 31, 1997.
- 10.20 Asset Purchase Agreement, dated June 5, 1998 by and among the Registrant and Northwest Pipe Company, filed as Exhibit 10.0 to Form 8-K on June 18, 1998.
- 10.21 Stock Purchase Agreement dated June 3, 1999, by and among the Registrant and the shareholders of CXT Incorporated, filed as Exhibit 10.0 to Form 8-K on July 14, 1999.
- 10.33.2 Amended and Restated 1985 Long Term Incentive Plan, as amended and restated February 26, 1997, filed as Exhibit 10.33.2 to Form 10-Q for the quarter ended June 30, 1997. **
- 10.34 Amended and Restated 1998 Long-Term Incentive Plan for Officers and Directors, as amended and restated February 24, 1999 and filed as Exhibit 10.34 to Form 10-K for the year ended December 31, 1998. **
- 10.45 Medical Reimbursement Plan, filed as Exhibit 10.45 to Form 10-K for the year ended December 31, 1992. **
- 10.46 Leased Vehicle Plan, as amended to date, filed as Exhibit 10.46 to Form 10-K for the year ended December 31, 1997. **
- * 10.50 L. B. Foster Company 2000 Incentive Compensation Plan. **
- 10.51 Supplemental Executive Retirement Plan, filed as Exhibit 10.51 to Form 10-K for the year ended December 31, 1994. **
- 19 Exhibits marked with an asterisk are filed herewith.
- * 23.7 Consent of Independent Auditors.
- * 27 Financial Data Schedule

** Identifies management contract or compensatory plan or arrangement required to be filed as an Exhibit.

(b) Reports on Form 8-K

On July 14, 1999, the Registrant filed a Current Report on Form 8-K announcing the June 30, 1999 purchase of all outstanding stock of CXT Incorporated.

SIGNATURES

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

March 28, 2000

L. B. FOSTER COMPANY

By /s/ Lee B. Foster II
(Lee B. Foster II, Chief
Executive Officer and
Chairman of the Board)

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

Name	Position	Date
By: /s/ Lee B. Foster II (Lee B. Foster II)	Chief Executive Officer, Chairman of the Board and Director	March 28, 2000
By: /s/Henry J. Massman, IV (Henry J. Massman, IV)	Director	March 28, 2000
By: /s/ Roger F. Nejes (Roger F. Nejes)	Senior Vice President - Finance & Administration and Chief Financial Officer	March 28, 2000
By: /s/Linda K. Patterson (Linda K. Patterson)	Controller	March 28, 2000
By: /s/John W. Puth (John W. Puth)	Director	March 28, 2000
By: /s/William H. Rackoff (William H. Rackoff)	Director	March 28, 2000
By: /s/ Richard L. Shaw (Richard L. Shaw)	Director	March 28, 2000

L. B. FOSTER COMPANY AND SUBSIDIARIES
SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 1999, 1998, AND 1997
(In Thousands)

	Balance at Beginning of Year	Additions			Balance at End of Year
		Charged to Costs and Expenses	Other	Deductions	
1999					
Deducted from assets to which they apply:					
Allowance for doubtful accounts	\$ 1,438	\$ 180	\$ -	\$ 63 (1)	\$1,555
=====					
Provision for decline in market value of inventories	\$ 600	\$ -	\$ -	\$ -	\$ 600
=====					
Not deducted from assets:					
Provision for special termination benefits	\$ 5	\$ -	\$ -	\$ -	\$ 5
=====					
Provision for environmental compliance & remediation	\$ 329	\$ 12	\$ -	\$ 127 (2)	\$ 214
=====					
1998					
Deducted from assets to which they apply:					
Allowance for doubtful accounts	\$ 1,468	\$ 10	\$ -	\$ 40 (1)	\$1,438
=====					
Provision for decline in market value of inventories	\$ 600	\$ -	\$ -	\$ -	\$ 600
=====					
Not deducted from assets:					
Provision for special termination benefits	\$ 12	\$ -	\$ -	\$ 7 (2)	\$ 5
=====					
Provision for environmental compliance & remediation	\$ 284	\$ 184	\$ -	\$ 139 (2)	\$ 329
=====					
1997					
Deducted from assets to which they apply:					
Allowance for doubtful accounts	\$ 1,803	\$ 199	\$ -	\$ 534 (1)	\$1,468
=====					
Provision for decline in market value of inventories	\$ 600	\$ -	\$ -	\$ -	\$ 600
=====					
Not deducted from assets:					
Provision for special termination benefits	\$ 22	\$ 1	\$ -	\$ 11 (2)	\$ 12

=====
Provision for
environmental
compliance &
remediation \$ 242 \$ 61 \$ - \$ 19 (2) \$ 284
=====

- (1) Notes and accounts receivable written off as uncollectible.
(2) Payments made on amounts accrued and reversals of accruals.

Lease between
Spokane Industrial Park, A Division
Of PENTZER DEVELOPMENT CORPORATION,
A Washington corporation
Landlord
And
CXT, INCORPORATED
A Delaware corporation,
Tenant

Dated as of April 1, 1993

(Tract A BSP 88-21)

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LEASE

This LEASE (hereinafter referred to as "the lease" or "this lease") is made and entered into as of the 1st day of April, 1993, by and between SPOKANE INDUSTRIAL PARK, a division of PENTZER DEVELOPMENT CORPORATION, a Washington corporation ("Landlord"), and CXT, INCORPORATED, a Delaware corporation ("Tenant").

ARTICLE 1.

Definitions

As used in this lease, the following terms are defined as follows:

1.1 "Improvements" shall mean all buildings, structures and improvements now or hereafter situated, erected or constructed on the Property and all personal property, equipment and trade fixtures not capable of being removed without permanent damage to real property. Damage shall not be considered permanent if it can be, and is, repaired by Tenant as required by ARTICLE 25. "Existing Improvements" shall mean all Improvements situated, erected or constructed on the Property or any part thereof as of the date hereof. "New Improvements" shall mean all Improvements situated, erected or

constructed on the Property after the date hereof.

1.2 "Premises" shall mean the Property and the Improvements.

1.3 "Project " shall mean the following-described real property, consisting of approximately 8,619,217 gross square feet, of which the Property is a part:

All property located within

- a) Spokane County Altered Binding Site Plan No. 87-17, recorded in Volume 1 of Plats, page 22A, records of Spokane County, Washington;
- b) Spokane County Binding Site Plan No. 88-21, recorded in Volume 1 of Plats, page 23, records of Spokane County, Washington; and
- c) Spokane County Binding Site Plan No. 88-22, recorded in Volume ___of Plats, page ___, records of Spokane County, Washington.

Landlord and Tenant acknowledge that a portion of the Project will not have final binding site plan approval by Spokane County until completion of certain Infrastructure Improvements. Pending completion of the Infrastructure Improvements, the portion of the Project described in Section 1.3(c) of the Lease shall be that real property described on Exhibit A attached to and made a part of this lease.

1.4 *Property" shall mean the following-described real property, consisting of approximately 529,254 gross square feet, and all easements, licenses, privileges, rights and appurtenances related thereto, subject to all easements, rights-of-way, restrictions and reservations of record:

Tract A, Spokane County Binding Site Plan No. 88-21, recorded in Volume 1 of Plats, page 23, records of Spokane County, Washington.

1.5 "Total Payment shall mean all monetary sums due from Tenant to or for the account of Landlord during the term of this lease, including, without limitation, all Base Rent and Additional Rent. "Base Rent" shall mean all sums payable by Tenant under ARTICLE 4. "Additional Rent" shall mean and include every other cost and expense which Tenant shall be obligated to pay under any provision of this lease as well as all sums of money paid or advanced by Landlord upon Tenant's behalf.

ARTICLE 2. Premises Leased

2.1 Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises, subject to all terms and conditions of this lease.

ARTICLE 3. Term

3.1 The term of this lease shall commence April 1, 1993 and shall end on March 31, 2003.

ARTICLE 4. Base Rent

4.1 Tenant shall pay to Landlord Base Rent of Seventeen Thousand Five Hundred Ten Dollars (\$17,510.00) for each calendar month during the first year of the lease term. On April 1, 1994 and on the first day of each April thereafter, the monthly Base Rent payable for the succeeding year shall be increased to equal one hundred three percent (103%) of the monthly Base Rent payable in the immediately preceding year.

4.2 Base Rent for each calendar month shall be paid in lawful U.S. money, at the address specified in ARTICLE 34 or such other place as Landlord may from time to time designate in writing. Base Rent for each calendar month shall be paid in advance on the first day of each month and without demand, offset or deduction, except as expressly provided in this lease. Base Rent for any portion of a calendar month at the beginning of the lease term or at the end of the lease term shall be prorated.

ARTICLE 5.
Security Deposit

5.1 Upon execution of this lease Tenant shall give to Landlord, and thereafter within five (5) days after request shall deposit additional funds as necessary to maintain with Landlord,

a security deposit of waived Dollars (\$ waived). The security deposit shall be held by Landlord and any interest thereon shall belong to Landlord. If Tenant fails to make the "Total Payments" required under this Lease or defaults in performance of its other obligations under this Lease, Landlord may use all or part of the security deposit to pay any such amounts in default or for payment of any other amount which Landlord spends or becomes obligated to spend by reason of Tenant's default, or for the payment to Landlord of any other loss or damage which Landlord may suffer by reason of Tenant's default. Landlord shall not be required to utilize the security deposit prior to declaring a default under the Lease, nor shall the security deposit be a limitation on Landlord's damages or other rights under this Lease for a payment of liquidated damages or an advance payment of Total Payments. If Tenant shall have fully performed all of the promises, covenants, terms and conditions of this lease and surrendered the Premises in accordance with ARTICLE 25, the security deposit shall be returned to Tenant within thirty (30) days after the expiration of this lease.

ARTICLE 6.
Use of Premises

6.1 The Premises shall be used for office purposes, the manufacture, storage and distribution of pavers, concrete railroad ties, other concrete products, and associated products, and for no other purpose without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Landlord's withholding of consent shall not be unreasonable if based upon increased risks posed by Tenant's use of hazardous substances.

6.2 Tenant shall not use or permit the Premises to be used for any unlawful purpose and shall use the Premises and Improvements in accordance with all laws, rules, regulations, ordinances and requirements now or hereafter in effect, including, without limitation, any applicable to the generation, use, manufacture, treatment, transportation, storage or disposal of hazardous substances.

6.3 No change, alteration or improvement to the Improvements shall be undertaken nor shall New Improvements be constructed without Landlord's prior consent, which consent shall not be unreasonably withheld; provided, however, Tenant shall not be required to obtain such consent for (i) changes, alterations, improvements, or construction costing less than Ten Thousand Dollars (\$10,000.00) which do not affect the roof, exterior building materials, any structural component or the primary electrical, plumbing, HVAC or other major system of the Improvements. Tenant shall give written notice to Landlord of any proposed change, alteration, improvement or construction requiring consent prior to making such change, alteration, improvement or construction. If a change, alteration, improvement or construction would involve a cost of more than Ten Thousand Dollars (\$10,000.00) or would affect the roof, exterior building materials, any structural component or the primary electrical, plumbing, HVAC or other major system of the Improvements, Tenant (a) shall provide Landlord with complete plans and specifications therefor along with Tenant's notice, and (b) shall not proceed without Landlord's prior written consent, which shall be given or denied within fifteen (15) days after receipt of Tenant's notice and complete plans and specifications. Landlord shall be deemed to have consented to, and Tenant may proceed with any change, alteration, improvement or construction for which Landlord's consent is required, in the absence of any objection from Landlord within such fifteen (15) day period. By written notice to Tenant, Landlord may extend the time for granting or withholding consent to any proposed change, alteration, improvement or construction for up to a maximum of thirty (30) additional days if necessary due to the scope of Tenant's plans. All changes, alterations, improvements and construction shall be at Tenant's sole cost, free of claims of lien, and shall be performed in a good and workmanlike manner and in conformance with applicable building codes and other laws, ordinances, rules and regulations.

6.4 Tenant shall conduct its business and control its employees, agents, invitees and visitors in such manner as not to create any unlawful nuisance, or unreasonably interfere with, annoy or disturb any other tenant of the Project. Tenant shall not do anything which would cause Landlord's insurance rates to increase unless Tenant pays the amount of such increase. Tenant shall not do anything which is prohibited by insurance policies maintained by Landlord or Tenant under this lease or which would cause a cancellation of any such policies, unless substitute policies are procured, which would permit such activities. Tenant shall pay all excess costs of such

substitute policies. Landlord shall reasonably cooperate with Tenant and insurers in attempting to accommodate Tenant's activities, provided such accommodation does not adversely affect Landlord or other tenants of premises covered by Landlord's insurance policies.

6.5 Tenant shall comply with reasonable rules and regulations promulgated from time to time by Landlord with respect to the use of common access roads within and otherwise serving the Project, the private water and sewer facilities, the appearance and location of signage within the Project, and the appearance and regular maintenance of building exteriors and landscaping within the Project. Landlord shall use good faith efforts to uniformly enforce such rules and regulations; however, Landlord shall have no liability for the failure of any other tenant to comply with such rules and regulations, or for the conduct of tenants under leases predating the promulgation of such rules and regulations.

ARTICLE 7.

Repairs and Maintenance of the Premises

7.1 Throughout the term of this lease, Tenant, at its sole cost, shall keep the Premises in a habitable, safe, neat, clean and sanitary condition, and in first class working order and repair, except as expressly set forth otherwise in this lease. Tenant shall not cause or permit waste, damage or injury to the Premises.

7.2 Landlord shall, within a reasonable time after written notice from Tenant, perform all repairs to the Premises made necessary by casualty or other loss insured against by Landlord's insurance policies described in Section 14. 1; provided, however, Tenant shall be liable for the lesser of (a) the cost of such repairs or (b) the deductible under Landlord's insurance policy, up to a maximum of One Thousand Dollars (\$1,000.00).

7.3 Tenant shall make any and all repairs to the Premises, of any kind or description whatsoever, made necessary by or arising out of Tenant's use and occupancy of the Premises (excepting only (i) repairs to be performed by Landlord pursuant to Section 7.2, and (ii) repairs made necessary by uninsured catastrophic loss not attributable to Tenant's negligence or other fault, including, without limitation, earthquake, flood, war and nuclear reaction), structural or nonstructural, interior or exterior, including, without limitation, repair or replacement of any glass as may become cracked or broken, repair to the roof, floors, walls, sash, pipes, interior partitions and doors, ceilings and to the heating, air conditioning and refrigeration plants, electrical lighting, fire safety, fire sprinkler and plumbing fixtures, and to all other fixtures, equipment and appurtenances thereto, and to the irrigation system, parking lots, driveways and other exterior Improvements. Any such repairs shall be performed in a good and workmanlike manner, and all items shall be replaced with items of similar quality and first class condition. Tenant shall make all repairs to the Premises required by federal, state, county and city statutes, codes, ordinances and regulations. All repairs, other than those covered by Landlord's insurance policy described in Section 14. 1, shall be at Tenant's sole cost. Work on all repairs which Tenant is obligated to make under this lease shall commence promptly after the need therefor becomes known to Tenant, and Tenant shall pursue the repair work, to completion with due diligence. Except in the case of emergency (when notice shall be given as soon as practical), Tenant shall notify Landlord in advance of any planned or necessary repairs to the roof, exterior building materials or structural components or to the primary electrical, plumbing, HVAC or other major system of the Improvements, and Landlord shall have the option of performing such repairs at Tenant's cost; provided, however, in no event shall Tenant be obligated to pay any costs in excess of the lowest fixed price bid received by Tenant from a responsible licensed contractor reasonably acceptable to Landlord to perform such repairs.

7.4 Tenant's obligations arising during the term of this lease under this ARTICLE shall survive any termination or expiration of this lease.

ARTICLE 8.

Hazardous Materials

8.1 Tenant shall not, without prior written notice to Landlord, engage in or allow the generation, use, manufacture, treatment, transportation, storage or disposal of any hazardous substance in, on, under or adjacent to the Premises. Prior to taking occupancy of the Premises, Tenant shall provide Landlord with a description of any processes or activities involving the use of hazardous substances to be conducted by Tenant as well as a description (by type and amount) of any hazardous substances Tenant plans to generate, use, manufacture, transport, store or dispose of in connection with its use of the Premises. Tenant warrants that such description is and will be true, accurate

and complete. Tenant shall notify Landlord prior to any material changes in such processes, activities or type and amount of hazardous substances utilized by Tenant and in any event, Tenant shall report to Landlord at least once yearly regarding any such processes, activities and hazardous substances. Tenant shall contemporaneously provide Landlord with copies of all reports, listings or other information required by any governmental entity relating to any hazardous substances utilized by Tenant, and shall promptly provide any other information related to Tenant's utilization of hazardous substances as Landlord may reasonably request.

8.2 Tenant shall not engage in or allow the unlawful release (from underground tanks or otherwise) of any hazardous substance in, on, under or adjacent to the Property (including air, surface water and groundwater on, in, under or adjacent to the Property). Tenant shall at all times be in compliance with all applicable law (and shall cause its employees, agents and contractors to be) with respect to the Premises or any hazardous substance and shall handle all hazardous substances in compliance with good industry standards and practices. As used in this Lease, the term "hazardous substance" shall mean any substance, chemical or waste, including any petroleum products or radioactive substances, that is now or shall hereafter be listed, defined or regulated as hazardous, toxic or dangerous under any applicable laws. As used in this ARTICLE, "applicable law" shall mean any federal, state, or local laws, ordinances, rules, regulations and requirements (including consent decrees and administrative orders) relating to the generation, use, manufacture, treatment, transportation, storage or disposal of any hazardous substance now or hereafter enacted.

8.3 Tenant shall promptly notify Landlord, in writing, if Tenant has or acquires notice or knowledge that any hazardous substance has been or is threatened to be unlawfully released, discharged or disposed of, on, in, under or from the Premises. Tenant shall immediately take such action as is necessary to detain the spread of and remove, to the satisfaction of Landlord and any governmental agency having jurisdiction, any hazardous substances released, discharged or disposed of as the result of or in any way connected with the conduct of Tenant's business, and which is now or is hereafter determined to be unlawful or subject to governmentally imposed remedial requirements. Tenant shall immediately notify Landlord and provide copies upon receipt of all written complaints, claims, citations, demands, inquiries, reports or notices relating to the condition of the Premises or compliance with environmental laws. Tenant shall promptly cure and have dismissed with prejudice any such actions or proceedings in any way connected to the conduct of Tenant's business, to the satisfaction of Landlord, and Tenant shall keep the Premises free of any lien imposed pursuant to any environmental law. Landlord shall have the right at all reasonable times and from time to time to conduct environmental audits of the Premises (including sampling, testing, monitoring and accessing environmental records required by applicable law) by a consultant of Landlord's choosing, and Tenant shall cooperate with the conduct of these audits. If any violation of any applicable law by Tenant or any violation of Tenant's obligations under this ARTICLE are discovered, in addition to any other right Landlord may have against Tenant, the fees and expenses of such consultant shall be borne by the Tenant and shall be paid by Tenant to Landlord on demand.

8.4 Tenant's obligations under this ARTICLE with respect to any occurrence during the term of this lease shall survive any termination or expiration of this lease.

ARTICLE 9. Taxes and Assessments

9.1 Tenant shall pay when due any and all taxes, installments of general or special assessments (amortized over the longest permissible time), levies, license and permit fees and other governmental charges and impositions of any kind and nature whatsoever, together with any interest or penalties attributable to Tenant's failure to pay the same when due, which at any time during the term of this lease may be assessed, levied or become due and payable out of or in respect of, or become a lien on the Premises, including, without limitation, any sales tax, business and operation tax, excise tax or similar tax or imposition imposed upon rent or Landlord's business of leasing property within the Project (collectively the "Impositions"); provided, however, Tenant shall not be obligated to pay Landlord's net income taxes or any transfer or excise tax imposed upon the conveyance of the Premises, or business and occupation taxes imposed upon Landlord's business activities other than leasing property within the Project.

9.2 Impositions shall be paid by Tenant to Landlord in one or more installments each year during the lease term, in an amount estimated by Landlord. If Impositions are billed to Tenant based upon estimates, on or before April 1st of each year, Landlord shall, but not less than once annually, furnish to Tenant a statement of the actual amount of Impositions incurred. Within thirty (30) days after receipt of such statement, Tenant shall pay Landlord the amount by which the actual Impositions exceed estimated Impositions paid by Tenant. If the estimated amount of Impositions paid by Tenant exceeds the actual Impositions, such excess shall be credited against the next Imposition payment due from Tenant. Notwithstanding the foregoing Landlord may elect to require Tenant to pay all or some Impositions directly to the governmental authority levying the same.

9.3 Tenant may seek a reduction in the assessed valuation of the Premises for tax purposes and to contest in good faith by appropriate proceedings, at Tenant's expense, the amount or validity of any tax or assessment, provided that prior to the date when any penalties or interest may be incurred, Tenant shall deposit with the appropriate entity making the tax or assessment the sum contested or secure a bond in an amount sufficient to fully satisfy the amount of any lien upon the Premises. Any bond posted shall name Landlord as a co-obligee and shall be reasonably satisfactory, as to issuer and form, to Landlord. Any refund allocable to the term of this lease shall belong, to Tenant.

9.4 Tenant's obligations under this ARTICLE with regard to Impositions arising during the term of this lease shall survive any termination or expiration of this lease.

ARTICLE 10.
Utilities

10.1 Tenant shall pay, when due, any and all charges and fees for gas, heat, electricity, water, sewer, garbage collection, telephone and all other public or private utilities servicing the Premises and shall, upon request, provide evidence of such payment. Tenant shall not be entitled to terminate this lease or receive an abatement of rent as the result of any failure, interruption or discontinuance of any utility service for any reason; provided however, if such interruption or discontinuance which materially affects Tenant's occupancy of the Premises results from the negligence of Landlord and continues, after notice to Landlord, for a period in excess of seven (7) business days, Total Payments shall abate until service is resumed.

10.2 Rates charged by Landlord to Tenant for utility services owned by Landlord (upon execution of this lease, sewer and water) shall be based upon consumption and will be the same rates charged to other tenants within the Project.

10.3 Tenant's obligations under this ARTICLE with regard to utilities furnished to the Premises during the term of this lease shall survive any termination or expiration of this lease.

ARTICLE 11.
Common Area Expenses

11.1 Tenant shall pay Landlord its proportionate share of all reasonable and customary costs (not including depreciation or costs of repairs resulting from Landlord's negligence), paid or incurred by Landlord in operating and maintaining the common access roadways, sidewalks, pathways, landscaped areas and other similar areas or improvements which may be provided by Landlord for the common use or benefit of tenants of the Project, (but not including common areas specific to a particular building other than the Premises), including without limitation, costs of personnel, equipment and material for maintenance, repair, replacement, snow removal, striping, signage and other traffic control measures, costs for lighting, insurance, property taxes, licenses, permits and fees. Tenant's proportionate share of such expenses shall be a fraction, the numerator of which is the area of the Property and the denominator of which is the area of the Project (or, if the expense is incurred with respect to property not co-extensive with the Project, such other fraction as reasonably determined by Landlord). Capital expenses shall be amortized over their reasonably expected useful life, as determined by Landlord. Common area charges shall not include expenses of initial installation of roadways, initial landscaping management fees or Landlord's general administrative expenses for the Project.

11.2 Common area charges shall be paid by Tenant in one or more installments each year during the lease term in an amount estimated by Landlord. On or before April 1 of each year, Landlord shall furnish to Tenant a statement of the actual amount of Tenant's proportionate share of common area expenses for the preceding calendar year. Within thirty (30) days after receipt of such statement, Tenant shall pay Landlord the amount by which such expenses exceed Landlord's estimates. If Tenant has paid more than the actual amount of such expenses, such excess shall be credited against expenses due for the ensuing year.

11.3 The common area shall consist of easements shown on the Binding Site Plans of the Project, landscaping easements twenty (20) feet in width adjacent to all public and private roadways within the Project, and other perimeter easements and necessary rights-of-way for utilities and private roadways servicing the Project, for public streets, pathways and "208" drainage areas, all as reasonably designated by Landlord, and the private sewer and

water and systems serving the Project. Landlord shall provide and maintain landscaping within the landscaping easement described above. The common areas are for the joint benefit of all tenants of the Project and adjacent property owned by Landlord, and Landlord reserves the following rights with respect to the common areas:

(a) to establish reasonable rules and regulations for the use of the common areas;

(b) to close all or any portion of the common areas for reasonable periods to make repairs and changes, and to change the location, layout or shape of the common areas, provided Tenant's access to the Premises is not unreasonably impaired;

(c) to grant access to the common areas to utility providers, governmental entities and others to maintain and repair the improvements serving the Project and the public;

(d) to dedicate the common areas to public use.

11.4 Tenant's obligations under this ARTICLE with regard to common area charges arising during the term of this lease shall survive any termination or expiration of this lease.

ARTICLE 12.

All Expenses Other Than Specifically Dealt With, Audit Rights

12.1 If, during the term of this lease, expenses arise, become due, or are incurred by Landlord, relating to or resulting from the Project, the lease of the Premises, use of the Improvements and personal property subsequently placed upon the Premises or the business conducted by Tenant, which expenses are not specifically dealt with in the lease, such expenses shall be allocated between Landlord and Tenant in a manner consistent with the allocation of expenses specifically dealt with in the lease so that each party receives substantially the benefit of the bargain reflected in the lease.

12.2 Not more than once each calendar year, Tenant shall have the right, upon thirty (30) days' prior notice to Landlord, to examine Landlord's records for the prior year relating to Impositions (ARTICLE 9), insurance (ARTICLE 14) and common area expenses (ARTICLE 11), and to challenge the amount of any such charges. The amount of any charges found, by agreement or otherwise, to be improper or excessive shall be credited against the next installment(s) of Additional Rent due from Tenant.

ARTICLE 13.

Indemnification of Landlord

13.1 Tenant releases and, subject to the provisions of Section 14.5, shall defend, indemnify and hold harmless Landlord, and each of its officers, directors, shareholders, employees, agents and representatives, against and from all liabilities, obligations, damages, penalties, judgments, claims, costs, charges, fees and expenses, including, but not limited to, costs of investigation and correction, reasonable architects, attorneys' and consultants' fees and costs, which may be imposed upon, incurred by or asserted against Landlord or its officers, directors, shareholders, employees, agents and representatives by reason of any of the following:

(a) any act or omission during the term of this lease in, on, about or arising out of or in connection with the use, operation, maintenance and occupancy of the Premises or any part thereof, whether or not consented to by Landlord; by Tenant, or

Tenant's agents, contractors, servants or employees (whether inside or outside the scope of employment), licensees or invitees, except to the extent caused by the negligence or intentional misconduct of Landlord or its agents, contractors, subcontractors, servants or employees;

(b) any accident, injury, casualty, loss, theft or damage whatsoever to any person or tangible property occurring in, on, about or arising out of or in connection with the use or occupancy by Tenant of the Premises, any common area, roadway, alley, basement, pathway, curb, parking area, passageway or space under or adjacent thereto arising from any cause or occurrence whatsoever, except to the extent caused by the negligence or intentional misconduct of Landlord or its agents, contractors, subcontractors, servants or employees;

(c) any failure on the part of Tenant or any of its agents, contractors, subcontractors, servants or employees to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in this lease;

(d) any failure by Tenant to perform or comply with any of the terms or provisions contained in this lease or any act performed by Landlord in exercise of its rights under ARTICLE 17; or

(e) any presence, release, migration, discharge, disposal, dumping, spilling or leaking, (accidental or otherwise), now or hereafter determined to be unlawful or subject to governmentally imposed remedial requirements, caused by Tenant or in any way connected with Tenant's business, of any hazardous, dangerous or toxic substance of any kind (whether or not now or hereafter regulated, defined or listed as hazardous, dangerous or toxic by any local, state, or federal government) into, onto or under the Property or the air, soil, surface water, or groundwater thereof, or the pavement, structures, sewer system, fixtures, equipment, tanks, containers or personalty at the Property or into, onto or under the property of others from the Premises. The foregoing indemnity shall apply notwithstanding any provisions of federal, state or local law which provides for the exoneration from liability in the event of settlement with any governmental agency, and notwithstanding Landlord's consent, knowledge, action or inaction with respect to the act or occurrence giving rise to such right of indemnity.

13.2 In case any action or proceeding is brought against Landlord or its officers, directors, shareholders, employees, agents and representatives by reason of any claim indemnified under Section 13. 1, Landlord shall promptly notify Tenant of such claim and Tenant shall, at Tenant's expense, immediately resist or defend such action or proceeding with counsel approved by Landlord in writing, which approval shall not be unreasonably withheld. In connection with any such action brought against Landlord by Tenant's employees, Tenant waives any immunity, defense or other protection afforded by any worker's compensation, industrial insurance or similar laws, with regard to such claim or action against Landlord.

13.3 Tenant waives and releases all claims against Landlord, its officers, directors, shareholders, employees, agents and representatives, for any loss, injury, or damage (including consequential damages), to Tenant's property or business during the term of this lease occasioned by theft, act of God, public enemy, injunction, riot, strike, insurrection, war, court order, acquisition, order of governmental body or authority, earthquake, flood, fire, explosion, falling objects, steam, water, rain or snow, leak or by flow of water, rain or snow from the Premises or onto the Premises or from the roof, street, subsurface or from any other place, or by dampness, or by the breakage, leakage, obstruction or defects of the pipes, sprinklers, wires, appliances, plumbing, heating, air conditioning, lighting fixtures of the Improvements, or by the construction, repair or alteration of the Premises or by any other acts or omissions of any other tenant or occupant of the Project, or visitor to the Premises or any third party whatsoever, or by any cause beyond Landlord's control.

13.4 Tenant's obligations under this ARTICLE shall survive any termination or expiration of this lease.

ARTICLE 14. Insurance

14.1 At all times during the term of this lease, Landlord shall carry and maintain (a) Special Form property insurance (or its then equivalent in the insurance industry) covering the Improvements to their full insurable replacement value, subject to a deductible of not less than One Thousand Dollars (\$1,000.00), (b) rental value insurance in an amount sufficient to cover Tenant's Total Payments during any period of rental abatement caused by repair or reconstruction of the Improvements, and (c) commercial general liability insurance (or its then equivalent in the insurance industry) for the Project in such amounts as Landlord determines from time to time in its reasonable discretion.

14.2 Tenant shall reimburse Landlord for the costs of all insurance maintained pursuant to Section 14. 1. If Landlord maintains blanket property damage policies Tenant shall pay only that portion of policy premiums reasonably allocable to the Premises. The cost of Landlord's liability insurance shall be allocated in accordance with Section 11. 1. Insurance charges shall be paid by Tenant in one or more installments each year during the lease term in an amount estimated by Landlord. On or before April 1 of each year, Landlord shall furnish to Tenant a statement of the actual amount of insurance costs incurred for the preceding calendar year. Within thirty (30) days after receipt of such statement, Tenant shall pay Landlord the amount for which actual insurance expenses exceed estimated expenses paid by Tenant. If the estimated amounts paid by Tenant exceed the actual insurance expenses, such excess shall be credited against the next insurance expense payment due from Tenant. Tenant's obligation under this Section shall survive any termination or expiration of this lease.

14.3 Any loss to Tenant's personal property and fixtures or arising out of the conduct of or interruption of Tenant's business shall be the sole risk of Tenant. Tenant shall, at its sole cost, secure and maintain throughout the term of this lease insurance policies with a company or companies reasonably acceptable to Landlord and licensed to do business in the State, insuring against the following perils:

(a) Liability Insurance. (i) Commercial general liability insurance (or its then equivalent in the insurance industry) with combined single limits of not less than One Million Dollars (\$ 1,000,000.00) per occurrence for personal injury and property damage. Such policy shall name Landlord and any lender of Landlord as additional insureds; shall contain cross-liability provisions and shall include but not be limited to coverage for the occurrences described in subsections 13. 1 (a) and (b), and acts of independent contractors retained by Tenant, and (ii) auto liability insurance for vehicles owned, leased or used by Tenant and non-owned vehicles used in connection with Tenant's business with liability limits of not less than One Million Dollars (\$1,000,000.00) per occurrence.

(b) Property Insurance. Special Form property insurance (or its then equivalent in the insurance industry) naming Landlord, any lender of Landlord, and Tenant as their interests may appear, covering all leasehold improvements in, on, or upon the Premises, in an amount not less than the full replacement cost without deduction for depreciation. All policy proceeds shall be used for the repair or replacement of the property damaged or destroyed; however, if this lease ceases under the provisions of ARTICLE 21, Tenant shall be entitled to any proceeds equal to the remaining value to Tenant of leasehold improvements for which Tenant has paid, and Landlord shall be entitled to all other proceeds. Notwithstanding, the foregoing sentence, Landlord shall never receive less than an amount equal to the reasonable cost of re-constructing Improvements substantially identical to those originally delivered to Tenant.

(c) Other Insurance: Changes in Limits. Such other insurance in such amounts as may from time to time be reasonably requested by Landlord against other insurable hazards related to the Premises (including, without limitation, hazards to the Premises related to Tenant's activities thereon), which at the time are customarily insured against by owners or operators of similar types of properties and Landlord may require changes in the amounts or limits of the insurance to be maintained under this ARTICLE to maintain reasonably equivalent coverage due to inflation, changes in Tenant's business operations, changes in law or changes in policy terms.

14.4 Each insurance policy maintained by Tenant shall provide coverage on an occurrence rather than a claims-made basis (or if coverage on an occurrence basis is or becomes unavailable on commercially reasonable terms, Tenant may obtain insurance coverage on a claims-made basis, provided such policies are endorsed to provide for an extended reporting period of not less than three (3) years) and shall provide that (a) no act, omission or default by Tenant shall render the policy void as to Landlord or of Landlord's right to recover thereon; and (b) the policy shall not be canceled or modified so as to adversely affect Landlord until thirty (30) days after written notice to Landlord. On or before commencement of the term hereof and thereafter upon the request of Landlord, Tenant shall provide certificates of insurance evidencing the required insurance and upon Landlord's request, copies of any required policy. All policies shall be written as primary policies, not contributing with, and not in excess of coverage which Landlord may carry.

14.5 Landlord and Tenant each waive any and all rights to recover against the other or against the officers, directors, shareholders, employees, agents or representatives of the other, for any loss or damage to such waiving party arising from any cause covered by any insurance required to be carried by such party pursuant to this ARTICLE or any other insurance actually carried by such party; provided, however, Tenant shall remain liable for the lesser of (a) the loss incurred by Landlord or (b) the deductible under Landlord's insurance policies, up to a maximum of One Thousand Dollars (\$ 1,000.00). Landlord and Tenant from time to time shall cause their respective insurers to issue appropriate waiver of subrogation rights endorsements to all policies of insurance carried in connection with the Premises or the contents of the Premises. Tenant agrees to cause all other occupants of the Premises claiming by, under, or through Tenant to execute and deliver to Landlord such a waiver of claims and to obtain such waiver of subrogation rights endorsements.

14.6 Landlord, its agents and employees make no representation that the limits of liability specified to be carried by Tenant pursuant to this ARTICLE are adequate to protect Tenant. If Tenant believes that any of such insurance coverage is inadequate, Tenant shall obtain, at Tenant's sole expense, such additional insurance coverage as Tenant deems adequate.

15.1 Notwithstanding any other provision of this lease, in the event of any actual or alleged default under this lease by Landlord, Landlord's liability shall be limited to Landlord's interest in the Project. Neither Landlord nor any officer, director, shareholder, agent or representative of Landlord shall have any personal liability for the breach of any obligations under this lease.

15.2 If Landlord, or any subsequent owner of the Premises, transfers the Premises, its liability for the performance of its agreements under this lease shall end with respect to obligations arising after the date of the transfer of the Premises, and the Tenant shall thereafter look solely to the transferee of the Premises for the performance of those agreements. Tenant shall attorn to any transferee of the Premises.

ARTICLE 16.
Defaults and Remedies

16.1 Landlord shall be entitled to exercise any of the rights and remedies provided for in this lease (and/or by applicable law) if any one or more of the following "Events of Default" shall occur:

(a) if Base Rent is not paid when due and remains unpaid for ten (10) days after written notice; or

(b) if any Additional Rent or any other sum payable by Tenant is not paid within twenty (20) days after written notice from Landlord to Tenant; or

(c) if default shall be made by Tenant in the prompt and full performance or compliance with any of the promises, provisions, terms, covenants or conditions in this lease other than those referred to in subsections (a) and (b) of this Section, and any such default is not fully cured within thirty (30) days after written notice from Landlord to Tenant, or if such default may not be reasonably cured within such 30-day period, if Tenant does not commence to cure within such 30-day period and thereafter diligently pursue such cure to completion.

16.2 Upon the occurrence of any Event of Default, Landlord may, at its discretion, apply the security deposit referred to in ARTICLE 5 against any amounts due from Tenant; take any action permitted under ARTICLE 17; and exercise any or all rights or remedies allowed under this lease or by law or equity, including without limitation, the following:

(a) Landlord may terminate this lease in accordance with the laws of the State of Washington, whereupon Tenant shall quit and peacefully surrender the Premises. Upon termination, Landlord may re-enter the Premises and take possession thereof, remove all parties in possession therefrom, and Tenant shall have no further claim or demand whatsoever thereon or hereunder. Landlord, without terminating this lease, may re-enter the Premises without liability for trespass, remove by summary proceedings, ejectment, replevin, unlawful detainer, lien foreclosure, or otherwise, all persons and personal property from the Premises and may have, hold, and enjoy the Premises and have the right to receive all rental income of and from the same. No act by Landlord shall terminate this lease unless Landlord notifies Tenant in writing, that Landlord elects to terminate this lease. Upon any re-entry, Landlord may relet the Premises or an), part thereof for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the term of this lease) and on such conditions as Landlord, in its reasonable discretion, may determine and may collect and receive the rents thereto. If Tenant abandons the Premises, Landlord shall in no way be responsible or liable if the Premises or any part thereof are not relet, or for any inability to collect any rent due upon any such reletting. Tenant assumes full responsibility for mitigating damages upon abandonment of the Premises and waives any defense or claim based on Landlord's failure to mitigate damages except as set forth in Section 23.6. No re-entry by Landlord, if the lease has not been terminated, shall excuse or relieve Tenant of its liability and obligations under this lease, and Tenant, until the end of the term of this lease, shall be liable to Landlord for and shall pay to Landlord the amount of Total Payments which are due and payable under this lease by Tenant, less the proceeds realized by Landlord from any reletting. Tenant shall pay such deficiency to Landlord on the first day of each month for which rent would have been paid under this lease, and Landlord shall be entitled to recover from Tenant each monthly deficiency. In addition, Tenant shall pay upon demand all of Landlord's reasonable expenses whatsoever reasonably incurred in connection with any reletting, including, without limitation, all repossession costs, brokerage and management commissions or fees, all operating expenses, accounting expenses, attorneys' fees, reasonable costs incurred in making, alterations to the Improvements and removal, storage or disposition of personal property on the Premises, and any expenses of advertising, and preparation for reletting and any reasonable concessions granted in connection with such

reletting. Any sums received by Landlord upon a reletting of the Premises in excess of the Total Payments reserved herein shall be the sole property of Landlord; or

(b) Landlord may accelerate all of the Total Payments reserved for the remaining balance of the term of this lease. Upon such acceleration, all of the Total Payments reserved herein for the entire term shall immediately become due and payable, discounted to their then present value using a discount rate equal to the prime rate as of the date of the Event of Default, less the reasonable rental value of the Premises for the remainder of the lease term, also discounted to present value at the prime rate. The "prime rate" shall mean the interest rate per annum announced by Seattle-First National Bank (or its successor) from time to time as its prime lending rate to its most creditworthy commercial customers. Tenant shall pay, upon demand, such accelerated amount plus an amount equal to the total of all of Landlord's reasonable costs resulting from Tenant's default including-, without limitation, costs of curing any breach by Tenant of the terms of this Lease (other than failure to pay Total Payments), repossession of the Premises, operating and administrative expenses until the Premises may be relet, attorney's fees, costs of removal, storage or disposition of personal property on the Premises, and the unauthorized cost of any leasehold improvements or concessions granted in connection with this Lease, plus interest thereon at the prime rate from the date incurred until the date paid.

ARTICLE 17.

Landlord's Right to Perform Tenant's Covenants

17.1 If Tenant shall at any time fail to make any payment or perform any act required under this lease, then Landlord, after ten (10) days' notice to Tenant in the case of monetary defaults (other than the payment of Base Rent) or thirty (30) days' notice in the case of a non-monetary default, or immediately without notice in the case of emergency, and without waiving, or releasing Tenant from any obligation of Tenant contained in this lease or from any default by Tenant and without waiving Landlord's right to take other action permissible under this lease, may (but shall be under no obligation to) make such payment or perform any other act required to be made, performed or complied with by Tenant hereunder.

17.2 Landlord may enter the Premises for any purpose under Section 17.1 and take all such action thereon as may be necessary without incurring any liability for trespass and without terminating Tenant's tenancy or interfering, with Tenant's quiet enjoyment of the Premises. Any sums paid by Landlord and all costs and expenses reasonably incurred by Landlord (including reasonable attorneys' fees), in connection with the performance of any act, together with interest thereon at the rate set forth in ARTICLE 19, from the date of such payment or incurrence by Landlord shall be paid by Tenant to Landlord upon demand.

ARTICLE 18.

Costs and Attorneys' Fees

18.1 In the event of any breach, default, delinquency or violation by either party or any dispute involving the interpretation of this lease, the non-prevailing party shall be responsible for and shall pay any and all reasonable attorneys' fees and costs, or expenses incurred by the other party by reason of such breach, default, delinquency, violation or dispute, whether or not a legal action is filed, including those, if any, on appeal.

ARTICLE 19.

Interest on Overdue Payments

19.1 Any component of Total Payments payable by Tenant under the terms of this lease, which Tenant does not pay when due, shall bear interest in favor of Landlord from the due date at the rate of eighteen percent (18 %) per annum, compounded monthly, or such lesser rate as may be the maximum allowed by law.

19.2 Any late or partial payments, if accepted by Landlord, may, at Landlord's option, be applied first to interest, then to Additional Rent, and finally to Base Rent.

ARTICLE 20.

No Total Payments Abatement

20.1 Except as otherwise expressly provided for in this lease, no abatement, diminution, setoff, counterclaim or reduction of Total Payments or charges due Landlord shall be claimed by or allowed to Tenant.

ARTICLE 21.

Damage to Premises

21.1 If the Improvements are damaged or destroyed by reason of fire or

any other cause, Tenant shall immediately notify Landlord. If the loss results from a casualty covered by Landlord's insurance, provided Tenant is not in default, Landlord shall apply the net proceeds of any fire or other casualty insurance paid to Landlord (or to a trustee or depository at the request of the holder of Landlord's mortgage), to repair or rebuild the Improvements. Provided Tenant is not in default, if the loss results from a casualty not insured against by Landlord's insurance and not attributable to Tenant's negligence or other fault and the estimated costs of repair do not exceed fifty percent (50%) of the sum of Base Rent due for the remainder of the lease term, Landlord shall repair or rebuild the Improvements, in each case so as to make the Improvements at least equal in value to the improvements existing immediately prior to the occurrence and as nearly similar in character as is practicable and reasonable, subject to any applicable building regulations. Landlord shall prosecute the repairs or rebuilding to completion with diligence; subject, however, to strikes, lockouts, acts of God, embargoes, governmental restrictions, and other causes beyond Landlord's reasonable control.

1. 2 If (a) at any time during, the last two (2) years of the term of this lease the Improvements are damaged by fire or other insured casualty so that the cost of restoration exceeds twenty-five percent (1-5 %) of the replacement value of the Improvements (exclusive of foundations) immediately prior to the damage or (b) in Landlord's reasonable judgment, repair or restoration after any insured casualty cannot be completed by one (1) year prior to the end of the lease term or (c) a loss exceeding fifty percent (50 To) of the sum of Base Rent due for the remainder of the lease term results from a casualty not insured against by Landlord's insurance, then Landlord may, within thirty (30) days after such damage, give notice of its election to terminate this lease and, subject to the provisions of this section, this lease shall cease on the tenth (10th) day after the delivery of that notice. Total Payments shall be apportioned and paid to the time of damage.

21.3 Total Payments shall be abated on a pro rata basis from the date of the damage until the date of the completion of such repairs, based on the proportion of the Premises that Tenant is unable to use during the repair period. If any casualty not covered by rental value insurance is the result of the willful conduct or negligent act or omission of Tenant, its agents, contractors, employees, or invitees, Total Payments shall not be abated. Tenant shall have no right to terminate this lease on account of any damage to the Premises, or the Project, except as set forth in this lease.

ARTICLE 22. Condemnation

22.1 In the event the Premises or any part thereof shall be condemned and taken for a public or quasi-public use, the leasehold estate and interest of Tenant in the Premises or the part thereof so taken shall forthwith cease and terminate as of the date of final award. In the event of a partial taking, the lease shall remain in full force as to any portion of the Premises not taken, and Tenant's obligation to pay Base Rent and Additional Rent herein reserved shall be equitably reduced or abated in proportion to the value of the portion of the Premises which is lost on account of any partial taking. Rent shall not be abated if the taking does not unreasonably affect Tenant's use of the Premises. Notwithstanding the foregoing, in the event any part of the Premises is taken which would render the remainder thereof unusable, Tenant may elect to terminate this lease and all obligations of either party hereunder accruing from and after the date of such partial taking.

22.2 Landlord reserves all rights to damages awarded for any partial or total taking and Tenant hereby assigns to Landlord any right Tenant may have to such damages or award except for moving, expenses, Tenant's personal property or damage to or interference with Tenant's business, but only to the extent awarded separately and not out of or as a pan of the damages recoverable by Landlord.

ARTICLE 23. Transfer of Tenant's Interest

23.1 Tenant shall not:

(a) transfer all or any portion of this lease or any of its leasehold interest in the Premises, without the prior written consent of Landlord, which may not be unreasonably withheld;

(b) mortgage, pledge, hypothecate or otherwise create or grant any security interest in Tenant's leasehold interest (or any part thereof) in the Premises without the prior written consent of Landlord, which may not be unreasonably withheld or delayed, and, subject to Tenant's right to contest in a manner similar to that provided in Section 9.3 for Impositions, Tenant shall not voluntarily or involuntarily suffer or permit to be placed or enforced against the Premises any lien, claim, demand or encumbrance of any type or nature whatsoever.

23.2 Any request by Tenant for Landlord's consent to a transfer shall be accompanied by information related to the proposed transferee's financial position and proposed use of the property, and any other information Landlord may reasonably request in order to evaluate the proposed transfer. Landlord's consent to a transfer shall not be effective until Landlord has received the written agreement of the transferee to assume and perform all of the obligations of Tenant for the payment of Total Payments and the performance of all the terms, covenants, conditions and provisions contained in this lease. Any consent by Landlord to any single transfer shall not release Tenant from any obligations under this lease and such consent shall only apply to the specific transaction thereby authorized and shall not be construed as a waiver of the duty to obtain Landlord's consent to any subsequent transfer.

23.3 Tenant shall reimburse Landlord for any costs reasonably incurred in connection with any proposed transfer or creation of a security interest, including, without limitation, legal fees and costs of investigating the acceptability of the proposed transferee or security interest and preparation or review of necessary documentation.

23.4 Any violation of the terms of this ARTICLE without Landlord's prior written consent shall, at Landlord's option, be absolutely null and void.

23.5 Landlord's failure to detect or to protest an apparent or actual default of this ARTICLE shall not constitute a waiver or estoppel thereof. The acceptance of any rent by Landlord from a proposed transferee shall not constitute consent by Landlord to any transfer or recognition of any transferee or a waiver by Landlord of any failure of Tenant to comply with this ARTICLE.

23.6 If Tenant believes that Landlord has unreasonably withheld consent to any transfer or creation of a security interest, Tenant's sole remedies shall be to (a) seek a declaratory judgment that Landlord has unreasonably withheld consent or (b) seek specific performance or an injunction requiring Landlord to give consent.

23.7 Landlord's withholding of consent to a proposed transfer shall not be unreasonable if Landlord determines, in the exercise of Landlord's reasonable discretion, that (a) the proposed transferee is financially unable to fulfill its obligations under the lease; (b) the proposed transferee (or the principals thereof) has a substantial history of defaults under prior leases or other agreements; (c) the proposed transferee's use of the Premises would be incompatible with other uses within the Project or would pose substantial risks of pollution, casualty loss, property damage or personal injury; or (d) would otherwise substantially increase Landlord's risk or expense in connection with this Lease.

23.8 For the purpose of this ARTICLE, "transfer" shall include any voluntary or involuntary sale, assignment, sublease, gift, conveyance, disposition or parting with any or all of Tenant's rights, duties or interests herein. Subject to the requirements of Section 23.2 relating to information and documents to be provided by Tenant, and Landlord's right to object and withhold consent on the grounds set forth in Section 2-3.7, Tenant may assign all or part of this lease, or sublease all or a part of the Premises, to:

(a) - any corporation or entity that has the power to direct Tenant's management and operation, or any corporation or entity whose management and operation is controlled by Tenant; or,

(b) any corporation or entity a majority of whose voting stock or ownership interest is owned by Tenant; or

(c) any corporation or entity in which or with which Tenant or its successors or assigns is merged or consolidated, in accordance with applicable statutory provisions for merger or consolidation of corporations or other entities, so long as the liabilities of the corporations or entities participating in such merger or consolidation are assumed by the corporation or entity surviving such merger or created by such consolidation; or

(d) any corporation or entity acquiring this lease and a substantial portion of Tenant's assets.

ARTICLE 24. Subordination

24.1 At Landlord's request, this lease shall be subordinated to any mortgages, deeds of trust and other encumbrances arising through Landlord and affecting the Premises, provided the mortgagee or beneficiary thereof agrees not to disturb Tenant's possession so long as Tenant is not in default under

this lease. Tenant shall sign and deliver any reasonable documents required to evidence such subordination, within twenty (20) days of Landlord's request.

ARTICLE 25.
Surrender

25.1 At the expiration of the lease term or upon any earlier termination of this lease, Tenant shall immediately:

(a) deliver to Landlord free and clear title to the Improvements (excepting only Tenant's personal property, equipment and trade fixtures which can be, and are, removed by Tenant without permanent damage to the Premises) without any payment to Tenant or allowance of any kind whatsoever by Landlord; provided that nothing herein shall require Tenant to satisfy any obligations arising through Landlord. Landlord may examine condition of title at Tenant's cost to assure itself that the title offered is in conformity with the terms of this lease; and

(b) restore the Premises to their condition at the commencement of the lease, and repair any damage caused by removal of Tenant's personal property, equipment or trade fixtures, or Tenant's occupancy of the Premises, and quit, surrender and return possession of the Premises to Landlord in a neat, clean, and sanitary condition, and in good working order reasonable wear and tear and casualty loss excepted, and shall deliver to Landlord all information documents and tangible items necessary or convenient to the operation of the Premises, including, without limitation, any keys, combinations to locks and access systems, manuals and instruction booklets, warranties, receipts, bills, invoices, statements, licenses, and permits, building plans and specifications, contracts and other documents.

25.2 Any personal property remaining on the Premises after the expiration of the lease term may, at Landlord's option, be deemed abandoned by Tenant and Tenant releases Landlord from all claims and liability in connection with such personal property. Upon expiration, or if the lease is terminated prior to its normal expiration, Landlord shall have the right, but not the obligation, to remove all of Tenant's personal property from the Premises and place the same in a public warehouse at Tenant's expense and risk. Landlord shall have the right, but not the obligation, to sell such stored property if it has not been claimed, and all charges for removal, packing, transport and storage paid by Tenant within thirty (30) days, and the proceeds of sale shall be applied first to the costs of sale, second to the costs of removal, packing, transport and storage, third to the payment of any other sums due Landlord from Tenant, and the balance, if any, shall be paid to Tenant.

ARTICLE 26.
Holding Over

26.1 This lease shall terminate without further notice upon the expiration of the lease term as described in ARTICLE 3 or upon any earlier termination of this lease. If Tenant holds over with the written consent of Landlord, such action shall not constitute a renewal of this lease or any extension thereof, but such tenancy shall be on a month-to-month basis, which tenancy may be terminated as provided by the laws of the State of Washington. During such period, Tenant shall pay to Landlord on the first day of each month Base Rent equal to one-twelfth (1/12) the Total Payments payable by Tenant during the prior calendar year multiplied by one hundred twenty-five percent (125 %) (plus all Additional Rent provided for in this Lease), and Tenant shall continue to be bound by all of the promises, provisions, conditions and covenants herein set forth, so far as the same may be applicable.

ARTICLE 27.
Quiet Environment

27.1 Landlord hereby covenants that if Tenant is not in default in the payment of any monetary obligations or in the performance or observance of any of its other obligations under this lease, Tenant shall be free from Landlord's interference in the enjoyment of sole and exclusive use, occupancy and possession of the Premises; subject, however, to the exceptions, reservations and conditions of this lease.

ARTICLE 28.
Right of Inspection

28.1 Landlord and its representatives shall be authorized to enter the Premises upon notice (or at any time without notice in the event of emergency) for the purposes of determining whether or not an Event of Default has occurred; exhibiting the Premises to lenders, prospective purchasers and tenants; making any necessary repairs to the Premises and performing any work therein and for any other lawful purpose. Landlord shall not be liable for inconvenience, annoyance, disturbance, loss of business or other damage to Tenant or any other party by reason of such entrance or the making of such repairs or the performance of any such work, or on account of bringing materials, tools, supplies and equipment onto the Premises. In order to preserve the security of Tenant's proprietary information, Tenant may accompany Landlord on any inspection and may impose reasonable restrictions to prevent unauthorized access to such proprietary information. Landlord shall not disclose or use any confidential or proprietary information of Tenant learned, observed or otherwise obtained by Landlord or its employees or agents in its exercise of rights under this lease.

ARTICLE 29.
Recording

29.1 This lease shall not be recorded. On the request of either party, a memorandum of this lease may be recorded.

ARTICLE 30.
Estoppel Certificates

30.1 Tenant shall, without charge to Landlord, at any time and from time to time, within ten (10) days after request, certify by written instrument, duly executed, acknowledged and delivered, to Landlord or any other person, firm or corporation specified by Landlord:

(a) that this lease is unmodified and in full force and effect or, if there have been any modifications, that the same is in full force and effect as modified and stating the modifications or, indicating that this lease is not in full force and effect if appropriate and stating the reason why;

(b) that any existing Improvements required by the terms of this lease to be completed by Landlord have been completed to the satisfaction of Tenant or specifying any Improvements which require correction by Landlord;

(c) whether or not there are then existing any set-offs or defense against the enforcement of any of the agreements, terms, covenants or conditions of this lease and any modifications thereto upon the part of the certifying party to be performed or complied with and, if so, specifying the same;

(d) the amount of monthly Base Rent and Additional Rent then due under this lease, the dates, if any, to which any portion of the Base Rent and Additional Rent due hereunder have been paid in advance;

(e) the amount of security deposit held by Landlord;

(f) the date of expiration of the current term and whether Tenant has rights to extend the term (and the term of such extensions) or to purchase the Premises or to lease additional property, if any; and

(g) any other information reasonably requested.

30.2 Tenant's failure to deliver a certificate within the time specified shall be an Event of Default under ARTICLE 16 and shall conclusively be deemed Tenant's approval of the statements set forth in the certificate presented to Tenant, and may be relied upon as such by Landlord or any third party.

ARTICLE 31.
Non-waiver

31.1 No waiver by Landlord or Tenant of any default by the other party or of any circumstances permitting Landlord or Tenant to terminate this lease shall be implied or inferred and no written waiver shall constitute a waiver of any other circumstance permitting such termination, and no failure or delay on the part of Landlord or Tenant to exercise any right it may have by the terms hereof or by law upon the occurrence of an Event of Default shall operate as a waiver of that or any other Event of Default, nor as a modification of this

lease. The subsequent acceptance of any payment or performance pursuant to this lease shall not constitute a waiver of any prior default by Tenant other than the default of the particular payment or the performance so accepted. The consent or approval to or of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent or approval to or of any subsequent similar acts by Tenant. No payment by Tenant or receipt by Landlord of a lesser amount than the Total Payments due shall be deemed to be other than on account, nor shall any endorsement or statement on any check or letter accompanying any check or payment as rent be deemed an accord and satisfaction or a waiver of any other or additional amount owed.

ARTICLE 32.
Authority

32.1 Landlord and Tenant, or each person signing this lease on behalf of Landlord and Tenant, warrants that he or she is authorized to execute this lease.

32.2 If Tenant or Landlord is not a natural person, then such party warrants that:

(a) such party is duly organized, validly existing, and qualified to conduct business in the State of Washington;

(b) that the lease was duly authorized, executed and delivered by such party and is the binding obligation of such party, in accordance with its terms.

ARTICLE 33.
Brokers

33.1 Tenant and Landlord, respectively, represent that they have not dealt with any broker or finder with respect to the Premises or this lease other than Kiemle & Hagood, whose fee shall be paid by Landlord. Tenant and Landlord shall indemnify the other and the other's agents and representatives, and hold them harmless from any claims for fees or commissions by parties (including, without limitation, all attorneys' fees and costs of defending any alleged claim) arising out of the acts of the indemnifying party or its agents or employees.

ARTICLE 34.
Notices

34.1 Any notices, demands, requests, consents, objections or other communications required to be given or which may be given under or by the terms and provisions of this lease or pursuant to law or otherwise shall be in writing and delivered or mailed to the address set forth below each party's signature on this lease or at such other place as either Landlord or Tenant may hereafter designate in writing and shall be deemed given three (3) days after deposit in the United States mail, certified or registered, return receipt requested, postage prepaid, addressed to the party entitled to receive the notice, or upon receipt when hand delivered.

ARTICLE 35.
Construction

35.1 This lease shall be construed in accordance with the laws of the State of Washington. The table of contents, article headings and captions are for convenience only and shall not be considered in any construction or interpretation of this lease. If any ambiguity exists, the provision in question shall not be construed or interpreted for or against Landlord or Tenant by reason of any rule of construction. If any term, provision, Section, ARTICLE or sentence in this lease or portion thereof shall, to any extent, become invalid or unenforceable either by operation of law, statute, or by court decree, the remainder of said term, provision, Section, ARTICLE or sentence as well as the remainder of this lease shall not be affected thereby, and each term, provision, Section, ARTICLE, sentence or portion thereof as well as the remainder of this lease shall be valid and shall be enforceable to the fullest extent permitted by law.

ARTICLE 36.
Covenants to Bind and Benefit Respective Parties

36.1 All of the promises, terms, covenants, provisions and conditions set forth in this lease shall inure to the benefit of and shall be binding on, the heirs, personal representatives, trustees, receivers, permitted assignees and permitted transferees of the parties named herein.

ARTICLE 37.
Sole Understanding of Parties

37.1 This lease contains the entire understanding between the parties with respect to its subject matter, the promises, duties, terms, covenants, conditions and all other aspects of the relationship between Landlord and Tenant, and there are no verbal agreements, representations, warranties, or other understandings affecting the Property or its use or development that have not been reduced in writing in this lease. No change in this lease in any manner whatsoever shall be valid unless in writing and signed by both parties.

ARTICLE 38.
Further Documents

38.1 Landlord and Tenant shall, whenever and as often as it shall be reasonably requested to do so by the other, execute, acknowledge and deliver or cause to be executed, acknowledged or delivered any and all such further confirmations, instruments and documents and take any and all actions as may be reasonably helpful, necessary, expedient or proper, in order to evidence or complete any and all transactions or to accomplish any and all matters provided for in this lease.

ARTICLE 39.
Venue

Venue in any action arising out of this lease shall be laid in the Superior Court of Spokane County, Washington.

ARTICLE 40.
Consultation

Tenant acknowledges that it has consulted or has had ample opportunity to consult with

STATE OF WASHINGTON)

:ss.

County of Spokane)

I certify that I know or have satisfactory evidence that J. G. White is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the President of CXT, INCORPORATED, a Delaware corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated July 30, 1993

Notary Public in the State
of Washington, residing at Spokane
My commission expires: September 11, 1994

THIS AMENDMENT, made and entered into this 12th day of March, 1996, by and between CROWN WEST REALTY, L.L.C., hereinafter called "Lessor" and CXT, INCORPORATED, A DELAWARE CORPORATION, hereinafter called "Lessee".

RECITALS

WHEREAS, on April 1, 1993, the Lessee and Lessor's predecessor (Pentzer Development Corporation) entered into an agreement of lease ("the Lease") covering those certain premises, situated in the County of Spokane, the State of Washington, and more particularly described as follows:

3808 N. Sullivan Road, Building #S-16 and Tract A of BSP 88-21, within an organized industrial district called "Spokane Business & Industrial Park" Spokane, Washington, totaling 56,000 square feet, for a period of ten (10) years commencing on the first day of April, 1993 at a monthly rental rate of \$17,5 10.00.

WHEREAS, the said Lessee now desires to expand its Premises to include 2.765 acres of Parcel A (located east of Tract A) as shown on Exhibits A and B. This Amendment is subject to Lessor successfully perfecting a lot line adjustment to have the 2.765 acres combined with Tract A.

NOW THEREFORE, in consideration of the Premises and agreements herein contained, it is hereby agreed as follows:

1. Premises: The Premises shall expand to include the 2.765 acres of Parcel A.

2. Rent: Lessee's minimum monthly Base Rent shall increase by \$1,000.00 and thereafter shall increase pursuant to paragraph 4.1 of the Lease such that the monthly Base Rent payable for each succeeding year shall be increased to equal one hundred three percent (103%) of the monthly Base Rent payable in the immediately preceding year. In summary, the total monthly rent for Building #S-16, Tract A and the additional 2.765 acres is:

March 1, 1996 through March 31, 1996 \$19,576.36 April 1, 1996 through March 31, 1997 \$20,133.65 Annual compounded three percent (3%) increases thereafter.

3. Term: The effective date of this expansion shall be March 1, 1996 and shall be coterminous with the Lease.

4. Common Area Expenses: Shall be in accordance with Article I I of the Lease, provided however the 2.765 acres described in paragraph I above shall be added to the Premises described in the Lease for purposes of calculating Common Area Expenses.

5. Option: Lessee's option to extend the term of the Lease shall include this expansion parcel.

6. Lot Line Adjustment: Lessee shall reimburse Lessor for all out-of-pocket expenses associated with Lessor perfecting the lot line adjustment to combine the 2.765 acres of Parcel A with Tract A. In the event that Lessor is unable to obtain the required governmental approvals within 60 days from the date hereof, this Amendment will terminate, and each party hereto agrees to release the other from all of the obligations contained herein. It is understood that no improvements shall commence until Lessor advises Lessee that all governing authorities have approved said lot line adjustment.

7. Easement: Lessor agrees to grant an easement (if required) to Union Pacific Railroad for a new side track over the Premises described herein. This easement will terminate upon expiration of the Lease.

LEASE AND ADDENDA FOR BUILDING #7
AND
FIVE ACRES OF LAND
(PRECAST PLANT AND STORAGE YARD)

ADDENDUM TO LEASE

This is an addendum to that certain Lease dated December 20, 1996, between CROWN WEST REALTY, L.L.C., as lessor, and CXT, INCORPORATED, as lessee, pursuant to which the lessee leased from the lessor Building No. 7 and approximately five acres of land.

Paragraph 5.1 of the said Lease is hereby amended to read as follows:

5.1 Option to Terminate This Lease Lessee is hereby granted the one-time option to terminate this Lease effective December 31, 1999, by giving the lessor not less than 90 days' prior written notice, said notice to be accompanied by a payment of \$100,000.00 which, should said option to terminate be exercised, constitutes the consideration for the early termination of this Lease.

DATED this ____ day of _____, 1998.

CROWN WE REALTY, L.L.C.

By: _____
Title: President

By: _____
Title: President

STATE OF WASHINGTON

)ss.

County of Spokane

On this day personally appeared before me RICHARD D. ROLLNICK, and on oath stated that he was authorized to execute the instrument and acknowledged it as the President of CROWN WEST REALTY,, L.L.C.; to be the free and voluntary act of such party for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this ____ day of _____.

Name Printed: _____
NOTARY PUBLIC in and for the State of Washington,
residing at Spokane.

Appointment Expires: _____

STATE OF WASHINGTON

)ss. county of Spokane

On this day personally appeared before me JOHN G. WHITE, and on oath stated file he was authorized to execute the instrument and acknowledged it as the President of CXT, INCORPORATED, to be the free and voluntary act of such party the uses and purposes therein mentioned.

OQ

GIVEN under my hand and official seal this _____ of _____ 1998.

Name Printed. _____ I
NOTARY PUBLIC in and for the State
of Washington, residing at Spokane.

Appointment Expires:

LEASE

CROWN WEST REALTY, L.L.C.
Lessor

CXT INCORPORATED
Lessee

Dated: December 20, 1996

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LEASE

This Lease made and entered into this 20th day of December, 1996, between CROWN WEST REALTY, L.L.C. hereinafter referred to as "Lessor", and CXT INCORPORATED, a Delaware corporation, hereinafter referred to as "Lessee",

WITNESSETH:

It is agreed by and between Lessor and Lessee as follows:

1. Description of Premises. Lessor hereby leases to Lessee and Lessee hereby leases from Lessor those certain premises, hereinafter referred to as "Premises", situated in Spokane County, State of Washington, described as: Building #7 comprising approximately 120,000 square feet and approximately five acres of land to be used for storage immediately east of Building #7, across 5th Street, (See Exhibit B attached) located at 3808 N. Sullivan Road being part of an organized industrial district commonly referred to as the "Spokane Business & Industrial Park," hereinafter referred to as the "Park" as shown on the attached Exhibit A and more particularly described as follows:

The South Half of Section 1, and that portion of Section 12 lying North of the Northerly right of way line of the Spokane International Railroad, Township 25 North, Range 44 East of the Willamette Meridian, County of Spokane, State of Washington.

The Lessee may use the five acres to store material. All materials shall be stored in a neat and secure manner. Except for those improvements which the Lessor specifically agrees to provide, as set forth in this Lease, the Lessee shall be responsible for the installation, construction and maintenance of all improvements to the Premises.

Lessee shall have the right to cross 5th Street between the said five-acre parcel and Building 7 without going to an intersection, provided that north-south traffic on 5th Street has the right of way and Lessee's vehicles thus crossing 5th Street shall not unreasonably impede north-south traffic on 5th Street.

2. Term. The term of this Lease shall be 76 months, commencing on the 1st day of December, 1996 and ending on the 31st day of March, 2003.

3. Rent. The monthly base rent which includes base year taxes, assessments, insurance and common area costs, except as provided in paragraph 28, shall be as follows:

December 1, 1996 through March 31, 1997	\$ 0.00
April 1, 1997 through October 31, 1997	\$15,600.00
November 1, 1997 through September 30, 1998	\$16,800.00
October 1, 1998 through September 30, 1999	\$20,400.00

October 1, 1999 through September 30, 2000	\$20,400.00
October 1, 2000 through September 30, 2001	\$21,600.00
October 1, 2001 through September 30, 2002	\$21,600.00
October 1, 2002 through March 31, 2003	\$24,000.00

Said rental for each month shall be paid to Lessor monthly in advance on or before the first business day of the month for which said rent is due at the office of Lessor at the Park.

A late charge of 1%% of the delinquent amount will be added to all amounts of base rent and additional due that are not received by the tenth of the month in which they are due.

4. Option To Extend. Lessee is hereby granted options to extend this Lease for two additional five-year terms upon all of the terms and conditions, except rent, as provided in this Lease, modified only as necessary to conform to applicable laws and regulations; provided that the Lessee is, both at the time of exercising an option to extend and at the time of commencement of the extended term, not in material default under the then-current lease. In order to exercise an option to extend, the Lessee must give written notice to the Lessor not less than 150 days prior to the expiration of the then-current lease term.

The base rent during the option terms, if exercised, shall be as follows:

April 1, 2003 through March 31, 2004	\$31,200.00
April 1, 2004 through March 31, 2005	\$32,292.00
April 1, 2005 through March 31, 2006	\$ 33,422.00
April 1, 2006 through March 31, 2007	\$34,592.00
April 1, 2007 through March 31, 2008	\$ 35,803.00
April 1, 2008 through March 31, 2009	\$37,056.00
April 1, 2009 through March 31, 2010	\$38,353.00
April 1, 2010 through March 31, 2011	\$ 39,695.00
April 1, 2011 through March 31, 2012	\$41,084.00
April 1, 2012 through March 31, 2013	\$42,522.00

5.Options To Terminate.

5.1 This Lease. Lessee is hereby granted the one-time option to terminate this Lease effective on February 28, 1999, by giving Lessor not less than 150 days' prior written notice. If said option to terminate is exercised, Lessee shall pay Lessor \$32,500.00, representing reimbursement to Lessor of \$15,000.00, being 50% of the amount that the Lessor has agreed to pay toward the cost of repairing cranes; plus \$17,500.00, being approximately 50% of the cost incurred by Lessor in complying with paragraph 10.7.

5.2 S-20 Lease. Lessee is currently leasing Building #S-20, on Lot 18, BSP 88-21 from Lessor pursuant to a Lease dated November 1, 1991. Provided that Lessee does not exercise its option to terminate this Lease as provided in paragraph 5. 1, Lessee is hereby granted

the option to terminate the said Lease of Building #S-20 effective on either December 31, 1998, or December 31, 1999, by giving written notice to Lessor not less than 150 days prior to the termination date, which shall be stated in the notice, and by paying Lessor the sum of \$4,800.00 per month on the first business day of each month, commencing in the month of January immediately following the termination date and continuing through March, 2003. Late charges would apply if not paid on time, the same as with rent.*

*Should Lessee exercise its option to terminate its lease for Building #S-20 under this paragraph #5.2, then Lessee's option to terminate this lease for Building #7 under paragraph #5.1 shall expire and become null and void.

6. Possession/Peaceful Enjoyment. Lessee shall be entitled to possession of the Premises on December, 1, 1996, it being recognized that the prior tenant of Building #7 is in the process of moving out so that the Lessee will not have full use of the Premises until the prior tenant finishes moving out. Except as provided above, the Lessee shall have peaceful and quiet enjoyment throughout the term of this Lease and any exercised option terms, all subject to the Lessee performing its obligations under this Lease.

7. Holding Over. If the Lessee shall, with the written consent of Lessor, hold over after the expiration of the term of this Lease, or any exercised option term, such tenancy shall be on a month-to-month basis, and may be terminated as provided by the laws of the State of Washington. During such tenancy, Lessee agrees to pay to the Lessor the rental rate set forth in the written consent, and to be bound by all the terms, covenants and conditions of the lease then in effect. If the Lessee holds over without the written permission of the Lessor, Lessee shall be tenant at sufferance and shall pay base rent on a daily basis at a rate per day equal to 5% of the monthly rent then in effect.

8. Lease Deposit. Waived.

9. Business Purposes. The Premises are to be used for the purpose of conducting therein and thereon the following business: The manufacture of concrete products, steel fabrication, equipment repair and other related manufacturing activities, and the storage of related materials and products, and for none other without the prior written consent of Lessor. Lessee shall promptly notify Lessor of any proposed change in use of the Premises, but in no event later than 14 days prior to said proposed change. Lessor's consent to any proposed change shall not to be unreasonably withheld or delayed.

10. Acceptance of Premises.

10.1 As Is. Except as otherwise specifically provided in this Lease, Lessee, having made a careful and complete inspection of the Premises, accepts said Premises strictly "AS IS" in their present condition and without any representations or warranties, express or implied, as to their condition or suitability for Lessee's intended use.

10.2 Existing Cranes. There are presently three ten-ton cranes installed in Building #7 which the parties recognize are in need of repair. The Lessee will, within a reasonable time, perform all repairs necessary to put the cranes in good working order and in compliance with applicable laws and regulations. The Lessor will reimburse the Lessee for the cost of such

under this paragraph #5.2, then Lessee's option to terminate this lease for Building #7 under paragraph #5.1 shall expire and become null and void.

repairs to the extent of \$30,000.00. Thereafter the Lessee shall maintain said cranes in good working order throughout the term of this Lease and any extensions or renewals thereof.

10.3 Office HVAC. The Lessor represents that the HVAC system for the office area is in normal operating condition. The Lessor will perform any repairs necessary to put the office HVAC system in normal operating condition, provided that the need for repair is called to the Lessor's attention by written notice given not later than December 13, 1996. Thereafter the Lessee shall maintain said HVAC system in good working order throughout the term of this Lease and any extensions or renewals thereof. Lessor shall provide Lessee with a report from a licensed HVAC contractor certifying that both the heating and air conditioning aspects of the HVAC system are in good operating condition at the commencement of this Lease.

10.4 New Doors. The Lessor will, within a reasonable time, and in no event later than January 31, 1997, install four additional electrically operated truck access doors as shown on Exhibit C attached. Upon completion of the installation of all four doors, the Lessee will reimburse the Lessor for the cost thereof to the extent of \$10,500.00.

10.5 Existing Doors. All existing overhead doors, man doors and windows shall be in good operating condition as of the commencement of this Lease. The Lessor will perform any repairs necessary to make such doors and windows in operating condition, provided that the need for repair is called to the Lessor's attention by written notice given not later than December 13, 1996. Thereafter the Lessee shall maintain said doors and windows in good working order throughout the term of this Lease and any extensions or renewals thereof.

10.6 Overhead Power Line. The Lessor will, upon the written request of the Lessee given at any time during the first year of this Lease, and at the Lessee's cost, relocate the existing overhead power line at the east end of the building so as to provide reasonable clearance for the Lessee's equipment moving in and out of Building #7.

10.7 Gravel. The Lessor will grade the five-acre parcel which is part of the Premises and will remove topsoil, black dirt and organic matter in order to establish a firm mineral soil base and will install three inches of 7/8" or 1 1/4" minus crushed gravel, all within a reasonable time, and as weather permits.

10.8 Paving. The Lessor will, within a reasonable time, and not later than June 30, 1997, asphalt pave the area between the east end of Building #7 and 5th Street.

10.9 5th Street Gate. The Lessor will, within a reasonable time, and not later than February 28, 1997, install a gate for access to the Park from 5th Street. The gate will be locked other than during general business hours. The gate will be controlled by an access card system or similar device. A reasonable number of access cards or similar access devices will be checked out to the Lessee so that the Lessee will have access to Building #7 from 5th Street at all times.

10. 10 Interior Rail Line. Lessor will, upon receipt of such funds from the prior tenant, reimburse Lessee to the extent of \$5,000.00 of the Lessee's cost of reinstalling interior continuous rail line in accordance with plans approved by Lessor, such approval not to be unreasonably withheld or delayed.

11. Compliance with Laws. Lessee shall, at all times, and at its sole expense, keep and use the Premises in accordance with applicable laws and ordinances and in accordance with applicable directions, rules and regulations of public bodies or entities. Lessee shall not overload the floors, cranes or other parts of the Premises, and shall permit no waste of, or damage or injury to, the Premises, and will not permit the Premises to be used in any way which is unlawful, offensive or dangerous, or which may be, or become, a nuisance, or in any manner which is, by reason of the emission of dust, odor, gas, fumes, smoke, or noise, noxious or offensive to a person of normal sensibilities occupying space in an industrial park or in a manner that significantly increases the risk of fire. The Lessee's use of concrete vibrators in the ordinary course of its business shall not constitute a violation of this paragraph.

12. General Obligations of Lessee. Lessee shall, at all times, keep the Premises, loading platforms, parking area, and service areas adjacent to the Premises clean and free from snow, ice, ash, rubbish, dirt, and unlawful structures and shall store all products, materials (hazardous or otherwise), dangerous substances, trash and garbage securely within the Premises. Lessee shall arrange for weekly (or more often if needed) pick-up of such trash and garbage as may be generated by Lessee, all at the Lessee's expense. Lessee may install a waste dump area on the south side of Building #7 in accordance with plans approved by Lessor, such approval not to be unreasonably withheld or delayed. Should Lessee fail to remove trash, garbage, refuse or materials from any location outside of the Premises within three days after written notice from Lessor, Lessor, at its option, may remove such items at Lessee's expense. Lessee agrees to hold Lessor harmless from any loss or damage resulting from Lessor's removal of any such items. Lessee shall permit no animals to be kept on the Premises.

13. Alterations.

13.1 Consent Required. Lessee shall not, without the prior written consent of Lessor, make any alterations, additions, or improvements in or to said Premises, which consent shall not be unreasonably withheld or delayed. Lessor's consent may be conditioned on an agreement (a) that the same will be removed by the Lessee at the termination of this Lease, or (b) that the same will be maintained in good repair by the Lessee and left on the Premises at the termination of this Lease. Lessee shall make no perforations in the building shell without prior review and approval of a duly licensed structural engineer and the prior written approval of the Lessor. Trade fixtures, appliances and equipment shall not be deemed alterations, additions or improvements unless the removal of the same would do material damage to the Premises. Unless specifically agreed to by Lessor in writing, Lessee shall not be compensated in any manner for an alteration, addition, or improvement to the Premises. Should Lessee fail to request written consent from Lessor at least 14 days prior to initiation of alterations, additions, or improvements, Lessee shall, at Lessor's option, be obligated to pay all costs incurred by

Lessor associated with performing a due diligence evaluation of Lessee's proposal, including without limitation the cost of Lessor's employees and the costs of legal, engineering and architectural services.

13.2 Pre-approved Additions. The following alterations, additions and improvements are hereby approved by the Lessor, all to be performed at the sole cost and expense of the Lessee and in accordance with plans approved by the Lessor prior to the commencement of the work, approval not to be unreasonably withheld:

13.2.1 Batch Plant. Lessee may erect a concrete batch plant and wash down sump on the west or south side of Building #7 in accordance with plans approved by Lessor, such approval not to be unreasonably withheld or delayed. Lessee's plans shall include, but not be limited to, the precise area to be occupied, the design of the structure and final paint color. All construction shall be subject to environmental approvals, governmental approvals and building permits. On the termination of this Lease the Lessee may, and will, if so requested by Lessor, remove the batch plant and restore the area, including parking, to its prior condition. Lessee shall give notice to Lessor at least 30 days prior to the termination of this Lease as to whether or not it elects to remove the batch plant. Within 30 days after receipt of such notice or, if no notice is given, then within 30 days after the termination of this Lease, Lessor may notify Lessee that Lessee is required to remove the said batch plant

13.2.2 Rail Line. Lessor will make available to Lessee, at no cost, all rail and switch material currently in its possession, which is not presently being used or specifically planned for future use, for the purpose of constructing approximately 1,000 feet of rail line in Building #7 and on the five-acre parcel. The installation will be in accordance with plans approved in writing by the Lessor prior to the commencement of the work, approval not to be unreasonably withheld or delayed. The rail line, as thus installed, will be left in place on termination of this Lease.

13.2.3 Additional Cranes. Lessee may install additional cranes in the two, 39-foot span wing bays. Lessee will provide all steel supports, duct bar and the cranes themselves. All such installation will be in accordance with plans approved by the Lessor prior to the commencement of the work, approval not to be unreasonably withheld or delayed. Lessee may, and will, if so requested, in the same manner as provided in paragraph 13.2. 1, remove all such installations and restore the Premises to its prior condition.

13.2.4 Hot Oil Heat Exchangers. Lessee may install a Hot Oil Exchanger(s) inside the building, subject to all state, local and environmental inspections and approvals, and approval of plans by Lessor prior to the commencement of the work, approval not to be unreasonably withheld. Lessee may, and will, if so requested, in the same manner as provided in paragraph 13.2. 1, remove all such installations and restore the Premises to its prior condition.

13.2.5 Exterior 33-Ton Crane. Lessee may install a 33-ton overhead bridge crane with supporting steel structure at the east end of Building #7 utilizing the existing

concrete pillars. Lessee may, and will, if so requested by Lessor, in the same manner as provided in paragraph 13.2.1, remove the same and the concrete pillars, at the termination of this Lease.

14. Repairs or Services by Lessor.

14.1 Building Repair. Lessor shall, throughout the terms of this Lease and any exercised renewal term, keep in good order, condition, and repair the foundation, exterior walls (except the interior faces thereof), sprinkler system, if any, down spouts, gutters, and roof of the Premises, except for repairs necessitated or caused by any act or negligence of Lessee, its employees, agents, invitees, licensees or contractors. Lessee shall be liable for repairs necessitated by such negligence only to the extent of the deductible amount under any policy of property damage insurance maintained by Lessor, not to exceed the sum of \$25,000, provided, however, that there shall be no obligation to make such repairs as are the obligation of the Lessor, until after the expiration of five days' written notice from Lessee to Lessor of the need thereof.

14.2 Services. At any time during the Lease or any exercised option term, should Lessee request any special services from Lessor not otherwise provided for in this agreement, and if the services are of such a nature that the Lessor can reasonably provide them, Lessor will use its best efforts to provide said special services. Lessee shall be obligated to reimburse Lessor for all reasonable costs incurred in providing said services. Reasonable costs shall include but not be limited to such things as attorney fees, engineering services, and other professional fees, salary and benefits for employees of the Lessor and third parties employed by Lessor to provide such special services. The term "special services" includes, but is not limited to, such things as negotiations with financial institutions servicing Lessee, execution of Consent and Waiver Agreements, and emergency response assistance by employees or independent contractors employed by Lessor who assist Lessee in preventing or reducing damage to the Premises for which Lessee is responsible.

15. Repairs by Lessee. Except as otherwise provided, Lessee shall keep and maintain said Premises in a neat, clean and sanitary condition and in as good condition as at the inception of this Lease or as they may be in at any time during the continuance of this Lease, including without limitation all HVAC systems and equipment, all electrical wiring and fixtures, all cranes, all plumbing and sewage facilities and all windows, overhead doors and man doors, docks and appurtenances, within or attached to Building #7 or on the Premises. Lessee's duty to repair shall include replacement of parts or components of the Premises, or fixtures in the Premises that cannot be repaired. In the event Lessee fails to promptly undertake and reasonably complete repairs required under this paragraph, Lessor may, at its option, make the repairs at the expense of Lessee and the cost of the repairs shall be additional rent and shall be immediately due and payable.

16. Surrender on Termination. At the expiration of this Lease or its earlier termination, Lessee shall, without notice, turn in all keys and access cards, or similar devices, and re-deliver possession of said Premises to Lessor broom clean and in as good condition as they were in at any time during the Lease term, including any exercised option, ordinary wear and tear and damage by insured peril or uninsured casualty not the fault of the Lessee, excepted.

17. Mechanic's Liens. Lessee agrees to pay when due all sums that may become due for any labor, services, materials, supplies, or equipment furnished at the instance of the Lessee, in, upon or about the Premises and which may be secured by any mechanic's, materialman's or other lien against the Premises and/or Lessor's interest therein, and will cause each such lien to be fully discharged and released at the time of any obligation secured by any such lien matures and/or becomes due; provided that if the Lessee in good faith disputes the claim of lien the Lessee may pursue such dispute in any lawful manner, provided that it bonds against such lien to the Lessor's reasonable satisfaction.

18. Signs, Lights and Sounds. Lessee shall not erect or install any exterior signs or symbols without Lessor's prior written consent. Lessee shall not use any advertising media or other media, such as loudspeakers, phonographs or radio broadcasts, that may be deemed objectionable to Lessor or other tenants of the Park, or that can be heard outside the Park. Lessee shall not install any exterior lighting, shades or awnings or any exterior decorations or paintings, or build any fences or make any changes to the exterior portions of the Premises without Lessor's consent. Any signs or symbols so placed on the Premises shall be removed by the Lessee at the termination of this Lease and the Lessee shall repair any related damage or injury to the Premises. If not so removed by Lessee, the Lessor may have the same removed and repairs performed at Lessee's expense.

19. Displays of Merchandise. Lessee shall not keep or display any merchandise on, or otherwise obstruct, any street, loading platforms or areaways adjacent to the Premises, except that Lessee may store products, materials or merchandise in a neat and orderly manner in the area between the south wall of Building #7 and the rail line immediately south of Building #7. Lessee shall not otherwise store products, materials or merchandise in any areas outside of the Premises, provided that Lessee may, with Lessor's prior approval, such approval not to be unreasonably withheld or delayed, display its products at the primary entrance to Building #7, but not in such a way as to obstruct any street, platform or common areas.

20. Streets, Parking Areas and Rules. Lessor shall keep the streets 20 feet on each side of the center lines and areas used in common by the tenants of the Park, as designated by Lessor from time to time, in reasonable repair and condition, including such snow removal as Lessor may reasonably deem necessary for normal access to the Premises. Lessor reserves the right to promulgate such reasonable rules and regulations relating to the use of the streets and parking areas within the Park as it may deem appropriate and for the best interests of all tenants and Lessee agrees to abide by such rules and to cooperate in the observance thereof. Such rules and regulations shall be binding upon Lessee upon delivery of a copy thereof to Lessee. Such rules and regulations may be amended by Lessor from time to time with or without advance notice and all such amendments shall be effective upon the delivery of a copy thereof to Lessee, provided that such rules and regulations shall not be amended in such a way as to impose an

unreasonable financial burden on Lessee. Lessee shall not obstruct any portion of the common areas. Any violation of such rules and regulations by Lessee, its officers, agents, employees or invitees will constitute a breach of this Lease and entitle the Lessor to claim a default in the same manner and to the same extent as any other default under the Lease. Lessee shall comply with all rules and regulations of the applicable fire district or other governmental entities having jurisdiction over the Premises.

21. Access. Lessor shall have free access to the Premises at all reasonable times for purposes of inspecting of the same or of making repairs, additions or alterations to said Premises but this right shall not constitute or be construed as an agreement on the part of Lessor to make any repairs, additions or alterations, except such as Lessor is obligated to make. Lessor shall have the right to place and maintain "For Rent" signs in a conspicuous place or places on the Premises and to show the Premises to prospective tenants for 90 days prior to the expiration or sooner termination of this Lease.

22. Utilities. Lessee shall pay all charges for light, heat, water, gas, sewage, telephone and aquifer protection and other utilities which shall be provided to, or charged against, the Premises. In the event that electricity, heat, water, telephone or other utilities are furnished through Lessor, Lessee shall pay Lessor therefor according to Lessee's use thereof at the rates established therefor by Lessor, said rates to be no higher, however, than those which Lessee would be required to pay a third-party provider an available public utility company if it directly furnished such service to Lessee.

23. All Charges Deemed Rent. All costs, expenses, and other charges which the Lessee assumes or agrees to pay pursuant to this Lease shall be deemed to be additional rent. In the event of a non-payment, Lessor shall have all the rights and remedies herein provided for in case of non-payment of rent.

24. Indemnification and Insurance.

24.1 In General. Lessee releases and, subject to the provisions of paragraph 25, shall defend, indemnify and hold harmless Lessor, and each of its officers, directors, managers, members, owners, employees, agents and representatives, from and against all liabilities, obligations, damages, penalties, fines, judgments, claims, costs, charges, fees and expenses, including, but not limited to, costs of investigation and correction, costs of remediation or removal of hazardous materials, and reasonable architect, attorney and consultant fees and costs, which may be imposed upon, incurred by, or asserted against, Lessor or its officers, directors, members, owners, employees, agents or representatives by reason of any of the following:

24.1.1 Acts or Omissions. Any act or omission in, on, about or arising out of, or in connection with, the use, operation, maintenance and occupancy of the Premises or any part thereof, whether or not consented to by Lessor, by Lessee, or Lessee's agents, contractors, servants or employees (whether or not within the scope of their employment), licensees or

invitees, except to the extent caused by the negligence or intentional misconduct of Lessor or its agents, contractors, subcontractors, servants or employees;

24.1.2 Accidents. Any accident, injury, casualty, loss, theft or damage whatsoever to any person or tangible property occurring in, on, about or arising out of, or in connection with, the use or occupancy by Lessee of the Premises, any common area, roadway, alley, basement, pathway, curb, parking area, passageway or space under or adjacent thereto arising from any cause or occurrence whatsoever, except to the extent caused by the negligence or intentional misconduct of Lessor or its agents, contractors, subcontractors, servants or employees;

24.1.3 Breach of Lease. Any failure on the part of Lessee or any of its agents, contractors, subcontractors, servants or employees to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in this Lease;

24.1.4 Lessor's Performance. Any act performed by Lessor in the exercise of any of Lessor's rights under this Lease; or

24.1.5 Hazardous Substances. Any presence, release, discharge, disposal, dumping, spilling or leaking (accidental or otherwise), now or hereafter determined to be unlawful or subject to environmental laws or governmentally imposed remedial requirements, occurring on the Premises during the Lessee's occupancy thereof, of any hazardous, dangerous or toxic substance of any kind (whether or not now or hereafter regulated, defined or listed as hazardous, dangerous or toxic by any local, state, or federal government) into, onto or under the ground or the air, soil, surface water, or ground water thereof, or the pavement, structure, sewer system, fixtures, equipment, tanks, containers or personalty at the Premises, or from the Premises, into, onto or under the Park or the property of others. Any violation of paragraph 42. The foregoing indemnity shall apply notwithstanding any provisions of federal, state or local law which provide for exoneration from liability in the event of settlement with any governmental agency, and notwithstanding Lessor's consent, knowledge, action or inaction with respect to the act or occurrence giving rise to such right of indemnity, provided that Lessee shall, in no event, have any liability with respect to any hazardous substances that are present on the Premises at the inception of this Lease. Lessor shall indemnify Lessee and hold Lessee harmless with respect to any liability with respect to any hazardous substances that are present on the Premises at the inception of this Lease.

24.2 Lessee Liability Insurance. Lessee agrees to carry Commercial General liability insurance insuring both Lessee and Lessor, with insurance carriers satisfactory to Lessor, with not less than \$2,000,000 single limit and providing a Certificate of Insurance evidencing the same with not less than a 30-day cancellation clause, provided, however, that Lessee's obligation to indemnify and hold harmless Lessor as provided in this paragraph shall be to the extent only of the degree of negligence attributable to Lessee, its officers, employees, agents, invitees, or guests. Such insurance certificate shall also include not less than \$50,000 "Fire Damage" liability for damage to the Premises. In the alternative, Lessee may carry "Building Legal Liability Insurance Special Form" (insurance industry forms CP0040 and CP1030 or equivalent) against Lessee's liability (pursuant to paragraphs (14.1 and 25).

24.3 Notice of Claim. If any action or proceeding is brought against Lessor or its officers, directors, managers, members, owners, employees, agents or representatives by reason of any claim indemnified under paragraph 24 Lessor shall promptly notify Lessee of such claim and Lessee, at Lessee's expense, shall immediately resist or defend such action or proceeding employing counsel approved by Lessor in writing, which approval shall not be unreasonably withheld. In connection with any such action brought against Lessor by any one or more of Lessee's employees, Lessee waives any immunity, defense or other protection that might be afforded to Lessee by any worker's compensation, industrial insurance or similar laws, with regard to such claim or action against Lessor.

24.4 Waiver by Lessee. Lessee waives and releases all claims against Lessor, its officers, managers, partners, employees, agents and representatives, for any loss, injury or damage (including consequential damages), to Lessee's property or business during the term of this Lease occasioned by theft, act of God, public enemy, riot, strike, insurrection, war, order of court, governmental body or authority not resulting from any act or omission of Lessor, earthquake, flood, fire, explosion, falling objects, steam, water, rain or snow, leak or by flow of water, rain or snow from the Premises or onto the Premises or from the roof, street, surface or subsurface or from any other place, or by dampness, or by the breakage, leakage, obstruction or defects of the pipes, sprinklers, wires, appliances, plumbing, heating, air conditioning, lighting fixtures of the Improvements, or by the construction,

repair or alteration of the Premises or by any other acts or omissions of any other tenant or occupant of the Park, or visitor to the Park or the Premises or by any third party whomsoever, or by any cause which is beyond Lessor's control.

24.5 Lessee's obligations under this paragraph 24 shall survive any termination or expiration of this Lease.

25. Insurance and Waiver of Subrogation. Lessor shall maintain fire and extended coverage insurance on the buildings and improvements at the Park which belong to Lessor and pay for the same, subject to partial reimbursement as provided in paragraph 28.1. If the activities of the Lessee shall increase the cost of such insurance or jeopardize the availability of coverage due to Lessee's operations or failure to comply with fire codes and regulations, Lessor shall have the right to increase the rental payable hereunder by an amount equal to the increased cost of insurance premiums resulting therefrom. If Lessor's insurance hereunder should be canceled due to any actions of Lessee, Lessor may terminate this Lease upon 20 days' notice to Lessee as provided in paragraph 30.

Lessee shall maintain appropriate property insurance covering its personal property, assets, and fixtures located on the Premises.

Lessor and Lessee each waive all rights to recover against the other or against the officers, directors, shareholders, partners, members, owners, joint ventures, employees, agents, customers, invitees, or business visitors of the other for any loss or damage to its property arising from any cause except that Lessee shall remain liable for Lessor's -deductible up to a maximum amount of \$25,000 for its obligations under paragraphs 14 and 15 and the waiver provided herein to that extent shall not apply. Lessor and Lessee will cause their respective insurers to issue appropriate waiver of subrogation rights endorsements to all policies of insurance carried in connection with the Premises or the contents thereof.

26. Damage/Rebuilding. If the Premises are destroyed or damaged by acts of war, the elements (including earthquake), or fire to such an extent as to render the same untenable in whole or in substantial part, the Lessor has the option of rebuilding or repairing the same to be exercised by giving notice to Lessee of its intent to rebuild or repair the Premises or the part so damaged within 30 days after receiving notice of the occurrence of any such damage. If the Lessor elects to rebuild or repair and does so without unnecessary delay, Lessee shall continue to be bound by this Lease except that during such period the base rent shall be abated in the same proportion that the Premises are rendered unfit for occupancy by Lessee. If the Lessor fails, for 30 days after the Lessee gives notice of the damage-causing event, to give notice of its intent to repair, Lessee shall have the right to declare this Lease terminated. Lessor's obligation (should it elect to repair or rebuild) shall be limited to the Premises as they existed at the commencement of this Lease, including those improvements which the Lessor was required to perform, and Lessee shall forthwith replace or fully repair, at its expense, all exterior signs, trade fixtures, equipment and other installations originally installed by Lessee or remove the same and repair any damage caused by their removal. Lessee agrees to give prompt written notice to Lessor of any fire loss or of any other damage which may occur to the leased Premises or any portion thereof, or of any other condition or occurrence causing the leased -Premises to be untenable.

27. Condemnation. If the Premises, or any part thereof the loss of which impairs the utility of the Premises to a significant extent, are appropriated or taken for any public use by virtue of eminent domain or condemnation proceeding, or by conveyance in lieu thereof, or if by reason of law or ordinance or by court decree, whether by consent or otherwise, the use of the Premises by Lessee for any of the specific purposes herein before referred to shall be prohibited, Lessee shall have the right to terminate this Lease upon written notice to Lessor, and rent shall be paid only to the time when the Lessee surrenders possession of the Premises. In the event of a partial taking, if Lessee is entitled to, but does not elect to, terminate this Lease it shall continue in possession of that part of the Premises not so taken under the same terms and conditions hereof, except that there shall be an equitable reduction of the base rental payment hereunder. All compensation awarded or paid upon such a total or partial taking of the fee of the Premises shall belong to and be the property of Lessor, whether such compensation be awarded or paid as compensation for diminution in value of the leasehold or to the fee; provided however, Lessor shall not be entitled to any award made to Lessee for loss of business, depreciation to, and cost of removal of stock and/or fixtures, provided that no award for such claims shall reduce the amount of any award made to Lessor.

28. Taxes, Assessments and Insurance Premiums.

28.1 Reimbursement. The Lessee will reimburse the Lessor for increases over 1996 (base year) amounts in the amount of real property taxes and assessments, and for this purpose assessments will be paid by the Lessor in the minimum required amount per year, and premiums for fire insurance, with extended coverage applicable to all insurable buildings and improvements in the Park, including without limitation the cranes now or hereafter installed in the Premises, and with deductibles of \$25,000.00 for losses by fire and other insured causes. All other common area costs are the sole responsibility of the Lessor. The Premises, taking into account both the building and the storage area, constitute approximately 3.2% of the Park. It is, therefore, agreed that the taxes, assessments and insurance premiums ("TAIP") applicable to the Premises is 3.2% of the total TAIP applicable to the Park. In the event that there is a material change in the Park, either in land area or in improvements such that the Premises is significantly different from 3.2% of the Park, there will be an equitable adjustment in the Lessee's percentage.

Commencing with the month of January, 1997, the Lessee will pay as additional rent, monthly, at the same time as base rent, if any, is due, an amount equal to 1/12th of 3.2% of the amount by which the TAIP for the current year exceeds the amount of the TAIP for the year 1996, when it was \$638,679-00.

Inasmuch as the TAIP for any given year will not be fully known as of January 1 of such year, the Lessee will continue to pay at the prior year's rate, adjusted to the extent that the amounts that make up the TAIP for the current year are known. At such time as all amounts that make up the TAIP for the current year are known the monthly payment on account of TAIP will be changed and a further payment, or refund, as the case may be, will be made to compensate for any shortage or overage in the added rent paid in the preceding months. If there is a refund due it will be sent with the notice of the new TAIP amount. If there is a further amount owed it will be paid along with the next monthly rent.

28.2 Lessee's Taxes. Lessee shall pay all personal property taxes imposed on Lessee's fixtures and equipment and all other taxes, installments of assessments (amortized over the longest permissible time), except general property taxes and assessments, levies, licenses and permit fees, utility hook-up fees and facility charges, and other governmental charges and impositions of any kind and nature whatsoever, together with any interest or penalties attributable to tenant's failure to pay the same when due, which at any time during the term of this Lease may be assessed, levied or become due and payable out of, or in respect of, the Premises or Lessee's use thereof, or become a lien on the Premises, including, without limitation, any sales tax, business and occupation tax, excise tax or similar tax or imposition imposed upon rent or Lessor's business of leasing property, and the cost of compliance with any governmental requirements or regulations relating the Lessee's use of the Premises or the utility services thereto, or the conduct of Lessee's business (collectively, the "Impositions"); provided, however, Lessee shall not be obligated to pay Lessor's net income taxes or any transfer or excise tax imposed upon the conveyance of the Premises, or business and occupation taxes imposed

upon Lessor's business activities other than leasing property. Impositions shall be paid by Lessee when due if billed directly to Lessee, and within 30 days of receipt of billing by Lessor if such Impositions are billed to the Lessor.

29. Non-waiver of Breach. The waiving of any of the covenants of this Lease by either party shall be limited to the particular instance and shall not be deemed to waive any other breaches of such covenants. The consent by Lessor to any act by Lessee requiring Lessor's consent shall not be deemed to waive consent to any subsequent similar act by Lessee. The failure of the Lessor to insist upon strict performance of the covenants and agreements of this Lease, shall not be construed to be a waiver or relinquishment of any such covenants or agreements, but the same shall remain in full force and effect.

30. Default. If Lessee should fail to remedy any default (a) in the payment of any sum due under this Lease within ten days after notice, or (b) in the keeping of any other term, covenant or condition herein with all reasonable dispatch, within 20 days after notice, then in any of such events, Lessor shall have the right, at its option, in addition to, and not exclusive of, any other remedy Lessor may have by operation of law, without further demand or notice, to re-enter the Premises and eject all persons therefrom, using all necessary force so to do, and either (i) declare this Lease at an end, in which event Lessee shall immediately pay to Lessor a sum of money equal to the amount, if any, by which the value of the rent reserved hereunder for the balance of the term of this Lease, discounted to present value at 8% per annum, exceeds the then reasonable rental value of the Premises for the balance of said term, discounted in like manner, net of all costs incident to reletting the Premises, or (ii) without terminating this Lease may relet the Premises, or any part thereof, as the agent and for the account of Lessee upon such terms and conditions as Lessor may deem advisable, in which event the rents received on such reletting shall be applied first to the expenses of such re-letting, including without limitation necessary renovation and alterations of the Premises, reasonable attorney fees, real estate commissions paid, and thereafter toward payment of all sums due or to become due Lessor hereunder, and if a sufficient sum shall not be thus realized to pay such sums and other charges, Lessee shall pay Lessor any deficiency monthly, notwithstanding Lessor may have received rental in excess of the rental stipulated in this Lease in previous or subsequent months, and Lessor may bring an action therefore as such monthly deficiencies shall arise.

31. Litigation Costs/Venue. If any legal action is instituted to enforce or construe this Lease, or any part thereof, the prevailing party shall be entitled to recover reasonable attorney fees and expenses. If any legal fees are incurred by Lessor relative to the enforcement of any term of this Lease, with or without suit, Lessee shall be liable to Lessor for said fees and shall, within ten days of demand by Lessor therefor, pay the same to Lessor. Venue of any legal action brought hereunder shall be Spokane County, State of Washington.

32. Removal of Personal Property by Lessee. Lessee shall have the right to remove all of its personal property, trade fixtures, and office equipment, whether or not attached to the Premises, provided that such may be removed without serious damage to the Premises. All damage to the Premises caused by removal of such items shall be promptly restored or repaired

by Lessee. M property not so removed as of the termination of this Lease shall be deemed abandoned by Lessee.

33. Removal of Property by Lessor. If Lessor lawfully re-enters or takes possession of the Premises prior to the stated expiration of this Lease, Lessor shall have the right, but not the obligation, to remove from the Premises all personal property located therein and may place the same in storage in a public warehouse at the expense and risk of Lessee, and shall have the right to sell such stored property, without notice to Lessee, after it has been stored for a period of 30 days or more, the proceeds of such sale to be applied first to the cost of such sale, second to the payment of the charges for storage, if any, and third to the payment of any other sums which may then be due from Lessee to Lessor under any of the terms hereof, the balance, if any, to be paid to the Lessee.

34. Loading Platforms. The Lessee shall maintain all loading platforms attached to Building #7.

35. Insolvency. If Lessee becomes insolvent, voluntarily or involuntarily bankrupt, or if a receiver, assignee, or other liquidating officer is appointed for the business of Lessee, then Lessor may cancel this Lease at its option.

36. Assignments and Subletting.

36.1 Consent Required. The Lessee shall not assign this lease, or any interest therein, or sublet the Premises, or any part thereof, or allow, permit or suffer any other entity to use or occupy any part of the Premises without the prior written consent of the Lessor.

36.2 Change in Lessee Ownership. Lessee being a corporation, any change in the ownership or voting power of the Lessee which cumulatively amounts to more than 40%, whether in a single transaction or in a series of transactions, or which results in a transfer of the control of the Lessee, shall constitute an assignment requiring the Lessor's prior written consent; provided that changes in ownership which occur in the ordinary course of the conduct of the ESOP will not trigger the application of this paragraph, and provided further, that any other change in ownership which would otherwise trigger the application of this paragraph shall be submitted to Lessor for waiver of this paragraph, such waiver not to be unreasonably withheld or delayed.

36.3 Request for Consent. If at any time the Lessee desires to assign or sublet this lease in whole or in part, the Lessee shall submit a written request to the Lessor, including with the request, the identification of the proposed assignee or sublessee, a history of its prior operations, a description of its proposed operations, audited financial statements for its most recently completed fiscal period and a statement of the terms upon which the assignment or the subletting is proposed to be made. The Lessee will promptly, on request, submit to the Lessor such further documentation relative to the proposed assignment or sublease as the Lessor may request.

36.4 Reimbursement of Costs. The Lessee will reimburse the Lessor for all costs and expenses reasonably incurred by the Lessor in evaluating the proposed assignment or subletting.

36.5 Withholding Consent. The Lessor may withhold its consent on any of the following bases: If the liquidity and/or net worth and/or profitability of the proposed assignee or sublessee is materially less than that of the Lessee; if the proposed use by the assignee or sublessee would, in the Lessor's reasonable judgment, have an adverse effect on the Park; if the proposed assignee's or sublessee's history as a tenant is, in the reasonable judgment of the Lessor, unsatisfactory; if any other reason exists which the Lessor, in its reasonable judgment, deems to be sufficient. Consent otherwise shall not be unreasonably withheld or delayed.

36.6 Conditions of Consent. If consent to the assignment or subletting is granted, it may be granted on such reasonable conditions as the Lessor may deem appropriate in light of all of the circumstances, including the proposed use by the assignee or sublessee, and any change in conditions since the commencement of this lease. The conditions may include a reasonable additional charge for administrative services of the Lessor incident to the transaction.

36.7 Increased Rent Shared. If the assignee or sublessee would pay more for the Premises which it has proposed to occupy than is being paid by the Lessee, or if the proposed assignee or sublessee is paying any consideration to the Lessee for the assignment or subletting, then 50% of any such payment shall be paid to the Lessor as additional rent.

36.8 Submit Documents. All documents incident to the proposed transaction will be submitted to the Lessor in their proposed form and shall be subject to the Lessor's approval. If approval is given, then, promptly following their execution, copies of all such executed documents of assignment or subletting, or incident thereto, shall be furnished to the Lessor.

36.9 Assignee Bound. Any assignee or sublessee shall be subject to all of the terms and conditions of this lease, including without limitation, those terms and conditions applicable to assignment or subletting, provided that the assignment or sublease may be canceled or terminated, but not otherwise modified, without the consent of the Lessor, but, in any such event, the Lessor shall be promptly notified of the cancellation or termination and provided with copies of all documents incident thereto.

36. 10 Lessee Remains Obligated. No assignment or subletting shall, to any extent, impair, limit or qualify the continuing obligation of the Lessee to perform all of the obligations of the Lessee under this lease, all the same as if the assignment or subletting had not taken place.

36.11 Additional Notice. If so requested by the Lessee, or included in the documents of assignment or subletting, and that provision is specifically called to the attention of the Lessor by written notice, the Lessor will give to the assignee or sublessee any notice that it gives to the Lessee, but if such provision is included, then, on that account, the monthly rent may be increased by a reasonable amount to defray the Lessor's additional administrative costs.

36.12 Joint Liability. In the event of any default under the lease which in any way relates to the assignment or subletting, the Lessee and the assignee or sublessee shall be jointly and severally obligated to the Lessor to remedy the default and to pay any damages that the Lessor may sustain on account of the default.

36.13 Default. Any purported assignment or subletting in whole or in part, without full compliance with this paragraph 36, shall constitute a default under this lease and shall vest no rights in the purported assignee or sublessee.

37. Statements by Lessee. Lessee agrees at any time and from time to time, upon not less than ten days' prior request by Lessor, to execute, acknowledge and deliver to Lessor a statement in writing (Estoppel Certificates), certifying that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), and the dates to which the base rent and additional rent have been paid in advance, if any, it being intended that any such statement delivered pursuant to this paragraph may be relied upon by any existing or prospective purchaser, mortgagee, or assignee of the Premises or the Park.

38. Subordination. Lessee, upon request of Lessor, will subordinate this Lease to any mortgage, deed of trust, or other security interest (mortgage) which now or hereafter affects the Premises, and to any renewals, modifications or extensions of such mortgage. Lessee will execute and deliver, at Lessor's expense, such instruments thus subordinating this Lease or evidencing such subordination; provided, however, Lessor shall deliver or cause to be delivered to Lessee an agreement in writing from any such mortgagee to the effect that so long as Lessee shall faithfully discharge its obligations under this Lease, its tenancy will not be disturbed nor this Lease affected by any default of such mortgage, and that in the event of a sale of the Premises in foreclosure or any sale, transfer or conveyance in lieu thereof, that same will be sold, transferred or conveyed subject to this Lease.

39. Short Form Lease. Each party agrees to execute upon request of the other a short form lease for the purpose of recordation. Each party agrees to re-execute this Lease at any time upon the request of the other.

40. Miscellaneous.

40.1 Use of Terms. Whenever the singular number is used in this Lease and whenever required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders, and the word "person" shall include corporation, firm or association or other entity. If there be more than one lessee, the obligations hereunder imposed upon Lessee shall be joint and several.

40.2 Entire Agreement/Modifications. This instrument contains all of the agreements and conditions made between the parties hereto and may not be modified orally or in any other

manner than by an agreement in writing signed by all of the parties hereto or their respective successors in interest.

40.3 Time of the Essence. Time is and shall be of the essence of each term and provision of this Lease.

40.4. Heirs and Successors. All the covenants, agreements, provisions, and conditions of this Lease shall inure to the benefit of and be binding upon the parties hereto, their successors, heirs, executors, administrators and assigns.

40.5. Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any of the provisions hereof.

40.6. No Other Agreements. The parties acknowledge that no representation or condition or agreements varying or adding to this Lease have been made either orally or in writing.

40.7. Notices. All notices and demands required or allowed to be given hereunder shall be in writing and sent by registered or certified mail, return receipt requested, or hand delivered and receipted for, to the respective parties at the following addresses, or at such other address that either party may designate by notice in writing:

Lessor: 3808 N. Sullivan Road, Building N-15, Spokane, WA 99216

Lessee: P. O. Box 14918, Spokane, WA 99214-0918

41. Riders. The riders or exhibits, if any, attached to this Lease are made part hereof by reference.

42. Environmental Considerations. As used in this lease, the term "Hazardous Substance" shall mean any substance, chemical or waste, including petroleum products or radioactive substances, that is now or shall hereafter be listed, defined or regulated as hazardous, toxic or dangerous under any applicable Environmental Laws.

As used in this lease, "Environmental Law" shall mean any federal, state, or local laws, ordinances, rules, regulation and requirements now or hereafter enacted or adopted (including without limitation, consent decrees and administrative orders) relating to the generation, use, manufacture, treatment, transportation, storage, disposal, or release of any Hazardous Substance.

Lessee shall not, without prior written notice to Lessor, engage in or allow the generation, use, manufacture, treatment, transportation, storage, investigation, testing, release or disposal of any Hazardous Substance in, on, under or adjacent to the Premises. Lessee shall ensure that at all times Lessor has true, complete and accurate information regarding any of Lessee's activities on the Premises involving Hazardous Substances. Lessee shall provide Lessor with (a) a description of any processes or activities involving the use of Hazardous Substances to be conducted by Lessee on the Premises, (b) a description (by type and amount) of any Hazardous Substances Lessee plans to generate, use, manufacture, transport, store or dispose of in connection with its use of the Premises, and (c) a description of techniques and management practices to be utilized by Lessee to reduce the amount of Hazardous Substances used and/or generated, to prevent release of Hazardous Substances to the environment and to ensure the proper handling labeling, use and disposal of Hazardous Substances used by Lessee on the Premises. Lessee shall notify Lessor prior to any material changes in such processes, activities, type and amount of Hazardous Substances and/or techniques and management practices and in any event, Lessee shall report to Lessor at least once yearly regarding any such processes, activities, Hazardous Substances, techniques, and management practices. Lessee shall contemporaneously provide Lessor with copies of all reports, listings or other information required by any governmental entity relating to any Hazardous Substances utilized by Lessee, and shall promptly provide any other information related to Lessee's utilization of Hazardous Substances as Lessor may reasonably request.

Lessee shall not engage in or allow the unlawful release (from underground tanks or otherwise) of any Hazardous Substance in, on, under or adjacent to the property (including air, surface water and ground water on, in, under or adjacent to the property). Lessee, with respect to the Premises, shall at all times, and shall cause its employees, agents and contractors at all times, to be in compliance with all Environmental Laws with respect to any Hazardous Substances and shall handle all Hazardous Substances in compliance with applicable Environmental Law and good industry standards and management practices.

Lessee shall promptly notify Lessor, in writing, if Lessee has, or acquires, notice or knowledge that any Hazardous Substance has been, or is threatened to be, released, discharged or disposed of, on, in, under or from the Premises. Lessee shall immediately take such action as is necessary to report to governmental agencies as required by applicable law and to detain the spread of and remove, to the satisfaction of Lessor and any governmental agency having jurisdiction, any Hazardous Substances released, discharged or disposed of as the result of, or in any way connected with, Lessee's activities on the Premises and which is now, or is hereafter determined to be, unlawful or subject to Environmental Laws and/or governmentally imposed remedial requirements. Lessee shall immediately notify Lessor and provide copies upon receipt of all written complaints, claims, citations, demands, inquiries, reports or notices relating to the condition of the Premises or compliance with Environmental Laws. Lessee shall promptly cure and have dismissed with prejudice any such actions or proceedings in any way connected with Lessee's activities on the Premises, to the reasonable satisfaction of Lessor, and Lessee shall keep the Premises free of any lien imposed pursuant to any Environmental Law. Lessor shall have the right at all reasonable times, and from time to time, to conduct environmental audits of the Premises (including sampling, testing, monitoring and accessing environmental records required by applicable law) by a consultant of Lessor's choosing, and Lessee shall cooperate with the conduct of such audits. If any violation of any Environmental Law by Lessee or any violation of Lessee's obligations under this paragraph are discovered, in addition to any other

right Lessor may have, the costs incident to such audit, including the fees and expenses of such consultant, shall be paid by Lessee to Lessor on demand as additional rent.

Lessee shall at all times maintain an employee or consultant familiar with Environmental Laws and charged with responsibility for Lessee's compliance with all Environmental Laws and shall advise Lessor of the name, address and phone number of such employee or consultant. Lessee shall implement a system to review Lessee's Hazardous Substance activities on a regular basis and shall in good faith (consistent with sound business practices) implement and maintain best management practices to minimize the hazards posed by materials utilized by Lessee, for example, by reducing the amounts of Hazardous Substances used and disposed of, by utilizing less dangerous or less toxic materials or by implementing programs to ensure the safe and proper handling, labeling, use and disposal of Hazardous Substances.

Each year, between January 1 and March 31, Lessee shall conduct a self environmental audit of Lessee's operations, regulatory compliance status, and the Premises utilizing Lessor's standard format and checklists. Lessee shall present the results of the environmental audit, and proposed operational changes to address any audit deficiencies, to Lessor in writing within six weeks after conducting the audit.

Prior to its vacation of the Premises, in addition to all other requirements under this lease, Lessee shall remove any Hazardous Substances placed on the Premises during the term of this lease or Lessee's possession of the Premises, and shall demonstrate such removal to the Lessor's reasonable satisfaction.

Lessee's obligations under this paragraph with respect to any occurrence during the term of this lease shall survive any termination or expiration of this lease.

Lessee is solely responsible for all costs and expenses related to the clean up, remediation or monitoring of Hazardous Substances on the Premises or any other properties which become contaminated with Hazardous Substances as a result of activities on, or the contamination of, the Premises during the term of this lease or any extension, renewal or holding over.

Lessee's obligations are unconditional and shall survive and continue in effect after the termination of the lease or the transfer of the Premises voluntarily or involuntarily, to the Lessor or others.

Lessor shall, at the inception of this Lease, advise Lessee in writing as to the present condition of the Premises vis-a-vis hazardous substances according to the best knowledge, information and belief of Lessor.

43. Brokers and Finders. Neither party has had any contact or dealings regarding the Premises, or any communication in connection with the subject matter of this Lease, through any real estate broker or other person who is entitled to claim a commission or finder's fee in connection with the Lease contemplated hereby. In the event that any broker or finder makes

a claim for a commission *or finder's fee based upon, or alleged to be based upon, any such contract, dealings or communication, the party through whom the broker or finder makes its claim shall be responsible for, and shall indemnify, defend and hold harmless the other party from, such claim for commission or fee or allegation thereof and all costs and expenses (including reasonable attorney fees) incurred by the other party in defending against the same.

44. Arbitration. In the event that a dispute should arise under this lease, as a condition precedent to suit, the dispute shall be submitted to arbitration in the following manner: The party seeking arbitration shall submit to the other party a statement of the issue(s) to be arbitrated and shall designate such party's nominated arbitrator. The responding party shall respond with any additional or counter statement of the issue(s), to be arbitrated and shall designate the responding party's arbitrator, all within fourteen (14) days after receipt of the initial notice. The two arbitrators thus nominated shall proceed promptly, and in any event within ten days, to select a third arbitrator. The arbitrators shall, as promptly as the circumstances allow and within a time established by a majority vote of the arbitrators, conduct a hearing on the issues submitted to them, and shall render their decision in writing. Any decision as to procedure or substance made by a majority of the arbitration panel shall be binding. A decision by a majority of the arbitrators on any issue submitted shall be the decision of the arbitration panel as to that issue. The arbitrators have authority to award costs and attorney fees to either party in accordance with the merits and good faith of the positions asserted by the parties. In lieu of appointing three arbitrators in the manner set forth above, the parties may, by agreement, designate a single arbitrator. Except as provided herein the arbitration proceedings shall be conducted in accordance with the rules of the American Arbitration Association and the statutes of the State of Washington pertaining to binding arbitration.

IN WITNESS WHEREOF, the parties hereto have executed this Lease the day and year first above written.

LESSEE:

CXT INCORPORATED
a Delaware corporation

LESSOR:

CROWN WEST REALTY, L.L.C.

By: _____
John G. White, President & CEO

By: _____
Richard D. Rollnick, President

STATE OF WASHINGTON

) ss.

County of Spokane

On this day 30th day of December, 1996, personally appeared JOHN G. WHITE to me known to be the President and CEO of CXT INCORPORATED, the corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Name Printed: March Combs

NOTARY PUBLIC in and for the State
-
of Washington, residing at Spokane.

My Commission Expires: 8/1/98

STATE OF WASHINGTON

ss.

COUNTY OF SPOKANE

On this 30th day of December, 1996, personally appeared RICHARD D. ROLLNICK, to me known to be the President of CROWN WEST REALTY, L.L.C., the limited liability company that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said company, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Name Printed: March Combs

NOTARY PUBLIC in and for the State
-
of Washington, residing at Spokane.

My Commission Expires: 8/1/98

NOTICE OF LEASE

NOTICE IS HEREBY GIVEN that as of the 1st day of November, 1991, Pentzer Development Corporation, a Washington corporation, as Landlord, has entered into a lease with CXT Incorporated, a Delaware corporation, as Tenant, with regard to the following described premises:

Lot 18, Spokane County Binding Site Plan 88-21, recorded in Volume 1 of Plats, page 23, records of Spokane County, Washington;

1. TERM: The term of the lease commences November 1, 1991, and expires March 31, ----- 2003.

2. OPTION TO RENEW: Tenant has the option to renew the lease for a term commencing ----- April 1, 2003 and expiring on March 31, 2013.

3. RIGHT OF FIRST REFUSAL: Tenant has the right of first refusal to purchase the ----- Premises through the term of the lease, including the renewal term.

EXECUTED as of the 1st day of November, 1991.

PENTZER DEVELOPMENT CORPORATION

CXT INCORPORATED

By _____

By _____

Its _____

Its _____

STATE OF WASHINGTON

ss.

County of Spokane

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the _____ of PENTZER DEVELOPMENT CORPORATION to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated _____

Notary Public in and for the State of Washington, residing at Spokane, My commission expires: _____

STATE OF WASHINGTON

ss.

County of Spokane

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the _____ of CXT INCORPORATED to be the free and voluntary act, of such party for the uses and purposes mentioned in the instrument.

Dated _____

Notary Public in and for the State of Washington, residing at Spokane My commission expires: _____

LEASE

Between

SPOKANE INDUSTRIAL PARK, A Division
of PENTZER DEVELOPMENT CORPORATION,
a Washington corporation,
Landlord,

and

CXT, INCORPORATED
a Delaware corporation,
Tenant

Dated as of November 1, 1991

(Lot 18 BSP 88-21)

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LEASE

This LEASE (hereinafter referred to as "the lease" or "this lease") is made and entered into as of the 1st day of November, 1991, by and between SPOKANE INDUSTRIAL PARK, a division of PENTZER DEVELOPMENT CORPORATION, . a Washington corporation ("Landlord"), and CXT, INCORPORATED, a Delaware corporation ("Tenant").

ARTICLE 1.
Definitions

As used in this lease, the following terms are defined as follows:

1.1 "Improvements" shall mean all buildings, structures and improvements now or hereafter situated, erected or constructed on the Property and all personal property, equipment and trade fixtures not capable of being removed without permanent damage to real property. Damage shall not be considered permanent if it can be, and is, repaired by Tenant as required by ARTICLE 25. "Existing Improvements" shall mean all Improvements situated, erected or constructed on the Property or any part thereof as of the date hereof "New Improvements" shall mean all Improvements situated, erected or constructed on the Property after the date hereof.

1.2 "Premises" shall mean the Property and the Improvements.

1.3 "Project" shall mean the following-described real property, consisting of approximately 8,619,217 gross square feet, of which the Property is a part:

All property located within

- a) Spokane County Altered Binding Site Plan No. 87-17, recorded in Volume 1 of Plats, page 22A, records of Spokane County, Washington;
- b) Spokane County Binding Site Plan No. 88-21, recorded in Volume 1 of Plats, page 23, records of Spokane County, Washington; and
- c) Spokane County Binding Site Plan No. 88-22, recorded in Volume _____ of Plats, page __, records of Spokane County, Washington.

Landlord and Tenant acknowledge that a portion of the Project will not have final binding site plan approval by Spokane County until completion of the Infrastructure Improvements described in SC-6 of the Special Conditions attached hereto and made a part

hereof by this reference. Pending completion of the Infrastructure Improvements, the portion of the Project described in Section 1.3(c) of the Lease shall be that real property described on Exhibit A attached to and made a part of this lease.

1.4 "Property" shall mean the following-described real property, consisting of approximately 147,233 gross square feet, and all easements, licenses, privileges, rights and appurtenances related thereto, subject to all easements, rights-of-way, restrictions and reservations of record:

Lot 18, Spokane County Binding Site Plan No. 88-21, recorded in Volume 1 of Plats, page 23, records of Spokane County, Washington.

1.5 "Total Payments" shall mean all monetary sums due from Tenant to or for the account of Landlord during the term of this lease, including, without limitation, all Base Rent and Additional Rent. "Base Rent" shall mean all sums payable by Tenant under ARTICLE 4. "Additional Rent" shall mean and include every other cost and expense which Tenant shall be obligated to pay under any provision of this lease as well as all sums of money paid or advanced by Landlord upon Tenant's behalf.

ARTICLE 2.
Premises Leased

2.1 Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises, subject to all terms and conditions of this lease.

ARTICLE 3.
Term

3.1 The term of this lease shall commence on November 1, 1991, and shall end on March 31, 2003

ARTICLE 4.
Base Rent

4.1 Tenant shall pay Landlord Base Rent for each calendar month during the lease term in accordance with SC-3 of the Special Conditions.

4.2 Base Rent for each calendar month shall be paid in lawful U.S. money, at the address specified in ARTICLE 34 or such other place as Landlord may from time to time designate in writing. Base Rent for each calendar month shall be paid in advance on the first day of each month and without demand, offset or deduction, except as expressly provided in this lease. Base Rent for any portion of a calendar month at the beginning of the lease term or at the end of the lease term shall be prorated.

ARTICLE 5.
Security Deposit

5.1 Upon execution of this lease Tenant shall give to Landlord, and thereafter within five (5) days after request shall deposit additional funds as necessary to maintain with Landlord, a security deposit of waived . Dollars (\$ waived). The security deposit shall be held by Landlord and any interest thereon shall belong to Landlord. If Tenant fails to make the "Total Payments" required under this Lease or defaults in performance of its other obligations under this Lease, Landlord may use all or part of the security deposit to pay any such amounts in default or for payment of any other amount which Landlord spends or becomes obligated to spend by reason of Tenant's default, or for the payment to Landlord of any other loss or damage which Landlord may suffer by reason of Tenant's default. Landlord shall not be required to utilize the security deposit prior to declaring a default under the Lease, nor shall the security deposit be a limitation on Landlord's damages or other rights under this Lease for a payment of liquidated damages or an advance payment of Total Payments. If Tenant shall have fully performed all of the promises, covenants, terms and conditions of this lease and surrendered the Premises in accordance with ARTICLE 25, the security deposit shall be returned to Tenant within thirty (30) days after the expiration of this lease.

ARTICLE 6.
Use of Premises

6.1 The Premises shall be used for office purposes, the manufacture, storage and distribution of pavers, concrete railroad ties, other concrete products, and associated products, and for no other purpose without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Landlord's withholding of consent shall not be unreasonable if based upon increased risks posed by Tenant's use of hazardous substances.

6.2 Tenant shall not use or permit the Premises to be used for any unlawful purpose and shall use the Premises and Improvements in accordance with all laws, rules, regulations, ordinances and requirements now or hereafter in effect, including without limitation, any applicable to the generation, use, manufacture, treatment, transportation, storage or disposal of hazardous substances.

6.3 No change, alteration or improvement to the Improvements shall be undertaken nor shall New Improvements be constructed without Landlord's prior consent, which consent shall not be unreasonably withheld; provided, however, Tenant shall not be required to obtain such consent for (i) changes, alterations, improvements, or construction costing less than Ten Thousand Dollars (\$10,000.00) which do not affect the roof, exterior building materials, any structural component or the primary electrical, plumbing, HVAC or other major system of the Improvements. Tenant shall give written notice to Landlord of any proposed change, alteration, improvement or construction requiring consent prior to making such change, alteration, improvement or construction. If a change, alteration, improvement or construction would involve a cost of more than Ten Thousand Dollars (\$10,000.00) or would affect the roof, exterior building materials, any structural component or the primary electrical, plumbing, HVAC or other major system of the Improvements, Tenant (a) shall provide Landlord with complete

plans and specifications therefor along with Tenant's notice, and (b) shall not proceed without Landlord's prior written consent, which shall be given or denied within fifteen (15) days after receipt of Tenant's notice and complete plans and specifications. Landlord shall be deemed to have consented to, and, Tenant may proceed with any change, alteration, improvement or construction for which Landlord's consent is required, in the absence of any objection from Landlord within such fifteen (15) day period. By written notice to Tenant, Landlord may extend the time for granting or withholding consent to any proposed change, alteration, improvement or construction for up to a maximum of thirty (30) additional days if necessary due to the scope of Tenant's plans. All changes, alterations, improvements and construction shall be at Tenant's sole cost, free of claims of lien, and shall be performed in a good and workmanlike manner and in conformance with applicable building codes and other laws, ordinances, rules and regulations.

6.4 Tenant shall conduct its business and control its employees, agents, invitees and visitors in such manner as not to create any unlawful nuisance, or unreasonably interfere with, annoy or disturb any other tenant of the Project. Tenant shall not do anything which would cause Landlord's insurance rates to increase unless Tenant pays the amount of such increase. Tenant shall not do anything which is prohibited by insurance policies maintained by Landlord or Tenant under this lease or which would cause a cancellation of any such policies, unless substitute policies are procured, which would permit such activities. Tenant shall pay all excess costs of such substitute policies. Landlord shall reasonably cooperate with Tenant and insurers in attempting to accommodate Tenant's activities, provided such accommodation does not adversely affect Landlord or other tenants of premises covered by Landlord's insurance policies.

6.5 Tenant shall comply with reasonable rules and regulations promulgated from time to time by Landlord with respect to the use of common access roads within and otherwise serving the Project, the private water and sewer facilities, the appearance and location of signage within the Project, and the appearance and regular maintenance of building exteriors and landscaping within the Project. Landlord shall use good faith efforts to uniformly enforce such rules and regulations; however, Landlord shall have no liability for the failure of any other tenant to comply with such rules and regulations, or for the conduct of tenants under leases predating the promulgation of such rules and regulations.

ARTICLE 7.

Repairs and Maintenance of the Premises

7.1 Throughout the term of this lease, Tenant, at its sole cost, shall keep the Premises in a habitable, safe, neat, clean and sanitary condition, and in first class working order and repair, except as expressly set forth otherwise in this lease. Tenant shall not cause or permit waste damage or injury to the Premises.

7.2 Landlord shall, within a reasonable time after written notice from Tenant, perform all repairs to the Premises made necessary by casualty or other loss insured against by Landlord's insurance policies described in Section 14.1; provided, however, Tenant shall be liable for the lesser of (a) the cost of such repairs or (b) the deductible under Landlord's insurance policy, up to a maximum of One Thousand Dollars (\$1,000.00).

7.3 Tenant shall make any and all repairs to the Premises, of any kind or description whatsoever, made necessary by or arising out of Tenant's use and occupancy of the Premises (excepting only (i) repairs to be performed by Landlord pursuant to Section 7.2, and (ii) repairs

made necessary by uninsured catastrophic loss not attributable to Tenant's negligence or other fault, including, without limitation, earthquake, flood, war and nuclear reaction), structural or nonstructural, interior or exterior, including, without limitation, repair or replacement of any glass as may become cracked or broken, repair to the roof, floors, walls, sash, pipes, interior partitions and doors, ceilings and to the heating, air conditioning and refrigeration plants, electrical lighting, fire safety, fire sprinkler and plumbing fixtures, and to all other fixtures, equipment and appurtenances thereto, and to the irrigation system, parking lots, driveways and other exterior Improvements. Any such repairs shall be performed in a good and workmanlike manner, and all items shall be replaced with items of similar quality and first class condition. Tenant shall make all repairs to the Premises required by federal, state, county and city statutes, codes, ordinances and regulations. All repairs, other than those covered by Landlord's insurance policy described in Section 14. 1, shall be at Tenant's sole cost. Work on all repairs which Tenant is obligated to make under this lease shall commence promptly after the need therefor becomes known to Tenant, and Tenant shall pursue the repair work to completion with due diligence. Except in the case of emergency (when notice shall be given as soon as practical), Tenant shall notify Landlord in advance of any planned or necessary repairs to the roof, exterior building materials or structural components or to the primary electrical, plumbing, HVAC or other major system of the Improvements, and Landlord shall have the option of performing such repairs at Tenant's cost; provided, however, in no event shall Tenant be obligated to pay any costs in excess of the lowest fixed price bid received by Tenant from a responsible licensed contractor reasonably acceptable to Landlord to perform such repairs.

7.4 Tenant's obligations arising during the term of this lease under this ARTICLE shall survive any termination or expiration of this lease.

ARTICLE 8. Hazardous Materials

8.1 Tenant shall not, without prior written notice to Landlord, engage in or allow the generation, use, manufacture, treatment, transportation, storage or disposal of any hazardous substance in, on, under or adjacent to the Premises. Prior to taking occupancy of the Premises, Tenant shall provide Landlord with a description of any processes or activities involving the use of hazardous substances to be conducted by Tenant as well as a description (by type and amount) of any- hazardous substances Tenant plans to generate, use, manufacture, transport, store or dispose of in connection with its use of the Premises. Tenant warrants that such description is and will be true, accurate and complete. Tenant shall-notify Landlord prior to any material changes in such processes, activities or type and amount of hazardous substances utilized by Tenant and in any event, Tenant shall report to Landlord at least once yearly regarding any such processes, activities and hazardous substances. Tenant shall contemporaneously provide Landlord with copies of all reports, listings or other information required by any governmental entity relating to any hazardous substances utilized by Tenant, and shall promptly provide any other information related to Tenant's utilization of hazardous substances as Landlord may reasonably request.

8.2 Tenant shall not engage in or allow the unlawful release (from underground tanks or otherwise) of any hazardous substance in, on, under or adjacent to the Property (including air, surface water and groundwater on, in, under or adjacent to the Property). Tenant shall at all times be in compliance with all applicable law (and shall cause its employees, agents and contractors to be) with respect to the Premises or any hazardous substance and shall handle all hazardous substances in compliance with good industry standards and practices. As used in this Lease, the term "hazardous substance" shall mean any substance, chemical or waste, including any petroleum products or radioactive substances, that is now or shall hereafter be listed, defined or regulated as hazardous, toxic or dangerous under any applicable laws. As used in this ARTICLE, "applicable law" shall mean any federal, state, or local laws, ordinances, rules, regulations and requirements (including consent decrees and administrative orders) relating to the generation, use, manufacture, treatment, transportation, storage or disposal of any hazardous substance now or hereafter enacted.

8.3 Tenant shall promptly notify Landlord, in writing, if Tenant has or acquires notice or knowledge that any hazardous substance has been or is threatened to be unlawfully released, discharged or disposed of, on, in, under or from the Premises. Tenant shall immediately take such action as is necessary to detain the spread of and remove, to the satisfaction of Landlord and any governmental agency having jurisdiction, any hazardous substances released, discharged or disposed of as the result of or in any way connected with the conduct of Tenant's business, and which is now or is hereafter determined to be unlawful or subject to governmentally imposed remedial requirements. Tenant shall immediately notify Landlord and provide copies upon receipt of all written complaints, claims, citations, demands, inquiries, reports or notices relating to the condition of the Premises or compliance with environmental laws. Tenant shall promptly cure and have dismissed with prejudice any such actions or proceedings in any way connected to the conduct of Tenant's business, to the satisfaction of Landlord, and Tenant shall keep the Premises free of any lien imposed pursuant to any environmental law. Landlord shall have the right at all reasonable times and from time to time to conduct environmental audits of the Premises (including sampling, testing, monitoring and accessing environmental records required by applicable law) by a consultant of Landlord's choosing, and Tenant shall cooperate with the conduct of these audits. If any violation of any applicable law by Tenant or any violation of Tenant's obligations under this ARTICLE are discovered, in addition to any other right Landlord may have against Tenant, the fees and expenses of such consultant shall be borne by the Tenant and shall be paid by Tenant to Landlord on demand.

8.4 Tenant's obligations under this ARTICLE with respect to any occurrence during the term of this lease shall survive any termination or expiration of this lease.

ARTICLE 9. Taxes and Assessments

9.1 Tenant shall pay when due any and all taxes, installments of general or special assessments (amortized over the longest permissible time), levies, license and permit fees and other governmental charges and impositions of any kind and nature whatsoever, together with any interest or penalties attributable to Tenant's failure to pay the same when due, which at any time during the term of this lease may be assessed, levied or become due and payable out of or in respect of, or become a lien on the Premises, including, without limitation, any sales tax, business and operation tax, excise tax or similar tax or imposition imposed upon rent or Landlord's business of leasing property within the Project (collectively the "Impositions"); provided, however, Tenant shall not be obligated to pay Landlord's net income taxes or any transfer or excise tax imposed upon the conveyance of the Premises, or business and occupation taxes imposed upon Landlord's business activities other than leasing property within the Project.

9.2 Impositions shall be paid by Tenant to Landlord in one or more installments each year during the lease term, in an amount estimated by Landlord. If Impositions are billed to Tenant based upon estimates, on or before April 1st of each year, Landlord shall, but not less than once annually, furnish to Tenant a statement of the actual amount of Impositions incurred. Within thirty (30) days after receipt of such statement, Tenant shall pay Landlord the amount by which the actual Impositions exceed estimated Impositions paid by Tenant. If the estimated amount of Impositions paid by Tenant exceeds the actual Impositions, such excess shall be credited against the next Imposition payment-due from Tenant. Notwithstanding the foregoing Landlord may elect to require Tenant to pay all or some Impositions directly to the governmental authority levying the same.

9.3 Tenant may seek a reduction in the assessed valuation of the Premises for tax purposes and to contest in good faith by appropriate proceedings, at Tenant's expense, the amount or validity of any tax or assessment, provided that prior to the date when any penalties or interest may be incurred, Tenant shall deposit with the appropriate entity making the tax or assessment the sum contested or secure a bond in an amount sufficient to fully satisfy the amount of any lien upon the Premises. Any bond posted shall name Landlord as a co-obligee and shall be reasonably satisfactory, as to issuer and form, to Landlord. Any refund allocable to the term of this lease shall belong to Tenant.

9.4 Tenant's obligations under this ARTICLE with regard to Impositions arising during the term of this lease shall survive any termination or expiration of this lease.

ARTICLE 10.
Utilities

10. 1 Tenant shall pay, when due, any and all charges and fees for gas, heat, electricity, water, sewer, garbage collection, telephone and all other public or private utilities servicing the Premises and shall, upon request, provide evidence of such payment. Tenant shall not be entitled to terminate this lease or receive an abatement of rent as the result of any failure, interruption or discontinuance of any utility service for any reason; -provided however, if such interruption or discontinuance which materially affects Tenant's occupancy of the Premises results from the negligence of Landlord and continues, after notice to Landlord, for a period in excess of seven (7) business days, Total Payments shall abate until service is resumed.

10.2 Rates charged by Landlord to Tenant for utility services owned by Landlord (upon execution of this lease, sewer and water) shall be based upon consumption and will be the same rates charged to other tenants within the Project.

10.3 Tenant's obligations under this ARTICLE with regard to utilities furnished to the Premises during the term of this lease shall survive any termination or expiration of this lease.

ARTICLE 11.
Common Area Expenses

11.1 Tenant shall pay Landlord its proportionate share of all reasonable and customary costs (not including depreciation or costs of repairs resulting from Landlord's negligence), paid or incurred by Landlord in operating and maintaining the common access roadways, sidewalks, pathways, landscaped areas and other similar areas or improvements which may be provided by Landlord for the common use or benefit of tenants of the Project, (but not including common areas specific to a particular building other than the Premises), including without limitation, costs of personnel, equipment and material for maintenance, repair, replacement, snow removal, striping, signage, and other traffic control measures, costs for lighting, insurance, property taxes, licenses, permits and fees. Tenant's proportionate share of such expenses shall be a fraction, the numerator of which is the area of the Property and the denominator of which is the area of the Project (or, if the expense is incurred with respect to property not co-extensive with the Project, such other fraction as reasonably determined by Landlord). Capital expenses shall be amortized over their reasonably expected useful life, as determined by Landlord. Common area charges shall not include expenses of initial installation of roadways, initial landscaping, management fees or Landlord's general administrative expenses for the Project.

11.2 Common area charges shall be paid by Tenant in one or more installments each year during the lease term in an amount estimated by Landlord. On or before April 1 of each year, Landlord shall furnish to Tenant a statement of the actual amount of Tenant's proportionate share of common area expenses for the preceding calendar year. Within thirty (30) days after receipt of such statement, Tenant shall pay Landlord the amount by which such expenses exceed Landlord's estimates. If Tenant has paid more than the actual amount of such expenses, such excess shall be credited against expenses due for the ensuing year.

11.3 The common area shall consist of easements shown on the Binding Site Plans of the Project, landscaping easements twenty (20) feet in width adjacent to all public and private roadways within the Project, and other perimeter easements and necessary rights-of-way for utilities and private roadways servicing the Project, for public streets, pathways and "208" drainage areas, all as reasonably designated by Landlord, and the private sewer and water and systems serving the Project. Landlord shall provide and maintain landscaping within the landscaping easement described above. The common areas are for the joint benefit of all tenants of the Project and adjacent property owned by Landlord, and Landlord reserves the following rights with respect to the common areas:

(a) to establish reasonable rules and regulations for the use of the common areas;

(b) to close all or any portion of the common areas for reasonable periods to make repairs and changes, and to change the location, layout or shape of the common areas, provided Tenant's access to the Premises is not unreasonably impaired;

(c) to grant access to the common areas to utility providers, governmental entities and others to maintain and repair the improvements serving the Project and the public;

(d) to dedicate the common areas to public use.

11.4 Tenant's obligations under this ARTICLE with regard to common area charges arising during the term of this lease shall survive any termination or expiration of this lease.

ARTICLE 12.

All Expenses Other Than Specifically Dealt With, Audit Rights

12.1 If, during the term of this lease, expenses arise, become due, or are incurred by Landlord, relating to or resulting from the Project, the lease of the Premises, use of the Improvements and personal property subsequently placed upon the Premises or the business conducted by Tenant, which expenses are not specifically dealt with in the lease, such expenses shall be allocated between Landlord and Tenant in a manner consistent with the allocation of expenses specifically dealt with in the lease so that each party receives substantially the benefit of the bargain reflected in the lease.

12.2 Not more than once each calendar year, Tenant shall have the right, upon thirty (30) days' prior notice to Landlord, to examine Landlord's records for the prior year relating to Impositions (ARTICLE 9), insurance (ARTICLE 14) and common area expenses (ARTICLE 11), and to challenge the amount of any such charges. The amount of any charges found, by agreement or otherwise, to be improper or excessive shall be credited against the next installment(s) of Additional Rent due from Tenant.

ARTICLE 13.

Indemnification of Landlord

13.1 Tenant -releases and, subject to the provisions of Section 14.5, shall defend, indemnify and hold harmless Landlord, and each of its officers, directors, shareholders, employees, agents and representatives, against and from all liabilities, obligations, damages, penalties, judgments, claims, costs, charges, fees and expenses, including, but not limited to, costs of investigation and correction, reasonable architects', attorneys' and consultants' fees and costs, which may be imposed upon, incurred by or asserted against Landlord or its officers, directors, shareholders, employees, agents and representatives by reason of any of the following:

(a) any act or omission during the term of this lease in, on, about or arising out of or in connection with the use, operation, maintenance and occupancy of the Premises or any part thereof, whether or not consented to by Landlord; by Tenant, or

Tenant's agents, contractors, servants or employees (whether inside or outside the scope of employment), licensees or invitees, except to the extent caused by the negligence or intentional misconduct of Landlord or its agents, contractors, subcontractors, servants or employees;

(b) any accident, injury, casualty, loss, theft or damage whatsoever to any person or tangible property occurring in, on, about or arising out of or in connection with the use or occupancy by Tenant of the Premises, any common area, roadway, alley, basement, pathway, curb, parking area, passageway or space under or adjacent thereto arising from any cause or occurrence whatsoever, except to the extent caused by the negligence or intentional misconduct of Landlord or its agents, contractors, subcontractors, servants or employees;

(c) any failure on the part of Tenant or any of its agents, contractors, subcontractors, servants or employees to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in this lease;

(d) any failure by Tenant to perform or comply with any of the terms or provisions contained in this lease or any act performed by Landlord in exercise of its rights under ARTICLE 17; or

(e) any presence, release, migration, discharge, disposal, dumping, spilling or leaking (accidental or otherwise), now or hereafter determined to be unlawful or subject to governmentally imposed remedial requirements, caused by Tenant or in any way connected with Tenant's business, of any hazardous, dangerous or toxic substance of any kind (whether or not now or hereafter regulated, defined or listed as hazardous, dangerous or toxic by any local, state, or federal government) into, onto or under the Property or the air, soil, surface water, or groundwater thereof, or the pavement, structures, sewer system, fixtures, equipment, tanks, containers or personality at the Property or into, onto or under the property of others from the Premises. The foregoing indemnity shall apply notwithstanding any provisions of federal, state or local law which provides for the exoneration from liability in the event of settlement with any governmental agency, and notwithstanding Landlord's consent, knowledge, action or inaction with respect to the act or occurrence giving rise to such right of indemnity.

13.2 In case any action or proceeding is brought against Landlord or its officers, directors, shareholders, employees, agents and representatives by reason of any claim indemnified under Section 13. 1, Landlord shall promptly notify Tenant of such claim and Tenant shall, at Tenant's expense, immediately resist or defend such action or proceeding with counsel approved by Landlord in writing, which approval shall not be unreasonably withheld. In connection with any such action brought against Landlord by Tenant's employees, Tenant waives any immunity, defense or other protection afforded by any worker's compensation, industrial insurance or similar laws, with regard to such claim or action against Landlord.

13.3 Tenant waives and releases all claims against Landlord, its officers, directors, shareholders, employees, agents and representatives, for any loss, injury, or damage (including

consequential damages), to Tenant's property or business during the term of this lease occasioned by theft, act of God, public enemy, injunction, riot, strike, insurrection, war, court order, acquisition, order of governmental body or authority, earthquake, flood, fire, explosion, falling objects, steam, water, rain or snow, leak or by flow of water, rain or snow from the Premises or onto the Premises or from the roof, street, subsurface or from any other place, or by dampness, or by the breakage, leakage, obstruction or defects of the pipes, sprinklers, wires, appliances, plumbing, heating, air conditioning, lighting fixtures of the Improvements, or by the construction, repair or alteration of the Premises or by any other acts or omissions of any other tenant or occupant of the Project, or visitor to the Premises or any third party whatsoever, or by any cause beyond Landlord's control.

13.4 Tenant's obligations under this ARTICLE shall survive any termination or expiration of this lease.

ARTICLE 14. Insurance

14.1 At all times during the term of this lease, Landlord shall carry and maintain (a) Special Form property insurance (or its then equivalent in the insurance industry) covering the Improvements to their full insurable replacement value, subject to a deductible of not less than One Thousand Dollars (\$1,000.00), (b) rental value insurance in an amount sufficient to cover Tenant's Total Payments during any period of rental abatement caused by repair or reconstruction of the Improvements, and (c) commercial general liability insurance (or its then equivalent in the insurance industry) for the Project in such amounts as Landlord determines from time to time in its reasonable discretion.

14.2 Tenant shall reimburse Landlord for the costs of all insurance maintained pursuant to Section 14. 1. If Landlord maintains blanket property damage policies Tenant shall pay only that portion of policy premiums reasonably allocable to the Premises. The cost of Landlord's liability insurance shall be allocated in accordance with Section 11. 1. Insurance charges shall be paid by Tenant in one or more installments each year during the lease term in an amount estimated by Landlord. On or before April 1 of each year, Landlord shall furnish to Tenant a statement of the actual amount of insurance costs incurred for the preceding calendar year. Within thirty (30) days after receipt of such statement, Tenant shall pay Landlord the amount for which actual insurance expenses exceed estimated expenses paid by Tenant. If the estimated amounts paid by Tenant exceed the actual insurance expenses, such excess shall be credited against the next insurance expense payment due from Tenant. Tenant's obligation under this Section shall survive any termination or expiration of this lease.

14.3 Any loss to Tenant's personal property and fixtures or arising out of the conduct of or interruption of Tenant's business shall be the sole risk of Tenant. Tenant shall, at its sole cost, secure and maintain throughout the term of this lease insurance policies with a company or companies reasonably acceptable to Landlord and licensed to do business in the State, insuring against the following perils:

(a) Liability Insurance. (i) Commercial general liability insurance (or its then equivalent in the insurance industry) with combined single limits of not less than One Million Dollars (\$ 1,000,000.00) per occurrence for personal injury and property damage. Such policy shall name Landlord and any lender of Landlord as additional insureds; shall contain cross liability provisions and shall include but not be limited to coverage for the occurrences described in subsections 13. 1 (a) and (b), and acts of independent contractors retained by Tenant, and (ii) auto liability insurance for vehicles owned, leased or used by Tenant, and non-owned vehicles used in connection with Tenants' business, with liability limits of not less than One Million Dollars (\$1,000,000.00) per occurrence.

(b) Property Insurance. Special Form property insurance (or its then equivalent in the insurance industry) naming Landlord, any lender of Landlord, and Tenant as their interests may appear, covering all leasehold improvements in, on, or upon the Premises, in an amount not less than the full replacement cost without deduction for depreciation. All policy proceeds shall be used for the repair or replacement of the property damaged or destroyed; however, if this lease ceases under the provisions of ARTICLE 21, Tenant shall be entitled to any proceeds equal to the remaining value to Tenant of leasehold improvements for which Tenant has paid, and Landlord shall be entitled to all other proceeds. Notwithstanding the foregoing sentence, Landlord shall never receive less than an amount equal to the reasonable cost of re-constructing Improvements substantially identical to those originally delivered to Tenant.

(c) Other Insurance: Changes in Limits. Such other insurance in such amounts as may from time to time be reasonably requested by Landlord against other insurable hazards related to the Premises (including, without limitation, hazards to the Premises related to Tenant's activities thereon), which at the time are customarily insured against by owners or operators of similar types of properties and Landlord may require changes in the amounts or limits of the insurance to be maintained under this ARTICLE to maintain reasonably equivalent coverage due to inflation, changes in Tenant's business operations, changes in law or changes in policy terms.

14.4 Each insurance policy maintained by Tenant shall provide coverage on an occurrence rather than a claims-made basis (or if coverage on an occurrence basis is or becomes unavailable on commercially reasonable terms, Tenant may obtain insurance coverage on a claims-made basis, provided such policies are endorsed to provide for an extended reporting period of not less than three (3) years) and shall provide that (a) no act, omission or default by Tenant shall render the policy void as to Landlord or of Landlord's right to recover thereon; and (b) the policy shall not be canceled or modified so as to adversely affect Landlord until thirty (30) days after written notice to Landlord. On or before commencement of the term hereof and thereafter upon the request of Landlord, Tenant shall provide certificates of insurance evidencing the required insurance and upon Landlord's request, copies of any required policy. All policies shall be written as primary policies, not contributing with, and not in excess of coverage which Landlord may carry.

14.5 Landlord and Tenant each waive any and all rights to recover against the other or against the officers, directors, shareholders, employees, agents or representatives of the other,

14.5 Landlord and Tenant each waive any and all rights to recover against the other or against the officers, directors, shareholders, employees, agents or representatives of the other, for any loss or damage to such waiving party arising from any cause covered by any insurance required to be carried by such party pursuant to this ARTICLE or any other insurance actually carried by such party; provided, however, Tenant shall remain liable for the lesser of (a) the loss incurred by Landlord or (b) the deductible under Landlord's insurance policies, up to a maximum of One Thousand Dollars (\$1,000.00). Landlord and Tenant from time to time shall cause their respective insurers to issue appropriate waiver of subrogation rights endorsements to all policies of insurance carried in connection with the Premises or the contents of the Premises. Tenant agrees to cause all other occupants of the Premises claiming by, under, or through Tenant to execute and deliver to Landlord such a waiver of claims and to obtain such waiver of subrogation rights endorsements.

14.6 Landlord, its agents and employees make no representation that the limits of liability specified to be carried by Tenant pursuant to this ARTICLE are adequate to protect Tenant. If Tenant believes that any of such insurance coverage is inadequate, Tenant shall obtain, at Tenant's sole expense, such additional insurance coverage as Tenant deems adequate.

ARTICLE 15.
Limitation on Landlord's Liability

15.1 Notwithstanding any other provision of this lease, in the event of any actual or alleged default under this lease by Landlord, Landlord's liability shall be limited to Landlord's interest in the Project. Neither Landlord nor any officer, director, shareholder, agent or representative of Landlord shall have any personal liability for the breach of any obligations under this lease.

15.2 If Landlord, or any subsequent owner of the Premises, transfers the Premises, its liability for the performance of its agreements under this lease shall end with respect to obligations arising after the date of the transfer of the Premises, and the Tenant shall thereafter look solely to the transferee of the Premises for the performance of those agreements. Tenant shall attorn to any transferee of the Premises.

ARTICLE 16.
Defaults and Remedies

16.1 Landlord shall be entitled to exercise any of the rights and remedies provided for in this lease (and/or by applicable law) if any one or more of the following "Events of Default" shall occur:

(a) if Base Rent is not paid when due and remains unpaid for ten (10) days after written notice; or

(b) if any Additional Rent or any other sum payable by Tenant is not paid within twenty (20) days after written notice from Landlord to Tenant; or

(c) if default shall be made by Tenant in the prompt and full performance or compliance with any of the promises, provisions, terms, covenants or conditions in this lease other than those referred to in subsections (a) and (b) of this Section, and any such default is not fully cured within thirty (30) days after written notice from Landlord to Tenant, or if such default may not be reasonably cured within such 30-day period, if Tenant does not commence to cure within such 30-day period and thereafter diligently pursue such cure to completion.

16.2 Upon the occurrence of any Event of Default, Landlord may, at its discretion, apply the security deposit referred to in ARTICLE 5 against any amounts due from Tenant; take any action permitted under ARTICLE 17; and exercise any or all rights or remedies allowed under this lease or by law or equity, including without limitation, the following:

(a) Landlord may terminate this lease in accordance with the laws of the State of Washington, whereupon Tenant shall quit and peacefully surrender the Premises. Upon termination, Landlord may re-enter the Premises and take possession thereof, remove all parties in possession therefrom, and Tenant shall have no further claim or demand whatsoever thereon or hereunder. Landlord, without terminating this lease, may re-enter the Premises without liability for trespass, remove by summary proceedings, ejectment, replevin, unlawful detainer, lien foreclosure, or otherwise, all persons and personal property from the Premises and may have, hold, and enjoy the Premises and have the right to receive all rental income of and from the same. No act by Landlord shall terminate this lease unless Landlord notifies Tenant in writing that Landlord elects to terminate this lease. Upon any re-entry, Landlord may relet the Premises or any part thereof for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the term of this lease) and on such conditions as Landlord, in its reasonable discretion, may determine and may collect and receive the rents thereto. If Tenant abandons the Premises, Landlord shall in no way be responsible or liable if the Premises or any part thereof are not relet, or for any inability to collect any rent due upon any such reletting. Tenant assumes full responsibility for mitigating damages upon abandonment of the Premises and waives any defense or claim based on Landlord's failure to mitigate damages except as set forth in Section 23.6. No re-entry by Landlord, if the lease has not been terminated, shall excuse or relieve Tenant of its liability and obligations under this lease, and Tenant, until the end of the term of this lease, shall be liable to Landlord for and shall pay to Landlord the amount of Total Payments which are due and payable under this lease by Tenant, less the proceeds realized by Landlord from any reletting. Tenant shall pay such deficiency to Landlord on the first day of each month for which rent would have been paid under this lease, and Landlord shall be entitled to recover from Tenant each monthly deficiency. In addition, Tenant shall pay upon demand all of Landlord's reasonable expenses whatsoever reasonably incurred in connection with any reletting, including, without limitation, all repossession costs, brokerage and management commissions or fees, all operating expenses, accounting expenses, attorneys' fees, reasonable costs incurred in making alterations to the Improvements and removal, storage or disposition of personal property on the Premises, and any expenses of advertising and preparation for reletting and any reasonable concessions granted in connection with such reletting. Any sums received by Landlord upon a reletting of the Premises in excess of the Total Payments reserved herein shall be the sole property of Landlord; or

(b) Landlord may accelerate all of the Total Payments reserved for the remaining balance of the term of this lease. Upon such acceleration, all of the Total Payments reserved herein for the entire term shall immediately become due and payable, discounted to their then present value using a discount rate equal to the prime rate as of the date of the Event of Default, less the reasonable rental value of the Premises for the remainder of the lease term, also discounted to present value at the prime rate. The "prime rate" shall mean the interest rate per annum announced by Seattle-First National Bank (or its successor) from time to time as its prime lending rate to its most creditworthy commercial customers. Tenant shall pay, upon demand, such accelerated amount plus an amount equal to the total of all of Landlord's reasonable costs resulting from Tenant's default including, without limitation, costs of curing any breach by Tenant of the terms of this Lease (other than failure to pay Total Payments), repossession of the Premises, operating and administrative expenses until the Premises may be relet, attorney's fees, costs of removal, storage or disposition of personal property on the Premises, and the unauthorized cost of any leasehold improvements or concessions granted in connection with this Lease, plus interest thereon at the prime rate from the date incurred until the date paid.

ARTICLE 17.

Landlord's Right to Perform Tenant's Covenants

17.1 If Tenant shall at any time fail to make any payment or perform any act required under this lease, then Landlord, after ten (10) days' notice to Tenant in the case of monetary defaults (other than the payment of Base Rent) or thirty (30) days' notice in the case of a nonmonetary default, or immediately without notice in the case of emergency, and without waiving or releasing Tenant from any obligation of Tenant contained in this lease or from any default by Tenant and without waiving Landlord's right to take other action permissible under this lease, may (but shall be under no obligation to) make such payment or perform any other act required to be made, performed or complied with by Tenant hereunder.

17.2 Landlord may enter the Premises for any purpose under Section 17.1 and take all such action thereon as may be necessary without incurring any liability for trespass and without terminating Tenant's tenancy or interfering with Tenant's quiet enjoyment of the Premises. Any sums paid by Landlord and all costs and expenses reasonably incurred by Landlord (including reasonable attorneys' fees), in connection with the performance of any act, together with interest thereon at the rate set forth in ARTICLE 19, from the date of such payment or incurrence by Landlord shall be paid by Tenant to Landlord upon demand.

ARTICLE 18.
Costs and Attorneys' Fees

18.1 In the event of any breach, default, delinquency or violation by either party or any dispute involving the interpretation of this lease, the non-prevailing party shall be responsible

for and shall pay any and all reasonable attorneys' fees and costs, or expenses incurred by the other party by reason of such breach, default, delinquency, violation or dispute, whether or not a legal action is filed, including those, if any, on appeal.

ARTICLE 19.

Interest on Overdue Payments

19.1 Any component of Total Payments payable by Tenant under the terms of this lease, which Tenant does not pay when due, shall bear interest in favor of Landlord from the due date at the rate of eighteen percent (18 %) per annum, compounded monthly, or such lesser rate as may be the maximum allowed by law.

19.2 Any late or partial payments, if accepted by Landlord, may, at Landlord's option, be applied first to interest, then to Additional Rent, and finally to Base Rent.

ARTICLE 20.

No Total Payments Abatement

20.1 Except as otherwise expressly provided for in this lease, no abatement, diminution, setoff, counterclaim or reduction of Total Payments or charges due Landlord shall be claimed by or allowed to Tenant.

ARTICLE 21.

Damage to Premises

21.1 If the Improvements are damaged or destroyed by reason of fire or any other cause, Tenant shall immediately notify Landlord. If the loss results from a casualty covered by Landlord's insurance, provided Tenant is not in default, Landlord shall apply the net proceeds of any fire or other casualty insurance paid to Landlord (or to a trustee or depository at the request of the holder of Landlord's mortgage), to repair or rebuild the Improvements. Provided Tenant is not in default, if the loss results from a casualty not insured against by Landlord's insurance and not attributable to Tenant's negligence or other fault and the estimated costs of repair do not exceed fifty percent (50%) of the sum of Base Rent due for the remainder of the lease term, Landlord shall repair or rebuild the Improvements, in each case so as to make the Improvements at least equal in value to the Improvements existing immediately prior to the occurrence and as nearly similar in character as is practicable and reasonable, subject to any applicable building regulations. Landlord shall prosecute the repairs or rebuilding to completion with diligence; subject, however, to strikes, lockouts, acts of God, embargoes, governmental restrictions, and other causes beyond Landlord's reasonable control.

21.2 If (a) at any time during the last two (2) years of the term of this lease the Improvements are damaged by fire or other insured casualty so that the cost of restoration exceeds twenty-five percent (25 %) of the replacement value of the Improvements (exclusive of foundations) immediately prior to the damage or (b) in Landlord's reasonable judgment, repair or restoration after any insured casualty cannot be completed by one (1) year prior to the end of the lease term or (c) a loss exceeding fifty percent (50%) of the sum of Base Rent due for the

remainder of the lease term results from a casualty not insured against by Landlord's insurance, then Landlord may, within thirty (30) days after such damage, give notice of its election to terminate this lease and, subject to the provisions of this section, this lease shall cease on the tenth (10th) day after the delivery of that notice. Total Payments shall be apportioned and paid to the time of damage.

21.3 Total Payments shall be abated on a pro rata basis from the date of the damage until the date of the completion of such repairs, based on the proportion of the Premises that Tenant is unable to use during the repair period. If any casualty not covered by rental value insurance is the result of the willful conduct or negligent act or omission of Tenant, its agents, contractors, employees, or invitees, Total Payments shall not be abated. Tenant shall have no right to terminate this lease on account of any damage to the Premises, or the Project, except as set forth in this lease.

ARTICLE 22.
Condemnation

22.1 In the event the Premises or any part thereof shall be condemned and taken for a public or quasi-public use, the leasehold estate and interest of Tenant in the Premises or the part thereof so taken shall forthwith cease and terminate as of the date of final award. In the event of a partial taking, the lease shall remain in full force as to any portion of the Premises not taken, and Tenant's obligation to pay Base Rent and Additional Rent herein reserved shall be equitably reduced or abated in proportion to the value of the portion of the Premises which is lost on account of any partial taking. Rent shall not be abated if the taking does not unreasonably affect Tenant's use of the Premises. Notwithstanding the foregoing, in the event any part of the Premises is taken which would render the remainder thereof unusable, Tenant may elect to terminate this lease and all obligations of either party hereunder accruing from and after the date of such partial taking.

22.2 Landlord reserves all rights to damages awarded for any partial or total taking, and Tenant hereby assigns to Landlord any right Tenant may have to such damages or award except for moving expenses, Tenant's personal property or damage to or interference with Tenant's business, but only to the extent awarded separately and not out of or as a part of the damages recoverable by Landlord.

ARTICLE 23.
Transfer of Tenant's Interest

23.1 Tenant shall not:

(a) transfer all or any portion of this lease or any of its leasehold interest in the Premises, without the prior written consent of Landlord, which may not be unreasonably withheld;

(b) mortgage, pledge, hypothecate or otherwise create or grant any security interest in Tenant's leasehold interest (or any part thereof) in the Premises without the

prior written consent of Landlord, which may not be unreasonably withheld or delayed, and, subject to Tenant's right to contest in a manner similar to that provided in Section 9.3 for Impositions, Tenant shall not voluntarily or involuntarily suffer or permit to be placed or enforced against the Premises any lien, claim, demand or encumbrance of any type or nature whatsoever.

23.2 Any request by Tenant for Landlord's consent to a transfer shall be accompanied by information related to the proposed transferee's financial position and proposed use of the property, and any other information Landlord may reasonably request in order to evaluate the proposed transfer. Landlord's consent to a transfer shall not be effective until Landlord has received the written agreement of the transferee to assume and perform all of the obligations of Tenant for the payment of Total Payments and the performance of all the terms, covenants, conditions and provisions contained in this lease. Any consent by Landlord to any single transfer shall not release Tenant from any obligations under this lease and such consent shall only apply to the specific transaction thereby authorized and shall not be construed as a waiver of the duty to obtain Landlord's consent to any subsequent transfer.

23.3 Tenant shall reimburse Landlord for any costs reasonably incurred in connection with any proposed transfer or creation of a security interest, including, without limitation, legal fees and costs of investigating the acceptability of the proposed transferee or security interest and preparation or review of necessary documentation.

23.4 Any violation of the terms of this ARTICLE without Landlord's prior written consent shall, at Landlord's option, be absolutely null and void.

23.5 Landlord's failure to detect or to protest an apparent or actual default of this ARTICLE shall not constitute a waiver or estoppel thereof. The acceptance of any rent by Landlord from a proposed transferee shall not constitute consent by Landlord to any transfer or recognition of any transferee or a waiver by Landlord of any failure of Tenant to comply with this ARTICLE.

23.6 If Tenant believes that Landlord has unreasonably withheld consent to any transfer or creation of a security interest, Tenant's sole remedies shall be to (a) seek a declaratory judgment that Landlord has unreasonably withheld consent or (b) seek specific performance or an injunction requiring Landlord to give consent.

23.7 Landlord's withholding of consent to a proposed transfer shall not be unreasonable if Landlord determines, in the exercise of Landlord's reasonable discretion, that (a) the proposed transferee is financially unable to fulfill its obligations under the lease; (b) the proposed transferee (or the principals thereof) has a substantial history of defaults under prior leases or other agreements; (c) the proposed transferee's use of the Premises would be incompatible with other uses within the Project or would pose substantial risks of pollution, casualty loss, property damage or personal injury; or (d) would otherwise substantially increase Landlord's risk or expense in connection with this Lease.

23.8 For the purpose of this ARTICLE, "transfer" shall include any voluntary or involuntary sale, assignment, sublease, gift, conveyance, disposition or parting with any or all of Tenant's rights, duties or interests herein. Subject to the requirements of Section 23.2 relating to information and documents to be provided by Tenant, and Landlord's right to object and withhold consent on the grounds set forth in Section 23.7, Tenant may assign all or part of this lease, or sublease all or a part of the Premises, to:

(a) any corporation or entity that has the power to direct Tenant's management and operation, or any corporation or entity whose management and operation is controlled by Tenant; or,

(b) any corporation or entity a majority of whose voting stock or ownership interest is owned by Tenant; or

(c) any corporation or entity in which or with which Tenant or its successors or assigns is merged or consolidated, in accordance with applicable statutory provisions for merger or consolidation of corporations or other entities, so long as the liabilities of the corporations or entities participating in such merger or consolidation are assumed by the corporation or entity surviving such merger or created by such consolidation; or

(d) any corporation or entity acquiring this lease and a substantial portion of Tenant's assets.

ARTICLE 24. Subordination

24.1 At Landlord's request, this lease shall be subordinated to any mortgages, deeds of trust and other encumbrances arising through Landlord and affecting the Premises, provided the mortgagee or beneficiary thereof agrees not to disturb Tenant's possession so long as Tenant is not in default under this lease. Tenant shall sign and deliver any reasonable documents required to evidence such subordination, within twenty (20) days of Landlord's request.

ARTICLE 25. Surrender

25.1 At the expiration of the lease term or upon any earlier termination of this lease, Tenant shall immediately:

(a) deliver to Landlord free and clear title to the Improvements (excepting only Tenant's personal property, equipment and trade fixtures which can be, and are, removed by Tenant without permanent damage to the Premises) without any payment to Tenant or allowance of any kind whatsoever by Landlord; provided that nothing herein shall require Tenant to satisfy any obligations arising through Landlord. Landlord may examine condition of title at Tenant's cost to assure itself that the title offered is in conformity with the terms of this lease; and

(b) restore the Premises to their condition at the commencement of the lease, and repair any damage caused by removal of Tenant's personal property, equipment or trade fixtures, or Tenant's occupancy of the Premises, and quit, surrender and return possession of the Premises to Landlord in a neat, clean, and sanitary condition, and in good working order, reasonable wear and tear and casualty loss excepted, and shall deliver to Landlord all information documents and tangible items necessary or convenient to the operation of the Premises, including, without limitation, any keys, combinations to locks and access systems, manuals and instruction booklets, warranties, receipts, bills, invoices, statements, licenses, and permits, building plans and specifications, contracts and other documents.

25.2 Any personal property remaining on the Premises after the expiration of the lease term may, at Landlord's option, be deemed abandoned by Tenant and Tenant releases Landlord from all claims and liability in connection with such personal property. Upon expiration, or if the lease is terminated prior to its normal expiration, Landlord shall have the right, but not the obligation, to remove all of Tenant's personal property from the Premises and place the same in a public warehouse at Tenant's expense and risk. Landlord shall have the right, but not the obligation, to sell such stored property if it has not been claimed, and all charges for removal, packing, transport and storage paid by Tenant within thirty (30) days, and the proceeds of sale shall be applied first to the costs of sale, second to the costs of removal, packing, transport and storage, third to the payment of any other sums due Landlord from Tenant, and the balance, if any, shall be paid to Tenant.

ARTICLE 26.
Holding Over

26.1 This lease shall terminate without further notice upon the expiration of the lease term as described in ARTICLE 3 or upon any earlier termination of this lease. If Tenant holds over with the written consent of Landlord, such action shall not constitute a renewal of this lease or any extension thereof, but such tenancy shall be on a month-to-month basis, which tenancy may be terminated as provided by the laws of the State of Washington. During such period, Tenant shall pay to Landlord on the first day of each month Base Rent equal to one-twelfth (1/12) the Total Payments payable by Tenant during the prior calendar year multiplied by one hundred twenty-five percent (125%) (plus all Additional Rent provided for in this Lease), and Tenant shall continue to be bound by all of the promises, provisions, conditions and covenants herein set forth, so far as the same may be applicable.

ARTICLE 27.
Quiet Enjoyment

27.1 Landlord hereby covenants that if Tenant is not in default in the payment of any monetary obligations or in the performance or observance of any of its other obligations under this lease, Tenant shall be free from Landlord's interference in the enjoyment of sole and exclusive use, occupancy and possession of the Premises; subject, however, to the exceptions, reservations and conditions of this lease.

ARTICLE 28.
Right of Inspection

28.1 Landlord and its representatives shall be authorized to enter the Premises upon notice (or at any time without notice in the event of emergency) for the purposes of determining whether or not an Event of Default has occurred; exhibiting the Premises to lenders, prospective purchasers and tenants; making any necessary repairs to the Premises and performing any work therein and for any other lawful purpose. Landlord shall not be liable for inconvenience, annoyance, disturbance, loss of business or other damage to Tenant or any other party by reason of such entrance or the making of such repairs or the performance of any such work, or on account of bringing materials, tools, supplies and equipment onto the Premises. In order to preserve the security of Tenant's proprietary information, Tenant may accompany Landlord on any inspection and may impose reasonable restrictions to prevent unauthorized access to such proprietary information. Landlord shall not disclose or use any confidential or proprietary information of Tenant learned, observed or otherwise obtained by Landlord or its employees or agents in its exercise of rights under this lease.

ARTICLE 29.
Recording

29.1 This lease shall not be recorded. On the request of either party, a memorandum of this lease may be recorded.

ARTICLE 30.
Estoppel Certificates

30.1 Tenant shall, without charge to Landlord, at any time and from time to time, within ten (10) days after request, certify by written instrument, duly executed, acknowledged and delivered, to Landlord or any other person, firm or corporation specified by Landlord:

(a) that this lease is unmodified and in full force and effect or, if there have been any modifications, that the same is in full force and effect as modified and stating the modifications or, indicating that this lease is not in full force and effect if appropriate and stating the reason why;

(b) that any existing Improvements required by the terms of this lease to be completed by Landlord have been completed to the satisfaction of Tenant or specifying any Improvements which require correction by Landlord;

(c) whether or not there are then existing any set-offs or defense against the enforcement of any of the agreements, terms, covenants or conditions of this lease and any modifications thereto upon the part of the certifying party to be performed or complied with and, if so, specifying the same;

(d) the amount of monthly Base Rent and Additional Rent then due under this lease, the dates, if any, to which any portion of the Base Rent and Additional Rent due hereunder have been paid in advance;

(e) the amount of security deposit held by Landlord;

(f) the date of expiration of the current term and whether Tenant has rights to extend the term (and the term of such extensions) or to purchase the Premises or to lease additional property, if any; and

(g) any other information reasonably requested.

30.2 Tenant's failure to deliver a certificate within the time specified shall be an Event of Default under ARTICLE 16 and shall conclusively be deemed Tenant's approval of the statements set forth in the certificate presented to Tenant, and may be relied upon as such by Landlord or any third party.

ARTICLE 3 1.
Nonwaiver

31.1 No waiver by Landlord or Tenant of any default by the other party or of any circumstances permitting Landlord or Tenant to terminate this lease shall be implied or inferred and no written waiver shall constitute a waiver of any other circumstance permitting such termination, and no failure or delay on the part of Landlord or Tenant to exercise any right it may have by the terms hereof or by law upon the occurrence of an Event of Default shall operate as a waiver of that or any other Event of Default, nor as a modification of this lease. The subsequent acceptance of any payment or performance pursuant to this lease shall not constitute a waiver of any prior default by Tenant other than the default of the particular payment or the performance so accepted. The consent or approval to or of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent or approval to or of any subsequent similar acts by Tenant. No payment by Tenant or receipt by Landlord of a lesser amount than the Total Payments due shall be deemed to be other than on account, nor shall any endorsement or statement on any check or letter accompanying any check or payment as rent be deemed an accord and satisfaction or a waiver of any other or additional amount owed.

ARTICLE 32.
Authority

32.1 Landlord and Tenant or each person signing this lease on behalf of Landlord and Tenant, warrants that he or she is authorized to execute this lease.

32.2 If Tenant or Landlord is not a natural person, then such party warrants that:

(a) such party is duly organized, validly existing and qualified to conduct business in the State of Washington;

(b) that the lease was duly authorized, executed and delivered by such party and is the binding obligation of such party, in accordance with its terms.

ARTICLE 33.
Brokers

33.1 Tenant and Landlord, respectively, represent that they have not dealt with any broker or finder with respect to the Premises or this lease other than Kiemle & Hagood, whose fee shall be paid by Landlord. Tenant and Landlord shall indemnify the other and the other's agents and representatives, and hold them harmless from any claims for fees or commissions by parties (including, without limitation, all attorneys' fees and costs of defending any alleged claim) arising out of the acts of the indemnifying party or its agents or employees.

ARTICLE 34.
Notices

34.1 Any notices, demands, requests, consents, objections or other communications required to be given or which may be given under or by the terms and provisions of this lease or pursuant to law or otherwise shall be in writing and delivered or mailed to the address set forth below each party's signature on this lease or at such other place as either Landlord or Tenant may hereafter designate in writing and shall be deemed given three (3) days after deposit in the United States mail, certified or registered, return receipt requested, postage prepaid, addressed to the party entitled to receive the notice, or upon receipt when hand delivered.

ARTICLE 35.
Construction

35.1 This lease shall be construed in accordance with the laws of the State of Washington. The table of contents, article headings and captions are for convenience only and shall not be considered in any construction or interpretation of this lease. If any ambiguity exists, the provision in question shall not be construed or interpreted for or against Landlord or Tenant by reason of any rule of construction. If any term, provision, Section, ARTICLE or sentence in this lease or portion thereof shall, to any extent, become invalid or unenforceable either by operation of law, statute, or by court decree, the remainder of said term, provision, Section, ARTICLE or sentence as well as the remainder of this lease shall not be affected thereby, and each term, provision, Section, ARTICLE, sentence or portion thereof as well as the remainder of this lease shall be valid and shall be enforceable to the fullest extent permitted by law.

ARTICLE 36. -
Covenants to Bind and Benefit ReMggtLive Parties

36.1 All of the promises, terms, covenants, provisions and conditions set forth in this lease shall inure to the benefit of and shall be binding on, the heirs, personal representatives, trustees, receivers, permitted assignees and permitted transferees of the parties named herein.

ARTICLE 37.
Sole Understanding of Parties

37.1 This lease contains the entire understanding between the parties with respect to its subject matter, the promises, duties, terms, covenants, conditions and all other aspects of the relationship between Landlord and Tenant, and here are no verbal agreements, representations, warranties, or other understandings affecting the Property or its use or development that have not been reduced in writing in this lease. No change in this lease in any manner whatsoever shall be valid unless in writing and signed by both parties.

ARTICLE 38.
Further Documents

38.1 Landlord and Tenant shall, whenever and as often as it shall be reasonably requested to do so by the other, execute, acknowledge and deliver or cause to be executed, acknowledged or delivered any and all such further confirmations, instruments and documents and take any and all actions as may be reasonably helpful, necessary, expedient or proper, in order to evidence or complete any and all transactions or to accomplish any and all matters provided for in this lease.

ARTICLE 39.
Venue

Venue in any action arising out of this lease shall be laid in the Superior Court of Spokane County, Washington.

ARTICLE 40.
Consultation

Tenant acknowledges that it has consulted or has had ample opportunity to consult with an attorney concerning the content of this lease. Tenant represents that it has read and understands the terms and conditions set forth in this lease.

EXECUTED as of the date first set forth above.

LANDLORD:
SPOKANE INDUSTRIAL PARK, a
Division of PENTZER DEVELOPMENT
CORPORATION, a Washington corporation

TENANT:
CXT, INCORPORATED,
a Delaware corporation

BY _____
its
Address: North 3808 Sullivan Road
Spokane, Washington 99216

BY _____
its
Address: North 2420 Sullivan Road
Spokane, WA99216

STATE OF WASHINGTON

:ss.

County of Spokane

I certify that I know or have satisfactory evidence that _____

is the person who appeared before me, and said person acknowledged that he signed this instrument and that he was authorized to execute the instrument and acknowledged it as the _____ of SPOKANE INDUSTRIAL PARK, a division of PENTZER DEVELOPMENT CORPORATION, a Washington corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated _____

Notary Public in and for the
State
of Washington, residing at
Spokane
My commission expires:

STATE OF WASHINGTON

:ss.

County of Spokane

I certify that I know or have satisfactory evidence that is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the _____ of CXT, INCORPORATED, a Delaware corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated _____

- - - - -
Notary Public in and for the
State
of Washington, residing at
Spokane
My commission expires:
- - - - -

LEASE OF INDUSTRIAL PROPERTY
FROM U.P.

(GRAND ISLAND, NEBRASKA)

LEASE OF INDUSTRIAL PROPERTY

THIS LEASE ("Lease") is entered into on the 13 day of February 1998 between UNION PACIFIC RAILROAD COMPANY ("Lessor") and CXT INCORPORATED, whose address is North 2420 Sullivan Road, P. O. Box 14918, Spokane, Washington 99214-0918 ("Lessee").

IT IS AGREED BETWEEN THE PARTIES AS FOLLOWS:

Article I. PREMISES USE.

Lessor leases to Lessee and Lessee leases from Lessor the premises ("Premises") at Grand Island, Nebraska, as shown on the print dated February 6, 1998, marked Exhibit A, hereto attached and made a part hereof, subject to the provisions of this Lease and of Exhibit B attached hereto and made a part hereof. The Premises may be used for manufacture of concrete ties for the Lessor's use, and such other uses as may be permitted in the Restated Supply Agreement referred to in Article II of this Lease, and for no other purpose.

Article II. TERM.

The term of this Lease shall commence on the Thirteenth day of February, 1998, and shall extend for a term of run coterminous with that certain Restated Supply Agreement dated October 1, 1997, by and between the Lessor and lessee. This Lease shall terminate or expire on the same date that said Restated Supply Agreement terminates or expires.

Article III. RENT.

A. Lessee shall pay to Lessor, in advance, rent of One Dollar (\$1.00) per annum.

B. Not more than once every sixty eight (68) months, Lessor may redetermine the rent. In the event Lessor does redetermine the rent, Lessor shall notify Lessee of such change.

Article IV. SPECIAL PROVISIONS.

A. The words, "which shall not be unreasonably withheld." shall be added to the end of the first sentence of Section 10.A. of Exhibit B.

B. Section 13.B of Exhibit B shall be deleted.

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year first herein written.

UNION PACIFIC RAILROAD COMPANY

By: /c/Michael P. Horn
Title: Sr. Mgr. - Real Estate

CXT INCORPORATED

By: /c/J. White
Title: President & CEO

NOTE: New.

IND LS 110695
APPROVED, LAW

EXHIBIT B

Section 1. IMPROVEMENTS.

No improvements placed upon the Premises by Lessee shall become a part of the realty.

Section 2. RESERVATIONS AND PRIOR RIGHTS.

A. Lessor reserves to itself, its agents and contractors, the right to enter the Premises at such times as will not unreasonably interfere with Lessee's use of the Premises.

3. Lessor reserves (i) the exclusive right to permit third party placement of advertising signs on the Premises, and (ii) the right to construct, maintain and operate now and existing facilities (including, without limitation, trackage, fences, communication facilities, roadways and utilities) upon, over, across or under the Premises, and to grant to others such rights, provided that Lessee's use of the Premises is not interfered with unreasonably.

C. This Lease is made subject to all outstanding rights, whether or not of record. Lessor reserves the right to renew such outstanding rights.

Section 3. PAYMENT OF RENT.

Rent (which includes the annual rent and all other amounts to be paid

by Lessee under this Lease) shall be paid in lawful money of the United States of America, at such place as shall be designated by the Lessor, and without offset or deduction.

Section 4. TAXES AND ASSESSMENTS.

A. Losses shall pay, prior to delinquency, all taxes levied during the life of this Lease on all personal property and improvements on the Premises not belonging to Lessor. If such taxes are paid by Lessor, either separately or as a part of the levy on Lessor's real property, Lessee shall reimburse Lessor in full within thirty (30) days after rendition of Lessor's bill.

B. If the Premises are specially assessed for public improvements, the annual rent will be automatically increased by 12% of the full assessment amount.

Section 5. WATER RIGHTS.

This Lease does not include any right to the use of water under any water right of Lessor, or to establish any water rights except in the name of Lessor.

Section 6. CARE AND USE OF PREMISES.

A. Lessee shall use reasonable care and caution against damage or destruction to the Premises. Lessee shall not use or permit the use of the Premises for any unlawful purpose, maintain any nuisance, permit any waste, or use the Premises in any way that creates a hazard to persons or property. Lessee shall keep the Premises in a safe, neat, clean and presentable condition, and in good condition and repair. Lessee shall keep the sidewalks and public ways on the Premises, and the walkways appurtenant to any railroad spur track(s) on or serving the Premises, free and clear from any substance which might create a hazard and all water flow shall be directed away from the tracks of the Lessor.

3. Lessee shall not permit any sign on the Premises, except signs relating to Lessee's business.

C. If any improvement on the Premises not belonging to Lessor is damaged or destroyed by fire or other casualty, Lessee shall, within thirty (30) days after such casualty, remove all debris resulting therefrom. If Lessee fails to do so, Lessor may remove such debris and Lessee agrees to reimburse Lessor for all expenses incurred within thirty (30) days after rendition of Lessor's bill.

D. Lessee shall comply with all governmental laws, ordinances, rules, regulations and orders relating to Lessee's use of the Premises.

Section 7. HAZARDOUS MATERIALS, SUBSTANCES AND WASTES.

A. Without the prior written consent of Lessor, Lessee shall not use or permit the use of the Premises for the generation, use, treatment, manufacture, production, storage or recycling of any Hazardous Substances, except that Lessee may use (i) small quantities of common chemicals such as adhesives, lubricants and cleaning fluids in order to conduct business at the Premises and (ii) other Hazardous Substances, other than hazardous wastes as defined in the Resource Conservation and Recovery Act, 42 U.S.C. 55 6901, et seq., as amended ("RCRA"), that are necessary for the conduct of Lessee's business at the Premises as specified in Article I. The consent of Lessor may be withheld by Lessor for any reason whatsoever, and may be subject to conditions in addition to those set forth below. It shall be the sole responsibility of Lessee to determine whether or not a contemplated use of the premises is a Hazardous Substance use.

B. In no event shall Lessee (i) release, discharge or dispose of any Hazardous Substances, (ii) bring any hazardous wastes as defined in RCRA onto the Premises, (iii) install or use on the Premises any underground storage tanks, or (iv) store any Hazardous Substances within one hundred feet (100') of the center line of any main track.

C. If Lessee uses or permits the use of the Premises for a Hazardous Substance use, with or without Lessor's consent, Lessee shall furnish to Lessor copies of all permits, identification numbers and notices issued by governmental agencies in connection with such Hazardous Substance use, together with such other information as the Hazardous Substance use as may be requested by Lessor. If requested by Lessor, Lessee shall cause to be performed an environmental assessment of the Premises upon termination of the Lease and shall furnish Lessor a copy of such report, at Lessee's sole cost and expense.

D. Without limitation of the provisions of Section 12 of this Exhibit B, Lessee, shall be responsible for all damages, losses, costs, expenses,

claims, fines and penalties related in any manner to any Hazardous Substance use of the Premises (or any property in proximity to the Premises) during the term of this Lease or, if longer, during Lessee's occupancy of the Premises, regardless of Lessor's consent to such use, or any negligence, misconduct or strict liability of any Indemnified Party (as defined in Section 12), and including, without limitation, (i) any diminution in the value of the Premises and/or any adjacent property of any of the Indemnified Parties, and (ii) the cost and expense of clean-up, restoration, containment, remediation, decontamination, removal, investigation, monitoring, closure or post-closure. Notwithstanding the foregoing, Lessee shall not be responsible for Hazardous Substances (i) existing on, in or under the Premises prior to the earlier to occur of the commencement of the term of the Lease or Lessee's taking occupancy of the Premises, or (ii) migrating from adjacent property not controlled by Lessee, or (iii) placed on, in or under the Premises by any of the Indemnified Parties; except where the Hazardous Substance is discovered by, or the contamination is exacerbated by, any excavation or investigation undertaken by or at the behest of Lessee. Lessee shall have the burden of proving by a preponderance of the evidence that any exceptions of the foregoing to Lessee's responsibility for Hazardous Substances applies.

E. In addition to the other rights and remedies of Lessor under this Lease or as may be provided by law, if Lessor reasonably determines that the Premises may have been used during the term of this Lease or any prior lease with Lessee for all or any portion of the Premises, or are being used for any Hazardous Substance use, with or without Lessor's consent thereto, and that a release or other contamination may have occurred, Lessor may, at its election and at any time during the life of this Lease or thereafter (i) cause the Premises and/or any adjacent premises of Lessor to be tested, investigated, or monitored for the presence of any Hazardous Substance, (ii) cause any Hazardous Substance to be removed from the Premises and any adjacent lands of Lessor, (iii) cause to be performed any restoration of the Premises and any adjacent lands of Lessor, and (iv) cause to be performed any remediation of, or response to, the environmental condition of the Premises and the adjacent lands of Lessor, as a Landlord reasonably may deem necessary or desirable, and the cost and expense thereof shall be reimbursed by Lessee to Lessor within thirty (30) days after rendition of Lessor's bill. In addition, Lessor may, at its election, require Lessee, at Lessee's sole cost and expense, to perform such work, in which event, Lessee shall promptly commence to perform and thereafter diligently prosecute to completion such work, using one or more contractors and a supervising consulting engineer approved in advance by Lessor.

F. For purposes of this Section 7, the term "Hazardous Substance" shall mean (i) those substances included within the definitions of "hazardous substance", "pollutant", "contaminant", or "hazardous waste", in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. SS 9601, et. seq., as amended or in RCRA, the regulations promulgated pursuant to either such Act, or state laws and regulations similar to or promulgated pursuant to either such Act, (ii) any material, waste or substance which is (A) petroleum, (B) asbestos, (C) flammable or explosive, or D) radioactive; and (iii) such other substances, materials and wastes which are or become regulated or classified as hazardous or toxic under federal, state or local law.

Section 8. UTILITIES

A. Lessee will arrange and pay for all utilities and services supplied to the Premises or to Lessee.

B. All utilities and services will be separately metered to Lessee. If not separately metered, Lessee shall pay its proportionate share as reasonably determined by Lessor.

Section 9. LIENS.

Lessee shall not allow any liens to attach to the Premises for any services, labor or Materials furnished to the Premises or otherwise arising from Lessee's use of the Premises. Lessor shall have the right to discharge any such liens at Lessee's expense.

Section 10. ALTERATIONS AND IMPROVEMENTS; CLEARANCES.

A. No alterations, improvements or installations may be made on the Premises without the prior consent of Lessor. Such consent, if given, shall be subject to the needs and requirements of the Lessor in the operation of its Railroad and to such other conditions as Lessor determines to impose. In all events such consent shall be conditioned upon strict conformance with all applicable governmental requirements and Lessor's then-current clearance standards.

B. All alterations, improvements or installations shall be at Lessee's sole cost and expense.

C. Lessee shall comply with Lessor's then-current clearance standards, except (i) where to do so would cause Lessee to violate an applicable governmental requirement, or (ii) for any improvement or device in place prior to Lessee taking possession of the Premises if such improvement or device complied with Lessor's clearance standards at the time of its installation.

D. Any actual or implied knowledge of Lessor of a violation of the clearance requirements of this Lease or of any governmental requirements shall not relieve Lessee of the obligation to comply with such requirements, nor shall any consent of Lessor be deemed to be a representation of such compliance.

Section 11. AS-IS.

Lessee accepts the Premises in its present condition with all faults, whether patent or latent, and without warranties or covenants, express or implied. Lessee acknowledges that Lessor shall have no duty to maintain, repair or improve the Premises.

Section 12. RELEASE AND INDEMNITY

A. As a material part of the consideration for this Lease, Lessee, to the extent it may lawfully do so, waives and releases any and all claims against Lessor for, and agrees to indemnify, defend and hold harmless Lessor, its affiliates, and its and their officers, agents and employees ("Indemnified Parties") from and against, any loss, damage (including, without limitation, punitive or consequential damages), injury, liability, claim, demand, cost or expense (including, without limitation, attorneys' fees and court costs), fine or penalty (collectively, "Loss") incurred by any person (including, without limitation, Lessor, Lessee, or any employee of Lessor or Lessee) and arising from or related to (i) any use of the Premises by Lessee or any invitee or licensee of Lessee, (ii) any act or omission of Lessee, its officers, agents, employees, licensees or invitees, or (iii) any breach of this Lease by Lessee.

B. The foregoing release and indemnity shall apply regardless of any negligence, misconduct or strict liability of any Indemnified Party, except that the indemnity, only, shall not apply to any Loss caused by the sole, active and direct negligence of any Indemnified Party if the Loss (i) was not occasioned by fire or other casualty, or (ii) was not occasioned by water, including, without limitation, water damage due to the position, location, construction or condition of any structures or other improvements or facilities of any Indemnified Party.

C. Where applicable to the Loss, the liability provisions of any contract between Lessor and Lessee covering the carriage of shipments or trackage serving the Premises shall govern the Loss and shall supersede the provisions of this Section 12.

D. No provision of this Lease with respect to insurance shall limit the extent of the release and indemnity provisions of this Section 12.

Section 13. TERMINATION.

A. Lessor may terminate this Lease by giving Lessee notice of termination, if Lessee (i) fails to pay rent within fifteen (15) days after the due date, or (ii) defaults under any other obligation of Lessee under this Lease and, after written notice is given by Lessor to Lessee specifying the default, Lessee fails either to immediately commence to cure the default, or to complete the cure expeditiously but in all events within thirty (30) days after the default notice is given.

B. Notwithstanding the term of this Lease set forth in Article II.A., Lessor or Lessee may terminate this Lease without cause upon thirty (30) days' notice to the other party; provided, however, that at Lessor's election, no such termination by Lessee shall be effective unless and until Lessee has vacated and restored the Premises as required in Section 15A, at which time Lessor shall refund to Lessee, on a pro rata basis, any unearned rental paid in advance.

Section 14. LESSOR'S REMEDIES.

Lessor's remedies for Lessee's default are to (a) enter and take possession of the Premises, without terminating this Lease, and relet the Premises on behalf of Lessee, collect and receive the rent from reletting, and charge Lessee for the cost of reletting, and/or (b) terminate this Lease as

provided in Section 13 A) above and sue Lessee for damages, and/or (c) exercise such other remedies as Lessor may have at law or in equity. Lessor may enter and take possession of the Premises by self - help, by changing locks, if necessary, and may lock out Lessee, all without being liable for damages.

Section 15. VACATION OF PREMISES: REMOVAL OF LESSEE'S PROPERTY

A. Upon termination howsoever of this Lease, Lessee (i) shall have peaceably and quietly vacated and surrendered possession of the Premises to Lessor. without Lessor giving any notice to quit or demand for possession, and (ii) shall have removed from the Premises all structures, property and other materials not belonging to Lessor, and restored the surface of the ground to as good a condition as the same was in before such structures were erected, including, without limitation. the removal of foundations, the filling in of excavations and pits, and the removal of debris and rubbish.

a. If Lessee has not completed such removal and restoration within thirty (30) days after termination of this Lease, Lessor may, at its election, and at any time or times, (i) perform the work and Lessee shall reimburse Lessor for the cost thereof within thirty (30) days after bill is rendered, (ii) take title to all or any portion of such structures or property by giving notice of such election to Lessee, and/or (iii) treat Lessee as a holdover tenant at will until such removal and restoration is completed.

Section 16. FIBER OPTICS.

Lessee shall telephone Lessor at 1-800-336-9193 (a 24-hour number) to determine if fiber optic cable is buried an the Premises. If cable is buried on the Premises, Lessee will telephone the telecommunications company(ies), arrange for a cable locator, and make arrangements for relocation or other protection of the cable. Notwithstanding compliance by Lessee with this Section 16, the release and indemnity provisions of Section 12 above shall apply fully to any damage or destruction of any telecommunications system.

Section 17. NOTICES.

Any notice, consent or approval to be given under this Lease, shall be in writing, and personally served, sent by reputable courier service, or sent by certified mail, postage prepaid, return receipt requested, to Lessor at: Contracts a Real Estate Department, Room 1100, 1416 Dodge Street, Omaha, Nebraska 68179; and to Lessee at the above address, or such other address as a party may designate in notice given to the other party. Mailed notices shall be deemed served five (5) days after deposit in the U.S. Mail. Notices which are personally served or sent by courier service shall be deemed served upon receipt.

Section 18. ASSIGNMENT.

A. Lessee shall not sublease the Premises, in whole or in part, or assign, encumber or transfer (by operation of law or otherwise) this Lease, without the prior consent of Lessor, which consent may be denied at Lessor's sole and absolute discretion. Any purported transfer or assignment without Lessor's consent shall be void and shall be a default by Lessee.

B. Subject to this Section 18, this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, administrators, successors and assigns.

Section 19. CONDEMNATION.

If, as reasonably determined by Lessor, the Premises cannot be used by Lessee because of a condemnation or sale in lieu of condemnation, then this Lease shall automatically terminate. Lessor shall be entitled to the entire award or proceeds for any total or partial condemnation or sale in lieu thereof, including, without limitation, any award or proceeds for the value of the leasehold estate created by this Lease. Notwithstanding the foregoing, Lessee shall have the right to pursue recovery from the condemning authority of such compensation as may be separately awarded to Lessee for Lessee's relocation expenses, the taking of Lessee's personal property and fixtures, and the interruption of or damage to Lessee's business.

Section 20. ATTORNEY'S FEES.

If either party retains an attorney to enforce this Lease (including, without limitation, the indemnity provisions of this Lease), the prevailing party in entitled to recover reasonable attorney's fees.

Section 21. ENTIRE AGREEMENT.

This Lease is the entire agreement between the parties, and supersedes all other oral or written agreements between the parties pertaining to this transaction. Except for the unilateral redetermination of annual rent as provided in Article III., this Lease may be amended only by a written instrument signed by Lessor and Lessee.

L. B. FOSTER COMPANY
2000 INCENTIVE COMPENSATION PLAN

I. PURPOSE

To provide incentives and rewards to salaried employees based upon overall corporate profitability and the performance of individual operating units.

II. CERTAIN DEFINITIONS

The terms below shall be defined as follows for the purposes of the L. B. Foster Company 2000 Incentive Compensation Plan. The definitions of accounting terms shall be subject to such adjustments as are approved by the Corporation's Chief Executive Officer.

2.1 "Average Unit Income" shall mean for each Operating Unit the sum of such Operating Unit's "Operating Unit Income" for the years 1997, 1998 and 1999 divided by three, subject to such adjustments as may be made by the Chief Executive Officer.

2.2 "Base Compensation" shall mean the total base salary, rounded to the nearest whole dollar, actually paid to a Participant during 2000, excluding payment of overtime, incentive compensation, commissions, reimbursement of expenses incurred for the Participant's benefit, or any other payments not deemed part of a Participant's base salary; provided, however, that the Participant's contributions to the Corporation's Voluntary Investment Plan shall be included in Base Compensation. Base Compensation for employees who die, retire or are terminated shall include only such compensation paid to such employee during 2000 with respect to the period prior to death, retirement or termination.

2.3 "Base Fund" shall mean the aggregate amount of all cash payments to be made pursuant to this Plan prior to adjustments pursuant to Article IV, which amount shall be determined pursuant to Section 3.1 hereof.

2.4 "Committee" shall mean the Personnel and Compensation Committee of the Board of Directors and any successors thereto.

2.5 "Corporation" shall mean L. B. Foster Company and those subsidiaries thereof in which L.B. Foster Company owns 100% of the outstanding common stock, excluding (except for the purpose of calculating "Pre-Incentive Income") Natmaya, Inc. Fosmart, Inc. and CXT Incorporated.

2.6 "Cost of Capital" shall mean a charge imposed on an Operating Unit based upon the assets employed by such Operating Unit, as determined by the Chief Executive Officer.

2.7 "Fund" shall mean the aggregate amount of all payments made to Plan Participants under this Plan, after deducting all discretionary payments made pursuant to Section 3.3 hereof and subject to Article IV.

2.8 "Individual Incentive Award" shall mean the amount paid to a Participant pursuant to this Plan, which amount shall be determined pursuant to Section 3.5 hereof and which award shall not exceed the lower of: (a) twice the amount of a Participant's Target Award; or (b) the sum of (i) the portion of the Participant's Individual Incentive Award allocable to the General Pool; plus (ii) the Participant's Target Award allocable to the Product Pool multiplied by a percentage equal to twice the percentage of Target Award paid to Participants in the General Pool; subject, however, to the provisions of Article VII of this Plan. The limitations herein shall not affect amounts distributed under Sections 3.3 or 6.2.

2.9 "Operating Unit" shall mean the following units or divisions which are reported in the Company's internal financial statements: Foster Coated Pipe, Threaded Products, Allegheny Rail Products, Foster Technologies, Inc., New Rail, Relay Rail, Transit Products, Mining Products, Piling, Fabricated Products and Geotech, subject to such adjustments as may be made by the Chief Executive Officer.

2.10 "Operating Unit Income" shall mean an Operating Unit's 2000 gross profit at actual plus (minus) other income (expense) less allocated and direct sales expense and direct administrative expense and Cost of Capital, subject to such adjustments as may be made by the Chief Executive Officer.

2.11 "Participant" shall mean a salaried employee of the Corporation who satisfies all of the eligibility requirements set forth in Article V hereof.

2.12 "Plan" shall mean the L. B. Foster Company 2000 Incentive Compensation

Plan, which Plan shall be in effect only with respect to the fiscal year ending December 31, 2000.

2.13 "Pool" shall mean the Product Pool and/or General Pool, as calculated pursuant to Section 3.4 hereof, subject to such adjustments as are approved by the Chief Executive Officer.

2.14 "Pre-Incentive Income" shall mean the audited pre-tax income of the Corporation for the fiscal year ending December 31, 2000 determined in accordance with generally-accepted accounting principles, excluding (i) benefits payable under this Plan; and (ii) any portion of gains or losses arising from transactions not in the ordinary course of business which the Committee, in its sole discretion, determines to exclude.

2.15 "Target Award" shall mean the product of a Participant's Base Compensation multiplied by said Participant's Target Percentage.

2.16 "Target Percentage" shall mean those percentages assigned to Participants pursuant to Section 3.2 hereof.

III. PLAN DESCRIPTION

3.1 Base Fund. Subject to Article IV, the amount of the Base Fund shall be calculated by adding the flat rate contribution determined in 3.1A to the marginal rate contributions determined in 3.1B.

3.1A Flat Rate Contribution. The flat rate contribution shall be determined by multiplying the Corporation's Pre-Incentive Income by the following percentages:

Pre-Incentive Income	Percentage	Flat Rate Contribution
\$0 - \$5,999.999	0	0
\$6,000,000 and Over	15	\$900,000 and Over

3.1B Marginal Rate Contribution. If the Corporation achieves any of the following levels of Pre-Incentive Income, the marginal rate contribution shall be determined by adding together the marginal rate contributions through the level of Pre-Incentive Income actually achieved.

Pre-Incentive Income	Marginal Percentage Rate	Maximum Marginal Rate Contribution
\$0 - \$6,999,999	0	0
\$7,000,000 - \$7,999,999	1	\$10,000
\$8,000,000 - \$8,999,999	2	\$20,000
\$9,000,000 - \$9,999,999	3	\$30,000
\$10,000,000 - \$10,999,999	4	\$40,000
\$11,000,000 and Over	5	N/A

Example: If the Corporation earned \$11,500,000 in Pre-Incentive Income the Base Fund would be \$1,850,000, calculated as follows:

- =
- a. Calculate Flat Rate Contribution
 $\$11,500,000 \times 15\% = \$1,725,000$
 - b. Calculate Marginal Rate Contribution
 $\$10,000 + \$20,000 + \$30,000 + \$40,000 + (\$500,000 \times 5\%) = \$125,000$

c. Calculate Base Fund

$$\$1,725,000 + \$125,000 = \$1,850,000$$

3.2 Target Percentages. Subject to adjustment as set forth below, each Participant shall have a Target Percentage based upon the grade level of such Participant, unless determined otherwise by the Chief Executive Officer, on July 1, 2000, as follows:

Result: % Of Base Grade Levels	Compensation
Grade 10, Plant Managers	12.5
Grade 10, Product Managers	12.5
Grade 11, Plant Managers	15.0
Grade 11, Product Managers	15.0
Grade 6, Sales Positions	15.0
Grade 8, Sales Positions	20.0
Grade 9, Sales Positions	21.0
Grade 10, Sales Positions	22.0
Grade 11, Sales Positions	23.0
Grade 12, Sales or Management Positions	25.0
Grade 13, Sales or Management Positions	27.0
Grade 14, Sales or Management Positions	30.0
Grade 15, Sales or Management Positions	32.0
Grade 16, Sales or Management Positions	36.0
Grade 17, Sales or Management Positions	38.0
Grade 18, Sales or Management Positions	39.0
Grade 19, Sales or Management Positions	40.0
Grade 20, Sales or Management Positions	50.0
Grade 21, Sales or Management Positions	52.0
Grade 22, Sales or Management Positions	54.0
Grade 23 and Above	60.0

Other Employees selected, in writing, by L. B. Foster Company's Chairman of the Board and Chief Executive Officer may also be made Participants in the Plan on such terms as may be approved by the Chairman of the Board and Chief Executive Officer.

The Chief Executive Officer may determine performance goals for Participants selected by the Chief Executive and the Target Percentage for each such Participant will be adjusted upward or downward based upon such Participant's achievement of such goals. The precise method for determining such adjustments for each such Participant shall be separately scheduled and deemed incorporated herein by reference.

Those Participants who have retired or died prior to July 1, 2000 shall have a Target Percentage based upon their grade level at death or retirement.

3.3 Discretionary Payments. Ten percent (10%) of the Base Fund, plus amounts reallocated pursuant to Section 6.1, shall be reserved for discretionary payments to employees of the Corporation including, for purposes of this Section 3.3, employees of CXT Incorporated. The recipients of all such awards and the amounts of any such awards initially shall be selected by the Chief Executive Officer, subject to final approval by the Committee. If any amounts are not paid from the amount herein reserved, such remaining amount shall be allocated to the Fund for distribution among the Pools.

3.4 Calculation of Pools. Each Participant and all or any portion of each Participant's Target Award shall be assigned to a Pool or Pools by the Chief Executive Officer of the Company. In the absence of a contrary determination by the Chief Executive Officer, 25% of the Target Awards of Participants in the Product Pool shall be allocated to the General Pool. The dollar amount of each Pool will be determined by dividing the portion of the Target Awards assigned to the Pool by the total Target Awards of all Participants and then multiplying such amount by the Fund.

EXAMPLE 1:

THE CORPORATION'S PRE-INCENTIVE INCOME IS \$7,100,000. THE TOTAL OF ALL TARGET AWARDS FOR ALL PLAN PARTICIPANTS IS \$2,100,000, WITH \$1,000,000 ALLOCATED TO THE GENERAL POOL AND \$1,100,000 ALLOCATED TO THE PRODUCT POOL. THE DOLLAR AMOUNT OF EACH POOL WOULD BE CALCULATED AS FOLLOWS:

(a) Determine Base Fund

$$(\$7,100,000) \times 15\% + (\$100,000 \times 1\%) = \$1,066,000$$

(b) Calculate Fund By Deducting 10% For "Discretionary Awards"

$$\$1,066,000 \times 90\% = \$959,400$$

(c) Determine Amount of Each Pool

1. General Pool

$$\begin{array}{r} \$1,000,000 \\ \text{-----} \\ \$2,100,000 \end{array} \times \$959,400 = \$456,857$$

2. Product Pool

$$\begin{array}{r} \$1,100,000 \\ \text{-----} \\ \$2,100,000 \end{array} \times \$959,400 = \$502,543$$

3.5 Calculation of Individual Incentive Awards. The calculation of an Individual Incentive Award shall be determined based on the Pool(s) to which a Participant is assigned.

3.5A General Pool Individual Incentive Awards. A General Pool Participant's Individual Incentive Award shall be calculated, subject to the limitations in Section 2.8, as follows:

(a) Divide Participant's Target Award allocated to General Pool by the sum of all Target Awards allocated to General Pool;

(b) Multiply (a) by amount of General Pool.

EXAMPLE 2:

THE GENERAL POOL IS \$306,000. THE SUM OF ALL GENERAL POOL PARTICIPANTS' TARGET AWARDS IS \$1,000,000. MANAGER JONES HAS A TARGET AWARD OF \$19,200:

$$\begin{array}{r} \$ 19,200 \\ \text{-----} \\ \$1,000,000 \end{array} \times \$306,000 = \$5,875 \text{ (Individual Incentive Award)}$$

3.5B Product Pool Individual Incentive Awards. The Product Pool shall be divided based upon the relative improvement in the Operating Units' "Operating Unit Income" and the Operating Units' respective shares of all Units' "Operating Unit Income". All Participants in the Product Pool shall be assigned to one or more Operating Unit(s) and their respective Target Awards shall be allocated among one or more Operating Unit(s), all as determined by the Chief Executive Officer. Individual awards shall be calculated, subject to the limitations in Section 2.8, as follows:

(a) Add together: (i) all Operating Units' "Operating Unit Income" (disregarding any annual loss which an Operating Unit may have sustained); and (ii) the total improvement in all Units' "Operating Unit Income" over all Units' "Average Unit Income" (disregarding any Unit that did not improve and, for purposes of calculating improvement, counting only a reduced percentage of such improvement, as determined by the Chief Executive Officer but in no event greater than 50%, which represents a reduction from negative "Average Unit Income" to zero).

(b) Divide (a) into the sum of all Operating Units' Operating Unit Income (calculated in the same manner as in (a) above) and multiply the resulting quotient by the amount in the Product Pool (the "Product Operating Income Subpool")

(c) Divide (a) into the sum of all improvement in all Units' Operating Unit Income over such Units' respective Average Unit Incomes (calculated in the same manner as in (a) above) and multiply the resulting quotient by the amount in the Product Pool (the "Product Improvement Subpool").

(d) To determine an Operating Unit's share of the Product Operating Income Subpool, multiply the amount in the Product Operating Income Subpool by a fraction, the numerator of which is the Operating Unit's Operating Income and the denominator is the sum of all Units' Operating Income (calculated in the same manner as in (a) above).

- (e) To determine an Operating Unit's share of the Product Improvement Subpool, multiply the amount of the Product Improvement Subpool by a fraction, the numerator of which is the Operating Unit's improvement (calculated in the same manner as in (a) above) and the denominator of which is the sum of all Operating Units' improvement (calculated in the same manner as in (a) above).
- (f) To determine a Participant's share of the Product Operating Income Subpool, multiply the amount calculated in (d) above by a fraction, the numerator of which is the Participants' Target Bonus allocated to the Operating Unit and the denominator of which is the sum of all Target Bonuses allocated to the Operating Unit.
- (g) To determine a Participant's share of the Product Improvement Subpool, multiply the amount calculated in (e) above by a fraction, the numerator of which is the Participants' Target Bonus allocated to the Operating Unit and the denominator of which is the sum of all Target Bonuses allocated to the Operating Unit.

EXAMPLE 3:

THE PRODUCT POOL IS \$336,600. RELAY RAIL'S OPERATING UNIT INCOME IS \$900,000 WHILE ITS AVERAGE UNIT INCOME IS A LOSS OF \$100,000. THE SUM OF ALL OPERATING UNITS' "OPERATING UNIT INCOME" IS \$6,800,000 AND THE SUM OF ALL OPERATING UNITS' IMPROVEMENT OVER THE SUM OF THEIR "AVERAGE UNIT INCOMES" IS \$1,900,000. PRODUCT MANAGER SMITH HAS A TARGET AWARD OF \$20,000 AND THE SUM OF ALL TARGET AWARDS ALLOCATED TO RELAY RAIL IS \$120,000. TWENTY-FIVE PERCENT (25%) OF SMITH'S TARGET AWARD IS ALLOCATED TO THE GENERAL POOL, TEN PERCENT (10%) IS ALLOCATED TO MIDWEST AND SIXTY-FIVE PERCENT (65%) IS ALLOCATED TO RELAY RAIL. IT HAS BEEN DETERMINED THAT FIFTY PERCENT (50%) OF IMPROVEMENT FOR REDUCTION OF LOSSES SHALL BE COUNTED. THE PORTION OF SMITH'S INDIVIDUAL INCENTIVE AWARD ATTRIBUTABLE TO RELAY RAIL IS CALCULATED AS FOLLOWS:

- (a) Determine Allocation Between Product Operating Income Subpool and Product Improvement Subpool:

1.	\$6,800,000	+	\$ 1,900,000	=	\$8,700,000
2.	\$6,800,000	/	\$ 8,700,000	=	78.16%
3.	\$1,900,000	/	\$ 8,700,000	=	21.84%
4.	\$ 336,600	x	78.16%	=	\$263,087 ("Product Operating Income Subpool")
5.	\$ 336,600	x	21.84%	=	\$ 73,513 ("Product Improvement Subpool")

- (b) Determine Relay Rail's share of Product Operating Income Subpool and Product Improvement Subpool:

1.	\$ 900,000				
	-----	x	\$263,087	=	\$34,820
	\$6,800,000				(Relay Rail's Share of Product Operating Income Subpool)
2.	\$ 900,000 + (\$100,000 X 50%)				
	-----	x	\$ 73,513	=	\$36,757
	\$1,900,000				(Relay Rail's Share of Product Improvement Subpool)

- (c) Determine Smith's Individual Award from Relay Rail:

1.	\$ 20,000	x	65%	=	\$13,000
					(Smith's Target Award Allocable to Relay Rail)
2.	\$ 13,000				
	-----	x	\$34,820	=	\$ 3,772
	\$120,000				(Smith's Share of Product

				Operating Income Subpool)
3.	\$ 13,000			
	-----	x	\$36,757	= \$ 3,982
	\$120,000			(Smith's Share of Product Improvement Income Subpool)

Smith would also be able to receive an additional award based upon Midwest's performance and a portion of the General Pool.

IV. STOCK IN LIEU OF CASH FOR EXECUTIVE OFFICERS

Notwithstanding any other provision of this Plan, the Corporation's executive officers, as determined by the Committee, shall receive shares of the Corporation's Common Stock ("Stock"), subject to such restrictions on transferability as the Corporation's legal counsel may deem necessary or appropriate (such restrictions shall provide for no less than a two-year restriction on the voluntary transfer of such stock), in lieu of cash equal to 25% of the Individual Incentive Awards (without taking into account any discretionary payments under Section 3.3) that would otherwise be payable to such officers under the Plan. In the event such restriction on transferability should be violated, all proceeds derived from such transaction shall be forfeited to the Company. Such stock shall be forfeited and revert to the Company in the event the Participant's employment with the Company should cease within two (2) years after the date of grant, unless such forfeiture is waived by the Committee or said termination is attributable to the Participant's death, permanent disability, retirement with the consent of the Company's Chief Executive Officer or in the event of a "Change of Control". The amount of stock to be granted to an executive officer shall be calculated by: (a) dividing the closing price of the stock on the day preceding the date cash distributions are made under the Plan into a sum equal to 25% of the Individual Incentive Award that, but for this Article IV, would have been payable to such executive officer; and (b) multiplying the resulting quotient by 115% with fractional share interest being rounded to the nearest number of whole shares. Stock shall be deemed distributed to the executive officers on the first day of the calendar month following the date cash distributions are made or as soon thereafter as is practicable but the corporation shall retain custody of such shares until the Participant's risk of forfeiture has ended. Cash which would have been payable to executive officers, but for this Article IV, shall not be distributed and shall remain the property of the Corporation.

"Change of Control" shall mean: (i) any person or group of persons (as used in Sections 13 and 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder) shall have become the beneficial owner (as defined in Rules 13d-3 and 13d-5 promulgated by the Securities and Exchange Commission (the "SEC") under the Exchange Act) of 20% or more of the combined voting power of all the outstanding voting securities of the Corporation or, (ii) at any time following any merger, consolidation, acquisition, sale of assets or other corporate restructuring of Corporation, during any period of six consecutive calendar months, individuals who were directors of the Corporation on the first day of such period, together with individuals elected as directors by not less than two-thirds of the individuals who were directors of the Corporation on the first day of such period, shall cease to constitute a majority of the members of the board of directors of the Corporation.

V. ELIGIBILITY

Unless changed or amended by the Committee, an employee shall be deemed a Participant in the Plan only if all of the following requirements are satisfied:

A. A Participant must be a salaried employee of the Corporation, at a grade level set forth in Section 3.2 or as otherwise approved by L. B. Foster Company's Chairman of the Board and Chief Executive Officer for at least six (6) months of the entire fiscal year, unless deceased or retired.

B. A Participant must not have: (i) been terminated for cause; (ii) voluntarily have resigned (other than due to retirement with the Company's consent) prior to the date Individual Incentive Awards are paid; or (iii), unless the Corporation agrees in writing that the employee shall remain a Participant in this Plan, been terminated for any reason whatsoever and have received money from the Corporation in connection with said termination.

C. A Participant's services must not primarily be provided to the Corporation's Monitor Group Division, Natmaya, Inc., Fosmart, Inc. or CXT Incorporated, unless otherwise approved by the Chief Executive Officer.

Notwithstanding the foregoing, Brian N. Southon, George H. Nelson and Franklin B. Davis shall not be Participants in the Plan.

As used herein, "cause" to terminate employment shall exist upon (i) the failure of an employee to substantially perform his duties with the Corporation; (ii) the engaging by an employee in any criminal act or in other conduct injurious to the Corporation; or (iii) the failure of an employee to follow the reasonable directives of the employee's superior(s).

VI. REALLOCATIONS

6.1 In the event an employee has satisfied the eligibility criteria set forth in Article V(A), but has not satisfied the eligibility criteria set forth in Article V(B), the portion of the Individual Incentive Awards allocable to the Product Pool shall be calculated as though such employee was a Participant and any amounts which would have been payable to such employee from the Product Pool shall be used for discretionary payments under Section 3.3.

6.2 Any portion of the Fund not otherwise distributed ("Excess Funds") shall be awarded to each Participant in an amount calculated by multiplying the amount of the Excess Funds by a fraction, the numerator of which shall be the Participant's Target Bonus and the denominator of which shall be the sum of all Participants' Target Bonuses.

VII. PAYMENT OF AWARDS

Payment of Individual Incentive Awards will be made on or before March 15, 2000, except that the timing of the distribution of stock pursuant to Article IV shall be governed by Article IV.

VIII. LIMITATIONS ON AWARDS

Notwithstanding any other provision of this Plan, Individual Incentive Awards shall normally be limited to the amount of a Participant's Target Award.

IX. ADMINISTRATION AND INTERPRETATION OF THE PLAN

A determination by the Committee in carrying out, administering or interpreting this Plan shall be final and binding for all purposes and upon all interested persons and their heirs, successors and personal representatives.

The Committee may, from time to time, amend the Plan; provided, however, that the Committee may not amend, terminate or suspend the Plan so as to reduce the Base Fund payable under the Plan.

The Chief Executive Officer may delegate any of his duties herein.

The Corporation's independent public accountants will review and verify the Corporation's determination of Pre-Incentive Income.

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements Nos. 33-35152, 33-79450, 333-65885 and 333-81535 of L. B. Foster Company, as amended and restated, of our report dated January 25, 2000, with respect to the consolidated financial statements and schedule of L.B. Foster Company included in this Form 10-K for the year ended December 31, 1999.

/s/Ernst & Young LLP

Pittsburgh, Pennsylvania
March 28, 2000

1,000

YEAR

	DEC-31-1999	
	DEC-31-1999	
		1,558
	0	
	53,112	
	1,555	
	45,601	
	106,033	
		61,544
	24,359	
	164,731	
38,296		
		44,136
0		
	0	
	102	
	74,548	
164,731		
		241,923
	241,923	
		204,838
	204,838	
	0	
	0	
	3,230	
	7,281	
	2,663	
4,618		
	(2,115)	
	0	
	0	
	2,503	
	0.26	
	0.25	

5

1,000

12-MOS

DEC-31-1997

DEC-31-1997

1,156

0

47,586

1468

43,098

95,981

52,183

27,336

126,969

36,171

17,530

0

0

102

70,406

126,969

220,343

220,343

190,701

190,701

0

0

2,495

5,892

2,127

3,765

(478)

0

0

3,287

0.32

0.32

1,000

3-MOS

DEC-31-1998
MAR-31-1998
1,841
0
46,010
1,537
41,219
92,920
51,911
27,768
123,527
30,629
19,251
0
0
102
70,731
123,527
49,341
49,341
42,032
42,032
0
0
590
1,451
584
867
(161)
0
0
706
0.07
0.07

5

1,000

6-MOS

DEC-31-1998

JUN-30-1998

1,120

0

44,791

1,569

42,288

89,171

42,207

22,397

118,777

24,135

18,411

0

0

102

72,757

118,777

108,191

108,191

91,747

91,747

0

0

1,069

4,966

1,993

2,973

(326)

0

0

2,647

0.26

0.26

5

1,000

9-MOS

DEC-31-1998

SEP-30-1998

3,493

0

38,522

1,516

40,630

83,908

44,378

22,845

116,805

24,870

15,074

0

0

102

73,250

116,805

158,559

158,559

134,667

134,667

0

0

1,377

6,428

2,581

3,847

(487)

0

0

3,360

0.33

0.33

5

1,000

12-MOS

DEC-31-1998
DEC-31-1998
874
0
47,283
1,438
36,159
84,930
44,176

23,128
119,434
30,326
13,829

0
0
102
73,392

119,434

219,449
219,449
186,237
186,237

0
0
1,631
8,578
3,513

5,065
(688)

0
0
4,377
0.44
0.43

1,000

3-MOS

DEC-31-1999
MAR-31-1999
1,190
0
46,789
1,421
38,726
90,305
41,745
23,295
127,871
38,287
13,856
0
0
102
73,712
127,871
53,783
53,783
46,624
46,624
0
0
398
1,136
442
694
(234)
0
0
460
0.05
0.05

5

1,000

6-MOS

DEC-31-1999

JUN-30-1999

1,160

0

58,871

1,473

45,512

111,338

58,631

29,366

166,340

46,800

43,623

0

0

102

73,734

166,340

112,526

112,526

96,422

96,422

0

0

921

3,394

1,203

2,191

(493)

0

0

1,698

0.17

0.17

5

1,000

9-MOS

DEC-31-1999

SEP-30-1999

973

0

54,936

1,218

46,786

113,739

64,545

21,432

165,186

44,230

44,038

0

0

102

74,588

165,186

175,551

175,551

149,485

149,485

0

0

2,158

5,071

1,854

3,217

(667)

0

0

2,550

0.26

0.26