SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14D-1
Tender Offer Statement Pursuant to Section 14(d)(1)
of the Securities Exchange Act of 1934

and

STATEMENT ON
SCHEDULE 13D
Under the Securities Exchange Act of 1934

INNOVATIVE VALVE TECHNOLOGIES, INC.
(Name of Subject Company)

FORREST ACQUISITION SUB, INC.
FLOWSERVE CORPORATION
(Bidders)

COMMON STOCK, PAR VALUE $.001 PER SHARE
(Title of Class of Securities)

45767J106
(CUSIP Number of Class of Securities)

Ronald F. Shuff
Flowserve Corporation
222 W. Las Colinas Blvd., Suite 1500
Irving, Texas 75039
(972) 443-6543

COPY TO:
Ford Lacy, P.C.
Akin, Gump, Strauss, Hauer & Feld, L.L.P.
1700 Pacific Avenue, Suite 4100
Dallas, Texas 75201
(214) 969-2800

(Name, Address and Telephone Number
of Persons Authorized to Receive
Notices and Communications on
Behalf of Bidders)

NOVEMBER 18, 1999
(Date of Event Which Requires Filing Statement on Schedule 13D)

CALCULATION OF FILING FEE

TRANSACTION VALUATION	AMOUNT OF FILING FEE
$15,656,590.44*	$3,131.32

* For purposes of calculating fee only. This amount assumes the purchase of 9,664,562 shares of common stock (including the associated rights to purchase Series A Junior Participating Preferred Stock) of Innovative Valve Technologies, Inc. at $1.62 in cash per share. The amount of the filing fee, calculated in accordance with Rule 0-11(d) of the Securities Exchange Act of 1934, as amended, equals 1/50 of one percentum of the aggregate value of cash offered for such shares.

Check box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing. [ ]

Amount Previously Paid:	None
Form of Registration No.:	N/A
Filing Party:	N/A
Date Filed:	N/A

(1)	Name of Reporting Person S.S. or I.R.S. Identification No. of Above Person Forrest Acquisition Sub, Inc. IRS ID No.: 75-2846393	
(2)	Check the Appropriate Box if a Member of a Group (See Instructions): (a) [X] (b) [ ]	
(3)	SEC Use Only	
(4)	Source of Funds (See Instructions) AF	
(5)	Check Box if Disclosure of Legal Proceedings is Required Pursuant to Items 2(e) or 2(f): [ ]	
(6)	Citizenship or Place of Organization Delaware	
Number of Shares Beneficially Owned By Each Reporting Person With	(7) Sole Voting Power	
	(8) Shared Voting Power	3,125,400*
	(9) Sole Dispositive Power	
	(10) Shared Dispositive Power	3,125,400*
(11)	Aggregate Amount Beneficially Owned by Each Reporting Person	3,125,400*
(12)	Check Box if the Aggregate Amount in Row (14) Excludes Certain Shares ( )	
(13)	Percent Of Class Represented by Amount in Row (14) 32.3%**	
(14)	Type of Reporting Person (See Instructions) CO	

* On November 18, 1999, Forrest Acquisition Sub, Inc. ("Purchaser"), a Delaware corporation and a wholly-owned subsidiary of Flowserve Corporation, a New York corporation, entered into a Stockholder Agreement (the "Stockholder/Option Agreement") with certain stockholders (the "Granting Stockholders") of Innovative Valve Technologies, Inc., a Delaware corporation (the "Company"), pursuant to which the Granting Stockholders, among other things, (a) granted to Purchaser an option to purchase an aggregate of 784,684 shares of common stock, $.001 par value per share (including the associated rights to purchase Series A Junior Participating Preferred Stock, the "Shares"), of the Company owned by them, (b) agreed to tender in the Offer and not withdraw all Shares owned by them and (c) granted Purchaser the power to direct the vote of such Shares and irrevocably granted to and appointed Purchaser proxy and attorney-in-fact to vote such Shares with respect to certain matters. In addition, on November 18, 1999, Purchaser entered into Stockholder Agreements (the "Chapter 11 Stockholder

Agreements") with certain stockholders of the Company that have filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code with the Bankruptcy Court for the District of Delaware (the "Chapter 11 Stockholders"), pursuant to which the Chapter 11 Stockholders, among other things (a) agreed to tender in the Offer and not withdraw all 2,340,316 Shares owned by them and (b) granted Purchaser the power to direct the vote of such Shares and irrevocably granted to and appointed Purchaser proxy and attorney-in-fact to vote such Shares with respect to certain matters.

** Calculated as the total number of shares deemed beneficially owned (3,125,400) divided by the number of shares outstanding as of the close of business on November 17, 1999 (9,664,562).

(1)	Name of Reporting Person S.S. or I.R.S. Identification No. of Above Person Flowserve Corporation 31-0267900	
(2)	Check the Appropriate Box if a Member of a Group (See Instructions): (a) [X] (b) [ ]	
(3)	SEC Use Only	
(4)	Source of Funds (See Instructions) WC	
(5)	Check Box if Disclosure of Legal Proceedings is Required Pursuant to Items 2(e) or 2(f): [ ]	
(6)	Citizenship or Place of Organization Delaware	
Number of Shares Beneficially Owned By Each Reporting Person With	(7) Sole Voting Power	
	(8) Shared Voting Power	3,125,400*
	(9) Sole Dispositive Power	
	(10) Shared Dispositive Power	3,125,400*
(11)	Aggregate Amount Beneficially Owned by Each Reporting Person	3,125,400*
(12)	Check Box if the Aggregate Amount in Row (14) Excludes Certain Shares ( )	
(13)	Percent Of Class Represented by Amount in Row (14) 32.3%**	
(14)	Type of Reporting Person (See Instructions) CO	

* On November 18, 1999, Forrest Acquisition Sub, Inc. ("Purchaser"), a Delaware corporation and wholly-owned subsidiary of Flowserve Corporation, a New York corporation, entered into a Stockholder Agreement (the "Stockholder/Option Agreement") with certain stockholders (the "Granting Stockholders") of Innovative Valve Technologies, Inc., a Delaware corporation (the "Company"), pursuant to which the Granting Stockholders, among other things, (a) granted to

Purchaser an option to purchase an aggregate of 784,684 shares of common stock, $.001 par value per share (including the associated rights to purchase Series A Junior Participating Preferred Stock, the "Shares"), of the Company owned by them, (b) agreed to tender in the Offer and not withdraw all Shares owned by them, and (c) granted Purchaser the power to direct the vote of such Shares and irrevocably granted to and appointed Purchaser proxy and attorney-in-fact to vote such Shares with respect to certain matters. In addition, on November 18, 1999, Purchaser entered into Stockholder Agreements (the "Chapter 11 Stockholder Agreements") with certain stockholders of the Company that have filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code with the Bankruptcy Court for the District of Delaware (the "Chapter 11 Stockholders"), pursuant to which the Chapter 11 Stockholders, among other things (a) agreed to tender in the Offer and not withdraw all 2,340,316 Shares owned by them and (b) granted Purchaser the power to direct the vote of such Shares and irrevocably granted to and appointed Purchaser proxy and attorney-in-fact to vote such Shares with respect to certain matters.

** Calculated as the total number of shares deemed beneficially owned (3,125,400) divided by the number of shares outstanding as of the close of business on November 17, 1999 (9,664,562).

INTRODUCTION

This Tender Offer Statement on Schedule 14D-1 and Statement on Schedule 13D relates to the offer by Forrest Acquisition Sub, Inc., a Delaware corporation ("Purchaser"), to purchase any and all outstanding shares of common stock, par value $.001 per share (the "Common Stock"), including the associated rights to purchase Series A Junior Participating Preferred Stock (the "Rights," and together with the Common Stock, the "Shares"), of Innovative Valve Technologies, Inc., a Delaware corporation (the "Company"), at a price of $1.62 per Share net to the seller in cash, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated November 22, 1999 (the "Offer to Purchase") and in the related Letter of Transmittal (which together constitute the "Offer"), copies of which are attached hereto as Exhibits 99(a)(1) and 99(a)(2), respectively, and are incorporated herein by reference. Purchaser is a wholly-owned subsidiary of Flowserve Corporation, a New York corporation ("Parent").

ITEM 1. SECURITY AND SUBJECT COMPANY.

The name of the subject company is Innovative Valve Technologies, Inc. The Company is a Delaware corporation and it has its principal executive offices at 2 Northpoint Drive, Suite 300, Houston, Texas 77060.

This Statement relates to the Offer by Purchaser to purchase all outstanding Shares at a price of $1.62 per Share net to the seller in cash. The information set forth in the INTRODUCTION and Section 1 ("Terms of the Offer") of the Offer to Purchase is incorporated herein by reference.

The information set forth in Section 6 ("Price Range of the Shares; Dividends on the Shares") of the Offer to Purchase is incorporated herein by reference.

ITEM 2. IDENTITY AND BACKGROUND.

(a)-(d) and (g) This Statement is being filed by Purchaser and Parent. All of the persons listed on Schedule I of the Offer to Purchase are United States citizens. The information set forth in the INTRODUCTION, Section 9 ("Certain Information Concerning Purchaser and Parent") and Schedule I of the Offer to Purchase is incorporated herein by reference.

(e) and (f) During the last five years, neither Purchaser nor Parent, and to the best of their knowledge, none of the persons listed on Schedule I of the Offer to Purchase, has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

During the last five years, neither Purchaser nor Parent, and to the best of their knowledge, none of the persons listed on Schedule I of the Offer

to Purchase, was party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgement, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violations of such laws.

ITEM 3. PAST CONTACTS, TRANSACTIONS OR NEGOTIATIONS WITH THE SUBJECT COMPANY.

(a) and (b) The information set forth in Section 9 ("Certain Information Concerning Purchaser and Parent") and Section 11 ("Background of the Offer") of the Offer to Purchase is incorporated herein by reference.

ITEM 4. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

(a) and (b) The information set forth in Section 10 ("Source and Amount of Funds") of the Offer to Purchase is incorporated herein by reference.

(b) and (c) Not applicable.

ITEM 5. PURPOSE OF THE TENDER OFFER AND PLANS OR PROPOSALS OF THE BIDDER.

(a)-(e) The information set forth in the INTRODUCTION, Section 12 ("Purpose of the Offer and the Merger; Plans for the Company; the Merger Agreement; the Stockholder Agreements; Other Matters") of the Offer to Purchase is incorporated herein by reference.

(f) and (g) The information set forth in Section 7 ("Effect of the Offer on the Market for the Shares, Stock Quotation and Exchange Act Registration") of the Offer to Purchase is incorporated herein by reference.

ITEM 6. INTEREST IN SECURITIES OF THE SUBJECT COMPANY.

(a)-(b) The information set forth in the INTRODUCTION, Section 9 ("Certain Information Concerning Purchaser and Parent") and Section 12 ("Purpose of the Offer and the Merger; Plans for the Company; the Merger Agreement; the Stockholder Agreements; Other Matters") of the Offer to Purchase is incorporated herein by reference.

ITEM 7. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO THE SUBJECT COMPANY'S SECURITIES.

The information set forth in the INTRODUCTION, Section 9 ("Certain Information Concerning Purchaser and Parent"), Section 11 ("Background of the Offer") and Section 12 ("Purpose of the Offer and the Merger; Plans for the Company; the Merger Agreement; the Stockholder Agreements; Other Matters") of the Offer to Purchase is incorporated hereby by reference.

ITEM 8. PERSONS RETAINED, EMPLOYED OR TO BE COMPENSATED.

The information set forth in the INTRODUCTION, and Section 16 ("Fees and Expenses") of the Offer to Purchase is incorporated herein by reference.

ITEM 9. FINANCIAL STATEMENTS OF CERTAIN BIDDERS.

The information set forth in Section 9 ("Certain Information Concerning Purchaser and Parent") of the Offer to Purchase is incorporated herein by reference.

ITEM 10. ADDITIONAL INFORMATION.

(a) The information set forth in the INTRODUCTION, Section 11 ("Background of the Offer") and Section 12 ("Purpose of the Offer and the Merger; Plans for the Company; the Merger Agreement; the Stockholder Agreements; Other Matters") of the Offer to Purchase is incorporated herein by reference.

(b) and (c) The information set forth in Section 15 ("Certain Legal Matters") of the Offer to Purchase is incorporated herein by reference.

(d) The information set forth in Section 7 ("Effect of the Offer on the Market for the Shares, Stock Quotation and Exchange Act Registration") of the Offer to Purchase is incorporated herein by reference.

(e) None.

(f) The information set forth in the Offer to Purchase, a copy of which is attached as Exhibit 99(a)(1) hereto, the Letter of Transmittal, a copy of which is attached as Exhibit 99(a)(2) hereto, the Merger Agreement, a copy of which is attached as Exhibit 99(c)(1) hereto, the Stockholder Agreements, copies of which are attached as Exhibits 99(c)(2), 99(c)(3) 99(c)(4) hereto, and the Letter Agreement, a copy of which is attached as Exhibit 99(c)(5) hereto, are incorporated in their entirety herein by reference.

ITEM 11. MATERIAL TO BE FILED AS EXHIBITS.

99(a)(1)	Offer to Purchase dated November 22, 1999.
99(a)(2)	Letter of Transmittal.
99(a)(3)	Notice of Guaranteed Delivery.
99(a)(4)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
99(a)(5)	Letter to Clients from Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
99(a)(6)	Text of Press Release dated November 18, 1999.
99(a)(7)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
99(c)(1)	Merger Agreement dated November 18, 1999.
99(c)(2)	Stockholder Agreement dated November 18, 1999 between Roger L. Miller, William E. Haynes, Charles F. Schugart, Douglas R. Harrington, Jr. and Purchaser.
99(c)(3)	Stockholder Agreement dated November 18, 1999 between Philip Industrial Services Group, Inc. and Purchaser.
99(c)(4)	Stockholder Agreement dated November 18, 1999 between Philip Environmental Services, Inc. and Purchaser.
99(c)(5)	Letter Agreement dated October 29, 1999 between the Company and Parent.
99(d)-(f)	Not applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

DATED: November 22, 1999

FLOWSERVE CORPORATION

By: /s/ RONALD F. SHUFF

Name: Ronald F. Shuff
Title: Vice President, Secretary and General Counsel

FORREST ACQUISITION SUB, INC.

By: /s/ RONALD F. SHUFF

Name: Ronald F. Shuff
Title: Secretary and Treasurer

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
99(a)(1)	Offer to Purchase dated November 22, 1999.
99(a)(2)	Letter of Transmittal.
99(a)(3)	Notice of Guaranteed Delivery.
99(a)(4)	Letter to Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
99(a)(5)	Letter to Clients from Brokers, Dealers, Commercial Banks, Trust Companies and Other Nominees.
99(a)(6)	Text of Press Release dated November 18, 1999.
99(a)(7)	Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.
99(c)(1)	Merger Agreement dated November 18, 1999.
99(c)(2)	Stockholder Agreement dated November 18, 1999 between Roger L. Miller, William E. Haynes, Charles F. Schugart, Douglas R. Harrington, Jr. and Purchaser.
99(c)(3)	Stockholder Agreement dated November 18, 1999 between Philip Industrial Services Group, Inc. and Purchaser.
99(c)(4)	Stockholder Agreement dated November 18, 1999 between Philip Environmental Services Inc. and Purchaser.
99(c)(5)	Letter Agreement dated October 29, 1999 between the Company and Parent.

99(d)-(f) Not applicable.

OFFER TO PURCHASE FOR CASH
ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED SHARE PURCHASE RIGHTS)
OF

INNOVATIVE VALVE TECHNOLOGIES, INC.
AT

$1.62 NET PER SHARE
BY

FORREST ACQUISITION SUB, INC.
A WHOLLY-OWNED SUBSIDIARY OF

FLOWSERVE CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT
12:00 MIDNIGHT, NEW YORK CITY TIME ON TUESDAY, DECEMBER 21, 1999,
UNLESS THE OFFER IS EXTENDED

THE BOARD OF DIRECTORS OF INNOVATIVE VALVE TECHNOLOGIES, INC. (THE "COMPANY") HAS UNANIMOUSLY DETERMINED THAT THE OFFER AND THE MERGER ARE ADVISABLE AND FAIR TO, AND IN THE BEST INTERESTS OF, THE STOCKHOLDERS OF THE COMPANY, HAS APPROVED THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER, AND RECOMMENDS THAT THE STOCKHOLDERS OF THE COMPANY ACCEPT THE OFFER AND TENDER THEIR SHARES TO PURCHASER HEREUNDER.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE THAT NUMBER OF SHARES OF COMMON STOCK, PAR VALUE $.001 PER SHARE (INCLUDING THE ASSOCIATED RIGHTS TO PURCHASE SERIES A JUNIOR PARTICIPATING PREFERRED STOCK, COLLECTIVELY, THE "SHARES") REPRESENTING A MAJORITY OF COMPANY'S OUTSTANDING COMMON STOCK ON A FULLY DILUTED BASIS ON THE DATE OF PURCHASE. THE OFFER ALSO IS SUBJECT TO CERTAIN OTHER CONDITIONS, WHICH ARE SET FORTH IN THIS OFFER TO PURCHASE. SEE THE INTRODUCTION AND SECTIONS 1 AND 14 OF THIS OFFER TO PURCHASE.

IMPORTANT

Any stockholder wishing to tender all or a portion of such stockholder's Shares should either (1) complete and sign the Letter of Transmittal (or a manually signed facsimile thereof) in accordance with the instructions in the Letter of Transmittal and deliver it with the certificates representing tendered Shares and any other required documents to the Depositary (as defined herein) or tender such Shares pursuant to the procedures for book-entry transfer set forth in Section 3 hereof, or (2) request such stockholder's broker, dealer, commercial bank, trust company or other nominee to effect the transaction for the stockholder. Any stockholder whose Shares are registered in the name of a broker, dealer, commercial bank, trust company or other nominee must contact that broker, dealer, commercial bank, trust company or other nominee if the stockholder wishes to tender such Shares.

Any stockholder who wishes to tender Shares and whose certificates representing those Shares are not immediately available or who cannot comply with the procedure for book-entry transfer on a timely basis should tender those Shares by following the procedures for guaranteed delivery set forth in Section 3 hereof.

Questions and requests for assistance may be directed to the Information Agent (as defined below) at its address and telephone numbers set forth on the back cover of this Offer to Purchase. Requests for additional copies of this Offer to Purchase, the Letter of Transmittal, the Notice of Guaranteed Delivery and other related materials may be directed to the Information Agent or to brokers, dealers, commercial banks and trust companies.

November 22, 1999

TABLE OF CONTENTS

To the Holders of Common Stock of

INNOVATIVE VALVE TECHNOLOGIES, INC.:

INTRODUCTION

Forrest Acquisition Sub, Inc. a Delaware corporation ("Purchaser") and a wholly-owned subsidiary of FLOWSERVE CORPORATION, a New York corporation ("Parent"), hereby offers to purchase all outstanding shares of common stock ("Common Stock"), $.001 par value per share, of INNOVATIVE VALVE TECHNOLOGIES, INC. a Delaware corporation (the "Company"), including the associated rights to purchase Series A Junior Participating Preferred Stock (the "Rights," and together with the Common Stock, the "Shares"), at a purchase price of $1.62 per Share (the "Offer Price"), net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related Letter of Transmittal (which, together with any amendments or supplements hereto or thereto, collectively constitute the "Offer"). The Rights were issued pursuant to the Rights Agreement, dated as of September 18, 1997, as amended by Amendment No. 1 thereto dated as of November 18, 1999 (as so amended, the "Rights Agreement") between the Company and ChaseMellon Shareholder Services, L.L.C., as Rights Agent, and are currently evidenced by and traded with certificates evidencing the Common Stock.

Tendering stockholders who have Shares registered in their own name and who tender directly to the Depositary (as defined below) will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, transfer taxes on the purchase of Shares pursuant to the Offer. Stockholders who hold their Shares in "street name" or otherwise through a broker, bank or other nominee should consult with such institution as to whether there are any fees applicable to a tender of Shares. Purchaser will pay all charges and expenses of Equiserve, as the depositary (the "Depositary"), and D.F. King & Co., Inc., as the information agent (the "Information Agent"), in connection with the Offer.

The Offer is being made pursuant to the Agreement and Plan of Merger, dated as of November 18, 1999 (the "Merger Agreement"), among Parent, Purchaser and the Company. The Merger Agreement provides, among other things, for the commencement of the Offer by Purchaser and further provides that, after the purchase of Shares pursuant to the Offer and subject to the satisfaction or waiver of certain conditions set forth therein, Purchaser will be merged (the "Merger") with and into the Company with the Company surviving the Merger as a

direct wholly-owned subsidiary of Parent. Pursuant to the Merger, each outstanding Share (excluding Shares owned, directly or indirectly, by the Company, Parent, Purchaser or any other subsidiary of Parent and Shares owned by holders who shall have properly exercised their appraisal rights under the Delaware General Corporation Law (the "DGCL") will be converted into the right to receive the Offer Price, in cash (the "Merger Consideration"), without interest.

THE BOARD OF DIRECTORS OF THE COMPANY (THE "BOARD") HAS UNANIMOUSLY DETERMINED THAT THE OFFER AND THE MERGER ARE ADVISABLE AND FAIR TO, AND IN THE BEST INTERESTS OF, THE HOLDERS OF SHARES, HAS APPROVED THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE OFFER AND THE MERGER, AND RECOMMENDS THAT STOCKHOLDERS ACCEPT THE OFFER AND TENDER THEIR SHARES TO PURCHASER HEREUNDER.

SIMMONS & COMPANY INTERNATIONAL, THE COMPANY'S FINANCIAL ADVISOR ("SIMMONS"), HAS DELIVERED TO THE COMPANY'S BOARD SUCH FIRM'S OPINION, DATED NOVEMBER 17, 1999 (THE "OPINION"), TO THE EFFECT THAT, AS OF SUCH DATE AND BASED ON AND SUBJECT TO CERTAIN MATTERS STATED IN SUCH OPINION, THE $1.62 PER SHARE CASH CONSIDERATION TO BE RECEIVED IN THE OFFER AND THE MERGER BY STOCKHOLDERS (OTHER THAN PARENT AND ITS AFFILIATES) IS FAIR, FROM A FINANCIAL POINT OF VIEW, TO SUCH STOCKHOLDERS. A COPY OF THE OPINION IS CONTAINED IN THE COMPANY'S SOLICITATION/RECOMMENDATION STATEMENT ON SCHEDULE 14D-9 (THE "SCHEDULE 14D-9") FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION") IN CONNECTION WITH THE OFFER, A COPY OF WHICH IS BEING FURNISHED TO STOCKHOLDERS CONCURRENTLY WITH THIS OFFER TO PURCHASE. STOCKHOLDERS ARE URGED TO READ THE OPINION IN ITS ENTIRETY FOR A DESCRIPTION OF THE ASSUMPTIONS MADE, MATTERS CONSIDERED AND LIMITATIONS OF THE REVIEW UNDERTAKEN BY SIMMONS.

THE OFFER IS CONDITIONED UPON, AMONG OTHER THINGS, THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN PRIOR TO THE EXPIRATION DATE AT LEAST THAT NUMBER OF SHARES THAT WOULD REPRESENT A MAJORITY OF THE SHARES

OUTSTANDING ON A FULLY DILUTED BASIS ON THE DATE OF PURCHASE (THE "MINIMUM CONDITION"). FOR PURPOSES OF THE MINIMUM CONDITION, "FULLY DILUTED BASIS" EXCLUDES (1) SHARES ISSUABLE UPON EXERCISE OF CERTAIN STOCK OPTIONS ("OPTIONS") FOR WHICH TERMINATION AGREEMENTS ARE ENTERED INTO PRIOR TO THE EXPIRATION TIME PURSUANT TO THE TERMS OF THE MERGER AGREEMENT AND (2) SHARES ISSUABLE PURSUANT TO CERTAIN WARRANTS, CONVERTIBLE NOTES AND ACQUISITION AGREEMENTS (OTHER THAN THE COLLIER MERGER AGREEMENT (AS DEFINED IN THE MERGER AGREEMENT)) THAT WILL BE TERMINATED, CANCELLED OR OTHERWISE DISCHARGED PURSUANT TO THE MERGER AGREEMENT. SEE SECTION 12 BELOW. THE OFFER ALSO IS SUBJECT TO CERTAIN OTHER CONDITIONS. SEE SECTIONS 1 AND 14 BELOW.

The Company has informed Purchaser that, as of November 17, 1999, 9,664,562 shares were issued and outstanding, 1,650,000 shares were reserved for issuance upon the exercise of outstanding Options granted under the Company's Stock Plans (as defined herein), 482,262 shares were reserved for issuance upon the exercise of outstanding Warrants (as defined herein), 600,769 shares were reserved for issuance upon conversion of Convertible Notes (as defined herein), 555,555 shares were reserved for issuance in connection with the Company's obligations under the Collier Merger Agreement, and an indeterminate number of Shares were reserved for issuance in connection with the Company's obligations under the Colonial Merger Agreement and the Plant Maintenance Merger Agreement (each, as defined in the Merger Agreement). Based on the foregoing and assuming that termination agreements are entered into with respect to all outstanding Options, Purchaser believes that as of such date, the Minimum Condition will be satisfied if Purchaser acquires 4,832,282 shares. Parent and Purchaser do not presently own any Shares.

Concurrently with the execution of the Merger Agreement, Purchaser also entered into a Stockholder Agreement dated November 18, 1999 (the "Stockholder/Option Agreement") with Roger L. Miller, William E. Haynes, Charles F. Schugart and Douglas R. Harrington, Jr. (collectively, the "Granting Stockholders"), pursuant to which the Granting Stockholders, among other things, agreed to tender (and not withdraw) their Shares in the Offer, granted an irrevocable proxy to Purchaser's designees with respect to their Shares and granted to Purchaser an option to purchase the Shares held by them at the Offer Price under specified circumstances. In addition, Purchaser entered into a Stockholder Agreement dated November 18, 1999 (each, a "Chapter 11 Stockholder Agreement," and together with the Stockholder/Option Agreement, the "Stockholder Agreements") with each of Philip Industrial Services Group, Inc. and Philip Environmental Services, Inc. (jointly, the "Chapter 11 Stockholders," and

together with the Granting Stockholders, the "Selling Stockholders"). The Chapter 11 Stockholders are affiliates of Philip Services Corp. and have filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code with the Bankruptcy Court for the District of Delaware (the "Delaware Bankruptcy Court"). Each Chapter 11 Stockholder Agreement is similar to the Stockholder/Option Agreement but (1) does not contain an option to purchase provision; and (2) is effective upon the earlier to occur of (x) Delaware Bankruptcy Court approval of such Chapter 11 Stockholder Agreement and the transactions contemplated thereby and (y) the confirmation by the Delaware Bankruptcy Court of a plan of reorganization for the Chapter 11 Stockholder party to such Chapter 11 Stockholder Agreement. The Selling Stockholders collectively own 3,125,400 shares. Assuming that termination agreements are entered into with respect to all outstanding Options and that the Selling Stockholders tender in the Offer, as they have agreed to do, Purchaser believes that the Minimum Condition will be satisfied if 1,706,882 Shares (approximately 18% of the outstanding Shares) are tendered and not withdrawn by other stockholders.

The Company has represented in the Merger Agreement that is has taken all action necessary so that (x) none of Parent, Purchaser or any of their Affiliates or Associates (as such terms are defined in the Rights Agreement) shall be or become an "Acquiring Person", and no Stock Acquisition Date, Distribution Date, Flip-in Event or Flip-Over Event (as such terms are defined in the Rights Agreement) shall occur, as a result of (i) the execution, delivery or performance of the Merger Agreement (or any amendments thereto) or the consummation of the transactions contemplated thereby, including, without limitation, the Offer and the Merger, (ii) the execution, delivery or performance of the Stockholder Agreements (as defined below) or any amendments thereto, or the consummation of the transactions contemplated thereby, (iii) the announcement, making or commencement of the Offer or the announcement of the Merger Agreement or the Stockholder Agreements, or (iv) the acquisition of Beneficial Ownership (as such term is defined in the Rights

Agreement) of Shares or Rights pursuant to, or in connection with, the Merger Agreement, the Stockholder Agreements or otherwise as a result of any of the transactions contemplated by the Merger Agreement or the Stockholder Agreements, including, without limitation, the Offer and the Merger; and (y) the Rights will expire pursuant to the terms of the Rights Agreement immediately prior to the Effective Time.

The consummation of the Merger is subject to the satisfaction or waiver of a number of conditions, including, if required, the approval of the Merger by the requisite vote or consent of the stockholders. Under the DGCL, the stockholder vote necessary to approve the Merger will be the affirmative vote of at least a majority of the outstanding Shares, including Shares held by Purchaser and its affiliates. If the Minimum Condition is satisfied and Purchaser purchases at least a majority of the outstanding Shares in the Offer, Purchaser will be able to effect the Merger without the affirmative vote of any other stockholder. If at least 90% of the outstanding Shares are acquired in the Offer, Purchaser will be able to effect the Merger pursuant to Section 253 of the DGCL without prior notice to, or any action or vote by, any other stockholder. In that event, Purchaser intends to effect the Merger as promptly as practicable following the purchase of Shares in the Offer. If at least 90% of the outstanding Shares are not acquired in the Offer, the Company will furnish to stockholders a proxy or information statement containing detailed information concerning the Merger and will call a special meeting to vote on the Merger. Pursuant to the Merger Agreement, Parent and Purchaser have agreed to vote the Shares acquired by them pursuant to the Offer in favor of the Merger. See Section 12 below.

The Merger Agreement and the Stockholder Agreements are more fully described in Section 12 below. Certain federal income tax consequences of the sale of Shares pursuant to the Offer and the exchange of Shares for the Merger Consideration pursuant to the Merger are described in Section 5 below.

THIS OFFER TO PURCHASE AND THE RELATED LETTER OF TRANSMITTAL CONTAIN IMPORTANT INFORMATION WHICH SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE OFFER.

1. TERMS OF THE OFFER

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will accept for payment and pay for (and thereby purchase) any and all Shares validly tendered and not withdrawn in accordance with Section 4 below prior to the Expiration Date. As used in the Offer, the term "Expiration Date" means 12:00 midnight, New York City time, on Tuesday, December 21, 1999, unless and until Purchaser, in accordance with the terms of the Offer and the Merger Agreement, shall have extended the period of time during which the Offer is open, in which event the term "Expiration Date" means the latest time and date at which the Offer, as so extended, expires. As used in this Offer to Purchase, "business day" has the meaning set forth in Rule 14d-1(c)(6) under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

The Offer is conditioned upon, among other things, satisfaction of the Minimum Condition. The Offer also is subject to certain other conditions set forth in Section 14 below. Pursuant to the terms of the Merger Agreement, Purchaser expressly reserves the right (but will not be obligated) to waive any or all of the conditions of the Offer.

Purchaser expressly reserves the right, subject to the terms of the Merger Agreement and the applicable rules and regulations of the Commission, at any time or from time to time, and regardless of whether or not any of the events set forth in Section 14 hereof shall have occurred or shall have been determined by Purchaser to have occurred, to (i) extend the period of time during which the Offer is open, and thereby delay acceptance for payment of and payment for, any Shares; (ii) terminate the Offer if any condition referred to in Section 14 has not been satisfied prior to the Expiration Date or upon the occurrence of any event specified in Section 14, and (iii) waive any conditions or otherwise amend the Offer in any respect, in each case by giving oral or written notice to the Depositary. Any extension, termination or amendment will be followed as promptly as practical by public announcement, the announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Without limiting the manner in which Purchaser may choose to make any public announcement,

Purchaser will have no obligation to publish, advertise or otherwise communicate any such announcement, other than by issuing a release to the Dow Jones News Service or as otherwise required by law. The reservation by Purchaser of the right to delay acceptance for payment of, or payment for, Shares is subject to the provisions of Rule 14e-1(c) under the Exchange Act, which requires that Purchaser pay the consideration offered or return the Shares deposited by or on behalf of stockholders promptly after the termination or withdrawal of the Offer or extend the period of time during which the offer is open and thereby delay acceptance for payment of and payment for the Shares.

Pursuant to the Merger Agreement, Purchaser expressly reserves the right to increase the price per Share payable in the Offer or to make any other changes in the terms and conditions of the Offer, except that without the written consent of the Company, Purchaser shall not (i) decrease the Offer Price, change the form of consideration payable in the Offer or decrease the number of Shares sought, (ii) change the conditions to the Offer (other than to waive any condition), (iii) impose additional conditions to the Offer, or (iv) amend any other term of the Offer in any manner adverse to the holders of Shares. The Merger Agreement provides that Purchaser may, from time to time, in its sole discretion extend the Expiration Date, (w) to comply with the applicable rules, regulations, interpretations and positions of the Commission or its staff, (x) if any of the conditions to the Offer have not been satisfied, for the minimum period of time necessary to satisfy such condition; (y) regardless of the number of Shares tendered, on one or more occasions for an aggregate period of not more than 10 business days beyond the latest Expiration Date permitted by clauses (w) and (x); and (z) if all of the conditions to the Offer have been satisfied but fewer than 90% of the Shares of Common Stock outstanding (determined on a fully diluted basis) have been tendered in the Offer, for the minimum period of time necessary until 90% of such Shares have been so tendered, but in no event later than the tenth business day following the latest Expiration Date permitted by clauses (w), (x) and (y) of this sentence. The Merger Agreement provides that subject to the prior satisfaction or waiver of the conditions to the Offer, Purchaser will accept for payment, and pay for, in accordance with the terms of the Offer, Shares validly tendered and not properly withdrawn pursuant to the Offer as promptly as practicable after the Expiration Date.

If Purchaser makes a material change in the terms of the Offer or the information concerning the Offer or waives a material condition of the Offer, Purchaser will disseminate additional tender offer materials and extend the Offer to the extent required by Rules 14d-4(c), 14d-6(d) and 14e-1 under the Exchange Act. The minimum period during which the Offer must remain open following material changes in the terms of the Offer or information concerning the Offer, other than a change in price or a change in percentage of securities sought, will depend upon the facts and circumstances then existing, including the relative materiality of the changed terms or information. The staff of the Commission has stated that an offer should remain open for a minimum of five business days from the date the material change is first published, sent or given to stockholders and, if the material changes are made with respect to information that approaches the significance of price and the percentage of securities sought, a period of up to ten business days may be required to allow for adequate dissemination and investor response. The requirement to extend the Offer will not apply to the extent that the number of business days remaining between the occurrence of the change and the then-scheduled Expiration Date equals or exceeds the minimum extension period that would be required because of such amendment.

The Company has provided Purchaser with its stockholder list and security position listings for the purpose of disseminating the Offer to stockholders. This Offer to Purchase, the related Letter of Transmittal and other relevant materials will be mailed to record holders of Shares and will be furnished to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the Company's stockholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of Shares.

2. ACCEPTANCE FOR PAYMENT AND PAYMENT FOR SHARES

Upon the terms and subject to the conditions of the Merger Agreement and the Offer (including, if the Offer is extended or amended, the terms and conditions of any such extension or amendment), Purchaser will accept for payment and will pay for any and all Shares that are validly tendered on or prior to the Expiration Date, and not properly withdrawn in accordance with Section 4 below, as soon as practicable after the

Expiration Date. All questions as to the satisfaction of such terms and conditions will be determined by Purchaser in its sole discretion, which determination will be final and binding. Subject to the applicable rules of the Commission and the Merger Agreement, Purchaser expressly reserves the right to delay acceptance for payment of, or payment for, Shares in order to comply, in whole or in part, with any other applicable law or government regulation. Any such delays will be effected in compliance with Rule 14e-1(c) under the Exchange Act (relating to a Purchaser's obligation to pay for or return securities promptly after the termination or withdrawal of the Offer).

In all cases, Shares accepted for payment pursuant to the Offer will be paid for only after timely receipt by the Depositary of (i) certificates evidencing such Shares or timely confirmation ("Book-Entry Confirmation") of the book-entry transfer of such Shares into the Depositary's account at the Depositary Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in Section 3, (ii) a Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message (as defined below), and (iii) any other documents required by the Letter of Transmittal. See Section 3 below.

The term "Agent's Message" means a message, transmitted by the Book-Entry Transfer Facility to, and received by, the Depositary and forming part of a Book-Entry Confirmation, which states that (i) such Book-Entry Transfer Facility has received an express acknowledgment from the participant in such Book-Entry Transfer Facility tendering Shares which are the subject of such Book-Entry Confirmation, (ii) such participant has received and agrees to be bound by the terms of the Letter of Transmittal, and (iii) Purchaser may enforce such agreement against such participant.

For purposes of the Offer, Purchaser will be deemed to have accepted for payment (and thereby purchased) Shares properly tendered to Purchaser and not withdrawn, if and when Purchaser gives oral or written notice to the Depositary

of Purchaser's acceptance of such Shares. In all cases, payment for Shares accepted for payment pursuant to the Offer will be made by deposit of the purchase price therefor with the Depositary, which will act as agent for tendering stockholders for the purpose of receiving payment from Purchaser and transmitting payment to tendering stockholders.

If, for any reason, acceptance for payment of any Shares tendered pursuant to the Offer is delayed, or Purchaser is unable to accept for payment Shares tendered pursuant to the Offer, then, without prejudice to Purchaser's rights under the Offer (but subject to Rule 14e-1(c) under the Exchange Act), the Depositary may, nevertheless, on behalf of Purchaser, retain tendered Shares, and such Shares may not be withdrawn, except to the extent that the tendering stockholders are entitled to exercise, and duly exercise, withdrawal rights as described in Section 4 below. UNDER NO CIRCUMSTANCES WILL INTEREST BE PAID ON THE OFFER PRICE TO BE PAID BY PURCHASER, REGARDLESS OF ANY EXTENSION OF THE OFFER OR ANY DELAY IN MAKING SUCH PAYMENT.

If any tendered Shares are not purchased pursuant to the Offer for any reason or if certificates are submitted for more Shares than are tendered, certificates for Shares not purchased or tendered will be returned pursuant to the instructions of the tendering stockholder without expense to the tendering stockholder (or, in the case of Shares delivered by book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility pursuant to the procedures set forth in Section 3 below, the Shares will be credited to an account maintained at the Book-Entry Transfer Facility) as promptly as practicable following the expiration or termination of the Offer.

If, prior to the Expiration Date, Purchaser increases the consideration to be paid per Share pursuant to the Offer, Purchaser will pay the increased consideration for all Shares purchased pursuant to the Offer, whether or not such Shares were tendered prior to the increase in consideration.

3. PROCEDURE FOR TENDERING SHARES

Valid Tenders. For a stockholder validly to tender Shares pursuant to the Offer, either (i) a Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, together with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message, and any other

required documents, must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date and either (a) certificates evidencing Shares must be received by the Depositary at any such address prior to the Expiration Date or (b) the Shares must be delivered pursuant to the procedures for book-entry transfer set forth below and a Book-Entry Confirmation must be received by the Depositary prior to the Expiration Date; or (ii) the tendering stockholder must comply with the guaranteed delivery procedures set forth below. No alternative, conditional or contingent tenders will be accepted.

Book-Entry Transfer. The Depositary will establish an account with respect to the Shares at the Book Entry Transfer Facility for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the Book-Entry Transfer Facility's system may make book-entry delivery of Shares by causing the Book-Entry Transfer Facility to transfer such Shares into the Depositary's account at the Book-Entry Transfer Facility in accordance with the Book-Entry Transfer Facility's procedures for such transfer. However, although delivery of Shares may be effected through book-entry transfer into the Depositary's account at a Book-Entry Transfer Facility, the Letter of Transmittal (or a manually signed facsimile thereof), properly completed and duly executed, with any required signature guarantees, or an Agent's Message, and any other required documents, must, in any case, be transmitted to, and received by, the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date, or the tendering stockholder must comply with the guaranteed delivery procedures described below. DELIVERY OF DOCUMENTS TO A BOOK-ENTRY TRANSFER FACILITY IN ACCORDANCE WITH THE BOOK-ENTRY TRANSFER FACILITY'S PROCEDURES DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

THE METHOD OF DELIVERY OF CERTIFICATES EVIDENCING SHARES, THE LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS IS AT THE OPTION AND SOLE RISK OF

THE TENDERING STOCKHOLDERS, AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

Signature Guarantees. No signature guarantee is required on the Letter of Transmittal (i) if the Letter of Transmittal is signed by the registered holder(s) (which term, for purposes of this Section, includes any participant in any of the Book-Entry Transfer Facilities' systems whose name appears on a security position listing as the owner of the Shares) of Shares tendered therewith and such registered holder has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on the Letter of Transmittal; or (ii) if such Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (an "Eligible Institution"). In all other cases, all signatures on the Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 1 of the Letter of Transmittal. If the certificates representing Shares are registered in the name of a person other than the signer of the Letter of Transmittal or if payment is to be made or certificates for Shares not tendered or not accepted for payment are to be returned to a person other than the registered holder of the certificates surrendered, then the tendered certificates evidencing Shares must be endorsed or accompanied by appropriate stock powers, in each case signed exactly as the name or names of the registered holder or owners appear on the certificates, with the signatures on the certificates or stock powers guaranteed as described above and as provided in the Letter of Transmittal. See Instructions 1 and 5 of the Letter of Transmittal.

Guaranteed Delivery. If a stockholder desires to tender Shares pursuant to the Offer and such stockholder's certificates for Shares are not immediately available or the procedure for book-entry transfer

cannot be completed on a timely basis or time will not permit all required documents to reach the Depositary prior to the Expiration Date, such stockholder's tender may be effected if all the following conditions are met:

(i) such tender is made by or through an Eligible Institution;

(ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form provided by Purchaser, is received by the Depositary (as provided below) prior to the Expiration Date; and

(iii) the certificates for all tendered Shares in proper form for transfer (or a Book-Entry Confirmation with respect to all such tendered Shares) together with a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile) with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message, and any other documents required by the Letter of Transmittal are received by the Depositary within three Nasdaq National Market trading days after the date of execution of the Notice of Guaranteed Delivery.

The Notice of Guaranteed Delivery may be delivered by hand or transmitted by telegram, facsimile transmission or mailed to the Depositary and must include a guarantee by an Eligible Institution in the form set forth in the Notice of Guaranteed Delivery.

Notwithstanding any other provision of this Offer to Purchase, payment for Shares accepted for payment pursuant to the Offer will in all cases be made only after timely receipt by the Depositary of (i) certificates for the Shares or a timely Book-Entry Confirmation with respect to such Shares, (ii) a Letter of Transmittal (or a manually signed facsimile), properly completed and duly executed, with any required signature guarantees or an Agent's Message in connection with a book-entry delivery of Shares and (iii) any other documents required by the Letter of Transmittal. Accordingly, tendering stockholders may be paid at different times depending upon when certificates for Shares or Book-Entry Confirmations are actually received by the Depositary.

Determination of Validity. All questions as to the form of documents and

the validity, eligibility (including time of receipt) and acceptance for payment of any tender of Shares pursuant to any of the procedures described above will be determined by Purchaser in its sole discretion, which determination shall be final and binding on all parties. Purchaser reserves the absolute right to reject any or all tenders of Shares determined not to be in proper form or the acceptance of or payment for which may, in the opinion of Purchaser's counsel, be unlawful. Purchaser also reserves the absolute right to waive any defect or irregularity in any tender of any Shares of any particular stockholder whether or not similar defects or irregularities are waived in the case of other stockholders. Purchaser's interpretation of the terms and conditions of the Offer (including the Letter of Transmittal and its instructions) will be final and binding on all parties. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been cured or waived. None of Purchaser, Parent, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such information.

Backup Federal Income Tax Withholding. To prevent backup federal income tax withholding of 31% of the payments made to stockholders with respect to the purchase price of Shares purchased pursuant to the Offer or the Merger, a stockholder must provide the Depositary with his or her correct taxpayer identification number and certify that he or she is not subject to backup federal income tax withholding by completing the Substitute Form W-9 included in the Letter of Transmittal. See Instruction 10 of the Letter of Transmittal. See Section 5 below.

Appointment as Proxy. By accepting a Letter of Transmittal, a tendering stockholder irrevocably appoints designees of Purchaser as such stockholder's attorneys-in-fact and proxies, with full power of substitution, in the manner set forth in the Letter of Transmittal, to the full extent of such stockholder's rights with respect to Shares tendered by such stockholder and purchased by Purchaser and with respect to any and all other Shares or other securities issued or issuable in respect of those Shares, on or after the date of the Offer. All such powers of attorney and proxies will be considered coupled with an interest in the tendered

Shares. Such appointment will be effective when, and only to the extent that, Purchaser accepts for payment Shares tendered by such stockholder as provided herein. Upon acceptance for payment, all prior powers of attorney, proxies or consents given by the stockholder with respect to the Shares (and any other Shares or other securities so issued in respect of such purchased Shares) will be revoked, without further action, and no subsequent powers of attorney and proxies may be given (and, if given, will not be deemed effective) by the stockholder. The designees of Purchaser will be empowered to exercise all voting and other rights of the stockholder with respect to such Shares (and any other Shares or securities so issued in respect of such purchased Shares) as they in their sole discretion may deem proper, including, without limitation, in respect of any annual or special meeting of the stockholders, or any adjournment or postponement of any such meeting, or in connection with any action by written consent in lieu of any such meeting or otherwise (including any such meeting or action by written consent to approve the Merger). Purchaser reserves the right to require that, in order for Shares to be validly tendered, immediately upon Purchaser's acceptance for payment of the Shares, Purchaser must be able to exercise full voting and other rights of a record and beneficial owner with respect to the Shares, including voting at any meeting of stockholders then scheduled.

4. WITHDRAWAL RIGHTS

Tenders of Shares made pursuant to the Offer are irrevocable, except as otherwise provided in this Section 4. Shares tendered pursuant to the Offer may be withdrawn pursuant to the procedures set forth below at any time prior to the Expiration Date and, unless theretofore accepted for payment and paid for by Purchaser pursuant to the Offer, may also be withdrawn at any time after January 20, 2000.

For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase. Any such notice of withdrawal must specify the name of the persons who tendered the

Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder, if different from that of the person who tendered the Shares. If certificates evidencing Shares have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such certificates, the tendering stockholder must also submit to the Depositary the serial numbers shown on the particular certificates evidencing the Shares to be withdrawn, and the signature on the notice of withdrawal must be guaranteed by an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer set forth in Section 3 above, the notice of withdrawal must specify the name and number of the account at the Book-Entry Transfer Facility to be credited with the withdrawn Shares and otherwise comply with such Book-Entry Transfer Facility's procedures. Withdrawals of tenders of Shares may not be rescinded, and any Shares properly withdrawn will be deemed not validly tendered for purposes of the Offer. However, withdrawn Shares may be re-tendered by again following any of the procedures described in Section 3 above prior to the Expiration Date.

All questions as to the form and validity (including time of receipt) of notices of withdrawal will be determined by Purchaser, in its sole discretion, whose determination will be final and binding on all parties. No withdrawal of Shares will be deemed to have been properly made until all defects and irregularities have been cured or waived. None of Parent, Purchaser, the Depositary, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or incur any liability for failing to give such notification.

5. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE OFFER AND THE MERGER

The following is a summary of the principal federal income tax consequences of the Offer and the Merger to holders whose Shares are purchased pursuant to the Offer or whose Shares are converted into the right to receive the Merger Consideration in the Merger (including any cash amounts received by dissenting stockholders pursuant to the exercise of appraisal rights). This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the applicable Treasury Regulations promulgated and proposed thereunder, judicial authority and administrative rulings and practice. Legislative, judicial or administrative rulings or interpretations are subject to change, possibly on a retroactive basis, at any time and therefore could alter or modify the statements and conclusions set forth below. It is assumed that the Shares

are held as "capital assets" within the meaning of Section 1221 of the Code (i.e., property held for investment). This discussion does not address all aspects of federal income taxation that may be relevant to a particular stockholder in light of such stockholder's personal investment circumstances, or those stockholders subject to special treatment under the federal income tax laws (for example, life insurance companies, tax-exempt organizations, foreign corporations and nonresident alien individuals) or to stockholders who acquired their Shares through the exercise of employee stock options or other compensation arrangements. In addition, the discussion does not address any aspect of foreign, state, local or estate and gift taxation that may be applicable to a stockholder.

Consequences of the Offer and the Merger to Stockholders. The receipt of the Offer Price or the Merger Consideration, as the case may be (including any cash amounts received by dissenting stockholders pursuant to the exercise of appraisal rights), will be a taxable transaction for federal income tax purposes (and also may be a taxable transaction under applicable state, local and other income tax laws). In general, for federal income tax purposes, a stockholder will recognize gain or loss equal to the difference between his adjusted tax basis in the Shares sold pursuant to the Offer or converted to cash in the Merger and the amount of cash received therefor. Gain or loss must be determined separately for each block of Shares (i.e., Shares acquired at the same cost in a single transaction) sold pursuant to the Offer or converted to cash in the Merger. Such gain or loss will be capital gain or loss and will be long-term gain or loss, if, on the date of sale (or, if applicable, the date of the Merger), the Shares were held for more than one year.

Backup Tax Withholding. Under the Code, a stockholder may be subject, under certain circumstances, to "backup withholding" at a 31% rate with respect to payments made in connection with the Offer or the Merger. Backup withholding generally applies if the stockholder (i) fails to furnish such holder's social

security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails properly to report interest or dividends or (iv) under certain circumstances, fails to provide a certified statement, signed under penalties of perjury, that the TIN provided is such holder's correct number and that such holder is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent it results in an overpayment of tax. Certain persons generally are exempt from backup withholding, including corporations and financial institutions. Certain penalties apply for failure to furnish correct information and for failure to include the reportable payments in income. Each stockholder should consult with such holder's own tax advisor as to such holder's qualifications for exemption from withholding and the procedure for obtaining such exemption.

THE FOREGOING DISCUSSION MAY NOT BE APPLICABLE TO CERTAIN TYPES OF STOCKHOLDERS, INCLUDING STOCKHOLDERS WHO ACQUIRED SHARES PURSUANT TO THE EXERCISE OF EMPLOYEE STOCK OPTIONS OR OTHERWISE AS COMPENSATION, INDIVIDUALS WHO ARE NOT CITIZENS OR RESIDENTS OF THE UNITED STATES, AND FOREIGN CORPORATIONS.

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND IS BASED UPON PRESENT LAW. STOCKHOLDERS ARE URGED TO CONSULT THEIR RESPECTIVE TAX ADVISORS WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE OFFER AND THE MERGER TO THEM, INCLUDING THE APPLICATION AND EFFECT OF THE ALTERNATIVE MINIMUM TAX, AND STATE, LOCAL AND FOREIGN TAX LAWS IN VIEW OF THEIR OWN PARTICULAR CIRCUMSTANCES.

6. PRICE RANGE OF THE SHARES; DIVIDENDS ON THE SHARES

From October 23, 1997 to May 5, 1999, the Shares were quoted on the Nasdaq National Market under the symbol IVTC. Since May 5, 1999, the Shares have been traded on the Nasdaq Over-the-Counter Bulletin Board market (the "OTC Bulletin Board"). The following table sets forth, for each of the periods indicated,

the high and low sales price per Share as reported by the Nasdaq National Market, and after May 5, 1999, by the OTC Bulletin Board.

	HIGH	LOW
Fiscal Year Ended December 31, 1997		
4th Quarter (from October 23, 1997)	$20.250	$15.750
Fiscal Year Ended December 31, 1998		
1st Quarter	$20.250	$15.000
2nd Quarter	18.750	7.000
3rd Quarter	7.440	2.530
4th Quarter	3.310	1.130
Fiscal Year Ending December 31, 1999		
1st Quarter	$ 2.688	$ 0.375
2nd Quarter	1.688	0.375
3rd Quarter	0.656	0.125
4th Quarter (through November 19, 1999)	1.875	0.219

On November 18, 1999, the last full trading day prior to the public announcement of the execution of the Merger Agreement, the closing sales price per Share quoted on the OTC Bulletin Board was $1.25. On November 19, 1999, the last full trading day prior to the date of this Offer to Purchase, the closing sales price per Share quoted on the OTC Bulletin Board was $1.50. STOCKHOLDERS ARE URGED TO OBTAIN CURRENT MARKET QUOTATIONS FOR THE SHARES.

The Company has never declared or paid any cash dividend, and under the terms of the Merger Agreement, the Company is not permitted to declare or pay dividends with respect to the Shares without the prior written consent of Parent.

7. EFFECT OF THE OFFER ON THE MARKET FOR THE SHARES, STOCK QUOTATION AND EXCHANGE ACT REGISTRATION

The purchase of Shares pursuant to the Offer will reduce the number of

Shares that might otherwise trade publicly and the number of holders of Shares, which could adversely affect the liquidity and market value of the remaining Shares held by stockholders other than Purchaser.

Although the Shares are currently registered under the Exchange Act, that registration may be terminated upon application of the Company to the Commission if the Shares are no longer held by 300 or more holders of record. If, as a result of the purchase of Shares pursuant to the Offer, the Shares are no longer held by 300 or more holders of record and the Company terminates the registration of the Shares under the Exchange Act, the Shares will no longer meet the requirements of the NASD for continued inclusion in the OTC Bulletin Board. It is possible that the Shares would continue to trade in the local over-the-counter market and that price quotations would be reported by other sources, depending upon the interest in maintaining a market in the Shares on the part of securities firms and other factors. Termination of the registration of the Shares under the Exchange Act would substantially reduce the information required to be furnished by the Company to holders of Shares and to the Commission and would make certain of the provisions of the Exchange Act no longer applicable to the Company. Such provisions include the short-swing profit recovery provisions of Section 16(b), the requirement of furnishing a proxy statement pursuant to Section 14(a) in connection with a stockholders' meeting and the related requirement of providing an annual report to stockholders and the requirements of Rule 13e-3 under the Exchange Act with respect to "going private" transactions. Furthermore, "affiliates" of the Company and persons holding "restricted securities" of the Company may be deprived of the ability to dispose of such securities pursuant to Rule 144 as promulgated under the Securities Act of 1933, as amended (the "Securities Act"). Purchaser intends to seek to cause the Company to apply for termination of registration of the Shares under the Exchange Act as soon after the completion of the Offer as the requirements for such termination are met. If registration of the Shares is not terminated prior to the Merger, then the registration of the Shares under the Exchange Act will be terminated following consummation of the Merger.

8. CERTAIN INFORMATION CONCERNING THE COMPANY

The Company is a corporation organized and existing under the laws of the State of Delaware, with its principal executive offices located at 2 Northpoint Drive, Suite 300, Houston, Texas 77060. The Company provides comprehensive maintenance, repair, replacement and value-added distribution services for industrial valves, piping systems and other process-system components.

Selected Consolidated Financial Data. Set forth below is certain selected financial data with respect to the Company. Most of such data is excerpted or derived from financial information contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "Company Form 10-K"), and the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 (the "Company Form 10-Q"). More comprehensive financial information is included in such reports and other documents filed by the Company with the Commission. The following summary is qualified in its entirety by reference to such reports and other documents and all financial information (including any related notes) contained therein. The Company Form 10-K, the Company Form 10-Q and such other documents should be available for inspection and copies thereof should be obtainable from the offices of the Commission in the manner set forth below.

SELECTED CONSOLIDATED FINANCIAL DATA
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	AT OR FOR THE NINE MONTHS ENDED SEPTEMBER 30,		AT OR FOR THE YEAR ENDED DECEMBER 31,	
	1999	1998	1998	1997
	(UNAUDITED)			
SUMMARY OF OPERATIONS DATA				
Revenues	$121,084	$112,753	$154,617	$ 58,621
Net Earnings (Loss)	(7,575)	(1,489)	(1,415)	(7,500)
Net Earnings (Loss) Per Common Share	(0.78)	(0.17)	(0.16)	(2.25)

BALANCE SHEET DATA				
Working Capital	(37,567)	(26,676)	42,545	21,232
Total Assets	$174,906	$185,990	$183,700	$105,433
Total Debt	81,510	80,935	83,220	29,527
Stockholders' Equity	65,220	82,905	79,205	59,869

Other Information. The Company is subject to the information filing requirements of the Exchange Act and, in accordance therewith, is required to file periodic reports, proxy statements and other information with the Commission relating to its business, financial condition and other matters. Information, as of particular dates, concerning the Company's directors and officers, their remuneration, stock options granted to them, the principal holders of the Company's securities, any material interests of such persons in transactions with the Company and other matters is required to be described in proxy statements distributed to the Company's stockholders and filed with the Commission. These reports, proxy statements and other information should be available for inspection at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and should also be available for inspection and copying at prescribed rates at the regional offices of the Commission located at Seven World Trade Center, 13th Floor, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of this material may also be obtained by mail, upon payment of the Commission's customary fees, from the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission also maintains a site on the World Wide Web at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

Except as otherwise provided in this Offer to Purchase, the information concerning the Company contained in this Offer to Purchase, including financial information, has been taken from or based upon records on file with the Commission and other publicly available information. Although neither Purchaser nor Parent has any knowledge that any such information is untrue, neither Purchaser nor Parent takes any

responsibility for the accuracy or completeness of such information or for any failure by the Company to disclose events that may have occurred or may affect the significance or accuracy of such information.

9. CERTAIN INFORMATION CONCERNING PURCHASER AND PARENT

Purchaser, a Delaware corporation, was organized to acquire all of the outstanding Shares pursuant to the Offer and the Merger and has not conducted any unrelated activities since its organization. All of the outstanding capital stock of Purchaser is owned directly by Parent. The principal executive offices of Purchaser and Parent are located at 222 W. Las Colinas Blvd., Suite 1500, Irving, Texas 75039.

Parent is principally engaged in the design, manufacture, distribution and service of industrial flow management equipment throughout the world. Parent provides pumps, valves and mechanical seals primarily for the refinery and pipeline segments of the petroleum industry, the chemical processing industry, the power generation industry and other industries requiring flow management products and services. Parent manufactures certain standard products, but specializes in the development of precision engineered equipment for critical service applications where high reliability is required. Parent's materials expertise, design and engineering capabilities and applications know-how have enabled it to develop product lines that are responsive to customers needs for manufacturing efficiency, reduced maintenance cost, and avoidance of premature equipment failure. An important element of Parent's business is its successful emphasis on providing aftermarket products and services. These consist of supplying parts, making repairs and providing a variety of technical services for the upgrade or retrofit of equipment to extend its useful life or improve its operating characteristics.

Set forth below is certain selected consolidated financial information with respect to Parent and its consolidated subsidiaries excerpted from Parent's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and from its Quarterly Reports on Form 10-Q for the fiscal quarters ended September 30, 1999 and September 30, 1998. More comprehensive financial information is included in such reports and other documents filed by Parent with the

Commission. The following summary is qualified in its entirety by reference to such reports and other documents and all financial information (including any related notes) contained therein. Such reports and other documents are available for inspection and copies are obtainable in the manner set forth in Section 8 above.

FLOWSERVE CORPORATION

SELECTED CONSOLIDATED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	AT OR FOR THE NINE MONTHS ENDED SEPTEMBER 30,		AT OR FOR THE YEAR ENDED DECEMBER 31,		
	1999	1998	1998	1997	1996
	(UNAUDITED)				
STATEMENT OF INCOME DATA					
Sales	$798,556	$803,821	$1,083,086	$1,152,196	$1,097,645
Net Earnings	23,735	41,697	48,875	51,566	71,097
Net Earnings Per Common Share	0.63	1.03	1.23	1.26	1.72
BALANCE SHEET DATA					
Working Capital	278,740	283,862	268,164	284,220	279,972
Total Assets	831,819	862,228	870,197	880,025	829,776
Long-term Debt, including current portion	215,346	200,589	200,685	141,145	160,574
Stockholders' Equity	338,420	349,977	344,764	395,273	388,624

Parent is subject to the information filing requirements of the Exchange Act and, in accordance therewith, is required to file periodic reports, proxy statements and other information with the Commission relating to its business, financial condition and other matters. Information, as of particular dates, concerning Parent's directors and officers, their remuneration, stock options granted to them, the principal holders of

Parent's securities, any material interest of such persons in transactions with Parent and other matters is required to be described in proxy statements distributed to Parent's stockholders and filed with the Commission. These reports, proxy statements and other information are available for inspection and copies are obtainable in the manner set forth in Section 8 above.

Except as described in this Offer to Purchase, during the last five years, none of Purchaser, Parent or, to the best knowledge of Purchaser or Parent, any of the persons listed in Schedule I hereto (i) has been convicted in a criminal proceeding (excluding traffic violations and similar misdemeanors) or (ii) was a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting activities subject to, Federal or state securities laws or finding any violation of such laws. The name, business address, present principal occupation or employment, five year employment history and citizenship of each director and executive officer of Purchaser and Parent are set forth in Schedule I.

Except as described in this Offer to Purchase, (i) none of Purchaser, Parent or, to the best knowledge of Purchaser or Parent, any of the persons listed in Schedule I has any contract, arrangement, understanding or relationship (whether or not legally enforceable) with any other person with respect to any securities of the Company, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss, or the giving or withholding of proxies; (ii) there have been no contracts, negotiations or transactions between Purchaser, Parent or any of their respective subsidiaries or, to the best knowledge of Purchaser or Parent, any of the persons listed on Schedule I on the one hand, and the Company or any of its directors, officers or affiliates, on the other hand, that are required to be disclosed pursuant to the rules and regulations of the Commission.

10. SOURCE AND AMOUNT OF FUNDS

The Offer is not conditioned upon any financing arrangements. Purchaser estimates that the total amounts of funds required to consummate the Offer, to pay certain indebtedness and other obligations of the Company pursuant to the Merger Agreement, to consummate the Merger and to pay related fees and expenses will be approximately $105 million. Purchaser will obtain all such funds from Parent in the form of capital contributions and/or loans. Parent will in turn obtain such funds from its working capital.

11. BACKGROUND OF THE OFFER

On June 23, 1999, Rick Johnson, Vice President of Business Development for Parent, telephoned William E. Haynes, Chairman and Chief Executive Officer of the Company, stating that he desired to meet with officers of the Company to explore potential mutual opportunities. Charles F. Schugart, President of the Company, returned the call on behalf of the Company resulting in Mr. Johnson and Mr. Schugart agreeing to meet, along with other officers of each company, on June 30, 1999.

On June 30, 1999, George Shedlarski, Vice President of Parent and President -- Flow Solutions Division, and Mr. Johnson met with Mr. Schugart and Pliny L. Olivier, Senior Vice President of Operations of the Company, to discuss each company's business philosophy and the current operating environment, and to generally explore any similarities or complementary strengths of their respective businesses. Following the meeting the parties executed a confidentiality agreement and agreed to exchange selected information relative to the Company's current and projected operations. The conversations were general in nature and did not involve price.

On July 22, 1999, Mr. Shedlarski, Mr. Johnson, John Wood, Director of Corporate Development for Parent, and Ronald F. Shuff, Vice President, Secretary and General Counsel of Parent, contacted Simmons, and expressed an interest in further exploring a potential business combination between Parent and the Company. Following the call, Parent received a detailed information package from Simmons to assist Parent in analyzing a potential merger with the Company as well as to arrive at an initial valuation of the Company.

On August 3, 1999, Messrs. Schugart, Olivier, Shedlarski and Johnson met to discuss issues relating to a possible business combination between Parent and the Company.

On August 10, 1999, Mr. Johnson received a facsimile letter from Simmons requesting a preliminary indication of Parent's interest in writing, including a specific value for the Company.

On August 16, 1999, Mr. Johnson sent a letter to Simmons expressing a strong interest in Parent acquiring the Company on a preliminary "full enterprise" valuation basis, including the assumption of debt, in a general valuation range. Mr. Schugart, Douglas R. Harrington, Jr., Chief Financial Officer for the Company, and Simmons contacted Mr. Shuff to discuss the status of senior management and the Company's board of directors approval, the impact of supplier relationships on the valuation and the timing of due diligence.

On August 27, 1999, Messrs. Schugart, Olivier, Harrington, Shedlarski, Johnson, Shuff and Stephen A. Simone, Vice President Sales and Operations -- Flow Solutions Division of Parent, met at the Company's offices in Houston to discuss initial due diligence matters. Mr. Olivier and Mr. Simone agreed to visit both Parent and the Company operating facilities during the following two weeks in order to better understand how a business combination might be effected and what operating synergies may exist between the two businesses. Mr. Olivier subsequently visited Parent sites in Benecia and Los Angeles, California, and Mr. Olivier and Mr. Simone jointly visited one Company site in Sulphur, Louisiana and Company and Parent sites in Tampa, Florida, Chicago, Illinois and Beaumont and Houston, Texas.

From September 22 through September 24, 1999, Messrs. Schugart, Olivier, Harrington, Simone, Robert A. Rhodes, Manager Sales and Operations -- Eastern U.S., John Sawyer, Controller -- Flow Solutions Division, J.P. Easton, Manager Service Operations -- U.S., and Andrew J. Beall, Vice President Sales -- Flow Control Division, met in Houston to ascertain the benefits which could be

achieved from a combination of the Company and Parent.

On October 8, 1999, Simmons and Messrs. Schugart, Harrington, Shuff and Johnson met at Parent's offices in Dallas to discuss an acquisition proposal for the Company. Parent's representatives indicated that Parent was interested in pursuing a possible transaction and that, subject to satisfactory completion of a due diligence review, Parent's valuation of the Company on an overall full enterprise valuation of the Company, including the assumption of debt and payment of transaction costs, was $95 million. Parent's representatives also informed the Company's representatives and Simmons that subject to satisfactory completion of a due diligence review and certain other conditions, including negotiation of a definitive merger agreement and stockholder agreements, Parent would be willing to pay $95 million on this full enterprise valuation basis in cash for the Company, to be allocated between creditors and equity holders of the Company based on the Company reaching settlement agreements with its creditors.

The parties agreed to reconvene, and on October 12, 1999, Messrs. Schugart, Olivier, Harrington and Simmons met with Messrs. Shuff and Johnson at the Company's offices in Houston where they discussed the concerns which Parent had outlined and presented a counterproposal of $110 million on the same full enterprise basis. Mr. Shuff and Mr. Johnson then spoke on the telephone with C. Scott Greer, President and Chief Operating Officer of Parent, and ultimately proposed a valuation of $105 million on this basis, subject to satisfactory completion of due diligence and other conditions, including negotiation of a definitive merger agreement. The Company's representatives informed Parent's representatives that Parent's proposal was acceptable in principle, subject to board approval.

On October 19, 1999, Mr. Johnson sent a written proposal, via facsimile, to Simmons confirming the valuation and preliminary terms and conditions of the proposed merger of the Company and Parent.

During the remainder of October and through mid-November of 1999, Parent, along with its legal advisors, environmental consultant and independent accountants, conducted a due diligence review of information provided by the Company and conducted various interviews with members of the Company's management.

On October 21, 1999, Parent held a board meeting at which management presented background information with regard to the Company, the strategic rationale for the Merger, the status of negotiations, the

financial ramifications of the Merger and the proposed terms of the Merger. Upon review of the information presented by management, Parent's board of directors authorized management to attempt to negotiate a definitive merger agreement with the Company on the proposed terms, subject to board approval.

On October 22, 1999, legal counsel for Parent distributed a draft of the Merger Agreement to the Company and its legal advisors, and on November 3, 1999, legal counsel for Parent distributed a draft of the Stockholder Agreements to the Company and its legal advisors. The parties and their legal advisors continued to negotiate the terms of the Merger Agreement and Stockholder Agreements from October 22, 1999 through November 17, 1999.

On October 29, 1999, the Company and Parent entered into a letter agreement pursuant to which the Company agreed to pay Parent the out-of-pocket expenses incurred by it in connection with the proposed transaction if the Company accepts a competing offer within six months of such date and the related transaction is consummated. The letter agreement terminated upon the execution of the Merger Agreement.

On November 16, 1999, Parent's board of directors authorized the execution, delivery and performance of the Merger Agreement, the Stockholder Agreements and the transactions contemplated thereby.

On November 17, 1999, representatives of the Company informed Parent that the Board of the Company had approved the Offer, the Merger and the Stockholder Agreements and authorized the execution, delivery and performance of the Merger Agreement and the transactions contemplated thereby.

On November 18, 1999, representatives of the Company informed Parent that the Board of the Company had reconvened on the afternoon on November 17, 1999 and again on the morning of November 18, 1999 in order to address concerns voiced by a stockholder of the Company, at which meetings the Board of the Company reconfirmed its approval of the Offer, the Merger and the Stockholder Agreements.

On November 18, 1999, Parent, Purchaser and the Company executed and delivered the Merger Agreement; Parent, Purchaser and the Selling Stockholders executed and delivered the Stockholder Agreements; and Parent and the Company each announced the signing of the definitive Merger Agreement.

On November 22, 1999, pursuant to the terms of the Merger Agreement, Purchaser commenced the Offer.

12. PURPOSE OF THE OFFER AND THE MERGER; PLANS FOR THE COMPANY; THE MERGER AGREEMENT; THE STOCKHOLDER AGREEMENTS; OTHER MATTERS

Purpose of the Offer and the Merger

The purpose of the Offer is for Parent to acquire a majority equity interest in the Company and acquire control of the Board as a first step in acquiring the entire equity interest in the Company. The purpose of the Merger is for Parent to acquire all Shares not purchased pursuant to the Offer. Upon consummation of the Merger, the Company will become a wholly-owned subsidiary of Parent. The Offer is being made pursuant to the Merger Agreement.

Under the DGCL, the approval of the Board and the affirmative vote of the holders of a majority of the outstanding Shares is required to approve and adopt the Merger Agreement and the transactions contemplated thereby, including the Merger. The Board has unanimously approved and adopted the Merger Agreement and the transactions contemplated thereby. Thus, the only remaining required corporate action of the Company is the approval and adoption of the Merger Agreement and the transactions contemplated thereby by the affirmative vote of the holders of a majority of the Shares. ACCORDINGLY, IF THE MINIMUM CONDITION IS SATISFIED, PURCHASER WILL HAVE SUFFICIENT VOTING POWER TO CAUSE THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY WITHOUT THE AFFIRMATIVE VOTE OF ANY OTHER STOCKHOLDER. FURTHER, IF AT LEAST 90% OF THE OUTSTANDING SHARES ARE ACQUIRED IN THE OFFER, PURCHASER WILL BE ABLE TO EFFECT THE MERGER PURSUANT TO SECTION 253 OF THE DGCL WITHOUT PRIOR NOTICE TO, OR ANY ACTION OR VOTE BY, ANY OTHER STOCKHOLDER.

In the Merger Agreement, the Company has agreed to convene a meeting of stockholders as promptly as practicable following the consummation of the Offer for the purpose of considering and taking action on the Merger Agreement and the transactions contemplated thereby. Parent and Purchaser have agreed that all Shares owned by them will be voted in favor of the Merger Agreement and the transactions contemplated thereby.

Plans for the Company

Parent is conducting a detailed review of the Company and its assets, business, corporate structure, capitalization, operations, properties, policies, management and personnel to determine what business strategies it may pursue in the event it acquires control of the Company. Such strategies are expected to include, among other things, the integration of certain assets or businesses of the Company with those of Parent and its subsidiaries, as well as the implementation of industrial and technical savings and synergies created by the transaction. Parent will make such changes or take such actions concerning the Company only after it has completed its review and Parent's decisions could be affected by information hereafter obtained, changes in general economic or market conditions or in the business of the Company or its subsidiaries and other factors.

Assuming the Minimum Condition is satisfied and Purchaser purchases Shares pursuant to the Offer, Parent intends to exercise promptly its rights under the Merger Agreement to obtain majority representation on, and control of, the Board of Directors of the Company. See "-- The Merger Agreement -- Board Representation" below. Parent will exercise such rights by causing the Company to appoint or elect to the Company Board Bernard G. Rethore, C. Scott Greer, Hugh K. Coble, Diane C. Harris, Gregory T. Haymaker, Jr., Michael F. Johnson,

Charles M. Rampacek, Renee J. Hornbaker and Ronald F. Shuff. Information with respect to such directors is contained in Schedule I hereto. Following the Merger, the Company's entire Board of Directors will initially consist of the directors of Purchaser, as set forth in Schedule I hereto, and the executive officers of Purchaser, as set forth in Schedule I hereto, will become the executive officers of the Company.

The Merger Agreement

The following is a summary of the material terms of the Merger Agreement. This summary is not a complete description of the terms and conditions of the Merger Agreement and is qualified in its entirety by reference to the full text of the Merger Agreement, which is incorporated by reference and a copy of which has been filed with the Commission as an exhibit to the Schedule 14D-1. The Merger Agreement may be examined, and copies obtained, as set forth in Section 8 above.

The Offer. The Merger Agreement provides for the commencement of the Offer and prescribes conditions to consummation of the Offer. Purchaser has expressly reserved the right to increase the price per Share payable in the Offer or to make any other changes in the terms and conditions of the Offer, except that without the written consent of the Company, Purchaser has agreed that it will not (i) decrease the Offer Price, change the form of consideration payable in the Offer or decrease the number of Shares sought, (ii) change the conditions to the Offer (other than to waive any condition), (iii) impose additional conditions to the Offer or (iv) amend any other term of the Offer in any manner adverse to the holders of Shares. The Merger Agreement provides that Purchaser may, from time to time, in its sole discretion extend the Expiration Date, (w) to comply with the applicable rules, regulations, interpretations and positions of the Commission and its staff; (x) if any of the conditions to the Offer have not been satisfied, for the minimum period of time necessary to satisfy such condition; (y) regardless of the number of Shares tendered, on one or more occasions for an aggregate period of not more than 10 business days beyond the latest Expiration Date permitted by clauses (w) and (y) of this sentence; and (z) if all of the conditions to the Offer have been satisfied but fewer than 90% of the shares of Common Stock outstanding (determined on a fully diluted basis) have been tendered in the Offer, for the minimum period of time necessary until 90% of such shares have been so tendered, but in no event later than the tenth business day following the latest Expiration Date permitted by clauses (w), (x) and (y) of this sentence.

Board Representation. The Merger Agreement provides that effective upon the payment by Purchaser for Shares pursuant to the Offer, Purchaser shall be entitled to designate the number of directors, rounded up to the next whole number, on the Board that equals the product of (i) the total number of directors on the Board (giving effect to the election or appointment of any additional directors pursuant to the terms of the Merger Agreement) and (ii) the percentage that the number of Shares beneficially owned by Parent and Purchaser (including Shares accepted for payment) bears to the total number of Shares outstanding. The Company has agreed that it will take all actions necessary to cause Purchaser's designees to be elected or appointed to the Board, including, without limitation, by increasing the size of the Board, amending its Bylaws, using its best efforts to obtain resignations of incumbent directors, and filing with the Commission and mailing to stockholders the information required by Section 14(f) of the Exchange Act and the rules promulgated thereunder. In the event that Purchaser's designees are elected to the Board, until the Effective Time, the Board shall have at least two directors who were directors on the date of execution of the Merger Agreement, and the affirmative vote of a majority of such directors shall be required to amend or terminate the Agreement by the Company or exercise or waive any of the Company's rights thereunder.

The Merger. The Merger Agreement provides that the Merger will be effected at the Effective Time. Upon consummation of the Merger, the separate existence of Purchaser shall cease and the Company shall continue as the surviving corporation. The surviving corporation of the Merger is sometimes referred to herein as the "Surviving Corporation." The Merger will become effective upon the filing of the Certificate of Merger (the "Certificate of Merger") with the Delaware Secretary of State or at such time thereafter as is agreed upon by the parties and specified in the Certificate of Merger.

Consideration to be Paid in the Merger. The Merger Agreement provides that

upon the terms and subject to the conditions in the Merger Agreement and in accordance with the DGCL, at the Effective Time, by virtue of the Merger, each Share issued and outstanding immediately prior to the Effective Time (excluding Shares owned by the Company or by Parent, Purchaser or any other wholly-owned subsidiary of Parent, and Dissenting Shares (as defined below)) shall be converted into the right to receive the Offer Price, in cash, without interest. Each share of common stock of Purchaser issued and outstanding immediately prior to the Effective Time will, at the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and become one validly issued, fully paid and nonassessable share of common stock of the Surviving Corporation. Each Share issued and outstanding immediately prior to the Effective Time that is owned by the Company, Parent, Purchaser or any other wholly-owned subsidiary of Parent, automatically will be cancelled and retired without payment of any consideration therefor and shall cease to exist.

Dissenting Shares. Shares issued and outstanding immediately prior to the Effective Time held by a holder (if any) who has the right to demand, and who properly demands, an appraisal of such Shares in accordance with Section 262 of the DGCL (or any successor provision) ("Dissenting Shares") will not be converted into the right to receive the Merger Consideration unless such holder fails to perfect or otherwise loses such holder's right to such appraisal, if any. If, after the Effective Time, such holder fails to perfect or loses any such right to appraisal, each such Share of such holder shall be treated as a Share that had been converted as of the Effective Time into the right to receive the Merger Consideration in accordance with the terms of the Merger Agreement.

Treatment of Stock Options, Warrants, Convertible Notes and Subsidiary Acquisition Agreements. The Merger Agreement provides that the Company will use its best efforts to cause each holder of an outstanding employee or director stock option to purchase Shares (the "Stock Options") to enter into an Award Termination Agreement (as defined in the Merger Agreement), pursuant to which each outstanding Stock Option shall be canceled in exchange for a cash payment of an amount equal to the excess, if any, of the Offer Price over the exercise price per share of Common Stock subject to such Stock Option, multiplied by the number of Shares of Common Stock subject to such Stock Option immediately prior to its cancellation; provided, however, that the Company will not be in breach of the Merger Agreement if it fails to secure Award Termination Agreements from the holders of Stock Options for not more than an aggregate of 200,000 shares (such Stock Options being the "Converted Options"). If there is no excess of the Offer Price over the exercise price per share of Common Stock subject to a Stock Option other than a Converted Option,

such Stock Option shall be canceled for no consideration. Notwithstanding the foregoing, at the Effective Time, each Converted Option, whether vested or unvested, shall be deemed to constitute an option (a "New Parent Option"), to acquire, on the same terms and conditions as were applicable under such Converted Option, the number of shares of common stock of Parent (the "Parent Common Stock") (rounded down to the nearest whole number) equal to the product of (A) the number of Shares of Common Stock issuable upon exercise of such Converted Option and (B) the Offer Price divided by the average closing sale price of the Parent Common Stock on the New York Stock Exchange Composite Tape (as reported by The Wall Street Journal (Southwestern Edition)) for the ten consecutive trading days immediately prior to and including the date preceding the Effective Time (such product being the "Option Exchange Ratio"), at an exercise price (rounded to the nearest whole cent) equal to (X) the exercise price per share at which Common Stock shall have been purchasable immediately prior to the Merger pursuant to such Converted Option divided by (Y) the Option Exchange Ratio.

The Merger Agreement provides that at any time after payment for Shares pursuant to the Offer and prior to the Effective Time (but in no event later than January 31, 2000 if Purchaser has accepted Shares for payment pursuant to the Offer prior to such date), as determined by Purchaser, the parties shall take the actions necessary to cause each outstanding warrant to purchase Shares (the "Warrants") to be surrendered and canceled by the holders thereof and that Purchaser shall pay, or provide the funds and cause the Company to pay, all amounts due under the Loan Agreement (as defined in the Merger Agreement) pursuant to which the Warrants were issued.

The Merger Agreement provides that at any time after payment for Shares pursuant to the Offer and prior to the Effective Time (but in no event later than January 31, 2000 if Purchaser has accepted Shares for payment pursuant to

the Offer prior to such date), as determined by Purchaser, Purchaser shall pay, or provide the funds and cause the Company to pay, the Convertible Notes (as defined in the Merger Agreement).

The Merger Agreement provides that at any time after payment for Shares pursuant to the Offer and prior to the Effective Time (but in no event later than January 31, 2000 if Purchaser has accepted Shares for payment pursuant to the Offer prior to such date), as determined by Purchaser, Purchaser shall pay, or provide the funds and cause the Company to pay, the amounts outstanding under the Collier Merger Agreement, the Colonial Merger Agreement and the Plant Maintenance Merger Agreement (as such terms are defined in the Merger Agreement) (collectively, the "Subsidiary Acquisition Agreements").

Representations and Warranties. The Merger Agreement contains various representations and warranties of the parties thereto. These include representations by the Company with respect to (i) organization, good standing and corporate power, (ii) capitalization, (iii) authority, consents and noncontravention, (iv) Commission reports, (v) financial statements, (vi) absence of undisclosed liabilities and absence of certain changes or events, (vii) employee benefit plans, (viii) tax matters, (ix) compliance with laws and agreements, (x) intellectual property, (xi) litigation, (xii) environmental matters, (xiii) contracts, (xiv) assets, (xv) takeover restrictions, (xvi) absence of finders or brokers' fees, (xvii) agreements with creditors and other claimants, (xviii) aggregate amounts necessary to pay the Convertible Notes and to pay the amounts outstanding under the Subsidiary Acquisition Agreements and (xix) the aggregate amount of the Company's transaction costs.

Parent and Purchaser have also made certain representations and warranties, including with respect to (i) organization, good standing and corporate power, (ii) capitalization, (iii) authority, consents and noncontravention, (iv) absence of finders or brokers' fees and (v) financing. No representations and warranties made by the Company, Parent or Purchaser will survive beyond the Effective Time and no covenants made in the Merger Agreement will survive beyond the Effective Time except for any covenant or agreement which by its terms contemplates performance after the Effective Time.

Conduct of Business Pending the Merger. The Company has agreed that during the period from the date of the Merger Agreement and continuing until the time the designees of Purchaser have been elected to, and shall constitute a majority of, the Board, the Company shall, and shall cause its subsidiaries to, conduct their respective operations in the ordinary course consistent with past practice, and will use commercially reasonable efforts to preserve intact their business organizations, keep available the services of officers and

employees and preserve their relationships with customers, suppliers, licensors, licensees, distributors and others having dealings with them. The Company has agreed that, during such period it will not, and will not permit any of its subsidiaries to, without the prior consent of Parent, and except as otherwise contemplated by the Merger Agreement, (a) amend its certificate of incorporation or bylaws or comparable organizational documents; (b) (i) declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to the Company's capital stock or that of its subsidiaries (other than dividends and distributions by a direct or indirect wholly-owned subsidiary of the Company to its parent or pursuant to the Rights Agreement); (ii) redeem, purchase or otherwise acquire directly or indirectly any shares of the capital stock of the Company or of its subsidiaries or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities; (iii) authorize for issuance, issue, sell, pledge, deliver or agree to commit to issue, sell, pledge or deliver (whether through the issuance or granting of any options, warrants, calls, subscriptions, stock appreciation rights or other rights or other agreements) or otherwise encumber any shares of capital stock of any class of the Company or of its subsidiaries or any securities convertible into or exchangeable for shares of capital stock of any class of the Company or of its subsidiaries other than Shares issued upon the exercise of Stock Options outstanding on the date of the Merger Agreement in accordance with the Stock Plans as in effect on the date of the Merger Agreement; or (iv) split, combine or reclassify the outstanding capital stock of the Company or of any of its subsidiaries or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of the capital stock of the Company or of any of its subsidiaries; (c) acquire or agree to acquire (including, without limitation, by merger, consolidation or acquisition of stock or assets) any business, corporation, partnership, limited liability company, joint venture,

association or other business organization or division thereof; (d) sell, lease, license, transfer, mortgage or otherwise encumber or subject to any lien or otherwise dispose of any assets of the Company or of its subsidiaries other than (i) sales of inventory in the ordinary course of business, (ii) sales of assets (other than sales of inventory in the ordinary course of business) having an aggregate fair market value on the date of the Merger Agreement of less than $50,000, in each case only if in the ordinary course of business and consistent with past practice and (iii) encumbrances and liens incurred in the ordinary course of business and consistent with past practice on assets that are not, individually or in the aggregate, material to the Company and its subsidiaries, taken as a whole; (e) except as disclosed in the Disclosure Letter (as defined in the Merger Agreement), make or agree to make any new capital expenditure or expenditures in excess of $10,000 each and $50,000 in the aggregate; (f) except as required to comply with applicable law or agreements, employee benefit plans or arrangements existing on the date of the Merger Agreement, (i) adopt, enter into, terminate or amend in any material respect any employment contract, collective bargaining agreement or employee benefit plan, (ii) increase in any manner the compensation or fringe benefits of, or pay any bonus to, any director, officer or employee (except for normal increases of cash compensation or cash bonuses in the ordinary course of business consistent with past practice), (iii) pay any benefit not provided for under any Company employee benefit plan, (iv) increase in any manner the severance or termination pay of any officer or employee, (v) except as permitted in clause (ii), grant any awards under any employee benefit plan (including the grant of stock options, stock appreciation rights, stock-based or stock-related awards, performance units or restricted stock or the removal of existing restrictions in any employee benefit plans or agreements or awards made thereunder), (vi) take any action to fund or in any other way secure the payment of compensation or benefits under any employee agreement, contract or employee benefit plan or (vii) except pursuant to the Award Termination Agreements, take any action to accelerate the vesting of, or cash out rights associated with, any Stock Options; (g) enter into any agreement of a nature that would be required to be filed as an exhibit to Form 10-K under the Exchange Act, other than contracts for the sale of the Company's products in the ordinary course of business; (h) (i) incur or assume any long-term debt, or except in the ordinary course of business in amounts consistent with past practice, incur or assume any short-term indebtedness; (ii) issue or sell any debt securities or warrants or other rights to acquire any debt securities of the Company or of any of its Subsidiaries; (iii) enter into any "keep well" or other arrangement to maintain any financial condition of another person; (iv) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person, except in the ordinary course of business and consistent with past practice; or (v) make any loans, advances or capital contributions to, or investments in, any other person (other than to wholly-owned subsidiaries of the Company); (i) make any change in accounting methods, principles or practices unless required by GAAP (as

defined in the Merger Agreement); (j) compromise or settle any material claim or litigation; (k) take, or agree to commit to take, any action that would or is reasonably likely to result in any of the conditions to the Offer set forth in the Merger Agreement or any of the conditions to the Merger set forth in the Merger Agreement not being satisfied, or would make any representation or warranty of the Company contained in the Merger Agreement inaccurate in any respect at, or as of any time prior to, the Effective Time, or that would impair the ability of the Company to consummate the Merger in accordance with the terms of the Merger Agreement or delay such consummation; (l) make or rescind any tax election or settle or compromise any tax liability or refund or change in any material respect any of the methods of reporting income or deductions for federal income tax purposes; (m) permit any material insurance policy naming it as a beneficiary or a loss payable payee to be canceled or terminated, except in the ordinary course of business and consistent with past practice; (n) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its subsidiaries (other than the Merger); (o) enter into any agreement or arrangement with any affiliate of the Company or any of its subsidiaries (other than agreements or arrangements between the Company and wholly-owned subsidiaries or between wholly-owned subsidiaries) on terms less favorable to the Company or the subsidiary, as the case may be, than could be reasonably expected to have been obtained with an unaffiliated third party on an arm's-length basis; (p) amend, terminate or waive any provisions of the Subsidiary Acquisition Agreements or the Convertible Notes; or (q) enter into an agreement, contract, commitment or arrangement to do any of the foregoing, or

authorize, recommend, propose or announce an intention to do any of the foregoing.

No Solicitation. The Merger Agreement provides that the Company shall not, nor shall it permit any of its subsidiaries to, nor shall it authorize or permit any officer, director or employee of the Company or any of its subsidiaries or any investment banker, financial advisor, attorney, accountant or other representative or agent retained by the Company or any subsidiary (collectively, the "Company Representatives") to, directly or indirectly, (i) solicit, initiate or knowingly encourage the submission of any Acquisition Proposal (as defined below) or (ii) participate in any discussions or negotiations regarding, or furnish to any person any nonpublic information with respect to, or take any other action designated or reasonably likely to facilitate any inquiries or the making of any proposal that constitutes an Acquisition Proposal; provided, however, that the Company may, in response to an unsolicited Acquisition Proposal received after the date of the Merger Agreement, and subject to compliance with Section 5.3(c) of the Merger Agreement, participate in discussions or negotiations with a third party making an Acquisition Proposal (and may furnish information to such third party pursuant to a customary confidentiality agreement on terms no less favorable to the Company than the confidentiality agreement between the Company and Parent) if (x) the Board of Directors of the Company reasonably determines that the Acquisition Proposal is a bona fide Superior Proposal (as defined below) and (y) the Board of Directors determines (after consultation with independent outside counsel) that failing to take such action could reasonably be determined to constitute a breach of its fiduciary duties to the Company's stockholders under applicable law. The Merger Agreement requires the Company to immediately cease and cause to be terminated any existing solicitation, initiation, encouragement, activity, discussion or negotiation with any person conducted prior to the execution of the Merger Agreement by the Company or any Company Representative with respect to any Acquisition Proposal existing on the date of the Merger Agreement. The Company may not release any third party from, or amend or waive any provision of, any standstill agreement to which it is a party unless the Board of Directors of the Company determines (after consultation with independent outside counsel) that failing to take such action could reasonably be determined to constitute a breach of its fiduciary duties to the Company's stockholders under applicable law. Any violation of the foregoing restrictions by any Company Representative shall be deemed to be a breach by the Company. For purposes of the Merger Agreement, "Acquisition Proposal" means any inquiry, proposal or offer from any person relating to any direct or indirect acquisition or purchase of a substantial amount of assets of the Company and its subsidiaries, taken as a whole (other than the purchase of the Company's products in the ordinary course of business), or of over 10% of any class of equity securities of the Company or any of its subsidiaries or any tender offer or exchange offer that if consummated would result in any person beneficially owning 10% or more of any class of equity securities of the Company or any of its subsidiaries or any merger, consolidation, business combination, sale of substantially all the assets, recapitalization, liquidation, dissolution or similar transaction involving the Company or any of its subsidiaries, other than the transactions

contemplated by the Merger Agreement, or any other transaction the consummation of which could reasonably be expected to impede, interfere with, prevent or materially delay the Offer or the Merger or which would reasonably be expected to dilute materially the benefits to Parent of the transactions contemplated by the Merger Agreement.

Except as set forth in Section 5.3 of the Merger Agreement, neither the Board of Directors of the Company nor any committee thereof may (i) withdraw or modify, or propose to withdraw or modify, in a manner adverse to Parent, the approval or recommendation by such Board of Directors or such committee of the Offer, the Merger or the Merger Agreement, (ii) approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal or (iii) cause the Company to enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement (each, an "Acquisition Agreement") related to any Acquisition Proposal. Notwithstanding the foregoing, prior to the time of acceptance for payment of Shares in the Offer, the Board of Directors of the Company may (subject to the terms of this and the following sentence) withdraw or modify its approval or recommendation of the Offer, the Merger Agreement or the Merger, approve or recommend a Superior Proposal, or enter into an agreement with respect to a Superior Proposal, in each case at any time after the second business day following Parent's receipt of written notice advising Parent that

the Board of Directors of the Company has received a Superior Proposal, specifying the material terms and conditions of such Superior Proposal and identifying the person making such Superior Proposal; provided, that the Board of Directors of the Company shall have determined (and been advised in writing by independent outside counsel) that the failure to take such action could reasonably be determined to cause the Board of Directors of the Company to violate its fiduciary duties to the Company's stockholders under applicable law; and provided further, that the Company shall not enter into an Acquisition Agreement with respect to a Superior Proposal unless the Company shall have furnished Parent with written notice not later than noon (New York City time) two days in advance of any date that it intends to enter into such agreement and shall have caused its financial and legal advisors to negotiate with Parent to make such adjustments in the terms and conditions of the Merger Agreement as would enable the Company to proceed with the transactions contemplated therein on such adjusted terms. In addition, if the Company proposes to enter into an Acquisition Agreement with respect to any Acquisition Proposal, it shall concurrently with entering into such agreement pay, or cause to be paid, to Parent the Termination Fee as described below under "-- Fees and Expenses." For purposes of the Merger Agreement, a "Superior Proposal" means any bona fide Acquisition Proposal made by a third party (i) that is on terms which the Board of Directors of the Company determines in its good faith judgment (based on consultation with the Company's financial advisor) to be more favorable to the Company's stockholders than the Offer and the Merger and (ii) for which financing, to the extent required, is then committed or which, in the good faith judgment of the Board of Directors of the Company, is capable of being obtained by such third party.

In addition to the obligations of the Company set forth above, the Company shall promptly advise Parent orally and in writing of any request for nonpublic information or of any Acquisition Proposal known to it, the material terms and conditions of such request or Acquisition Proposal and the identity of the person making such request or Acquisition Proposal. The Company will promptly inform Parent of any material change in the details (including amendments or proposed amendments) of any such request or Acquisition Proposal.

Releases. The Merger Agreement provides that upon payment of the amounts required pursuant to the Third Amendment to Loan Agreement (as defined by the Merger Agreement), the Company shall deliver to Parent evidence of the termination and release of all liens on any assets of the Company or any subsidiary of the Company granted in connection with, and executed receipts, payoff letters or similar documents executed by the Company's lenders under, the Loan Agreement dated as of July 7, 1998, among the Company, Chase Bank of Texas, National Association, as Agent, and certain other financial institutions therein listed, as amended, each in form and substance reasonably satisfactory to Parent and Parent's lenders (the "Releases").

Fees and Expenses. The Merger Agreement provides that, except as described below, all expenses incurred in connection with the Merger Agreement and the transactions contemplated by the Merger Agreement will be paid by the party incurring the expenses. If (x) the Board of Directors of the Company shall terminate the Merger Agreement pursuant to Section 7.1(c)(ii) thereof (in connection with entering into a definitive agreement relating to a Superior Proposal), (y) the Board of Directors of Parent or Purchaser

shall terminate the Merger Agreement pursuant to Section 7.1(d)(iii) thereof (in connection with the Board of Directors of the Company or any committee thereof having withdrawn or modified in a manner adverse to Parent or Purchaser or resolved to do so, or having approved or recommended any Acquisition Proposal or the Company having entered into an Acquisition Agreement with respect to Superior Proposal), or (z) prior to the termination of the Merger Agreement (other than by the Board of Directors of the Company pursuant to Section 7.1(c)(i)or 7.1(c)(iii) of the Merger Agreement), an Acquisition Proposal shall have been made and within 12 months of such termination, the same or another Acquisition Proposal from the same or another party shall be accepted and the related transaction consummated pursuant to a definitive agreement or otherwise, the Company shall pay to Parent (concurrently with such termination, in the case of clauses (x) or (y) above, and not later than two business days after the Company takes any such action with respect to an Acquisition Proposal, in the case of clause (z) above) an amount equal to $3.0 million plus an amount equal to the fees and expenses incurred by Parent and Purchaser in connection with the Offer, the Merger, the Merger Agreement and the consummation of the transactions contemplated thereby (the "Termination Fee").

Conditions to the Merger. Pursuant to the Merger Agreement, the obligation of each party to effect the Merger is subject to the satisfaction or written waiver on or prior to the closing date of the Merger of the following conditions: (i) if required by applicable law to effect the Merger, the Merger Agreement shall have been approved by the holders of a majority of the outstanding Shares, in accordance with applicable law and the Company's certificate of incorporation and bylaws; (ii) no law, statute, rule, executive order, decree, regulation, temporary restraining order or preliminary or permanent injunction or other order issued by any federal, state or local government or any court, administrative agency or commission or other governmental authority or agency, domestic or foreign (a "Governmental Entity") shall be in effect which declares the Merger Agreement invalid or unenforceable in any material respect or which prohibits consummation of the Merger, and all governmental consents, orders and approvals required for the consummation of the Merger and the other transactions contemplated by the Merger Agreement shall have been obtained and shall be in effect at the Effective Time; (iii) Parent, Purchaser or their affiliates shall have purchased Shares pursuant to the Offer; and (iv) the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") shall have expired or been terminated.

Termination. The Merger Agreement may be terminated and the Offer and the Merger may be abandoned at any time prior to the Effective Time (notwithstanding any stockholder approval of the Merger) (a) by the mutual written consent of the Board of Directors of Parent or Purchaser and the Board of Directors of the Company; (b) by either of the Board of Directors of the Company or the Board of Directors of Parent or Purchaser (i) if the Offer shall have expired without any Shares being purchased therein; provided, however, that the right to terminate the Merger Agreement pursuant to clause (b)(i) shall not be available to any party whose failure to fulfill any obligation under the Merger Agreement has been the cause of, or resulted in, the failure of Purchaser to purchase Shares pursuant to the Offer on or prior to the date on which the Offer shall have expired; or (ii) if any Governmental Entity shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties shall use their best efforts to lift), which permanently restrains, enjoins or otherwise prohibits the acceptance for payment of, or payment for, Shares pursuant to the Offer or the Merger and such order, decree, ruling or other action shall have become final and non-appealable; (c) by the Board of Directors of the Company (i) if Parent, Purchaser or any of their affiliates shall have failed to commence the Offer on or prior to five business days following the date of the initial public announcement of the Offer; provided, that the Company may not terminate the Merger Agreement pursuant to clause (c)(i) if the Company is in material breach of the Merger Agreement; (ii) in connection with entering into a definitive agreement in accordance with Section 5.3(b) of the Merger Agreement (described above under "No Solicitation"), provided the Company has complied with all provisions thereof, including the notice provisions therein, and that the Company makes simultaneous payment of the Termination Fee; or (iii) if Parent or Purchaser shall have breached in any material respect any of their respective representations, warranties, covenants or other agreements contained in the Merger Agreement, which breach cannot be or has not been cured within 30 days after the giving of written notice to Parent or Purchaser, as applicable, except, in any case, for such breaches which are not, in Parent's opinion, reasonably likely to affect adversely Parent's or Purchaser's ability to complete the Offer or the Merger; (d) by

the Board of Directors of Parent or Purchaser (i) if, due to an occurrence that if occurring after the commencement of the Offer would result in a failure to satisfy any of the conditions to the Offer, Parent, Purchaser, or any of their affiliates shall have failed to commence the Offer on or prior to five business days following the date of the initial public announcement of the Offer; provided, that neither Purchaser nor Parent may terminate the Merger Agreement pursuant to clause (d)(i) if it is in material breach of the Merger Agreement; (ii) if prior to the purchase of Shares pursuant to the Offer, the Company shall have breached any representation, warranty, covenant or other agreement contained in the Merger Agreement which would give rise to the failure of a condition set forth below in paragraph (f) or (h) of Section 14 -- "Certain Conditions of the Offer;" or (iii) if either Parent or Purchaser is entitled to terminate the Offer as a result of the occurrence of any event set forth below in paragraph (e) of Section 14 -- "Certain Conditions of the Offer."

Indemnification. The Merger Agreement provides that for six years after the Effective Time, the Surviving Corporation (or any successor to the Surviving

Corporation) shall indemnify, defend and hold harmless the present and former officers and directors of the Company and its subsidiaries (each an "Indemnified Party") against all losses, claims, damages, liabilities, fees and expenses (including reasonable fees and disbursements of counsel and judgments, fines, losses, claims, liabilities and amounts paid in settlement (provided that any such settlement is effected with the written consent of Parent or the Surviving Corporation, which consent will not be unreasonably withheld)) arising out of actions or omissions occurring at or prior to the Effective Time to the full extent permitted under Delaware law (provided that such actions or omissions were in compliance with the standards set forth under Delaware law, the certificate of incorporation and the bylaws of the Company), subject to the terms of the certificate of incorporation and the bylaws of the Company, all as in effect at the date of the Merger Agreement; provided that, in the event any claim or claims are asserted or made within such six-year period, all rights to indemnification in respect of any such claim or claims shall continue until disposition of any and all such claims; provided, further, that nothing therein shall impair any rights or obligations of any present or former directors or officers of the Company.

The Merger Agreement provides that Parent or the Surviving Corporation shall maintain the Company's existing officers' and directors' liability insurance for a period of not less than six years after the Effective Time; provided, that the Parent may substitute therefor policies of substantially similar coverage and amounts containing terms no less favorable to such former directors or officers; provided, further, that in no event shall the Company be required to pay aggregate premiums for insurance in excess of 200% of the aggregate premiums paid by the Company in 1999 on an annualized basis for such purpose.

The Merger Agreement provides that the foregoing indemnification provisions are intended to benefit the Company and each of the Indemnified Parties.

Stockholders Meeting. The Merger Agreement provides that if stockholder approval of the Merger is required by law, the Company will convene a special meeting of stockholders (the "Stockholders Meeting") as promptly as practicable after the expiration of the Offer and payment for the Shares for the purpose of considering and voting upon the Merger Agreement and the transactions contemplated thereby, including the Merger. The Merger Agreement provides that the Board of Directors of the Company will recommend that the holders of the Shares vote in favor of and approve the Merger Agreement and the Merger at the Stockholders Meeting. At the Stockholders Meeting, Parent and Purchaser shall vote all Shares beneficially owned by them in favor of the adoption and approval of the Merger Agreement and the Merger.

Consents and Approvals. The Merger Agreement provides that each of the parties to the Merger Agreement will use all reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by the Merger Agreement, including, without limitation, obtaining any necessary third-party or governmental consents and approvals. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of the Merger Agreement, the proper officers and directors of each party to the Merger Agreement will take all such necessary action.

Amendment and Modification. Pursuant to the Merger Agreement, the Merger Agreement may be amended, modified or supplemented only by written agreement of Parent, Purchaser and the Company at any time prior to the Effective Time; provided, however, that, after the Merger Agreement is adopted by the

Company's stockholders, no such amendment or modification shall reduce the amount or change the form of the consideration to be paid in the Merger.

The Stockholder Agreements

The following is a summary of the material terms of the Stockholder Agreements. This summary is not a complete description of the terms and conditions of the Stockholder Agreements and is qualified in its entirety by reference to the full text of the Stockholder Agreements, which are incorporated by reference and copies of which have been filed with the Commission as exhibits to the Schedule 14D-1. The Stockholder Agreements may be examined, and copies obtained, as set forth in Section 8 above. Capitalized terms not otherwise

defined herein or in the following summary shall have the meaning set forth in the Stockholder Agreements.

Concurrently with the execution and delivery of the Merger Agreement, and in order to induce Parent and Purchaser to enter into the Merger Agreement, each of the Selling Stockholders, who own in the aggregate approximately 32% of the outstanding Shares, entered into a Stockholder Agreement with Purchaser. Pursuant to the Stockholder Agreements, each Selling Stockholder has agreed to validly tender in the Offer and not withdraw all Shares beneficially owned by such Stockholder on the date of the Stockholder Agreement or subsequently acquired by such Stockholder.

Each Granting Stockholder has granted Purchaser an irrevocable option to purchase all Shares owned by such Stockholder at $1.62 per Share, exercisable at any time in whole or in part after (i) the occurrence of any event as a result of which Parent is entitled to receive a Termination Fee under the Merger Agreement or (ii) such Stockholder shall have breached certain specified agreements contained in the Stockholder Agreement. Each such option shall be exercisable until the later of (i) the date that is 90 days after the date such option became exercisable, and (ii) the date that is ten days after the date that all waiting periods under the HSR Act required for the purchase of such Shares have expired or been terminated; provided, that if at the expiration of such period there shall be in effect any injunction or other order issued by any governmental entity prohibiting the exercise of such option, the exercise period shall be extended until ten days after the date that no such injunction or order is in effect.

Each Selling Stockholder has agreed that at any meeting of the stockholders of the Company or in connection with any written consent of the stockholders of the Company, such Selling Stockholder will vote (or cause to be voted) all Shares held of record or owned by such Selling Stockholder (i) in favor of the Merger and the Merger Agreement and the Stockholder Agreements and (ii) against any Acquisition Proposal and against any action or agreement that would impede or frustrate the Stockholder Agreements or result in a breach in any respect of any obligation or agreement of the Company under the Merger Agreement or which would result in any of the conditions described in "The Merger Agreement -- Conditions to the Merger" above or in Section 14 ("Certain Conditions of the Offer") not being fulfilled. Each such Stockholder has irrevocably granted to and appointed Purchaser as such Selling Stockholder's proxy and attorney-in-fact to vote the Shares owned by such Selling Stockholder, or grant a consent or approval in respect of such Shares, in the manner specified above.

Each Selling Stockholder has agreed that, except as provided by the Merger Agreement and the Stockholder Agreement, such Selling Stockholder will not (i) offer to transfer, transfer or consent to any transfer, (ii) enter into any contract, option or other agreement or understanding with respect to any transfer, (iii) grant any proxy, power-of-attorney or other authorization or (iv) deposit into a voting trust or enter into a voting agreement or arrangement, each with respect to any or all Shares owned by such Selling Stockholder.

Each Selling Stockholder has agreed that such Selling Stockholder shall not encourage, solicit, initiate or participate in any way in any discussion or negotiation with, or provide information or otherwise take any action to assist or facilitate, any person concerning any Acquisition Proposal. Each Selling Stockholder has agreed to cease any such existing activities and to immediately communicate to Purchaser the terms of any Acquisition Proposal.

Each Chapter 11 Stockholder has agreed to file, as soon as practicable following public announcement by Parent of the execution of the Merger Agreement, a petition with the Delaware Bankruptcy Court requesting

the approval of its Stockholder Agreement and the transactions contemplated thereby. In addition, each Chapter 11 Stockholder has agreed to deliver a copy of its petition to Purchaser's counsel for review prior to filing it with the Delaware Bankruptcy Court and to notify Purchaser promptly of any action taken by the Delaware Bankruptcy Court with respect to the approval of its Stockholder Agreement or the confirmation of a plan or reorganization regarding such Chapter 11 Stockholder.

Each Selling Stockholder has waived any rights of appraisal or rights to dissent from the Merger.

The Stockholder Agreement with respect to each Selling Stockholder shall terminate upon the earliest of (i) the Effective Time of the Merger, and (ii) termination of the Merger Agreement, unless either (A) Parent is or may be entitled to receive a Termination Fee under the Merger Agreement following such termination or (B) prior to such termination such Selling Stockholder has breached certain specified agreements contained in the Stockholder Agreement.

Other Matters

Appraisal Rights. Holders of the Shares do not have appraisal rights in connection with the Offer. However, if the Merger is consummated, holders of the Shares at the Effective Time will have certain rights pursuant to the provisions of Section 262 of the DGCL including the right to dissent and demand appraisal of, and to receive payment in cash of the fair value of, their Shares. Under Section 262 of the DGCL, dissenting stockholders of the Company who comply with the applicable statutory procedures will be entitled to receive a judicial determination of the fair value of their Shares (exclusive of any element of value arising from the accomplishment or expectation of the Merger) and to receive payment of such fair value in cash, together with a fair rate of interest thereon, if any. Any such judicial determination of the fair value of the Shares could be based upon factors other than, or in addition to, the price per Share to be paid in the Merger or the market value of the Shares. The value so determined could be more or less than the price per Share to be paid in the Merger.

THE FOREGOING SUMMARY OF THE RIGHTS OF DISSENTING STOCKHOLDERS UNDER THE DGCL DOES NOT PURPORT TO BE A COMPLETE STATEMENT OF THE PROCEDURES TO BE FOLLOWED BY STOCKHOLDERS DESIRING TO EXERCISE ANY APPRAISAL RIGHTS AVAILABLE UNDER THE DGCL. THE PRESERVATION AND EXERCISE OF APPRAISAL RIGHTS REQUIRE STRICT ADHERENCE TO THE APPLICABLE PROVISIONS OF THE DGCL.

Rule 13e-3. The Commission has adopted Rule 13e-3 under the Exchange Act which is applicable to certain "going private" transactions and which may under certain circumstances be applicable to the Merger or another business combination following the purchase of Shares pursuant to the Offer in which Purchaser seeks to acquire the remaining Shares not held by it. However, Rule 13e-3 will not be applicable to the Merger or any such other business combination if (i) the Shares are deregistered under the Exchange Act prior to the Merger or other business combination or (ii) the Merger or other business combination is consummated within one year after the purchase of the Shares pursuant to the Offer and the value of the consideration paid per Share in the Merger or other business combination (measured at the time of consummation of the Merger) is at least equal to the amount paid per Share in the Offer. If applicable, Rule 13e-3 requires, among other things, that certain financial information concerning the Company and certain information relating to the fairness of the proposed transaction and the consideration offered to minority stockholders in such transaction be filed with the Commission and disclosed to stockholders prior to consummation of the transaction.

13. DIVIDENDS AND DISTRIBUTIONS

If on or after the date of the Merger Agreement, the Company should (i) split, combine or otherwise change the Shares or its capitalization, (ii) issue or sell any additional securities of the Company or otherwise cause an increase in the number of outstanding securities of the Company or (iii) acquire currently outstanding Shares or otherwise cause a reduction in the number of outstanding Shares, then, without prejudice to Purchaser's rights under Sections 1 and 14 hereof, Purchaser in its sole discretion, subject to the

terms of the Merger Agreement, may make such adjustments as it deems appropriate in the Offer Price and other terms of the Offer.

If, on or after the date of the Merger Agreement, the Company should declare or pay any dividend on the Shares or make any distribution (including, without limitation, cash dividends, the issuance of additional Shares pursuant to a stock dividend or stock split, the issuance of other securities or the issuance of rights for the purchase of any securities) with respect to the Shares that is payable or distributable to Stockholders of record on a date prior to the transfer to the name of Purchaser or its nominee or transferee on

the Company's stock transfer records of the Shares purchased pursuant to the Offer, then, without prejudice to Purchaser's rights under Sections 1 and 14 hereof, any such dividend, distribution or right to be received by the tendering Stockholders will be received and held by the tendering Stockholder and tendered to the Depositary for the account of Purchaser, accompanied by appropriate documentation of transfer. Pending such remittance and subject to applicable law, Purchaser will be entitled to all rights and privileges as owner of any such dividend, distribution or right and may withhold the entire Offer Price or deduct from the Offer Price the amount or value thereof, as determined by Purchaser in its sole discretion.

Pursuant to the terms of the Merger Agreement, the Company is prohibited from taking any of the actions described in the two preceding paragraphs, and nothing in this Offer to Purchase shall constitute a waiver by Purchaser or Parent of any of its rights under the Merger Agreement or a limitation of remedies available to Purchaser or Parent for any breach of the Merger Agreement, including termination of the Merger Agreement.

14. CERTAIN CONDITIONS OF THE OFFER

Notwithstanding any other provisions of the Offer, Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the Commission, including Rule 14e-1(c) under the Exchange Act (relating to Purchaser's obligation to pay for or return tendered Shares promptly after termination or withdrawal of the Offer), to pay for, and may postpone the acceptance for payment and (subject to the restriction referred to above) payment for any, Shares tendered, and may terminate or amend the Offer if (1) the Minimum Condition shall not have been satisfied, (2) any applicable waiting period under the HSR Act shall not have expired or been terminated prior to the expiration of the Offer, or (3) at any time on or after the date of the Merger Agreement and before acceptance for payment of Shares, any of the following events shall occur:

(a) there shall have been threatened or instituted by any Governmental Entity any action or proceeding before any court or governmental, administrative or regulatory authority or agency of competent jurisdiction, domestic or foreign, (i) challenging or seeking to make illegal, materially delay or otherwise directly or indirectly restrain or prohibit or make materially more costly the making of the Offer, the acceptance for payment of, or payment for, any Shares by Parent, Purchaser or any other affiliate of Parent, or the consummation of any other transaction contemplated by the Merger Agreement, or seeking to obtain material damages in connection with the Offer, the Merger or any such other transaction; (ii) seeking to prohibit or limit materially the ownership or operation by the Company, Parent or any of their Subsidiaries of all or any material portion of the business or assets of the Company, Parent or any of their Subsidiaries, or to compel the Company, Parent or any of their Subsidiaries to dispose of or hold separate all or any portion of the business or assets of the Company, Parent or any of their Subsidiaries, as a result of the Offer, the Merger or any of the other transactions contemplated by the Merger Agreement; (iii) seeking to impose or confirm limitations on the ability of Parent, Purchaser or any other affiliate of Parent to exercise effectively full rights of ownership of any Shares, including, without limitation, the right to vote any Shares acquired by Purchaser pursuant to the Offer or otherwise on all matters properly presented to the Company's stockholders, including, without limitation, the approval and adoption of the Merger Agreement and the Merger; (iv) seeking to require divestiture by Parent, Purchaser or any other affiliate of Parent of any Shares; or (v) which otherwise has a Material Adverse Effect (as defined in the Merger Agreement) on the Company;

(b) there shall be any statute, rule, regulation, judgment, order or injunction enacted, entered, enforced, promulgated or deemed applicable to the Offer or the Merger, or any other action shall be taken by any Governmental Entity, other than the application to the Offer or the Merger of applicable waiting periods under the HSR Act, that is reasonably likely to result, directly or indirectly, in any of the consequences referred to in clauses (i) through (v) of paragraph (a) above;

(c) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities on any national securities

exchange or in the Nasdaq National Market System, (ii) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not mandatory), (iii) a commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States, (iv) any limitation (whether or not mandatory) by any United States governmental authority on the extension of credit by banks or other financial institutions, or (v) in the case of any of the foregoing existing at the time of commencement of the Offer, a material acceleration or worsening thereof;

(d) there shall have occurred any material adverse change (or any development that, insofar as reasonably can be foreseen, is reasonably likely to result in any material adverse change) in the consolidated financial condition, businesses, results of operations or prospects of the Company and its subsidiaries, taken as a whole, other than any such change that is the result of cancellation of a distributor agreement or similar agreement from an original equipment manufacturer or other material supplier;

(e) (i) the Board of Directors of the Company or any committee thereof shall have withdrawn or modified in a manner adverse to Parent or Purchaser its approval or recommendation of the Offer, the Merger or the Merger Agreement or resolved to do so, or shall have approved or recommended any Acquisition Proposal, or (ii) the Company shall have entered into any Acquisition Agreement with respect to any Superior Proposal;

(f) any of the representations and warranties of the Company set forth in the Merger Agreement that are qualified as to materiality shall not be true and correct and any such representations and warranties that are not so qualified shall not be true and correct in any material respect, in each case as of the date of the Merger Agreement and as of the scheduled Expiration Date of the Offer;

(g) (i) any stockholder of the Company party to a Stockholder Agreement shall have failed to perform in any material respect any material obligation or to comply in any material respect with any material agreement or covenant of such stockholder to be performed or complied with under such Stockholder Agreement or (ii) either Chapter 11 Stockholder Agreement shall not have been approved by the Delaware Bankruptcy Court and a plan of reorganization shall not have been confirmed by the Delaware Bankruptcy Court with respect to the Chapter 11 Stockholder party to such Chapter 11 Stockholder Agreement;

(h) the Company shall have failed to perform in any material respect any material obligation or to comply in any material respect with any material agreement or covenant of the Company to be performed or complied with by it under the Merger Agreement; or

(i) the Merger Agreement shall have been terminated in accordance with its terms;

which, in the reasonable judgment of Parent or Purchaser, in any such case and regardless of the circumstances (unless such condition is caused by the action or inaction of Parent or Purchaser) giving rise to such condition makes it inadvisable to proceed with the Offer and/or with such acceptance for payment of or payment for Shares.

The foregoing conditions are for the sole benefit of Parent and Purchaser and may be asserted by Parent or Purchaser regardless of the circumstances giving rise to any such condition or may be waived by Parent and Purchaser, in whole or in part, at any time and from time to time in their sole discretion. The failure by Parent or Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right and each such right shall be deemed an ongoing right and may be asserted at any time and from time to time.

Purchaser acknowledges that the Commission believes that (i) if Purchaser is delayed in accepting the Shares it must either extend the Offer or terminate the Offer and promptly return the Shares and (ii) the circumstances in which a delay in payment are permitted are limited and do not include unsatisfied conditions of the Offer, except with respect to most required regulatory

approvals.

15. CERTAIN LEGAL MATTERS

Except as described in this Section 15, based on a review of publicly available filings made by the Company with the Commission and other publicly available information concerning the Company, but without any independent investigation, neither Purchaser nor Parent is aware of any license or regulatory permit that appears to be material to the business of the Company and its subsidiaries, taken as a whole, that might be adversely affected by Purchaser's acquisition of Shares as contemplated in this Offer to Purchase or of any approval or other action by any governmental authority that would be required for the acquisition or ownership of Shares by Purchaser as contemplated in this Offer to Purchase. Should any such approval or other action be required, Purchaser and Parent presently contemplate that such approval or other action will be sought, except as described below under "State Takeover Laws."

Antitrust. Under the HSR Act and the rules that have been promulgated thereunder by the Federal Trade Commission ("FTC"), certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division of the Department of Justice (the "Antitrust Division") and the FTC and certain waiting period requirements have been satisfied. The acquisition of Shares pursuant to the Offer is subject to these requirements.

Parent expects to file a Notification and Report Form with respect to the Offer under the HSR Act as soon as practicable following commencement of the Offer. The waiting period under the HSR Act with respect to the Offer will expire at 11:59 p.m., Washington, D.C. time, on the fifteenth day after the date such form is filed, unless early termination of the waiting period is granted. In addition, the Antitrust Division or the FTC may extend such waiting period by requesting additional information or documentary material from Parent. If such request is made with respect to the Offer, the waiting period related to the Offer will expire at 11:59 p.m., Washington, D.C. time, on the tenth day after substantial compliance by Parent with such request. With respect to each acquisition, the Antitrust Division or the FTC may issue only one request for additional information. In practice, complying with a request for additional information or material can take a significant amount of time. Expiration or termination of applicable waiting periods under the HSR Act is a condition to Purchaser's obligation to accept for payment and pay for Shares tendered pursuant to the Offer.

The FTC and the Antitrust Division frequently scrutinize the legality under the antitrust laws of transactions such as Purchaser's proposed acquisition of the Company. At any time before or after Purchaser's purchase of Shares pursuant to the Offer, the Antitrust Division or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the purchase of Shares pursuant to the Offer or the consummation of the Merger or seeking the divestiture of Shares acquired by Purchaser or the divestiture of substantial assets of Parent or its subsidiaries or the Company or its subsidiaries. Private parties may also bring legal action under the antitrust laws under certain circumstances. There can be no assurance that a challenge to the Offer on antitrust grounds will not be made or, if such a challenge is made, of the results thereof.

State Takeover Laws. A number of states throughout the United States have enacted takeover statutes that purport, in varying degrees, to be applicable to attempts to acquire securities of corporations that are incorporated or have assets, stockholders, executive offices or places of business in those states. In Edgar v. MITE Corp., the Supreme Court of the United States held that the Illinois Business Takeover Act, which involved state securities laws that made the takeover of certain corporations more difficult, imposed a substantial burden on interstate commerce and therefore was unconstitutional. In CTS Corp. v. Dynamics Corp. of America, however, the Supreme Court of the United States held that a state may, as a matter of corporate law and, in particular, those laws concerning corporate governance, constitutionally disqualify, a potential acquiror from voting on the affairs of a target corporation without prior approval of the remaining stockholders, provided that the laws were applicable only under certain conditions.

Section 203 of the DGCL limits the ability of a Delaware corporation to

engage in business combinations with "interested stockholders" (defined as any beneficial owner of 15% or more of the outstanding voting stock of the corporation) unless, among other things, the corporation's board of directors has given its prior approval of either the business combination or the transaction that resulted in the stockholder becoming an "interested stockholder." The Company has represented in the Merger Agreement that it approved the Merger Agreement, the Stockholder Agreements and the transactions contemplated thereby, including the Offer and the Merger, and has taken all necessary steps to render Section 203 of the DGCL inapplicable to the Merger Agreement, the Stockholder Agreements and the transactions contemplated thereby, including the Offer and the Merger.

Neither Parent nor Purchaser has currently complied with any state takeover statute or regulation. Should any person seek to apply any state takeover law, Purchaser will take such action as then appears desirable, which may include challenging the validity or applicability of any such statute in appropriate court proceedings. In the event it is asserted that one or more state takeover laws is applicable to the Offer or the Merger, and an appropriate court does not determine that it is inapplicable or invalid as applied to the Offer, Purchaser might be required to file certain information with, or receive approvals from, the relevant state authorities. In addition, if enjoined, Purchaser might be unable to accept for payment any Shares tendered pursuant to the Offer, or be delayed in continuing or consummating the Offer and the Merger. In such case, Purchaser may not be obligated to accept for payment any Shares tendered. See Section 14.

16. FEES AND EXPENSES

Purchaser has retained D.F. King & Co., Inc. to act as the Information Agent, and Equiserve to act as the Depositary, in connection with the Offer. Each of the Information Agent and the Depositary will receive reasonable and customary compensation for its services, will be reimbursed for certain reasonable out-of-pocket expenses and will be indemnified against certain liabilities and expense in connection therewith, including certain liabilities under the federal securities laws.

Except as set forth above, Purchaser will not pay any fees or commissions to any broker or dealer or other person for soliciting tenders of Shares pursuant to the Offer. Brokers, dealers, commercial banks and trust companies will be reimbursed by Purchaser for customary mailing and handling expenses incurred by them in forwarding the offering materials to their customers.

17. MISCELLANEOUS

The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares residing in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, blue sky or other laws of the jurisdiction. However, Purchaser may, in its discretion, take such action as it may deem necessary to make the Offer in any jurisdiction and extend the Offer to holders of Shares in that jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of Purchaser by one or more registered brokers or dealers that are licensed under the laws of the jurisdiction.

Purchaser and Parent have filed with the Commission the Schedule 14D-1 pursuant to Rule 14d-3 under the Exchange Act containing certain additional information with respect to the Offer. The Schedule 14D-1 and any amendments to the Schedule 14D-1, including exhibits, may be examined and copies may be obtained from the principal office of the Commission in the manner set forth in Section 8 above (except that they will not be available at the regional offices of the Commission).

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATION ON BEHALF OF PURCHASER NOT CONTAINED IN THE OFFER TO PURCHASE OR IN THE LETTER OF TRANSMITTAL AND, IF GIVEN OR MADE, THE INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

FORREST ACQUISITION SUB, INC.

November 22, 1999

SCHEDULE I

DIRECTORS AND EXECUTIVE OFFICERS OF PARENT AND PURCHASER

A. DIRECTORS AND EXECUTIVE OFFICERS OF PARENT

The following table sets forth the name, present principal occupation or employment and material occupation, positions, offices or employment for the past five years of each director and executive officer of Parent. Unless otherwise indicated below, the business address of each such person is c/o Flowserve Corporation, 222 W. Las Colinas Blvd., Suite 1500, Irving, Texas 75039, and each such person is a citizen of the United States.

Bernard G. Rethore has been Chairman of the Board of Directors and Chief Executive Officer of Parent since 1997 and also President from November 1998 to July 1999. Since September 1999, Mr. Rethore has shared the Office of Chief Executive with C. Scott Greer, Parent's current President and Chief Operating Officer, who is expected to succeed Mr. Rethore as Chief Executive Officer in 2000. Mr. Rethore was Chairman of the Board of BW/IP, Inc. (prior to its merger with Parent) in 1997 and served as its President, Chief Executive Officer and a director from 1995 to 1997. He was Senior Vice President of Phelps Dodge Corporation and President of Phelps Dodge Industries, its diversified international manufacturing business, from 1989 to 1995. Previously, Mr. Rethore had been President and Chief Executive Officer of Microdot Industries, the diversified manufacturing business of Microdot, Inc. Mr. Rethore is also a director of Maytag Corporation, a manufacturer of residential and commercial appliances of wire, cable and cord products for the electronics industry.

C. Scott Greer has been President, Chief Operating Officer and a director of Parent since July 1999. During the transition in 2000 to Mr. Greer's future role as Chief Executive Officer when Bernard G. Rethore, Parent's current Chairman and Chief Executive Officer, is expected to step down, Mr. Greer and Mr. Rethore will comprise the Office of Chief Executive. From 1997 to July 1999 Mr. Greer was President of UT Automotive, a supplier of electrical, electronic and interior trim systems and components for the automotive industry. From 1980 to 1997 Mr. Greer held various positions, including President, Chief Operating Officer and a director, with Echlin, Inc., a global provider of automotive original equipment and aftermarket products.

Hugh K. Coble has served as a director of Parent since 1994. Mr. Coble is the Vice Chairman Emeritus of Fluor Corporation, a major engineering and construction firm. Mr. Coble joined Fluor Corporation in 1966, where he held a series of increasingly responsible management positions and had been a director from 1984 until his retirement in 1997. Mr. Coble is also a director of Beckman Instruments, Inc., a company that sells medical instruments, and a director of ICO Global Communications, a telecommunications business.

Diane C. Harris has served as a director of Parent since 1993. Ms. Harris is President of Hypotenuse Enterprises, Inc., a merger and acquisition services and corporate development outsourcing company. Ms. Harris was Vice President of Corporate Development for Bausch & Lomb, an optics and health care products company, from 1981 to 1996. Ms. Harris was a director of the Association for Corporate Growth from 1993 to 1998 and its President from 1997 to 1998.

George T. Haymaker, Jr. has served as a director of Parent since 1997. Mr. Haymaker has been Chairman and Chief Executive Officer of Kaiser Aluminum Corporation since 1994. Before joining Kaiser in 1993 as its President and Chief Operating Officer, Mr. Haymaker had worked with a private partner in the acquisition and redirection of several metal fabricating companies. He had also been Executive Vice President of Alumax and held various positions at Alcoa, including Vice President and Treasurer and Group Vice President of International Operations.

Michael F. Johnston has served as a director of Parent since 1997. Mr. Johnston has been President of Americas Automotive Group of Johnson Controls, Inc., a company serving the automotive and building services industries, since 1997. He was Vice President and General Manager of ASG Interior Systems Business of Johnson Controls, Inc. during 1997, Vice President and General Manager of the Johnson Controls

Battery Group from 1993 to 1997, Vice President and General Manager of SLI Battery Division from 1991 to 1993 and Vice President and General Manager of the Specialty Battery Division from 1989 to 1991.

Charles M. Rampacek has served as a director of Parent since 1998. Mr. Rampacek has been President and Chief Executive Officer of Lyondell-Citgo Refining L.P., a manufacturer of petroleum products, since 1996. Previously, Mr. Rampacek was employed by Tenneco, Inc., where he served as President of Tenneco Gas Transportation Company from 1992 to 1996, and as Executive Vice President of Tenneco Gas operations from 1989 to 1992.

James O. Rollans has served as a director of Parent since 1997. Mr. Rollans is Senior Vice President and Chief Financial Officer of Fluor Corporation, a major engineering and construction firm. Mr. Rollans has been Senior Vice President of Fluor since 1992 and its Chief Financial Officer since 1998. He was Fluor's Chief Administrative Officer from 1994 to 1998, and he served as its Chief Financial Officer from 1992 to 1994 and its Vice President of Corporate Communications from 1982 to 1992. Mr. Rollans is also a director of Fluor Corporation and of Inovision, Inc., a pharmaceutical products company.

William C. Rusnack has served as a director of Parent since 1997. Mr. Rusnack is President, Chief Executive Officer and a director of Clark Refining & Marketing, Inc., a company which refines crude oil to manufacture petroleum products for sale. Mr. Rusnack was Senior Vice President of ARCO, an integrated petroleum company, from 1990 to 1998, and President of ARCO Products Company from 1993 to 1998. Mr. Rusnack is also a director of Clark U.S.A., Inc.

Kevin E. Sheehan has served as a director of Parent since 1990. Mr. Sheehan is a general partner of the CID Equity Partners, a venture capital firm that concentrates on early-stage and high-growth entrepreneurial companies. He was a Vice President of Cummins Engine Company, a manufacturer of diesel engines and related components, from 1980 until 1993. He is also a director of the Auburn Foundry Group.

Mark D. Dailey has served as Vice President, Supply Chain Integration, for Parent since September 1999. Mr. Dailey was employed by The Black & Decker Company from 1992 to 1997, last serving as Vice President, Supply Chain for the North American Power Tools Division.

Renee J. Hornbaker has served as Vice President and Chief Financial Officer for Parent since December 1997. Ms. Hornbaker was Vice President of Business Development and Chief Information Officer for Parent during 1997 and prior to its merger with Parent, had served as Vice President of Finance and Chief Financial Officer of BW/IP, Inc. in 1997 and Vice President of Business Development from 1996 to 1997. She was employed by Phelps Dodge Industries from 1991 to 1996, last serving as Director of Business Analysis and Planning.

Rick L. Johnson has served as Vice President of Business Development of Parent since January 1998 and Controller since November 1998. Mr. Johnson was Vice President and Controller of Parent's Industrial Products Division from 1995 to 1998. From 1991 to 1995, he was transferred to Parent's Singapore subsidiary, most recently serving as its President.

Rory E. MacDowell has served as Vice President and Chief Information Officer of Parent since 1998. From 1993 to 1997, Mr. MacDowell was Chief Information Officer of Keystone International, Inc., a manufacturer and distributor of flow control products.

Cheryl D. McNeal has served as Vice President of Human Resources of Parent since 1996. She was Assistant Vice President of Human Resources and held other Human Resource management positions at NCR from 1978 to 1996.

George A. Shedlarski has served as a corporate Vice President of Parent since 1987, President of Parent's Flow Solutions Division since January 1999 and President of Parent's Flow Control Division since August 1999. He has held various senior management positions with Parent since 1987, including Division President positions in Parent's Rotating Equipment Group and Industrial Products Group.

Ronald F. Shuff has served as a Vice President of Parent since 1990, and its Secretary and General Counsel since 1989.

35

Howard D. Wynn has served as a corporate Vice President of Parent and as President of Parent's Rotating Equipment Division of Parent since 1997. He was previously employed by BW/IP, Inc. in management positions, including senior positions in its Pump Division from 1993 to 1997.

Michael S. Dunn has served as Acting Treasurer since October 1999 of Parent and as Assistant Vice President and Director of Tax of Parent since 1997. He served as Director of Tax and Assistant Treasurer of BW/IP, Inc. from 1995 to 1997, and was previously employed by National Education Corporation as Director of Tax and Assistant Treasurer from 1992 to 1995.

B. DIRECTORS AND EXECUTIVE OFFICERS OF PURCHASER

The directors of Purchaser are Ronald F. Shuff and Renee J. Hornbaker. The executive officers of Purchaser are C. Scott Greer, President; Ronald F. Shuff, Secretary/Treasurer; and Renee J. Hornbaker, Vice President. The present principal occupation or employment and material occupations, positions, offices or employment for the past five years of such persons are set forth in part A of this Schedule I. The business address of each such person is c/o Flowserve Corporation, 222 W. Las Colinas Blvd., Suite 1500, Irving, Texas 75039, and each such person is a citizen of the United States.

36

Facsimile copies of the Letter of Transmittal properly completed and duly signed, will be accepted. The Letter of Transmittal, certificates for Shares and any other required documents should be sent or delivered by each stockholder or his or her broker, dealer, commercial bank, trust company or other nominee to the Depositary, at one of the addresses set forth below:

The Depositary for the Offer is:
Equiserve

By Mail:
Equiserve
Corporate Actions
Suite 4660
P.O. Box 2569
Jersey City, NJ 07303-2569

By Facsimile:
(201) 324-3402 or (201) 324-3403
(For Eligible Institutions Only)
Confirm by Telephone:
(201) 222-4707

By Hand:
Equiserve
c/o Securities Transfer and Reporting Services, Inc.
Attn: Corporate Actions
100 William Street, Galleria
New York, NY 10038

By Overnight Courier:
Equiserve
Corporate Actions, Suite 4860
14 Wall Street, 8th Floor
New York, NY 10005

Questions and requests for assistance may be directed to the Information Agent at its address and telephone numbers listed below. Additional copies of this Offer to Purchase, the Letter of Transmittal and other tender offer materials may be obtained from the Information Agent as set forth below and will be furnished promptly at Purchaser's expense. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance concerning the Offer.

The Information Agent for the Offer is:
D.F. King & Co., Inc.
77 Water Street
New York, NY 10005

Toll Free (800) 347-4750

Banks and Brokerage Firms, please call collect: (212) 269-5550

LETTER OF TRANSMITTAL
TO TENDER SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED SHARE PURCHASE RIGHTS)
OF

INNOVATIVE VALVE TECHNOLOGIES, INC.
PURSUANT TO THE OFFER TO PURCHASE DATED NOVEMBER 22, 1999
BY

FORREST ACQUISITION SUB, INC.
A WHOLLY-OWNED SUBSIDIARY OF

FLOWSERVE CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON TUESDAY, DECEMBER 21, 1999,
UNLESS THE OFFER IS EXTENDED.

The Depositary for the Offer is:
Equiserve

By Mail:
Equiserve
Corporate Actions
Suite 4660
P.O. Box 2569
Jersey City, NJ 07303-2569

By Facsimile:
(For Eligible Institutions Only)
(201) 324-3402 or (201) 324-3403

Confirm by Telephone
(201) 222-4707

By Hand:
Equiserve
c/o Securities Transfer and Reporting Services, Inc.
Attn: Corporate Actions
100 William Street, Galleria
New York, NY 10038

By Overnight Courier:
Equiserve
Corporate Actions, Suite 4860
14 Wall Street, 8th Floor
New York, NY 10005

DELIVERY OF THIS LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY. YOU MUST SIGN THIS LETTER OF TRANSMITTAL IN THE APPROPRIATE SPACE THEREFOR PROVIDED BELOW AND COMPLETE THE SUBSTITUTE FORM W-9 SET FORTH BELOW.

THE INSTRUCTIONS ACCOMPANYING THIS LETTER OF TRANSMITTAL SHOULD BE READ CAREFULLY BEFORE THIS LETTER OF TRANSMITTAL IS COMPLETED.

DESCRIPTION OF SHARES TENDERED

NAME(S) AND ADDRESS(ES) OF REGISTERED HOLDER(S) (PLEASE FILL IN, IF BLANK, EXACTLY AS NAME(S) APPEAR(S) ON THE CERTIFICATE(S))	SHARE CERTIFICATES NUMBER(S)(1)	NUMBER OF SHARES REPRESENTED BY CERTIFICATE(S)(1)	NUMBER OF SHARES TENDERED(2)
TOTAL SHARES			

(1) Need not be completed by stockholders delivering Shares by Book-Entry Transfer.
(2) Unless otherwise indicated, it will be assumed that all Shares represented by Certificates delivered to the Depositary are being tendered. See Instruction 4.

This Letter of Transmittal is to be completed by holders of Shares (as defined below) of Innovative Valve Technologies, Inc. either if certificates evidencing Shares ("Certificates") are to be forwarded with this Letter of Transmittal or, unless an Agent's Message (as defined in the Offer to Purchase) is utilized, if delivery of Shares is to be made by book-entry transfer to an account maintained by Equiserve (the "Depositary") at The Depository Trust Company (the "Book-Entry Transfer Facility") pursuant to the procedures set forth in Section 3 of the Offer to Purchase (as defined below).

Stockholders whose Certificates are not immediately available or who cannot deliver either their Certificates for, or a Book-Entry Confirmation (as defined in Section 2 of the Offer to Purchase) with respect to, their Shares and all other required documents to the Depositary prior to the Expiration Date (as defined in Section 1 of the Offer to Purchase) may tender their Shares according to the guaranteed delivery procedure set forth in Section 3 of the Offer to Purchase. See Instruction 2 hereof. DELIVERY OF DOCUMENTS TO THE BOOK-ENTRY TRANSFER FACILITY DOES NOT CONSTITUTE DELIVERY TO THE DEPOSITARY.

[ ] CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO AN ACCOUNT MAINTAINED BY THE DEPOSITARY WITH THE BOOK-ENTRY TRANSFER FACILITY AND COMPLETE THE FOLLOWING (ONLY PARTICIPANTS IN THE BOOK-ENTRY TRANSFER FACILITY MAY DELIVER SHARES BY BOOK-ENTRY TRANSFER).

Name of Tendering Institution: ----------

Account Number: ----------

Transaction Code Number: ----------

[ ] CHECK HERE IF TENDERED SHARES ARE BEING DELIVERED PURSUANT TO A NOTICE OF GUARANTEED DELIVERY PREVIOUSLY SENT TO THE DEPOSITARY AND COMPLETE THE FOLLOWING. PLEASE ENCLOSE A PHOTOCOPY OF SUCH NOTICE OF GUARANTEED DELIVERY.

Name(s) of Registered Holder(s): ----------

Window Ticket Number (if any): ----------

Date of Execution of Notice of Guaranteed Delivery: ----------

Name of Institution Which Guaranteed Delivery: ----------

If delivered by book-entry transfer at the Book-Entry Transfer Facility:

Name of Tendering Institution: ----------

Account Number: ----------

Transaction Code Number: ----------

NOTE: SIGNATURE(S) MUST BE PROVIDED BELOW.
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY

Ladies and Gentlemen:

The undersigned hereby tenders to Forrest Acquisition Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Flowserve Corporation, the above-described shares of common stock, $.001 par value per share (the "Common Stock"), including the associated rights to purchase Series A Junior Participating Preferred Stock (the "Rights," and together with the Common Stock,

the "Shares"), of Innovative Valve Technologies, Inc., a Delaware corporation (the "Company"), for $1.62 per Share, net to the seller in cash, without interest thereon, upon the terms and subject to the conditions set forth in the Offer to Purchase dated November 22, 1999 (the "Offer to Purchase"), receipt of which is hereby acknowledged, and in this Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer").

Upon the terms and subject to the conditions of the Offer (and if the Offer is extended or amended, the terms of any such extension or amendment), subject to, and effective upon, acceptance for payment of, and payment for, Shares tendered with this Letter of Transmittal in accordance with the terms of the Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, Purchaser all right, title and interest in and to all of the Shares that are being tendered hereby (and any and all non-cash dividends, distributions, rights, other Shares or other securities issued or issuable in respect of such Shares on or after November 22, 1999 (collectively, "Distributions"), and irrevocably constitutes and appoints the Depositary the true and lawful agent and attorney-in-fact of the undersigned with respect to such Shares (and all Distributions), with full power of substitution (such power of attorney being deemed to be an irrevocable power coupled with an interest), to (i) deliver Certificates evidencing such Shares (and any and all Distributions)), or transfer ownership of such Shares (and any and all Distributions) on the account books maintained by the Book-Entry Transfer Facility, together, in any such case, with all accompanying evidences of transfer and authenticity, to or upon the order of Purchaser, upon receipt by the Depositary as the undersigned's agent, of the purchase price with respect to such Shares; (ii) present such Shares (and any and all Distributions) for transfer on the books of the Company; and (iii) receive all benefits and otherwise exercise all rights of beneficial ownership of such Shares (and any and all Distributions), all in accordance with the terms of the Offer.

The undersigned hereby irrevocably appoints the designees of Purchaser, and each of them, as the attorney-in-fact and proxy of the undersigned, each with full power of substitution and resubstitution, to the full extent of the undersigned's rights with respect to all Shares tendered hereby and accepted for payment and paid for by Purchaser (and any Distributions), including, without limitation, the right to vote such Shares (and any Distributions) in such manner as each such attorney and proxy or his substitute shall, in his sole discretion, deem proper. All such powers of attorney and proxies, being deemed to be irrevocable, shall be considered coupled with an interest in the Shares tendered with this Letter of Transmittal. Such appointment will be effective if, when, and only to the extent that, Purchaser accepts such Shares for payment pursuant to the Offer. Upon such acceptance for payment, all prior powers of attorney, proxies and consents given by the undersigned with respect to such Shares (and any Distributions) will be revoked, without further action, and no subsequent powers of attorneys and proxies may be given with respect thereto (and, if given, will be deemed ineffective). The designees of Purchaser will, with respect to the Shares (and any Distributions) for which such appointment is effective, be empowered to exercise all voting and other rights of the undersigned with respect to such Shares (and any Distributions) as they in their sole discretion may deem proper. Purchaser reserves the absolute right to require that, in order for Shares to be deemed validly tendered, immediately upon the acceptance for payment of such Shares, Purchaser or its designees are able to exercise full voting rights with respect to such Shares (and any Distributions), including voting at any meeting of stockholders then scheduled.

All authority conferred or agreed to be conferred in this Letter of Transmittal shall be binding upon the successors, assigns, heirs, executors, administrators and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. Except as stated in the Offer to Purchase, this tender is irrevocable.

The undersigned hereby represents and warrants that the undersigned has full power and authority to tender, sell, assign and transfer the Shares tendered hereby (and any Distributions), and that, when the Shares are accepted for payment by Purchaser, Purchaser will acquire good, marketable and unencumbered title thereto (and to any Distributions), free and clear of all liens, restrictions, charges and encumbrances and not subject to any adverse claim. The undersigned, upon request, will execute and deliver any additional documents deemed by the Depositary or Purchaser to be necessary to complete the sale, assignment and transfer of Shares tendered hereby (and any Distributions).

In addition, the undersigned shall promptly remit and transfer to the Depositary for the account of Purchaser any and all Distributions issued to the undersigned on or after November 22, 1999, in respect of the Shares tendered hereby, accompanied by appropriate documentation of transfer, and pending such remittance and transfer or appropriate assurance thereof, Purchaser shall be entitled to all rights and privileges as owner of any such Distributions and may withhold the entire purchase price or deduct from the purchase price the amount of value thereof, as determined by Purchaser in its sole discretion.

The undersigned understands that the valid tender of Shares pursuant to any one of the procedures described in Section 3 of the Offer to Purchase and in the instructions to this Letter of Transmittal will constitute a binding agreement between the undersigned and Purchaser with respect to such Shares, upon the terms and subject to the conditions of the Offer.

The undersigned recognizes that, under certain circumstances set forth in the Offer to Purchase, Purchaser may not be required to accept for payment any of the Shares tendered hereby.

Unless otherwise indicated in this Letter of Transmittal under "Special Payment Instructions," please issue the check for the purchase price of any Shares purchased and return any Certificates evidencing Shares not purchased or not tendered, in the name(s) of the undersigned (and, in the case of Shares tendered by book-entry transfer, by credit to the account at the Book-Entry Transfer Facility designated above). Similarly, unless otherwise indicated under "Special Delivery Instructions," please mail the check for the purchase price of all Shares purchased and return any Certificates evidencing Shares not tendered or not purchased (and accompanying documents, as appropriate) to the undersigned at the address appearing under "Designation of Shares Tendered." In the event that both the "Special Payment Instructions" and the "Special Delivery Instructions" are completed, please issue the check for the purchase price of all Shares purchased and return any such Certificates evidencing Shares not tendered or not purchased (and accompanying documents, as appropriate) in the name(s) of, and deliver such check and return such Certificates (and accompanying documents, as appropriate) to the person(s) so indicated. The undersigned recognizes that Purchaser has no obligation pursuant to the "Special Payment Instructions" to transfer any Shares from the name of the registered holder(s) if Purchaser does not accept for payment any of the Shares tendered hereby.

[ ] CHECK HERE IF ANY OF THE CERTIFICATES EVIDENCING SHARES THAT YOU OWN HAVE BEEN LOST OR DESTROYED AND SEE INSTRUCTION 11.

Number of Shares represented by the lost or destroyed certificates:

SPECIAL PAYMENT INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if the check for the purchase price of Shares purchased (less the amount of any withholding tax required to be withheld) or Certificates for Shares not tendered or not purchased are to be issued in the name of someone other than the undersigned.

Issue

[ ] Check

[ ] Certificate(s) to:

Name:

(PLEASE TYPE OR PRINT)

Address: ---

(INCLUDE ZIP CODE)

(TAX IDENTIFICATION OR SOCIAL SECURITY NO.)

(ALSO COMPLETE SUBSTITUTE FORM W-9)

Credit unpurchased Shares delivered by book-entry transfer to the Book-Entry Transfer Facility account set forth below:

(DTC ACCOUNT NUMBER)

SPECIAL DELIVERY INSTRUCTIONS
(SEE INSTRUCTIONS 1, 5, 6 AND 7)

To be completed ONLY if the check for the purchase price of Shares purchased (less the amount of any withholding tax required to be withheld) or Certificates for Shares not tendered or not purchased are to sent to someone other than the undersigned or to the undersigned at an address other than that shown above.

Mail

[ ] Check

[ ] Certificate(s) to:

Name: ---

(PLEASE TYPE OR PRINT)

Address: ---

(INCLUDE ZIP CODE)

(RECIPIENT'S TAX IDENTIFICATION OR SOCIAL SECURITY NO.)

IMPORTANT
STOCKHOLDER: SIGN HERE AND COMPLETE SUBSTITUTE
FORM W-9

,

(SIGNATURE(S) OF STOCKHOLDER(S))

,

(SIGNATURE(S) OF STOCKHOLDER(S))

Dated:
---, ----

(Must be signed by the registered holder(s) exactly as name(s) appear(s) on the Certificate or on a security position listing or by person(s) authorized to become registered holder(s) by Certificates and documents transmitted herewith. If signature is by trustees, executors, administrators, guardians, attorneys-in-fact, agents, officers or corporations or others acting in a fiduciary or representative capacity, please provide the following information. See Instruction 5.)

Name(s):

(PLEASE TYPE OR PRINT)

Capacity (Full Title):

(SEE INSTRUCTION 5)

Address:

(INCLUDE ZIP CODE)

Daytime Area Code and Telephone Number:

(NAME)

(BUSINESS)

Tax Identification or Social Security No.:

(Complete Substitute Form W-9)

GUARANTEE OF SIGNATURE(S)
(SEE INSTRUCTIONS 1 AND 5)

(AUTHORIZED SIGNATURE(S)

(NAME)

(NAME OF FIRM)

(ADDRESS INCLUDING ZIP CODE)

(AREA CODE AND TELEPHONE NUMBER)

Dated:
----------, ----

7

PAYER'S NAME: [ ]

SUBSTITUTE FORM W-9 DEPARTMENT OF THE TREASURY INTERNAL REVENUE SERVICE	PART I -- PLEASE PROVIDE YOUR TIN IN THE BOX AT RIGHT AND CERTIFY BY SIGNING AND DATING BELOW.	PART II -- Social Security Number OR Employee Identification Number (If awaiting TIN write "Applied for")
PAYER'S REQUEST FOR TAXPAYER IDENTIFICATION NUMBER (TIN)	PART III -- For Payees exempt from backup withholding, see the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 and complete as instructed therein.	

CERTIFICATIONS -- Under penalties of perjury, I certify that:
(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me); and
(2) I am not subject to backup withholding either because I have not been notified by the Internal Revenue Service ("IRS") that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the IRS has notified me that I am no longer subject to backup withholding.
CERTIFICATION INSTRUCTIONS -- You must cross out item (2) above if you have been notified by the IRS that you are subject to backup withholding because of underreporting interest or dividends on your tax return. However, if after being notified by the IRS that you are subject to backup withholding, you receive another notification from the IRS that you were no longer subject to backup withholding, do not cross out item (2). (Also see instructions in the enclosed guidelines.)

SIGNATURE _____ DATE

NOTE: FAILURE TO COMPLETE AND RETURN THIS SUBSTITUTE FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER TO PURCHASE. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

YOU MUST COMPLETE THE FOLLOWING CERTIFICATE IF YOU WROTE "APPLIED FOR" IN THE BOX IN PART III OF THE SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalty of perjury that a Taxpayer Identification Number has not been issued to me, and either (1) I have mailed or delivered an application to receive a Taxpayer Identification Number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (2) I intend to mail or deliver an application in the near future. I understand that if I do not provide a Taxpayer Identification Number by the time of payment, 31% of all payments of the purchase price pursuant to the Offer made to me thereafter will be withheld until I provide a number.

SIGNATURE _____ DATE

INSTRUCTIONS

FORMING PART OF THE TERMS AND CONDITIONS OF THE OFFER

1. GUARANTEE OF SIGNATURES. Except as otherwise provided below, no signature guarantee is required on this Letter of Transmittal (a) if this Letter of Transmittal is signed by the registered holder(s) (which term, for the purposes of this document, includes any participant in the Book-Entry Transfer Facility whose name appears on a security position listing as the owner of the Shares) of Shares tendered herewith and such registered holder has not completed either the box entitled "Special Delivery Instructions" or the box entitled "Special Payment Instructions" on this Letter of Transmittal or (b) if such Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Guarantee Program or the Stock Exchange Medallion Program (an "Eligible Institution"). In all other cases, all signatures on the Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 5. If the Certificates are registered in the name of a person other than the signer of this Letter of Transmittal, or if payment is to be made or delivered to, or Certificates evidencing unpurchased Shares are to be issued or returned to, a person other than the registered owner, then the tendered Certificates must be endorsed or accompanied by duly executed stock powers, in either case signed exactly as the name or names of the registered owner or owners appear on the Certificates, with the signatures on the Certificates or stock powers guaranteed by an Eligible Institution as provided in this Letter of Transmittal. See Instruction 5.

2. DELIVERY OF LETTER OF TRANSMITTAL AND SHARES. This Letter of Transmittal is to be used either if Certificates evidencing Shares are to be forwarded with this Letter of Transmittal or, unless an Agent's Message is utilized, if delivery of Shares is to be made pursuant to the procedures for book-entry transfer set forth in Section 3 of the Offer to Purchase. Certificates for all physically delivered Shares, or a confirmation of a book-entry transfer into the Depositary's account at the Book-Entry Transfer Facility of all Shares delivered electronically, as well as a properly completed and duly executed Letter of Transmittal with any required signature guarantees (or facsimile thereof or, in the case of a book-entry transfer, an Agent's Message) and any other documents required by this Letter of Transmittal must be received by the Depositary at one of its addresses set forth in this Letter of Transmittal on or prior to the Expiration Date (as defined in the Offer to Purchase).

Stockholders whose Certificates are not immediately available or who cannot deliver their Certificates and all other required documents to the Depositary or complete the procedures for book-entry transfer on or prior to the Expiration Date may nevertheless tender their Shares by properly completing and duly executing a Notice of Guaranteed Delivery pursuant to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase. Pursuant to such procedure: (i) tender must be made by or through an Eligible Institution, (ii) a properly completed and duly executed Notice of Guaranteed Delivery, substantially in the form made available by Purchaser, must be received by the Depositary prior to the Expiration Date, and (iii) Certificates for all physically delivered Shares or a Book-Entry Confirmation with respect to all Shares delivered electronically, as well as a properly completed and duly executed Letter of Transmittal (or facsimile thereof), with any required signature guarantees (or, in the case of book-entry delivery, an Agent's Message) and any other documents required by this Letter of Transmittal, must be received by the Depositary within three Nasdaq National Market trading days after the date of such Notice of Guaranteed Delivery. If Certificates are

forwarded separately to the Depositary, a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile) must accompany each delivery.

THE METHOD OF DELIVERY OF CERTIFICATES, THIS LETTER OF TRANSMITTAL AND ANY OTHER REQUIRED DOCUMENTS, INCLUDING DELIVERY THROUGH ANY BOOK-ENTRY TRANSFER FACILITY, IS AT THE OPTION AND SOLE RISK OF THE TENDERING STOCKHOLDER AND THE DELIVERY WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE DEPOSITARY. IF DELIVERY IS BY MAIL, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, PROPERLY INSURED, IS RECOMMENDED. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ENSURE TIMELY DELIVERY.

No alternative, conditional or contingent tenders will be accepted and no fractional Shares will be purchased. All tendering stockholders, by execution of this Letter of Transmittal (or a facsimile), waive any right to receive any notice of the acceptance of their Shares for payment.

3. INADEQUATE SPACE. If the space provided in this Letter of Transmittal is inadequate, the information required under "Description of Shares Tendered" should be listed on a separate signed schedule attached to this Letter of Transmittal.

4. PARTIAL TENDERS (NOT APPLICABLE TO DELIVERY BY BOOK-ENTRY TRANSFER). If fewer than all of the Shares represented by any Certificates delivered to the Depositary with this Letter of Transmittal are to be tendered, fill in the number of Shares which are to be tendered in the box entitled "Number of Shares Tendered." In such cases, a new Certificate for the remainder of the Shares that were evidenced by the old Certificate(s) will be sent, without expense, to the person(s) signing this Letter of Transmittal, unless otherwise provided in the appropriate box on this Letter of Transmittal, as soon as practicable after the expiration or termination of the Offer. All Shares represented by Certificate(s) delivered to the Depositary will be deemed to have been tendered unless otherwise indicated.

5. SIGNATURES ON LETTER OF TRANSMITTAL, INSTRUMENTS OF TRANSFER AND ENDORSEMENTS. If this Letter of Transmittal is signed by the registered holder(s) of the Shares tendered hereby, the signature(s) must correspond exactly with the name(s) as written on the face of the Certificate(s) without alteration, enlargement or any change whatsoever.

If any of the Shares tendered hereby are owned of record by two or more persons, all such persons must sign this Letter of Transmittal.

If any of the Shares tendered hereby are registered in different names on several Certificates, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations of Certificates.

If this Letter of Transmittal is signed by the registered holder(s) of the Shares listed and transmitted hereby, no endorsements of Certificates or separate instruments of transfer are required unless payment is to be made, or Certificates not tendered or not purchased are to be issued or returned, to a person other than the registered holder(s). Signatures on the Certificates or instruments of transfer must be guaranteed by an Eligible Institution.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Shares evidenced by the Certificate(s) listed and transmitted hereby, the Certificates must be endorsed or accompanied by appropriate instruments of transfer, in either case signed exactly as the name(s) of the registered holder(s) appear on the Certificate(s). Signatures on the Certificate(s) or instruments of transfer must be guaranteed by an Eligible Institution.

If this Letter of Transmittal or any Certificates or instruments of transfer are signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, that person should so indicate when signing, and proper evidence satisfactory to Purchaser of that person's authority to so act must be submitted.

6. STOCK TRANSFER TAXES. Except as set forth in this Instruction 6,

Purchaser will pay or cause to be paid any stock transfer taxes with respect to the transfer and sale of Shares to it or its order pursuant to the Offer. If, however, payment of the purchase price of any Shares purchased is to be made to, or (in the circumstances permitted hereby) if Certificates for Shares not tendered or not purchased are to be registered in the name of, any person other than the registered holder(s), or if a transfer tax is imposed for any reason other than the sale or transfer of Shares to Purchaser pursuant to the Offer, then the amount of any transfer taxes (whether imposed on the registered holder(s), such other person or otherwise) payable on account of the transfer to such other person will be deducted from the purchase price of such Shares purchased, unless evidence satisfactory to Purchaser of the payment of such taxes, or exemption therefrom, is submitted.

7. SPECIAL PAYMENT AND DELIVERY INSTRUCTIONS. If a check for the purchase price of any Shares tendered hereby is to be issued, or a Certificate evidencing Shares not tendered or not purchased is to be issued in the

name of a person other than the person(s) signing this Letter of Transmittal or if such check or any such Certificate is to be sent to someone other than the person(s) signing this Letter of Transmittal or to the person(s) signing this Letter of Transmittal at an address other than that shown on page 1, the appropriate boxes on this Letter of Transmittal must be completed. Stockholders tendering Shares by book-entry transfer may request that Shares not purchased be credited to such account at the Book-Entry Transfer Facility as such stockholder may designate under "Special Payment Instructions." If no such instructions are given, any such Shares not purchased will be returned by crediting the account at the Book-Entry Transfer Facility designated above.

8. REQUESTS FOR ASSISTANCE OR ADDITIONAL COPIES. Questions and requests for assistance may be directed to the Information Agent (as defined below) at its address or telephone number set forth below and requests for additional copies of the Offer to Purchase, this Letter of Transmittal, the Notice of Guaranteed Delivery and the Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 may be directed to the Information Agent or brokers, dealers, commercial banks and trust companies, and such materials will be furnished at Purchaser's expense.

9. WAIVER OF CONDITIONS. The conditions of the Offer may be waived by Purchaser, in whole or in part, at any time or from time to time, in Purchaser's sole discretion.

10. BACKUP WITHHOLDING TAX. Under the federal income tax laws, the Depositary will be required to withhold 31% of the amount of any payments made to certain stockholders pursuant to the Offer. In order to avoid such backup withholding, each tendering stockholder, and, if applicable, each other payee, must provide the Depositary with such stockholder's or payee's correct taxpayer identification number and certify that such stockholder or payee is not subject to such backup withholding by completing the Substitute Form W-9 set forth on page 7. In general, if a stockholder or payee is an individual, the taxpayer identification number is the Social Security Number of such individual. If the Depositary is not provided with the correct taxpayer identification number, the shareholder or payee may be subject to a $50 penalty imposed by the Internal Revenue Service. Certain stockholders or payees (including, among others, all corporations and certain foreign individuals) are not subject to these backup withholding and reporting requirements. In order to satisfy the Depositary that a foreign individual qualifies as an exempt recipient, such stockholder or payee must submit a statement, signed under penalties of perjury, attesting to that individual's exempt status. Such statements can be obtained from the Depositary. For further information concerning backup withholding and instructions for completing the Substitute Form W-9 (including how to obtain a taxpayer identification number if you do not have one and how to complete the Substitute Form W-9 if Shares are held in more than one name), consult the enclosed Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9.

Failure to complete the Substitute Form W-9 will not, by itself, cause Shares to be deemed invalidity tendered, but may require the Depositary to withhold 31% of the amount of any payments made pursuant to the Offer. Backup withholding is not an additional federal income tax. Rather, the federal income tax liability of a person subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained provided that the required information is furnished to

the Internal Revenue Service. NOTE: FAILURE TO COMPLETE AND RETURN THE SUBSTITUTE FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF 31% OF ANY PAYMENTS MADE TO YOU PURSUANT TO THE OFFER. PLEASE REVIEW THE ENCLOSED GUIDELINES FOR CERTIFICATE OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9 FOR ADDITIONAL DETAILS.

11. LOST OR DESTROYED CERTIFICATES. If any Certificate(s) representing Shares has been lost, destroyed or stolen, the stockholder should promptly notify the Depositary by checking the box immediately preceding the special payment/special delivery instructions and indicating the number of Shares lost. The Stockholders will then be instructed as to the steps that must be taken in order to replace the Certificate(s). This Letter of Transmittal and related documents cannot be processed until the procedures for replacing lost or destroyed Certificates have been followed.

Questions and requests for assistance or additional copies of the Offer to Purchase, Letter of Transmittal and other tender offer materials may be directed to the Information Agent as set forth below:

D. F. King & Co., Inc.
77 Water Street
New York, NY 10005

Banks and Brokers Call Collect: (212) 269-5550
All Others Call Toll Free: (800) 347-4750

EXHIBIT 99(a)(3)

NOTICE OF GUARANTEED DELIVERY
FOR
TENDER OF SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED SHARE PURCHASE RIGHTS)
OF

INNOVATIVE VALVE TECHNOLOGIES, INC.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON TUESDAY, DECEMBER 21, 1999,
UNLESS THE OFFER IS EXTENDED.

This Notice of Guaranteed Delivery or a notice substantially equivalent hereto must be used to accept the Offer (as defined below) if certificates representing the shares of common stock, $.001 par value per share (the "Common Stock"), including the associated rights to purchase Series A Junior Participating Preferred Stock (the "Rights," and together with the Common Stock, the "Shares"), of Innovative Valve Technologies, Inc., a Delaware corporation, are not immediately available or the procedure for book-entry transfer cannot be completed on a timely basis or time will not permit all required documents to reach Equiserve (the "Depositary") prior to the Expiration Date (as defined in the Offer to Purchase). This Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile transmission or mail to the Depositary. See Section 3 of the Offer to Purchase.

The Depositary for the Offer is:
Equiserve

By Mail:
Equiserve
Corporate Actions
Suite 4660
P.O. Box 2569
Jersey City, NJ 07303-2569

By Facsimile:
(For Eligible Institutions Only)
(201) 324-3402 or (201) 324-3403

Confirm by Telephone
(201) 222-4707

By Hand:
Equiserve
c/o Securities Transfer and Reporting Services, Inc.
Attn: Corporate Actions
100 William Street, Galleria
New York, NY 10038

By Overnight Courier:
Equiserve
Corporate Actions, Suite 4860
14 Wall Street, 8th Floor
New York, NY 10005

DELIVERY OF THIS NOTICE OF GUARANTEED DELIVERY TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF INSTRUCTIONS VIA FACSIMILE TRANSMISSION TO A NUMBER OTHER THAN AS SET FORTH ABOVE WILL NOT CONSTITUTE A VALID DELIVERY.

THIS NOTICE OF GUARANTEED DELIVERY IS NOT TO BE USED TO GUARANTEE SIGNATURE. IF A SIGNATURE ON A LETTER OF TRANSMITTAL IS REQUIRED TO BE GUARANTEED BY AN "ELIGIBLE INSTITUTION" UNDER THE INSTRUCTIONS THERETO, SUCH SIGNATURE GUARANTEE MUST APPEAR IN THE APPLICABLE SPACE PROVIDED IN THE SIGNATURE BOX ON THE LETTER OF TRANSMITTAL.

The Eligible Institution that completes this form must communicate the guarantee to the Depositary and must deliver the Letter of Transmittal and certificates for Shares to the Depositary within the time period shown herein. Failure to do so could result in a financial loss to the Eligible Institution.

THE GUARANTEE ON THE REVERSE SIDE MUST BE COMPLETED

Ladies and Gentlemen:

The undersigned hereby tenders to Forrest Acquisition Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of Flowserve Corporation, a New York corporation, upon the terms and subject to the conditions set forth in the Offer to Purchase dated November 22, 1999 (the "Offer to Purchase"), and in the

related Letter of Transmittal (which, together with any amendments or supplements thereto, constitute the "Offer"), receipt of each of which is hereby acknowledged, the number of Shares indicated below pursuant to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase.

Number of Shares:

Certificate Nos. (if applicable):

Complete if Shares will be delivered by book-entry transfer at The Depository Trust Company

Account Number:
---
at the Depository Trust Company

Date:

Name(s) of Record Holder(s):

(PLEASE TYPE OR PRINT)

Address(es):

(ZIP CODE)

Area Code and Tel. No.:

Signature(s):

THE GUARANTEE SET FORTH BELOW MUST BE COMPLETED

GUARANTEE
(NOT TO BE USED FOR SIGNATURE GUARANTEE)

The undersigned, an Eligible Institution (as such term is defined in Section 3 of the Offer to Purchase), hereby guarantees that either the certificates evidencing the Shares tendered hereby, in proper form for transfer, or a timely confirmation of a book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facility (as defined in and pursuant to the procedures set forth in Section 3 of the Offer to Purchase), together with a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof) with any required signature guarantees (or in the case of a book-entry transfer, an Agent's Message (as defined in Section 2 of the Offer to Purchase)), and any other documents required by the Letter of Transmittal, will be received by the Depositary at one of its addresses set forth above within three Nasdaq National Market trading days after the date hereof.

Name of Firm:

Address:

(ZIP CODE)

Area Code and Tel. No.:

(AUTHORIZED SIGNATURE)

Name:

(PLEASE TYPE OR PRINT)

Title:

NOTE: DO NOT SEND CERTIFICATES EVIDENCING SHARES WITH THIS NOTICE OF GUARANTEED DELIVERY. CERTIFICATES FOR SHARES SHOULD ONLY BE SENT TOGETHER WITH YOUR LETTER OF TRANSMITTAL.

EXHIBIT 99(a)(4)

OFFER TO PURCHASE FOR CASH ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED SHARE PURCHASE RIGHTS)

OF

INNOVATIVE VALVE TECHNOLOGIES, INC.
AT

$1.62 NET PER SHARE
BY

FORREST ACQUISITION SUB, INC.
A WHOLLY-OWNED SUBSIDIARY OF

FLOWSERVE CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON TUESDAY, DECEMBER 21, 1999,
UNLESS THE OFFER IS EXTENDED.

To Brokers, Dealers, Commercial Banks,
Trust Companies and Other Nominees:

Forrest Acquisition Sub, Inc. ("Purchaser"), a Delaware corporation and wholly-owned subsidiary of Flowserve Corporation, a New York corporation, is offering to purchase all outstanding shares of common stock, $.001 par value per share (the "Common Stock"), of Innovative Valve Technologies, Inc., a Delaware corporation (the "Company"), including the associated rights to purchase Series A Junior Participating Preferred Stock (the "Rights, and together with the Common Stock, the "Shares") at a purchase price of $1.62 per Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated November 22, 1999 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, together constitute the "Offer") enclosed herewith.

Please furnish copies of the enclosed materials to those of your clients for whose accounts you hold Shares in your name or in the name of your nominee.

Enclosed herewith for your information and forwarding to your clients are copies of the following documents:

1. The Offer to Purchase, dated November 22, 1999.

2. The Letter of Transmittal to tender Shares for your use and for the information of your clients. Facsimile copies of the Letter of Transmittal (with manual signature) may be used to tender Shares.

3. The Notice of Guaranteed Delivery to be used to accept the Offer in the circumstances described below.

4. A printed form of letter which may be sent to your clients for whose accounts you hold Shares registered in your name or in the name of your nominee, with space provided for obtaining such client's instructions with regard to the Offer.

5. Guidelines of the Internal Revenue Service for Certification of Taxpayer Identification Number on Substitute Form W-9.

6. A return envelope addressed to Equiserve, the Depositary.

YOUR PROMPT ACTION IS REQUESTED, WE URGE YOU TO CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE. PLEASE NOTE THAT THE OFFER AND WITHDRAWAL

RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT, NEW YORK CITY TIME, ON TUESDAY, DECEMBER 21, 1999, UNLESS THE OFFER IS EXTENDED.

Please note the following:

1. The Offer Price is $1.62 per Share, net to the seller in cash without interest thereon.

2. The Offer is being made for all outstanding Shares.

3. The Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Tuesday, December 21, 1999, unless the Offer is extended.

4. The Offer is conditioned upon, among other things, there being validly tendered and not withdrawn that number of Shares representing a majority of the Company's outstanding Common Stock on a fully diluted basis on the date of purchase.

5. Tendering stockholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the transfer of Shares pursuant to the Offer.

In all cases, payment for Shares accepted for purchase pursuant to the Offer will be made only after timely receipt by the Depositary of (a) certificates for such Shares or timely confirmation of the book-entry transfer of such Shares into the Depositary's account at the Book-Entry Transfer Facility (as defined in the Offer to Purchase), pursuant to the procedures set forth in Section 3 of the Offer to Purchase, (b) the Letter of Transmittal (or facsimile thereof) properly completed and duly executed with any required signature guarantees, or, in the case of a book-entry transfer, an Agent's Message (as defined in the Offer to Purchase), and (c) any other documents required by the Letter of Transmittal.

If a stockholder desires to tender Shares pursuant to the Offer, and if (a) certificates representing the Shares to be tendered for purchase and payment are not lost but are not immediately available, (b) the procedures for book-entry transfer cannot be completed prior to the Expiration Date or (c) time will not permit all required documents to reach the Depositary prior to the Expiration Date, such stockholder may tender Shares according to the guaranteed delivery procedures set forth in Section 3 of the Offer to Purchase.

Purchaser will not pay any fees or commissions to brokers, dealers or other persons (other than the Information Agent and Depositary, as described in the Offer to Purchase) for soliciting tenders of Shares pursuant to the Offer. Purchaser will, however, upon request, reimburse you for customary clerical and mailing expenses incurred by you in forwarding any of the enclosed materials to your clients. Purchaser will pay or cause to be paid any transfer taxes payable on the transfer of Shares to it, except as otherwise provided in Instruction 6 of the Letter of Transmittal.

Questions and requests for assistance with respect to the Offer or for copies of the Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may be directed to the Information Agent at the address and telephone number set forth on the outside back cover page of the Offer to Purchase.

Very truly yours,

Forrest Acquisition Sub, Inc.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL CONSTITUTE YOU OR ANY OTHER PERSON THE AGENT OF PURCHASER, THE DEPOSITARY, THE INFORMATION AGENT OR ANY AFFILIATE OF ANY OF THEM, OR AUTHORIZE YOU OR ANY OTHER PERSON TO MAKE ANY STATEMENT OR USE ANY DOCUMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE OFFER OTHER THAN THE ENCLOSED DOCUMENTS AND THE STATEMENTS CONTAINED THEREIN.

EXHIBIT 99(a)(5)

OFFER TO PURCHASE FOR CASH ALL OUTSTANDING SHARES OF COMMON STOCK
(INCLUDING THE ASSOCIATED PREFERRED SHARE PURCHASE RIGHTS)
OF

INNOVATIVE VALVE TECHNOLOGIES, INC.
AT

$1.62 NET PER SHARE
BY

FORREST ACQUISITION SUB, INC.
A WHOLLY-OWNED SUBSIDIARY OF

FLOWSERVE CORPORATION

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 12:00 MIDNIGHT,
NEW YORK CITY TIME, ON TUESDAY, DECEMBER 21, 1999,
UNLESS THE OFFER IS EXTENDED.

To Our Clients:

Enclosed for your consideration are the Offer to Purchase, dated November 22, 1999 (the "Offer to Purchase"), and the related Letter of Transmittal (which, together with any amendments or supplements thereto, together constitute the "Offer"), relating to an offer by Forrest Acquisition Sub, Inc. ("Purchaser"), a Delaware corporation and wholly-owned subsidiary of Flowserve Corporation, a New York corporation, to purchase all outstanding shares of the common stock, par value $.001 per share (the "Common Stock"), including the associated rights to purchase Series A Junior Participating Preferred Stock (the "Rights," and together with the Common Stock, the "Shares") of Innovative Valve Technologies, Inc., a Delaware corporation (the "Company"), at a purchase price of $1.62 per Share, net to the seller in cash, without interest, upon the terms and subject to the conditions set forth in the Offer. This material is being forwarded to you as the beneficial owner of Shares carried by us in your account but not registered in your name.

A TENDER OF SUCH SHARES CAN BE MADE ONLY BY US AS THE HOLDER OF RECORD AND PURSUANT TO YOUR INSTRUCTIONS. THE LETTER OF TRANSMITTAL IS FURNISHED TO YOU FOR YOUR INFORMATION ONLY AND CANNOT BE USED BY YOU TO TENDER SHARES HELD BY US FOR YOUR ACCOUNT.

Accordingly, we request instructions as to whether you wish to tender any or all of the Shares held by us for your account, upon the terms and conditions set forth in the Offer.

1. The tender price is $1.62 per Share, net to you in cash.

2. The Offer is being made for all Shares.

3. The Offer and withdrawal rights will expire at 12:00 Midnight, New York City time, on Tuesday, December 21, 1999, unless the Offer is extended.

4. The Offer is conditioned upon, among other things, there being validly tendered and not withdrawn that number of Shares representing a majority of the Company's outstanding Common Stock on a fully diluted basis on the date of purchase.

5. Tendering stockholders will not be obligated to pay brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the transfer of Shares pursuant to the Offer.

If you wish to have us tender any or all of your Shares, please so instruct us by completing, executing, detaching and returning to us the instruction form contained in this letter. An envelope to return your instructions to us is enclosed. If you authorize tender of your Shares, all such Shares will be

tendered unless otherwise indicated in such instruction form. PLEASE FORWARD YOUR INSTRUCTIONS TO US AS SOON AS POSSIBLE TO ALLOW US AMPLE TIME TO TENDER YOUR SHARES ON YOUR BEHALF PRIOR TO THE EXPIRATION OF THE OFFER.

The Offer is made solely by the Offer to Purchase and the related Letter of Transmittal and any supplements or amendments thereto. The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of Shares residing in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the securities laws of such jurisdiction. In any jurisdiction where the securities, blue sky or other laws require the Offer to be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of the Purchaser by one or more registered brokers or dealers licensed under the laws of such jurisdiction.

INSTRUCTIONS

The undersigned acknowledge(s) receipt of your letter enclosing the Offer to Purchase, dated November 22, 1999 and the related Letter of Transmittal (which, together with any amendments or supplements thereto, together constitute the "Offer") relating to the Offer by Forrest Acquisition Sub, Inc., a Delaware corporation and wholly-owned subsidiary of Flowserve Corporation, a New York corporation, to purchase all outstanding shares of common stock, $.001 par value per share (the "Common Stock"), including the associated preferred share purchase rights (the "Rights," and together with the Common Stock, the "Shares"), of Innovative Valve Technologies, Inc., a Delaware corporation.

You are instructed to tender the number of Shares indicated below (or, if no number is indicated below, all Shares) that are held by you for the account of the undersigned, upon the terms and subject to the conditions set forth in the Offer.

Number of Shares to be Tendered:
---------- shares

Account Number:

Date:
----------,

SIGN HERE

SIGNATURE(S):

PRINT NAME(S):

PRINT ADDRESS(ES):

AREA CODE AND TELEPHONE NO.

TAXPAYER ID NO. OR SOCIAL SECURITY NO.:

UNLESS A SPECIFIC CONTRARY INSTRUCTION IS GIVEN IN A SIGNED SCHEDULE ATTACHED HERETO, YOUR SIGNATURE(S) HEREON SHALL CONSTITUTE AN INSTRUCTION TO US TO TENDER ALL OF YOUR SHARES.

1

[FLOWSERVE LETTERHEAD]

NEWS RELEASE

November 18, 1999

NEWS FROM: FLOWSERVE CORPORATION

SUBJECT: FLOWSERVE SIGNS AGREEMENT TO ACQUIRE INVATEC FOR ABOUT $100 MILLION

FOR INFORMATION: Crystal C. Bell (972) 443-6557

DALLAS, TEXAS - Flowserve Corporation announces today that the Company has signed a definitive agreement with Innovative Valve Technologies, Inc. (Invatec) (NASDAQ: IVTC.OB) to acquire Invatec for about $100 million, including the combined cost of purchased equity and assumed debt. It is expected that the transaction will close in early January 2000.

Under the agreement, Flowserve will issue a cash tender offer to acquire the outstanding 9.7 million shares of the common stock of Invatec at a price of $1.62 per share, or about $15.7 million. In addition, Flowserve will assume Invatec's projected debt and related obligations of about $84.0 million, plus certain transaction-related expenses.

With reported 1998 revenues of $154.6 million, Invatec is engaged principally in providing comprehensive maintenance, repair, replacement and value-added distribution services for valves, piping systems, instrumentation and other process-

2

system components for its industrial customers. Based in Houston, Invatec has 63 operating locations in the United States, 2 in Europe and 1 in the Middle East.

"When we formed Flowserve about two years ago, we stated that a key strategy for the new enterprise was to expand our service and repair capabilities for our process-industry customers," said Bernard G. Rethore, Flowserve Chairman and Chief Executive Officer. "The acquisition of Invatec will represent a major step in achieving that vision. And, this transaction will provide important synergies with our existing related operations - 90 service and quick response centers around the world."

"Invatec is an excellent strategic fit for Flowserve," said C. Scott Greer, Flowserve President and Chief Operating Officer. "Through this acquisition, we will significantly expand our technical service and repair capabilities, as well as local facility presence for our customers. Importantly, we expect that the addition of Invatec to Flowserve's operations will be accretive in 2000. This acquisition will be a platform to significantly increase our existing service business going forward."

The agreement is subject to certain conditions, including the valid tender of at least a majority of the shares of Invatec common stock without withdrawal prior to the expiration of the tender offer, the expiration of applicable waiting periods under federal antitrust law and the absence of a material adverse change in Invatec's business conditions. Flowserve currently expects these conditions to be satisfied.

In related action, shareholders representing about 30 percent of the outstanding Invatec common stock, including both the Chairman and the President of Invatec, executed agreements with Flowserve to tender their shares in response to

3

the forthcoming Flowserve tender offer, assuming certain expected approvals for two corporate shareholders.

Flowserve Corporation (NYSE: FLS) is one of the world's leading providers of industrial flow management services. Operating in 29 countries, with 1998 sales of $1.1 billion and about 7,000 employees, the Company produces engineered pumps for the process industries, precision mechanical seals, automated and manual quarter-turn valves, control valves and valve actuators, and provides a range of related flow management services.

More information about Flowserve Corporation can be obtained by visiting the Company's web site at www.flowserve.com.

# # #

SAFE HARBOR STATEMENT: This news release contains various forward-looking statements and includes assumptions about Flowserve's future market conditions, operations and results. These statements are based on current expectations and are subject to significant risks and uncertainties. They are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Among the many factors that could cause actual results to differ materially from the forward-looking statements are: further changes in the already competitive environment for the Company's products or competitors' responses to Flowserve's strategies; the Company's ability to integrate Invatec into its management and operations; political risks or trade embargoes affecting important country markets; the health of the petroleum, chemical and power industries; economic turmoil in areas outside the United States; continued economic growth within the United States; unanticipated difficulties or costs or reduction in benefits associated with the implementation of the Company's "Flowserver" business process improvement initiative, including software; the impact of the "Year 2000" computer issue; and the recognition of significant expenses associated with adjustments to realign the combined Company's facilities and other capabilities with its strategies and business conditions.

EXHIBIT 99(a)(7)

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

GUIDELINES FOR DETERMINING THE PROPER IDENTIFICATION NUMBER TO GIVE THE PAYER. -- Social Security numbers have nine digits separated by two hyphens: i.e. 000-00-0000. Employer identification numbers have nine digits separated by only one hyphen: i.e. 00-0000000. The table below will help determine the number to give the payer.

FOR THIS TYPE OF ACCOUNT:	GIVE THE SOCIAL SECURITY NUMBER OF --
1. An individual's account.	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, any one of the individuals(1)
3. Husband and wife (joint account)	The actual owner of the account or, if joint funds, either person(1)
4. Custodian account of a minor (Uniform Gift to Minors Act)	The minor(2)
5. Adult and minor (joint account)	The adult or, if the minor is the only contributor, the minor(1)
6. Account in the name of guardian or committee for a designated ward, minor, or incompetent person	The ward, minor, or incompetent person(3)
7. a The usual revocable savings trust account (grantor is also trustee)	The grantor-trustee(1)
b So-called trust account that is not a legal or valid trust under State law	The actual owner(1)
8. Sole proprietorship account	The owner(4)
9. A valid trust, estate, or pension trust	The legal entity (Do not furnish the identifying number of the personal representative or trustee unless the legal entity itself is not designated in the account title.)(5)
10. Corporate account	The corporation
11. Religious, charitable, or educational organization account	The organization
12. Partnership account in	The partnership
13. Association, club, or other	The organization

FOR THIS TYPE OF ACCOUNT:	GIVE THE EMPLOYER IDENTIFICATION NUMBER OF --

	tax-exempt organization	
14.	A broker or registered nominee	The broker or nominee
15.	Account with the Department of Agriculture in the name of a public entity (such as a State or local government, school district, or prison) that receives agricultural program payments	The public entity

---

(1) List first and circle the name of the person whose number you furnish.
(2) Circle the minor's name and furnish the minor's social security number.
(3) Circle the ward's, minor's or incompetent person's name and furnish such person's social security number.
(4) Show the name of the owner.
(5) List first and circle the name of the legal trust, estate, or pension trust.

NOTE:If no name is circled when there is more than one name, the number will be considered to be that of the first name listed.

GUIDELINES FOR CERTIFICATION OF TAXPAYER IDENTIFICATION NUMBER ON SUBSTITUTE FORM W-9

OBTAINING A NUMBER

If you don't have a taxpayer identification number or you don't know your number, obtain Form SS-5, Application for a Social Security Number Card, or Form SS-4, Application for Employer Identification Number, at the local office of the Social Security Administration or the Internal Revenue Service and apply for a number.

PAYEES EXEMPT FROM BACKUP WITHHOLDING

Payees/Payments specifically exempted from backup withholding include the following:

- A corporation.
- A financial institution.
- An organization exempt from tax under section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), or an individual retirement plan
- The United States or any agency or instrumentality thereof.
- A State, the District of Columbia, a possession of the United States, or any subdivision or instrumentality thereof.
- A foreign government, a political subdivision of a foreign government, or any agency or instrumentality thereof.
- An international organization or any agency, or instrumentality thereof.
- A registered dealer in securities or commodities registered in the United States or a possession of the United States.
- A real estate investment trust.
- A common trust fund operated by a bank under section 584(a) of the Code.
- An exempt charitable remainder trust, or a non-exempt trust described in section 4947(a)(1) of the Code.
- An entity registered at all times under the Investment Company Act of 1940.
- A foreign central bank of issue.

Payments of dividends and patronage dividends not generally subject to backup withholding include the following:

- Payments to nonresident aliens subject to withholding under section 1441 of the Code.

- Payments to partnerships not engaged in a trade or business in the United States and which have at least one nonresident partner.

- Payments of patronage dividends where the amount received is not paid in money.

- Payments made by certain foreign organizations.

- Payments made to a nominee.

Payments of interest not generally subject to backup withholding include the following:

- Payments of interest on obligations issued by individuals.
Note: You may be subject to backup withholding if this interest is $600 or more and is paid in the course of the payer's trade or business and you have not provided your correct taxpayer identification number to the payer.

- Payments of tax-exempt interest (including exempt-interest dividends under section 852 of the Code).

- Payments described in section 6049(b)(5) of the Code to non-resident aliens.

- Payments on tax-free covenant bonds under section 1451 of the Code.

- Payments made by certain foreign organizations.

- Payments made to a nominee.

EXEMPT PAYEES DESCRIBED ABOVE MUST STILL COMPLETE THE SUBSTITUTE FORM W-9 ENCLOSED HEREWITH TO AVOID POSSIBLE ERRONEOUS BACKUP WITHHOLDING. FILE SUBSTITUTE FORM W-9 WITH THE PAYER, REMEMBERING TO CERTIFY YOUR TAXPAYER IDENTIFICATION NUMBER ON PART III OF THE FORM, WRITE "EXEMPT" ON THE FACE OF THE FORM AND SIGN AND DATE THE FORM, AND RETURN IT TO THE PAYER.

Certain payments other than interest, dividends, and patronage dividends, that are not subject to information reporting are also not subject to backup withholding. For details, see section 6041, 6041A(a), 6042, 6044, 6045, 6049, 6050A, and 6050N of the Code and their regulations.

PRIVACY ACT NOTICE. -- Section 6109 of the Code requires most recipients of dividends, interest, or other payments to give taxpayer identification numbers to payers who must report the payments to the IRS. IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. Payers must be given the numbers whether or not recipients are required to file a tax return. Payers must generally withhold 31% of taxable interest, dividends, and certain other payments to a payee who does not furnish a taxpayer identification number to a payer. Certain penalties may also apply.

PENALTIES

(1) PENALTY FOR FAILURE TO FURNISH TAXPAYER IDENTIFICATION NUMBER. -- If you fail to furnish your taxpayer identification number to a payer, you are subject to a penalty of $50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

(2) CIVIL PENALTY FOR FALSE INFORMATION WITH RESPECT TO WITHHOLDING. -- If you make a false statement with no reasonable basis which results in no imposition of backup withholding, you are subject to a penalty of $500.

(3) CRIMINAL PENALTY FOR FALSIFYING INFORMATION. -- Falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

FOR ADDITIONAL INFORMATION CONTACT YOUR TAX CONSULTANT OR THE INTERNAL REVENUE SERVICE

1

AGREEMENT AND PLAN OF MERGER

AMONG

FLOWSERVE CORPORATION,

FORREST ACQUISITION SUB, INC.,

AND

INNOVATIVE VALVE TECHNOLOGIES, INC.

DATED AS OF NOVEMBER 18, 1999

2

TABLE OF CONTENTS

14

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "AGREEMENT"), dated as of November 18, 1999, by and between Flowserve Corporation, a New York corporation ("PARENT"), FORREST ACQUISITION SUB, INC., a Delaware corporation and a wholly-owned subsidiary of Parent ("PURCHASER"), and Innovative Valve Technologies, Inc., a Delaware corporation (the "COMPANY").

PRELIMINARY STATEMENTS

A. The Boards of Directors of Parent, Purchaser and the Company have each determined that it is advisable and in the best interests of their respective stockholders for Parent to acquire the Company upon the terms and subject to the conditions set forth herein.

B. It is proposed that Purchaser shall make a cash tender offer (the "OFFER") for all of the outstanding shares of common stock, par value $0.001 per share, of the Company (the "COMMON STOCK") (such shares of Common Stock,together with the Rights (as defined herein) associated with such shares, being hereinafter referred to as the "SHARES") and that following consummation of the

Offer, Purchaser shall be merged (the "MERGER") with and into the Company, all upon the terms and subject to the conditions set forth herein.

C. As a condition and inducement to Parent's willingness to enter into this Agreement, Purchaser and those stockholders of the Company listed on Schedule A hereto are entering into a stockholder agreement dated as of the date of this Agreement (the "STOCKHOLDER/OPTION AGREEMENT"), a form of which is attached hereto as Exhibit A, pursuant to which each such stockholder, among other things, agrees to tender in the Offer and not withdraw all Shares owned by such stockholder, grants an irrevocable proxy to Purchaser's designees to vote all Shares owned by such stockholder with respect to certain matters, and grants to Purchaser an option to purchase all Shares owned by such stockholder at the Offer Price under specified circumstances. In addition, those stockholders of the Company listed on Schedule B hereto that have filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the "CHAPTER 11 STOCKHOLDERS") are entering into stockholders agreements dated as of the date of this Agreement (each, a "CHAPTER 11 STOCKHOLDER AGREEMENT," and together with the Stockholder/Option Agreement, the "STOCKHOLDER AGREEMENTS"). The Chapter 11 Stockholder Agreements are similar to the Stockholder/Option Agreement but do not contain an option provision and are subject to the earlier to occur of approval of such Chapter 11 Stockholder Agreements by the Bankruptcy Court for the District of Delaware (the "DELAWARE BANKRUPTCY COURT") or the confirmation by the Delaware Bankruptcy Court of a plan of reorganization for the Chapter 11 Stockholder party thereto.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good, valuable and binding consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I.

THE TENDER OFFER

SECTION 1.1 The Tender Offer. (a) Provided that this Agreement has not been terminated in accordance with Article VII and none of the events referred to in Annex A has occurred or is existing, as promptly as practicable, but in no event later than five business days after the public announcement of the execution of this Agreement by Parent and the Company, Purchaser shall, and Parent shall cause Purchaser, to commence the Offer for all outstanding Shares at a purchase price of $1.62 per Share (such amount, or any greater amount per Share paid pursuant to the Offer, being the "OFFER PRICE"), net to the seller in cash, without interest thereon. The Offer initially shall expire at 12:00 midnight New York City time on the twentieth business day following the date of commencement of the Offer (such date and time, as extended in accordance with the terms hereof, the "EXPIRATION DATE"). The obligation of Purchaser to accept for payment, purchase, and pay for any Shares validly tendered and not withdrawn pursuant to the Offer shall be subject only to the conditions set forth in Annex A hereto (the "OFFER CONDITIONS") (any of which may be

waived in whole or in part by Purchaser in its sole discretion, provided that, without the prior written consent of the Company, Purchaser shall not waive the Minimum Condition (as defined in Annex A)). Purchaser specifically reserves the right to increase the Offer Price and to make any other changes in the terms and conditions of the Offer; provided that, unless previously approved by the Company in writing, no change may be made that (i) decreases the Offer Price, (ii) changes the form of consideration to be paid in the Offer, (iii) reduces the maximum number of Shares to be purchased in the Offer, (iv) amends or adds to the Offer Conditions, (v) except as provided in the next sentence, extends the Offer or (vi) amends any other term of the Offer in any manner adverse to the holders of the Shares. Notwithstanding the foregoing, Purchaser may, without the consent of the Company, (A) extend the Offer, if at the then scheduled or extended Expiration Date any of the Offer Conditions shall not be satisfied or waived, until such time as such conditions are satisfied or waived, (B) extend the Offer for any period required by any rule, regulation, interpretation or position of the Securities and Exchange Commission (the "SEC") or the staff thereof applicable to the Offer, (C) extend the Offer on one or more occasions for an aggregate period of not more than 10 business days beyond the latest Expiration Date that would otherwise be permitted under clause (A) or (B) of this sentence, and (D) extend the Offer on one or more occasions for an aggregate period of not more than 10 business days beyond the latest Expiration

Date that would otherwise be permitted under clause (A), (B) or (C) of this sentence, if on such Expiration Date there shall not have been tendered at least 90% of the outstanding Shares. Subject to the terms and conditions of the Offer and this Agreement, Purchaser shall, and Parent shall cause Purchaser to, accept for payment, and pay for, all Shares validly tendered and not withdrawn pursuant to the Offer that Purchaser becomes obligated to accept for payment, and pay for, pursuant to the Offer as promptly as practicable after the expiration of the Offer. The parties agree that the conditions set forth in Annex A are for the sole benefit of Purchaser and may be asserted by Purchaser regardless of the circumstances giving rise to any such condition (including any action or inaction by Purchaser or Parent) or may be waived by Purchaser, in whole or in part, at any time and from time to time, in its sole discretion. The failure by Purchaser at any time to exercise any of the foregoing rights shall not be deemed a waiver of any such right, the waiver of any such right with respect to particular facts and circumstances shall not be deemed a waiver with respect to other facts or circumstances, and each such right shall be deemed an ongoing right that may be asserted at any time and from time to time. Any determination (which will be made in good faith) by Purchaser with respect to any of the foregoing conditions (including, without limitation, the satisfaction of such conditions) shall be final and binding on all parties. The Offer Price will be paid net to the seller in cash, less any required withholding taxes, on the terms and subject to the conditions of the Offer.

(b) On the date of commencement of the Offer, Parent and Purchaser shall file with the SEC a Tender Offer Statement on Schedule 14D-1 (the "SCHEDULE 14D-1") with respect to the Offer, which shall contain an offer to purchase and a related letter of transmittal and summary advertisement (such Schedule 14D-1 and the documents included therein pursuant to which the Offer will be made, together with any supplements or amendments thereto, the "OFFER DOCUMENTS"). Parent and Purchaser agree that the Offer Documents shall comply as to form in all material respects with the Securities Exchange Act of 1934, as amended (the "EXCHANGE ACT"), and the rules and regulations promulgated thereunder. The Offer Documents, on the date first published, sent or given to the Company's stockholders, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation or warranty is made by Parent or Purchaser with respect to information supplied by the Company or any of its stockholders specifically for inclusion or incorporation by reference in the Offer Documents. Each of Parent, Purchaser and the Company agrees promptly to correct any information provided by it for use in the Offer Documents if and to the extent that such information shall have become false or misleading in any material respect, and Parent and Purchaser further agree to take all steps necessary to cause the Schedule 14D-1 as so corrected to be filed with the SEC and the other Offer Documents as so corrected to be disseminated to the Company's stockholders, in each case as and to the extent required by applicable federal securities laws. The Company and its counsel shall be given an opportunity to review and comment upon the Offer Documents prior to their filing with the SEC or dissemination to the stockholders of the Company. Parent and Purchaser agree to provide the Company and its counsel any comments Parent,

Purchaser or their counsel may receive from the SEC or its staff with respect to the Offer Documents promptly after the receipt of such comments.

SECTION 1.2 Company Actions. (a) The Company hereby represents and warrants that the Board of Directors of the Company (the "BOARD OF DIRECTORS"), at a meeting duly called and held at which all directors were present, duly and unanimously: (i) determined that the Offer and the Merger, taken together, are fair to, and in the best interests of, the holders of the Shares; (ii) approved the Offer and the Merger; (iii) approved the Stockholder Agreements, Purchaser entering into such Stockholder Agreements, the acquisition of shares by Purchaser pursuant thereto and the other transactions contemplated thereby; (iv) resolved to recommend that the stockholders of the Company accept the Offer, tender their Shares pursuant to the Offer and approve the Merger, if such approval is required; and (v) approved and adopted this Agreement and approved the acquisition of Shares by Purchaser pursuant to the Offer and the other transactions contemplated by this Agreement. The Company also represents and warrants that its Board of Directors has received the written opinion of Simmons & Company International (the "FINANCIAL ADVISOR") that, as of the date hereof, the proposed consideration to be offered to the Company's stockholders pursuant to the Offer and the Merger is fair to the Company's stockholders from a

financial point of view. The Company further represents and warrants that it has been authorized by the Financial Advisor to permit, subject to prior review and consent by the Financial Advisor (such consent not to be unreasonably withheld), the inclusion of such fairness opinion (or a reference thereto) in the Offer Documents and in the Schedule 14D-9 referred to below. The Company hereby consents to the inclusion in the Offer Documents of the recommendations of the Company's Board of Directors described in this Section 1.2(a) (subject to the right of the Board of Directors to modify or withdraw such recommendation in accordance with Section 5.3(b)).

(b) The Company shall file with the SEC and shall mail to its stockholders a Solicitation/Recommendation Statement on Schedule 14D-9 (together with all schedules, amendments and supplements, the "SCHEDULE 14D-9") containing the recommendations of the Board of Directors of the Company and the opinion of the Financial Advisor referred to in Section 1.2(a). The Schedule 14D-9 shall comply as to form in all material respects with the requirements of the Exchange Act and the rules and regulations promulgated thereunder and, on the date filed with the SEC and on the date first published, sent or given to the Company's stockholders, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation or warranty is made by the Company with respect to information supplied by Parent or Purchaser specifically for inclusion in the Schedule 14D-9. Each of the Company, Parent and Purchaser agrees promptly to correct any information provided by it for use in the Schedule 14D-9 if and to the extent that such information shall have become false or misleading in any material respect, and the Company further agrees to take all steps necessary to amend or supplement the Schedule 14D-9 and to cause the Schedule 14D-9 as so amended or supplemented to be filed with the SEC and disseminated to the Company's stockholders, in each case as and to the extent required by applicable federal securities laws. Parent and its counsel shall be given an opportunity to review and comment upon the Schedule 14D-9 prior to its filing with the SEC or dissemination to stockholders of the Company. The Company agrees to provide Parent and its counsel any comments the Company or its counsel may receive from the SEC or its staff with respect to the Schedule 14D-9 promptly after the receipt of such comments.

(c) In connection with the Offer and the Merger, the Company shall cause its transfer agent to furnish Purchaser promptly with mailing labels containing the names and addresses of the record holders of Shares as of a recent date and of those persons becoming record holders subsequent to such date, together with copies of all lists of stockholders, security position listings and computer files and all other information in the Company's possession or control regarding the beneficial owners of Shares, and shall furnish to Purchaser such information and assistance (including updated lists of stockholders, security position listings and computer files) as Parent may reasonably request in communicating the Offer to the Company's stockholders. Subject to the requirements of applicable law, and except for such steps as are necessary to disseminate the Offer Documents and any other documents necessary to consummate the Merger, Parent and Purchaser and their agents shall hold in confidence the information contained in any such labels, listings and files, and will use such information only in connection with the Offer and the Merger.

SECTION 1.3 Board of Directors. (a) Effective upon the payment by Purchaser for Shares pursuant to the Offer, Purchaser shall be entitled to designate that number of directors of the Company, rounded up to the next whole number, that equals the product of (x) the total number of directors on the Board of Directors (giving effect to the election or appointment of any additional directors pursuant to this Section 1.3) and (y) the percentage that the number of Shares owned by Parent and Purchaser (including Shares accepted for payment) bears to the total number of Shares then outstanding. The Company shall take all action necessary to cause the designees of Purchaser to be elected to or appointed by the Board of Directors, including, without limitation, increasing the number of directors, amending its bylaws, or using its best efforts to obtain resignations of incumbent directors. Upon written request by Purchaser, the Company shall use its best efforts to cause the designees of Purchaser to constitute the same percentage of representation as is on the Board of Directors after giving effect to this Section 1.3 on (i) each committee of the Board of Directors; (ii) the board of directors of each Subsidiary (as defined in Section 9.1) of the Company; and (iii) each committee of each such board. The provisions of this Section 1.3 are in addition to and

shall not limit any rights that Purchaser, Parent or any of their affiliates may have as a holder or beneficial owner of Shares as a matter of law with respect to the election of directors or otherwise.

(b) The Company shall promptly take all actions required pursuant to Section 14(f) of the Exchange Act and Rule 14f-1 promulgated thereunder in order to fulfill its obligations under Section 1.3(a), including mailing to stockholders together with the Schedule 14D-9 the information required by such Section 14(f) and Rule 14f-1 as is necessary to enable Parent's designees to be elected to the Company's Board of Directors (the "14F-1 INFORMATION STATEMENT"). Parent or Purchaser shall supply the Company and be solely responsible for any information with respect to either of them and their nominees, officers, directors and affiliates required by such Section 14(f) and Rule 14f-1. The 14f-1 Information Statement, on the date filed with the SEC and on the date first published, sent or given to the Company's stockholders, shall not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, except that no representation or warranty is made by the Company with respect to information supplied by Parent or Purchaser specifically for inclusion in the 14f-1 Information Statement.

(c) In the event that Purchaser's designees are elected to the Company's Board of Directors, until the Effective Time (as defined below), the Company's Board of Directors shall have at least two directors who are directors on the date hereof (the "INDEPENDENT DIRECTORS"), provided that, in such event, if the number of Independent Directors shall be reduced below two for any reason whatsoever, any remaining Independent Directors (or Independent Director, if there be only one remaining) shall be entitled to designate persons to fill such vacancies who shall be deemed to be Independent Directors for purposes of this Agreement or, if no Independent Director then remains, the other directors shall designate two persons to fill such vacancies who shall not be stockholders, affiliates or associates of Parent or Purchaser and such persons shall be deemed to be Independent Directors for purposes of this Agreement. Notwithstanding anything in this Agreement to the contrary, in the event that Purchaser's designees are elected to the Company's Board, after the acceptance for payment of Shares pursuant to the Offer and prior to the Effective Time, the affirmative vote of a majority of the Independent Directors shall be required to (a) amend or terminate this Agreement by the Company or (b) exercise or waive any of the Company's rights, benefits or remedies hereunder.

ARTICLE II.

THE MERGER

SECTION 2.1 The Merger. Subject to the last two sentences of this Section 2.1, upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the General Corporation Law of the State of Delaware (the "DGCL"), Purchaser shall be merged with and into the Company at the Effective Time. Following the Effective Time, the separate corporate existence of Purchaser shall cease and the Company shall continue as the surviving corporation (the "SURVIVING CORPORATION") and shall succeed to and assume all the rights and obligations of Purchaser in accordance with the DGCL. At the election of Parent, to the extent that any such action would not cause a failure of a condition to the Offer or the Merger, (i) any direct or indirect wholly-owned subsidiary of Parent may be substituted for and assume all of the rights and obligations of Purchaser as a constituent corporation in the Merger or (ii) the Company may be merged with and into Purchaser with Purchaser continuing as the Surviving Corporation with the effects set forth above and in Section 2.4. In either such event, the parties agree to execute an appropriate amendment to this Agreement in order to reflect the foregoing.

SECTION 2.2 Closing. The closing of the Merger will take place at 10:00 a.m. (Dallas, Texas time) on a date to be specified by Parent or Purchaser, which shall be no later than the second Business Day after satisfaction or waiver of the conditions set forth in Article VI (the "CLOSING DATE"), at the offices of Akin, Gump, Strauss, Hauer & Feld, L.L.P., 1700 Pacific Avenue, Suite 4100, Dallas, Texas 75201, unless another date, time or place is agreed to in writing by the parties hereto.

SECTION 2.3 Effective Time. Subject to the provisions of this Agreement,

as soon as practicable on or after the Closing Date, the parties shall file a certificate of merger or other appropriate documents (in any such case, the "CERTIFICATE OF MERGER") executed in accordance with the relevant provisions of the DGCL and shall make all other filings or recordings required under the DGCL. The Merger shall become effective at such time as the Certificate of Merger is duly filed with the Delaware Secretary of State, or at such other time as Purchaser and the Company shall agree should be specified in the Certificate of Merger (the time the Merger becomes effective being hereinafter referred to as the "EFFECTIVE TIME").

SECTION 2.4 Effects of the Merger. The Merger shall have the effects set forth in Section 259 of the DGCL.

SECTION 2.5 Certificate of Incorporation and Bylaws. (a) The Certificate of Incorporation of the Company (the "CERTIFICATE OF INCORPORATION") as in effect immediately prior to the Effective Time shall be the certificate of incorporation of the Surviving Corporation, until thereafter changed or amended, as provided therein or by applicable law.

(b) The Bylaws of the Company as in effect immediately prior to the Effective Time, shall be the Bylaws of the Surviving Corporation, until thereafter changed or amended, as provided therein or by applicable law.

SECTION 2.6 Directors. The directors of Purchaser immediately prior to the Effective Time shall be the directors of the Surviving Corporation, until the earlier of their resignation or removal or their respective successors are duly elected and qualified, as the case may be.

SECTION 2.7 Officers. The officers of Purchaser immediately prior to the Effective Time shall be the officers of the Surviving Corporation, until the earlier of their resignation or removal or their respective successors are duly elected and qualified, as the case may be.

SECTION 2.8 Effect on Capital Stock. As of the Effective Time, by virtue of the Merger and without any action on the part of the holder of any Shares or any shares of capital stock of Purchaser:

(a) Capital Stock of Purchaser. Each issued and outstanding share of capital stock of Purchaser shall be converted into and become one fully paid and nonassessable share of common stock of the Surviving Corporation.

(b) Cancellation of Treasury Stock and Parent-Owned Stock. Each Share that is owned by the Company or by any wholly-owned Subsidiary of the Company and each Share that is owned by Parent,

Purchaser or any other wholly-owned Subsidiary of Parent shall automatically be canceled and retired and shall cease to exist, and no consideration shall be delivered in exchange therefor.

(c) Conversion of Shares. Subject to Section 2.8(d), each issued and outstanding Share (other than Shares to be canceled in accordance with Section 2.8(b)) shall be converted into the right to receive from the Surviving Corporation in cash, without interest, the Offer Price (the "MERGER CONSIDERATION"). As of the Effective Time, all such Shares shall no longer be outstanding and shall be automatically canceled and retired and shall cease to exist, and each holder of a certificate representing any such Shares shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration, without interest.

(d) Shares of Dissenting Stockholders. Notwithstanding anything in this Agreement to the contrary, any issued and outstanding Shares held by a person (a "DISSENTING STOCKHOLDER") who objects to the Merger and complies with all the provisions of DGCL concerning the right of holders of Shares to dissent from the Merger and require appraisal of their Shares ("DISSENTING SHARES") shall not be converted as described in Section 2.8(c), but shall be converted into the right to receive such consideration as may be determined to be due to such Dissenting Stockholder pursuant to the DGCL. If, after the Effective Time, such Dissenting Stockholder withdraws its demand for appraisal or fails to perfect or otherwise loses its right to appraisal, in any case pursuant to the DGCL, such Dissenting Stockholder's Shares shall be deemed to be converted as of the Effective Time into the right to receive the Merger Consideration. The Company shall give Parent (i) prompt notice of any demands for appraisal of Shares received by the

Company and (ii) the opportunity to participate in and direct all negotiations and proceedings with respect to any such demands. The Company shall not, without the prior written consent of Parent, make any payment with respect to, or settle, offer to settle or otherwise negotiate, any such demands.

SECTION 2.9 Exchange of Certificates.

(a) Paying Agent. Prior to the Effective Time, Parent shall designate a bank or trust company to act as agent for the holders of the Shares in connection with the Merger (the "PAYING AGENT") to receive in trust the funds to which holders of the Shares shall become entitled pursuant to Section 2.8(c). From time to time, Parent shall make available, or cause the Surviving Corporation to make available, to the Paying Agent cash in amounts and at times necessary for the prompt payment of the Merger Consideration upon surrender of certificates representing Shares as provided herein. All interest earned on such funds shall be paid to Parent.

(b) Exchange Procedure. As soon as reasonably practicable after the Effective Time, the Paying Agent shall mail to each holder of record of a certificate or certificates that immediately prior to the Effective Time represented Shares (the "CERTIFICATES"), (i) a letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Paying Agent and shall be in a form and have such other provisions as Parent may reasonably specify) and (ii) instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration. Upon surrender of a Certificate for cancellation to the Paying Agent or to such other agent or agents as may be appointed by Parent, together with such letter of transmittal, duly executed, and such other documents as may reasonably be required by the Paying Agent, the holder of such Certificate shall be entitled to receive in exchange therefor the amount of cash into which the Shares theretofore represented by such Certificate shall have been converted pursuant to Section 2.8, and the Certificate so surrendered shall forthwith be canceled. In the event of a transfer of ownership of Shares that is not registered in the transfer records of the Company, payment may be made to a person other than the person in whose name the Certificate so surrendered is registered, if such Certificate shall be properly endorsed or otherwise be in proper form for transfer and the person requesting such payment shall pay any transfer or other taxes required by reason of the payment to a person other than the registered holder of such Certificate or establish to the satisfaction of the Surviving Corporation that such tax has been paid or is not applicable. Until surrendered as contemplated by this Section 2.9, each Certificate shall be deemed at any time after the Effective Time to represent only the right to receive upon such surrender the amount of cash, without interest, into which the Shares theretofore represented by such Certificate shall have been converted pursuant to Section 2.8. No interest will be paid or will accrue on the cash payable upon the surrender of any Certificate.

(c) No Further Ownership Rights in Shares; Transfer Books. All cash paid upon the surrender of Certificates in accordance with the terms of this Article II shall be deemed to have been paid in full satisfaction of all rights pertaining to the Shares theretofore represented by such Certificates. At the Effective Time, the stock transfer books of the Company shall be closed, and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the Shares that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation or the Paying Agent for any reason, they shall be canceled and exchanged as provided in this Article II.

(d) Termination of Fund; No Liability. At any time following six months after the Effective Time, the Surviving Corporation shall be entitled to require the Paying Agent to deliver to it any funds (including any interest received with respect thereto) which had been made available to the Paying Agent and which have not been disbursed to holders of Certificates, and thereafter such holders shall be entitled to look to the Surviving Corporation (subject to abandoned property, escheat or other similar laws) only as general creditors thereof with respect to the Merger Consideration payable upon due surrender of their Certificates, without any interest thereon. Notwithstanding the foregoing, none of Parent, Purchaser, the Company or the Paying Agent shall be liable to any person in respect of any cash delivered to a public official pursuant to any applicable abandoned property, escheat or similar law. If any Certificates shall

not have been surrendered immediately prior to such date on which any payment pursuant to this Article II would otherwise escheat to or become the property of any Governmental Entity (as defined in Section 3.4), the cash payment in respect of such Certificate shall, to the extent permitted by applicable law, become the property of the Surviving Corporation, free and clear of all claims or interests of any person previously entitled thereto.

(e) Lost, Stolen or Destroyed Certificates. In the event any Certificates evidencing Shares shall have been lost, stolen or destroyed, the Paying Agent shall pay to such holder the Merger Consideration required pursuant to Section 2.8, in exchange for such lost, stolen or destroyed Certificates, upon the making of an affidavit of that fact by the holder thereof with such assurances as the Paying Agent, in its discretion and as a condition precedent to the payment of the Merger Consideration, may reasonably require of the holder of such lost, stolen or destroyed Certificates.

(f) Withholding Taxes. Parent and Purchaser shall be entitled to deduct and withhold, or cause the Paying Agent to deduct and withhold, from the consideration otherwise payable to a holder of Shares pursuant to the Offer or the Merger any stock transfer taxes and such amounts as are required under the Internal Revenue Code of 1986, as amended (the "CODE"), or any applicable provisions of state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the holder of the Shares in respect of which such deduction and withholding were made.

SECTION 2.10 Stock Options.

(a) The Company shall (i) use its best efforts to cause each holder of an outstanding employee or director stock option to purchase Shares (the "STOCK OPTIONS") granted under the 1997 Incentive Plan of the Company, as amended (the "STOCK PLAN"), whether or not then exercisable or vested, to enter into an Award Termination Agreement in the form furnished to Purchaser (individually referred to as an "AWARD TERMINATION AGREEMENT" and collectively as "AWARD TERMINATION AGREEMENTS"), under which each such Stock Option shall be canceled effective as of the Effective Time and (ii) in consideration of such cancellation, and except to the extent that Parent or Purchaser and the holder of any such Stock Option otherwise agree, cause the Company (or, at Parent's option, Purchaser) to pay to each holder of a Stock Option, within five business days after the Effective Time, an amount in respect thereof equal to the product of (A) the excess, if any, of the Offer Price over the exercise price of such Stock Option and (B) the number of Shares previously subject to such Stock Option immediately prior to its cancellation (such payment to be net of withholding taxes). The Company shall take all actions necessary to cause the Company's employees and directors to consent, to the extent required, to the transactions contemplated by this Section 2.10(a) no later than immediately prior to the time Purchaser accepts Shares for payment pursuant to the Offer; provided, however, that the failure to obtain the consent of the holders of Stock Options for not more than an aggregate

of 200,000 shares (such Stock Options for which consent has not been so obtained being herein referred to as the "CONVERTED OPTIONS") shall not be deemed to be a breach of this Section 2.10. Notwithstanding the foregoing, at the Effective Time, each Converted Option, whether vested or unvested, shall be deemed to constitute an option (a "NEW PARENT OPTION") to acquire, on the same terms and conditions as were applicable under such Converted Options, the number of shares of common stock of Parent ("PARENT COMMON STOCK") (rounded down to the nearest whole number) equal to the product of (A) the number of Shares of Common Stock issuable upon exercise of such Converted Option and (B) the Offer Price divided by the average closing sale price of the Parent Common Stock on the New York Stock Exchange Composite Tape (as reported by The Wall Street Journal (Southwestern Edition)) for the ten consecutive trading days immediately prior to and including the date preceding the Effective Time (such product being the "OPTION EXCHANGE RATIO"), at an exercise price (rounded to the nearest whole cent) equal to (X) the exercise price per share at which Common Stock shall have been purchasable under the Stock Plan immediately prior to the Merger divided by (Y) the Option Exchange Ratio.

(b) Except as may be otherwise agreed to by Parent or Purchaser and the Company, as of the Effective Time, (i) the Company's Stock Plan shall terminate, (ii) the provisions in any other plan, program or arrangement providing for the

issuance or grant of any other interest in respect of the capital stock of the Company or any of its Subsidiaries shall be deleted and (iii) no holder of Stock Options or any participant in the Stock Plan or any other plans, programs or arrangements shall have any rights thereunder to acquire any equity securities of the Company, the Surviving Corporation or any subsidiary thereof. The Company shall take all actions necessary to cause the Company's employees and directors to consent, to the extent required, to the transactions contemplated by this Section 2.10(b) no later than immediately prior to the time Purchaser accepts Shares for payment pursuant to the Offer.

ARTICLE III.

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth with reasonable specificity in a corresponding numbered section of the Disclosure Letter delivered by the Company to Parent and Purchaser prior to the execution of this Agreement (the "DISCLOSURE LETTER"), the Company represents and warrants to Parent and Purchaser as follows:

SECTION 3.1 Organization and Qualification.

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or the nature of its business makes such qualification necessary, except in jurisdictions, if any, where the failure to be so qualified would not, individually or in the aggregate, result in a Material Adverse Effect (as defined in Section 9.1) on the Company. The Company has all requisite corporate power and authority to own, use or lease its properties and to carry on its business as it is now being conducted. The Company has made available to Parent a complete and correct copy of its Certificate of Incorporation and Bylaws, each as amended to date, and the Company's Certificate of Incorporation and Bylaws as so delivered are in full force and effect. The Company is not in default in the performance, observation or fulfillment of any provision of its Certificate of Incorporation or Bylaws.

(b) Section 3.1(b) of the Disclosure Letter lists the name and jurisdiction of organization of each Subsidiary (as defined in Section 9.1) of the Company and the jurisdictions in which each such Subsidiary is qualified or holds licenses to do business as a foreign corporation or other organization as of the date hereof. Each of the Company's Subsidiaries is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, is duly qualified to do business as a foreign entity and is in good standing in the jurisdictions set forth in Section 3.1(b) of the Disclosure Letter, which includes each jurisdiction in which the character of such Subsidiary's properties owned or leased by it or the nature of its business makes such qualification necessary, except in jurisdictions, if any, where the failure to be so qualified would not, individually or in the aggregate, result in a Material Adverse Effect on the Company. Each of the Company's

Subsidiaries has all requisite corporate (or other organizational) power and authority to own, use or lease its properties and to carry on its business as it is now being conducted. The Company has made available to Parent a complete and correct copy of the certificate of incorporation and bylaws (or similar organizational documents) of each of the Company's Subsidiaries, each as amended to date, and the certificate of incorporation and bylaws (or similar organizational documents) as so delivered are in full force and effect. No Subsidiary of the Company is in default in any material respect in the performance, observation or fulfillment of any provision of its certificate of incorporation or bylaws (or similar organizational documents). Other than its Subsidiaries, the Company does not beneficially own or control, directly or indirectly, any class of equity or similar securities of any corporation or other organization, whether incorporated or unincorporated.

SECTION 3.2 Capitalization.

(a) The authorized capital stock of the Company consists of (i) 30,000,000 shares of Common Stock, of which as of the close of business on November 17, 1999, (A) 9,664,562 shares were issued and outstanding, (B) none were held as treasury shares, (C) 1,650,000 shares were reserved for issuance upon exercise

of options under the Stock Plan, (D) 482,262 shares were reserved for issuance upon exercise of the Warrants, (E) 600,769 shares were reserved for issuance upon conversion of the Convertible Notes, (F) 555,555 shares (the "NEW COLLIER SHARES") were reserved for issuance in connection with the obligations of the Company under the Collier Merger Agreement (as defined in Annex A to the Disclosure Letter), and (G) an indeterminate number of shares were reserved for issuance in connection with the obligations of the Company under the Colonial Merger Agreement and the Plant Maintenance Merger Agreement (as such terms are defined in Annex A to the Disclosure Letter), such agreements, together with the Collier Merger Agreement, being collectively referred to as the "SUBSIDIARY ACQUISITION AGREEMENTS"); and (ii) 5,000,000 shares of preferred stock, par value $.001 per share, of which as of the close of business on November 17, 1999, there were reserved for issuance in connection with that certain Rights Agreement dated September 18, 1997 by and between the Company and Chase Mellon Shareholder Services, L.L.C. (the "RIGHTS AGREEMENT") the number of shares of Series A Junior Participating Preferred Stock, par value $.001 per share (the "SERIES A PREFERRED STOCK"), sufficient to permit the exercise in full of all outstanding rights under the Rights Agreement. Except as set forth above, at the close of business on November 17, 1999, no shares of capital stock or other voting securities of the Company were issued, reserved for issuance or outstanding. All outstanding shares of capital stock of the Company are, and all shares that may be issued pursuant to the Stock Plan will be, when issued in accordance with the terms thereof, duly authorized, validly issued, fully paid and nonassessable and not subject to preemptive rights. There are no bonds, debentures, notes or other indebtedness of the Company having the right to vote (or convertible into securities having the right to vote) on any matters on which stockholders of the Company may vote. Except for the Stock Options, the Warrants, the Convertible Notes, the Subsidiary Acquisition Agreements and rights (the "RIGHTS") to purchase shares of Series A Preferred Stock pursuant to the Rights Agreement, there are no securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which the Company is a party, or by which the Company is bound, obligating the Company to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other voting securities of the Company or obligating the Company to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. Neither the Company nor any of its Subsidiaries is a party to any voting agreement with respect to the voting of any of the securities of the Company or any of its Subsidiaries. There are no outstanding contractual obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of the Company.

(b) Set forth in Section 3.2(b) of the Disclosure Letter is a complete and accurate list showing, as of the date hereof, as to each Subsidiary of the Company, the number of shares of each class of capital stock, or other equity interests authorized, and the number outstanding and the percentage of the outstanding shares or other equity interests of each such class owned (directly or indirectly) by the Company. All of the outstanding shares of capital stock of, or other equity interests in, each Subsidiary of the Company have been validly issued and are fully paid and nonassessable, and all of such shares or other equity interests owned directly or indirectly by the Company are owned free and clear of all liens, pledges, mortgages, security interests, encumbrances, claims or charges of any kind or nature whatsoever (collectively, "LIENS") and free of any

other restriction (including any restriction on the right to vote, sell, hypothecate or otherwise dispose of such capital stock or other equity interests). There are no securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which the Company or any of its Subsidiaries is a party, or by which the Company or any of its Subsidiaries is bound, obligating the Company or any of its Subsidiaries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other securities of any Subsidiary of the Company or obligating the Company or any of its Subsidiaries to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking. There are no outstanding contractual obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of any Subsidiary of the Company.

SECTION 3.3 Authority. The Company has the requisite corporate power and authority to enter into this Agreement and, subject to, if required by law,

approval of the Merger by an affirmative vote of the holders of a majority of the Shares (the "COMPANY STOCKHOLDER APPROVAL"), to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement by the Company and the consummation by the Company of the transactions contemplated by this Agreement have been duly and validly authorized by all necessary corporate action on the part of the Company, subject, in the case of the Merger, to the Company Stockholder Approval if such approval is required by law. This Agreement has been duly and validly executed and delivered by the Company and constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

SECTION 3.4 Consents and Approvals; No Violations. The execution and delivery of this Agreement by the Company do not, and the consummation by the Company of the transactions contemplated by this Agreement and compliance with the provisions of this Agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any Lien in or upon any of the properties or assets of the Company or any of its Subsidiaries under any provision of (i) the Certificate of Incorporation or Bylaws of the Company or the comparable organizational documents of any Subsidiary of the Company, (ii) any loan or credit agreement, note, bond, mortgage, indenture, lease or other agreement, instrument, permit, concession, franchise or license applicable to the Company or any of its Subsidiaries or any of their respective properties or assets or (iii) subject to the governmental filings and other matters referred to in the following sentence, any (A) statute, law, ordinance, rule or regulation or (B) judgment, order or decree applicable to the Company or any of its Subsidiaries or any of their respective properties or assets, other than, in the case of clauses (ii) and (iii), any such conflicts, violations, defaults, rights or Liens that individually or in the aggregate would not (x) have a Material Adverse Effect on the Company, (y) impair in any material respect the ability of the Company to perform its obligations under this Agreement or (z) prevent or materially delay the consummation of any of the transactions contemplated by this Agreement. No consent, approval, order or authorization of, or registration, declaration or filing with, any federal, state or local government or any court, administrative agency or commission or other governmental authority or agency, domestic or foreign (a "GOVERNMENTAL ENTITY"), is required by or with respect to the Company or any of its Subsidiaries in connection with the execution and delivery of this Agreement by the Company or the consummation by the Company of the Merger or the transactions contemplated by this Agreement, except for (1) the filing of a premerger notification and report form by the Company under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended the ("HSR ACT"), (2) the filing with the SEC of (A) the Schedule 14D-9, (B) a proxy or information statement (as selected by Purchaser) relating to the Company Stockholder Approval, if such approval is required by law (as amended or supplemented from time to time, the "PROXY STATEMENT") and (C) such reports under Section 13(a) of the Exchange Act as may be required in connection with this Agreement and the transactions contemplated by this Agreement, (3) the filing of the Certificate of Merger with the Delaware Secretary of State and appropriate documents with the relevant authorities of other states in which the Company is qualified to do business and (4) such other consents, approvals, orders, authorizations, registrations, declarations and filings the failure of which to be obtained or made would not, individually or in the aggregate, have a Material Adverse Effect on the Company or prevent or materially delay the consummation of the transactions contemplated by this Agreement.

SECTION 3.5 SEC Reports. The Company has filed with the SEC, and has heretofore made available to Parent, true and complete copies of, each form, registration statement, report, schedule, proxy or information statement and other document (including exhibits and amendments thereto), which the Company was required to file with the SEC since January 1, 1997, and prior to or on the date of this Agreement under the Securities Act of 1933, as amended (the "SECURITIES ACT") or the Exchange Act (collectively, the "SEC REPORTS"). As of the respective dates such SEC Reports were filed or, if any such SEC Reports were amended, as of the date the last such amendment was filed, each of the SEC Reports, including without limitation any financial statements or schedules included therein, (a) complied in all material respects with all applicable requirements of the Securities Act and the Exchange Act, as the case may be, and the applicable rules and regulations promulgated thereunder, and (b) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in

light of the circumstances under which they were made, not misleading. None of the Company's Subsidiaries is required to file any forms, reports or other documents with the SEC.

SECTION 3.6 Financial Statements. Each of the audited consolidated financial statements and unaudited consolidated interim financial statements of the Company (including any related notes and schedules) included (or incorporated by reference) in the SEC Reports (collectively, the "COMPANY FINANCIAL STATEMENTS") have been prepared from, and are in accordance with, the books and records of the Company and its consolidated Subsidiaries, comply in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with United States generally accepted accounting principles ("GAAP") applied on a consistent basis (except as may be indicated in the notes thereto and subject, in the case of quarterly financial statements, to normal and recurring year-end adjustments) and fairly present, in conformity with GAAP applied on a consistent basis (except as may be indicated in the notes thereto), the consolidated financial position of the Company and its consolidated Subsidiaries as of the date thereof and the consolidated results of operations and cash flows (and changes in financial position, if any) of the Company and its consolidated Subsidiaries for the periods presented therein (subject to normal year-end adjustments, none of which, individually or in the aggregate, are material in amount, and the absence of financial footnotes in the case of any unaudited interim financial statements).

SECTION 3.7 Absence of Undisclosed Liabilities. Except (a) for liabilities incurred in the ordinary course of business consistent with past practice, (b) for transaction expenses incurred in connection with this Agreement, (c) for liabilities which individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect on the Company, (d) for liabilities set forth on any balance sheet (including the notes thereto) included in the Company's financial statements included in the SEC Reports filed with the SEC since June 30, 1999 (the "CURRENT SEC REPORTS"), or (e) as set forth in Section 3.7 of the Disclosure Letter, since June 30, 1999, neither the Company nor any of its Subsidiaries has incurred any liabilities that would be required to be reflected or reserved against in a consolidated balance sheet of the Company and its Subsidiaries prepared in accordance with GAAP as applied in preparing the consolidated balance sheet of the Company and its Subsidiaries as of December 31, 1998 contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998.

SECTION 3.8 Absence of Certain Changes or Events. Except as disclosed in Section 3.8 of the Disclosure Letter, and except for liabilities incurred in connection with this Agreement or the transactions contemplated hereby, since June 30, 1999, the Company and its Subsidiaries have conducted their respective businesses only in the ordinary and usual course and (i) there have not occurred any events or changes (including the incurrence of any liabilities of any nature, whether or not accrued, contingent or otherwise) having or reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on the Company and (ii) the Company has not taken any action which would have been prohibited under Section 5.1 hereof had such action been taken after the date hereof.

SECTION 3.9 Compliance with Applicable Law. Each of the Company and its Subsidiaries are and have been in compliance with all applicable statutes, laws, ordinances, regulations, rules, judgments, decrees and orders of any Governmental Entity (collectively, "LEGAL PROVISIONS") applicable to their business or operations, except for instances of possible noncompliance that individually or in the aggregate would not have

a Material Adverse Effect on the Company or prevent or materially delay the consummation of the transactions contemplated by this Agreement. Each of the Company and its Subsidiaries has in effect all Federal, state, local and foreign governmental approvals, authorizations, certificates, filings, franchises, licenses, notices, permits and rights ("PERMITS") necessary for it to own, lease or operate its properties and assets and to carry on its business as now conducted, and there has occurred no default under, or violation of, any such Permit, except for the lack of Permits and for defaults under, or violations of, Permits, which individually or in the aggregate would not have a Material Adverse Effect on the Company.

SECTION 3.10 Litigation. There is no suit, action or proceeding pending

or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries as to which there is a reasonable likelihood of an adverse determination that individually or in the aggregate would have a Material Adverse Effect on the Company or would prevent or delay the consummation of the transactions contemplated by this Agreement, nor is there any judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against, or, to the knowledge of the Company, investigation by any Government Entity involving, the Company or any of its Subsidiaries that individually or in the aggregate would have a Material Adverse Effect on the Company or would prevent or delay the consummation of the transactions contemplated by this Agreement.

SECTION 3.11 Taxes. All federal, state, local and foreign Tax Returns required to be filed by or on behalf of the Company, each of its Subsidiaries, and each affiliated, combined, consolidated or unitary group of which the Company or any of its Subsidiaries is or was a member (a "COMPANY GROUP") have been timely filed or requests for extensions to file such returns or reports have been timely filed and granted and have not expired, and all returns filed are complete and accurate except to the extent any failure to file or any inaccuracies in filed returns would not, individually or in the aggregate, have a Material Adverse Effect on the Company. All Taxes due and owing by the Company, any Subsidiary of the Company or any Company Group have been paid, or adequately reserved for, except to the extent any failure to pay or reserve would not, individually or in the aggregate, have a Material Adverse Effect on the Company. There is no audit examination, deficiency, refund litigation, proposed adjustment or matter in controversy with respect to any Taxes due and owing by the Company, any Subsidiary of the Company or any Company Group nor has the Company or any Subsidiary filed any waiver of the statute of limitations applicable to the assessment or collection of any Tax, in each case, which would, individually or in the aggregate, have a Material Adverse Effect on the Company. All assessments for Taxes due and owing by the Company, any Subsidiary of the Company or any Company Group with respect to completed and settled examinations or concluded litigation have been paid. Neither the Company nor any Subsidiary is a party to any tax indemnity agreement, tax sharing agreement or other agreement under which the Company or any Subsidiary could become liable to another person as a result of the imposition of a Tax upon any person, or the assessment or collection of a Tax, except for such agreements as would not in the aggregate have a Material Adverse Effect on the Company. The Company has provided or made available to Parent information relating to (i) the taxable years of the Company for which the statutes of limitations with respect to federal income Taxes have not expired, and (ii) with respect to federal income Taxes, those years for which examinations have been completed, those years for which examinations are presently being conducted, and those years for which examinations have not yet been initiated. The Company and each of its Subsidiaries has complied in all material respects with all rules and regulations relating to the withholding of Taxes, except to the extent any such failure to comply would not, individually or in the aggregate, have a Material Adverse Effect on the Company.

SECTION 3.12 Employee Benefit Plans; Labor Matters.

(a) As used herein:

(i) "PLAN" means any bonus, deferred compensation, incentive compensation, stock purchase, restricted stock, stock option, severance, hospitalization or other medical, life or other insurance, employee welfare, supplemental unemployment benefit, profit-sharing, pension or retirement plan, program, agreement or arrangement or any other employee benefit plan, program, agreement or arrangement, including any such plan, program, agreement or arrangement covering retirees or former employees and including without limitation any "employee pension benefit plan" and any "employee

welfare benefit plan" as those terms are defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA");

(ii) "COMPANY PLANS" means all Plans maintained by or contributed to by Company or any of its Subsidiaries with respect to employees, former employees, retirees, directors or independent contractors of Company or any of its Subsidiaries;

(iii) "COMPANY CONTROLLED GROUP PLAN" means a Company Plan and any other Plan maintained by or contributed to, at any time within six years prior to the date of this Agreement by any Company Controlled Group Member; and

(iv) "COMPANY CONTROLLED GROUP MEMBER" means a member of a group of entities or trades or businesses that is aggregated with and includes Company or any of its Subsidiaries under Code Section 414(b), (c), (m) or (o) and the Treasury Regulations thereunder or under Section 4001 of ERISA.

(b) Each of the Company Plans is, and has been, adopted and operated in material compliance with its terms and all applicable laws, rules and regulations (including, where applicable, ERISA and the Code).

(c) Section 3.12(c) of the Disclosure Letter contains an accurate and complete list of (i) all Company Plans, including a complete and accurate description of all Company Plans that are not in writing and (ii) all Company Controlled Group Plans that are subject to Code Section 412 or Title IV or Section 302 of ERISA. Neither the Company nor any of its Subsidiaries has made any commitment, whether formal or informal, and whether legally binding or not, to create or have liability under any additional Plan, policy or arrangement, or to modify any existing Company Plan or Company Controlled Group Plan. Neither the Company nor any of its Subsidiaries has adopted or sponsored any Plan for any employees leased from, or co-employed by, Administaff Companies, Inc. or any other entity.

(d) With respect to each Company Plan and Company Controlled Group Plan, the Company has heretofore delivered or made available to Parent, or will deliver to Parent prior to the Closing Date, true, correct and complete copies of (i) each such Plan, (including any amendments to any such Plans, any related trusts, ancillary documents, summary plan descriptions, written descriptions of any such Plans that are not in writing, insurance policies, investment management agreements or annuity contracts, and any rules or regulations created for use with any such Plans); (ii) the most recent IRS determination letter, if any, with respect to each of such Plans; (iii) the Form 5500 (including all schedules and attachments), if any, filed with respect to each of such Plans for the most recent two (2) years; (iv) the most recent actuarial reports, if any, filed with respect to each of the Company Plans and Company Controlled Group Plan; (v) each collective bargaining agreement or other contract relating to each Company Plan and Company Controlled Group Plan; and (vi) each co-employment agreement and each employee leasing agreement (as described in Code Section 414(n)) to which the Company or any of its Subsidiaries is a party.

(e) None of the Company Plans or any trusts relating thereto have engaged in any transaction in connection with which Company or any of its Subsidiaries or any fiduciaries of any Company Plans or related trusts is or could be subject either to a civil penalty or other liability under Sections 502(i), 406 or 409 of ERISA or a tax imposed by Section 4975 of the Code, and no event has occurred and no condition exists with respect to the Company Plans that could subject Company or any of its Subsidiaries to any other tax or penalty under the Code or civil penalty or other liability under ERISA or other laws.

(f) No litigation or administrative or other proceeding, audit, claim, investigation or other matter (other than routine claims for benefits) is pending or threatened involving any Company Plan.

(g) All payments (including, without limitation, contributions and premiums) required to have been made to or in connection with Company Plans, by their terms or under ERISA or the Code, have been timely made in full, determined by using the applicable actuarial and funding assumptions, if any.

(h) To the extent applicable, each Company Plan or related trust which is intended to meet the requirements of Section 401(a) or 501(a) of the Code meets such requirements. With respect to each

Company Plan which is intended to meet the requirements of Section 401(a) of the Code, a favorable determination letter has been received from the IRS as to its qualification under such Code Section (including the amendments to the Code made by the Tax Reform Act of 1986 and all subsequent legislation on which determination letter may be obtained), and each such letter is current and is in full force and effect.

(i) No Company Plan is subject to Title IV of ERISA or is a defined benefit plan.

(j) Except as provided by Section 4980B of the Code or Part 6 of Title I of ERISA, there are no health, medical or other welfare benefits or insurance under the Company Plans for current or future retirees or other former employees.

(k) With respect to each Company Controlled Group Plan, (i) no liability arising under Title IV of ERISA is pending, has been incurred by or is threatened against any Company Controlled Group Member, which liability has not been satisfied; (ii) no accumulated funding deficiency, whether or not waived, within the meaning of Section 302 of ERISA or Section 412 of the Code, has been incurred; and (iii) all contributions (including installments) to each said Company Plan required by Section 302 of ERISA and Section 412 of the Code have been timely made. Neither the Company nor any of its Subsidiaries has any current or future liability with respect to any Company Controlled Group Plan other than the Company Plans. No Company Controlled Group Plan is a multiemployer plan within the meaning of Section 3(37) of ERISA.

(l) The assets of the Company Plans do not include any "employer securities" or "employer real property" as such terms are defined in Section 407 of ERISA. No debt has been incurred by any of the Company Plans, other than liabilities for the payment of benefits or insurance premiums.

(m) Except as set forth in Section 3.12 of the Disclosure Letter and except as expressly provided in Section 2.10(a) of this Agreement, the consummation of the transactions contemplated by this Agreement will not (i) entitle any current or former employee, officer, director or independent contractor of Company or any of its Subsidiaries to severance pay, unemployment compensation or any other payment; (ii) accelerate the time of payment or vesting, or increase the amount of compensation due any such person; (iii) result in any prohibited transaction described in Section 406 of ERISA or Section 4975 of the Code for which an exemption is not available; or (iv) in any way result in any additional liability with respect to any Company Plan.

(n) Neither the Company nor any Subsidiary has incurred any liability under, and the Company and its Subsidiaries have complied in all respects with, the Worker Adjustment Retraining Notification Act and the regulations promulgated thereunder and do not reasonably expect to incur any such liability as a result of actions taken or not taken prior to the Effective Time.

(o) (i) There are no claims or actions pending or, to the knowledge of the Company, threatened between the Company or any Subsidiary and any of their respective employees, which controversies could have a Material Adverse Effect; (ii) neither the Company nor any Subsidiary is a party to any collective bargaining agreement or other labor union contract applicable to persons employed by the Company or any Subsidiary, nor, to the knowledge of the Company, are there any activities or proceedings of any labor union to organize any such employees; (iii) neither the Company nor any Subsidiary has breached or otherwise failed to comply with any provision of any such agreement or contract and there are no grievances outstanding against the Company or any Subsidiary before the National Labor Relations Board or any current union representation questions involving employees of the Company or any Subsidiary, and (v) there is no strike, slowdown, work stoppage or lockout, or, to the knowledge of the Company, threat thereof, by or with respect to any employees of the Company or any Subsidiary.

SECTION 3.13 Environmental Matters.

(i) Except as disclosed in the Current SEC Reports or as set forth in Section 3.13 of the Disclosure Letter, (A) the Company and each of its Subsidiaries have conducted their respective businesses in compliance with all applicable Environmental Laws (as defined below) and are currently in compliance with all such laws, including, without limitation, having all permits, licenses and other approvals and authorizations necessary for the operation of their respective businesses as presently conducted, (B) none

of the properties currently or formerly owned or operated by the Company or any of its Subsidiaries contains any Hazardous Substance (as defined below) except in compliance with applicable Environmental Laws nor has there been

a release of Hazardous Substances at properties currently or formerly owned or operated by the Company or any of its Subsidiaries, (C) neither the Company nor any of its Subsidiaries has received any notices, demand letters or requests for information from any Governmental Entity or third party indicating that the Company or any of its Subsidiaries may be in violation of, or liable under, any Environmental Law in connection with the ownership or operation of their businesses, including, without limitation, liability relating to sites not owned or operated by the Company or any of its Subsidiaries, (D) there are no civil, criminal or administrative actions, suits, demands, claims, hearings, investigations or proceedings, pending or threatened, against the Company or any of its Subsidiaries relating to any violation of or liability under, or alleged violation of or liability under, any Environmental Law, including claims for damages alleged to result from use, handling or exposure to or injury from any Hazardous Substance, (E) all reports that are required to be filed by the Company or any of its Subsidiaries concerning the release of any Hazardous Substance or the threatened or actual violation of any Environmental Law have been so filed, (F) no Hazardous Substance has been disposed of, released or transported in violation of or under circumstances that could create liability under any applicable Environmental Law from any properties owned by the Company or any of its Subsidiaries as a result of any activity of the Company or any of its Subsidiaries during the time such properties were owned, leased or operated by the Company or any of its Subsidiaries, (G) there are no underground storage tanks or polychlorinated biphenyls located at any of the properties currently or formerly owned or operated by the Company or any of its Subsidiaries, (H) neither the Company, any of its Subsidiaries nor any of their respective properties are subject to any material liabilities or expenditures (fixed or contingent) relating to any suit, settlement, court order, administrative order, regulatory requirement, judgment or claim asserted or arising under any Environmental Law, except for violations of the foregoing clauses (A) through (H) that, singly or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on the Company, and (I) the Company has provided Parent with each environmental audit, test or analysis performed within the last three years of any property currently or formerly owned or operated by the Company or any of its Subsidiaries (x) which involves any environmental condition which would give rise to a Material Adverse Effect on the Company and (y) of which the Company has knowledge.

(ii) As used herein, "ENVIRONMENTAL LAW" means any United States Federal, territorial, state, local or foreign law, statute, ordinance, rule, regulation, code, license, permit, authorization, approval, consent, legal doctrine, order, judgment, decree, injunction, requirement or agreement with any Governmental Entity relating to (x) the protection, preservation or restoration of the environment (including, without limitation, air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource) or to human health or safety or (y) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances. The term "ENVIRONMENTAL LAW" includes, without limitation, (i) the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, the Superfund Amendments and Reauthorization Act, the Federal Water Pollution Control Act of 1972, the Federal Clean Air Act, the Federal Clean Water Act, the Federal Resource Conservation and Recovery Act of 1976 (including the Hazardous and Solid Waste Amendments thereto), the Federal Solid Waste Disposal Act and the Federal Toxic Substance Control Act, the Federal Insecticide, Fungicide and Rodenticide Act, and the Federal Occupational Safety and Health Act of 1970, and (ii) any common law or equitable doctrine (including, without limitation, injunctive relief and tort doctrines such as negligence, nuisance, trespass and strict liability) that may impose liability or obligations for injuries or damages due to, or threatened as a result of, the presence of, effects of or exposure to any Hazardous Substance.

(iii) As used herein, "HAZARDOUS SUBSTANCE" means any substance presently or hereafter listed, defined, designated or classified as hazardous, toxic, radioactive or dangerous, or otherwise regulated, under any Environmental Law. Hazardous Substance includes any substance to which exposure is regulated by any Governmental Entity or any Environmental Law including, without limitation, any toxic

waste, pollutant, contaminant, hazardous substance, toxic substance, hazardous waste, special waste, industrial substance or petroleum or any derivative or by-product thereof, radon, radioactive material, asbestos, or asbestos containing material, urea formaldehyde foam insulation, lead or polychlorinated biphenyls.

SECTION 3.14 Contracts. Except as disclosed in the SEC Reports, there are no contracts or agreements to which the Company or any of its Subsidiaries is a party that are of a nature required to be filed as an exhibit under the Exchange Act and the rules and regulations promulgated thereunder. Neither the Company nor any of its Subsidiaries is in violation of nor in default under (nor does there exist any condition which upon the passage of time or the giving of notice or both would cause such a violation of or default under) any lease, permit, concession, franchise, license or any other contract, agreement, arrangement or understanding to which it is a party or by which it or any of its properties or assets is bound, except for violations or defaults that individually or in the aggregate would not have a Material Adverse Effect on the Company. Neither the Company nor any of its Subsidiaries is bound by any contract, agreement, arrangement or understanding with any affiliate of the Company other than agreements that are (i) disclosed in the SEC Reports or (ii) not of a nature required to be disclosed in the SEC Reports. Neither the Company nor any of its Subsidiaries is a party to or otherwise bound by any agreement or covenant not to compete or by any agreement or covenant restricting in any material respect the development, marketing or distribution of the products and services of the Company and its Subsidiaries.

SECTION 3.15 Certain Agreements. Except as set forth in Section 3.15 of the Disclosure Letter, neither the Company nor any of its Subsidiaries is a party to any (a) employment, severance, or collective bargaining agreement not terminable without liability or obligation on 60 days' or less notice; (b) agreement with any director, executive officer, or other key employee, agent, or contractor of the Company or any Subsidiary of the Company (i) the benefits of which are contingent, or the terms of which are materially altered, on the occurrence of a transaction involving the Company or any of its Subsidiaries of the nature of any of the transactions contemplated by this Agreement or relating to an actual or potential change in control of the Company or any of its Subsidiaries or (ii) providing any term of employment or other compensation guarantee or extending severance benefits or other benefits after termination not comparable to benefits available to employees, agents, or contractors generally; (c) agreement, plan, or arrangement under which any person may receive payments that may be subject to the tax imposed by sec. 4999 of the Code or included in the determination of such person's "parachute payment" under sec. 280G of the Code; or (d) agreement or plan, including any stock option plan, stock appreciation right plan, restricted stock plan, or stock purchase plan, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement.

SECTION 3.16 Intellectual Property. The Company and its Subsidiaries own, or are validly licensed or otherwise have the right to use, all patents, patent rights, trademarks, trade secrets, trademark rights, trade names, trade name rights, service marks, service mark rights, copyrights and other proprietary intellectual property rights and computer programs which are material to the conduct of the business of the Company and its Subsidiaries taken as a whole (collectively, "INTELLECTUAL PROPERTY RIGHTS"). Except as would not have a Material Adverse Effect on the Company, the Company and its Subsidiaries will continue to own or be licensed to use the Intellectual Property Rights after consummation of the Offer and the Merger. Except as would not have a Material Adverse Effect on the Company, no claim of any infringement of any Intellectual Property Rights of any third party has been made or asserted against the Company or any of its Subsidiaries in respect of the operation of the business of the Company or any of its Subsidiaries. To the knowledge of the Company, no person is infringing the rights of the Company or any of its Subsidiaries with respect to any Intellectual Property Right that individually or in the aggregate would have a Material Adverse Effect on the Company. Neither the Company nor any of its Subsidiaries has licensed, or otherwise granted, to any third party, any material rights in or to any Intellectual Property Rights.

SECTION 3.17 Title to Properties. The Company and its Subsidiaries have good, valid and marketable title to the properties and assets reflected on the most recent consolidated balance sheet included in the

Current SEC Reports (other than properties and assets disposed of in the ordinary course of business since the date of such balance sheet), and all such properties and assets are free and clear of any Liens, except as described in the Current SEC Reports and the financial statements included therein or in Section 3.17 of the Disclosure Letter and other than Liens for current taxes not yet due and other Liens or title imperfections that do not have, and are not reasonably likely to have, a Material Adverse Effect on the Company.

SECTION 3.18 Information in Proxy Statement. The Proxy Statement, if any (or any amendment thereof or supplement thereto), including any information incorporated by reference therein, will, at the date mailed to the stockholders of the Company and at the time of the meeting of the stockholders of the Company, not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading, except that no representation is made by the Company with respect to statements made therein based on information supplied by Parent or Purchaser for inclusion in the Proxy Statement. The Proxy Statement will comply in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder.

SECTION 3.19 Takeover Restrictions; Rights Agreement.

(a) Other than Section 203 of the DGCL, no state takeover statute or similar statute or regulation of any state or other jurisdiction applies, or to the knowledge of the Company purports to apply, to this Agreement, the Stockholder Agreements or any of the transactions contemplated herein or therein, including the Merger. Assuming Parent and its "associates" and "affiliates" (as defined in Section 203 of the DGCL) collectively beneficially own, and have beneficially owned at all times during the three year period prior to the date hereof, less than fifteen percent (15%) of the Common Stock outstanding, the action of the Board of Directors of the Company in approving the Offer (including the purchase of Shares pursuant to the Offer), the Merger, this Agreement, the Stockholder Agreements and the transactions contemplated by this Agreement and the Stockholder Agreements is sufficient to render inapplicable to the Offer, the Merger, this Agreement and the Stockholder Agreements the provisions of Section 203 of the DGCL.

(b) No provision of the Certificate of Incorporation or Bylaws of the Company or comparable organizational documents of any of the Company's Subsidiaries would, directly or indirectly, restrict or impair the ability of Purchaser or its affiliates to vote, or otherwise to exercise the rights of a shareholder with respect to, securities of the Company or any Subsidiary that may be acquired or controlled by Purchaser or its affiliates pursuant to this Agreement or the Stockholder Agreements or permit any shareholder to acquire securities of the Company on a basis not available to Purchaser in the event that Purchaser were to acquire securities of the Company.

(c) The Company has made available to Parent a complete and correct copy of the Rights Agreement, including all amendments and exhibits thereto. The Company and the Board of Directors of the Company have taken, and will maintain in effect during the term of this Agreement, all action necessary to ensure that (x) none of Parent, Purchaser or any of their Affiliates or Associates (as such terms are defined in the Rights Agreement) shall be or become an "Acquiring Person", and no Stock Acquisition Date, Distribution Date, Flip-in Event or Flip-Over Event (as such terms are defined in the Rights Agreement) shall occur, as a result of (i) the execution, delivery or performance of this Agreement (or any amendments hereto) or the consummation of the transactions contemplated hereby, including, without limitation, the Offer and the Merger, (ii) the execution, delivery or performance of the Stockholder Agreements or any amendments thereto, or the consummation of the transactions contemplated thereby, (iii) the announcement, making or commencement of the Offer or the announcement of this Agreement or the Stockholder Agreements, (iv) the acquisition of Beneficial Ownership (as such term is defined in the Rights Agreement) of Shares or Rights pursuant to, or in connection with, this Agreement, the Stockholder Agreements or otherwise as a result of any of the transactions contemplated by this Agreement or the Stockholder Agreements, including, without limitation, the Offer and the Merger; and (y) the Rights will expire pursuant to the terms of the Rights Agreement immediately prior to the Effective Time.

SECTION 3.20 Brokers. No broker, investment banker, financial advisor or other person, other than the Financial Advisor, the fees and expenses of which

will be paid by the Company, is entitled to any broker's,

finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company. The Company has furnished to Parent true and complete copies of all agreements under which any such fees or expenses are payable and all indemnification and other agreements related to the engagement of the persons to whom such fees are payable.

SECTION 3.21 Agreements with Creditors and Other Claimants. Section 3.21(a) of the Disclosure Letter lists all of the agreements which the Company has entered into with any creditor and claimant of the Company in contemplation of this Agreement and the amount to be paid to such creditor and claimant pursuant to such agreement. The Company has forwarded true and complete copies of all of the agreements listed in Section 3.21(a) of the Disclosure Letter. All of such agreements are valid, in full force and effect and enforceable by the Company in accordance with their terms. Neither the Company nor any of its subsidiaries is in violation of or in default under (nor does there exist any condition which with the lapse of time or the giving of notice or both would cause such a violation of or default under) any such agreement. Except in connection with liabilities permitted by Sections 3.7 and 3.8 (including, without limitation, the liabilities set forth in Sections 3.7 and 3.8 of the Disclosure Letter), there are no creditors or claimants of the Company owed or claiming more than $10,000 which have not entered into agreements with the Company in contemplation of this Agreement fixing the amount to be paid to them by the Company.

SECTION 3.22 Payments Pursuant to Sections 5.10 and 5.11. The aggregate amounts payable pursuant to Sections 5.10 and 5.11 of this Agreement do not exceed $7,870,454, and $4,346,006, respectively.

SECTION 3.23 Company Transaction Costs. The aggregate amount of all fees, costs and expenses of the Company and its subsidiaries actually incurred in connection with this Agreement and the consummation of the transactions contemplated hereby, including, without limitation the Offer, the Merger, and the agreements and actions contemplated in Article 5 hereof, including any investment banking, accounting, advisory, brokers, finders, printers or legal fees or fees paid to any Government Entity or other third party (but excluding the costs set forth in Section 3.23 of the Disclosure Letter that are deemed not to be transaction costs for purposes of this Section 3.23), do not, and will not as of the Expiration Date, exceed $1,550,000.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES OF PARENT AND PURCHASER

Each of Parent and Purchaser represents and warrants to the Company as follows:

SECTION 4.1 Organization and Qualification. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of New York. Each of Parent and Purchaser is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction in which the character of the properties owned or leased by it or the nature of its business makes such qualification necessary, except in jurisdictions, if any, where the failure to be so qualified would not, individually or in the aggregate, result in a Material Adverse Effect on Parent or Purchaser. Each of Parent and Purchaser has all requisite corporate power and authority to own, use or lease its properties and to carry on its business as it is now being conducted.

SECTION 4.2 Authority. Each of Parent and Purchaser has the requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated by this Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement have been duly and validly authorized by all necessary corporate action on the part of Parent and Purchaser. This Agreement has been duly and validly executed and delivered by Parent and Purchaser and constitutes a valid and binding obligation of each such party, enforceable against each such party in accordance with its terms.

SECTION 4.3 Consents and Approvals; No Conflicts. The execution and delivery of this Agreement by Parent and Purchaser do not, and the consummation by Parent and Purchaser of the transactions contemplated by this Agreement and compliance by Parent and Purchaser with the provisions of this Agreement will not, conflict with, or result in any violation of, or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under, or result in the creation of any Lien in or upon any of the properties or assets of Parent or Purchaser under any provision of (i) the certificate of incorporation or bylaws of Parent or Purchaser, (ii) any loan or credit agreement, note, bond, mortgage, indenture, lease or other agreement, instrument, permit, concession, franchise or license applicable to Parent or Purchaser or any of their respective properties or assets or (iii) subject to the governmental filings and other matters referred to in the following sentence, any (A) statute, law, ordinance, rule or regulation or (B) judgment, order or decree applicable to Parent or Purchaser or any of their respective properties or assets, other than, in the case of clauses (ii) and (iii), any such conflicts, violations, defaults, rights or Liens that individually or in the aggregate would not (x) have a Material Adverse Effect on Parent, (y) impair in any material respect the ability of Parent or Purchaser to perform its respective obligations under this Agreement or (z) prevent or materially delay the consummation of any of the transactions contemplated by this Agreement. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity, is required by or with respect to Parent or Purchaser in connection with the execution and delivery of this Agreement by Parent or Purchaser or the consummation by Parent or Purchaser of the transactions contemplated by this Agreement, except for (1) the filing of a premerger notification and report form under the HSR Act, (2) the filing with the SEC of the Offer Documents and such reports under Sections 13(a), 13(d) and 16(a) of the Exchange Act as may be required in connection with this Agreement and the transactions contemplated by this Agreement, (3) the filing of the Certificate of Merger with the Delaware Secretary of State and appropriate documents with the relevant authorities of other states in which the Company is qualified to do business and (4) such other consents, approvals, orders, authorizations, registrations, declarations and filings the failure of which to be obtained or made would not, individually or in the aggregate, have a Material Adverse Effect on Parent or prevent or materially delay the consummation of the transactions contemplated by this Agreement.

SECTION 4.4 Interim Operations of Purchaser. Purchaser was formed solely for the purpose of engaging in the transactions contemplated hereby, and has engaged in no other business activities.

SECTION 4.5 Brokers. No broker, investment banker, financial advisor or other person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Purchaser.

SECTION 4.6 Financing. Parent has funds or commitments to provide funds in an amount adequate to purchase the Shares pursuant to the Offer and to pay the Merger Consideration. Parent will have, and shall provide Purchaser with, the funds necessary to consummate the Offer and the Merger and the transactions contemplated hereby in accordance with the terms hereof.

ARTICLE V.

COVENANTS

SECTION 5.1 Interim Operations of the Company. Except as expressly contemplated by this Agreement or as set forth in Section 5.1 of the Disclosure Letter, from the date hereof until the time the directors of Purchaser have been elected to, and shall constitute a majority of, the Board of Directors of the Company pursuant to Section 1.3 hereof (the "INTERIM PERIOD"), the Company shall, and shall cause its Subsidiaries to, carry on their respective businesses in the ordinary course consistent with the manner as heretofore conducted and,

to the extent consistent therewith, use commercially reasonable efforts to (x) preserve intact their current business organization, (y) keep available the services of their current officers and employees and (z) preserve their relationships with customers, suppliers, licensors, licensees, distributors and others having business dealings with them. Without limiting the generality of the foregoing, during the Interim Period, other than as set forth in Section 5.1 of the Disclosure Letter or as otherwise contemplated by this Agreement, the Company shall not, and shall not permit any of its Subsidiaries to, without Parent's prior written consent:

(a) amend its Certificate of Incorporation or Bylaws or comparable organizational documents;

(b) (i) declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to the Company's capital stock or that of its Subsidiaries (other than dividends and distributions by a direct or indirect wholly-owned Subsidiary of the Company to its parent or pursuant to the Rights Agreement), (ii) redeem, purchase or otherwise acquire directly or indirectly any shares of the capital stock of the Company or of its Subsidiaries or any other securities thereof or any rights, warrants or options to acquire any such shares or other securities; (iii) authorize for issuance, issue, sell, pledge, deliver or agree to commit to issue, sell, pledge or deliver (whether through the issuance or granting of any options, warrants, calls, subscriptions, stock appreciation rights or other rights or other agreements) or otherwise encumber any shares of capital stock of any class of the Company or of its Subsidiaries or any securities convertible into or exchangeable for shares of capital stock of any class of the Company or of its Subsidiaries other than Shares issued upon the exercise of Stock Options outstanding on the date hereof in accordance with the Stock Plan as in effect on the date hereof; or (iv) split, combine or reclassify the outstanding capital stock of the Company or of any of its Subsidiaries or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of the capital stock of the Company or of any of its Subsidiaries;

(c) acquire or agree to acquire (including, without limitation, by merger, consolidation or acquisition of stock or assets) any business, corporation, partnership, limited liability company, joint venture, association or other business organization or division thereof;

(d) sell, lease, license, transfer, mortgage or otherwise encumber or subject to any Lien or otherwise dispose of any assets of the Company or of its Subsidiaries other than (i) sales of inventory in the ordinary course of business, (ii) sales and dispositions of assets (other than sales of inventory in the ordinary course of business) having an aggregate fair market value on the date of this Agreement of less than $50,000, in each case only if in the ordinary course of business and consistent with past practice, and (iii) encumbrances and Liens incurred in the ordinary course of business and consistent with past practice on assets that are not, individually or in aggregate, material to the Company and its Subsidiaries, taken as a whole;

(e) except as disclosed in Section 5.1(e) of the Disclosure Letter, make or agree to make any new capital expenditure or expenditures in excess of $10,000 each and $50,000 in the aggregate;

(f) except as required to comply with applicable law or agreements, Plans or arrangements existing on the date hereof, (i) adopt, enter into, terminate or amend in any material respect any employment contract, collective bargaining agreement or Plan, (ii) increase in any manner the compensation or fringe benefits of, or pay any bonus to, any director, officer or employee (except for normal increases of cash compensation or cash bonuses in the ordinary course of business consistent with past practice), (iii) pay any benefit not provided for under any Company Plan, (iv) increase in any manner the severance or termination pay of any officer or employee, (v) except as permitted in clause (ii), grant any awards under any Plan (including the grant of stock options, stock appreciation rights, stock-based or stock-related awards, performance units or restricted stock or the removal of existing restrictions in any Plans or agreements or awards made thereunder), (vi) take

any action to fund or in any other way secure the payment of compensation or benefits under any employee agreement, contract or Plan or (vii) except as provided in Section 2.10(a), take any action to accelerate the vesting of, or cash out rights associated with, any Stock Options;

(g) enter into any agreement of a nature that would be required to be filed as an exhibit to Form 10-K under the Exchange Act, other than contracts for the sale of the Company's products in the ordinary course of business or as contemplated by this Agreement;

(h) (i) incur or assume any long-term debt, or except in the ordinary course of business in amounts consistent with past practice, incur or assume any short-term indebtedness; (ii) issue or sell any debt securities or warrants or other rights to acquire any debt securities of the Company or of any of its Subsidiaries; (iii) enter into any "keep well" or other arrangement to maintain any financial condition of another person; (iv) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person, except in the ordinary course of business and consistent with past practice; or (v) make any loans, advances or capital contributions to, or investments in, any other person (other than to wholly-owned Subsidiaries of the Company);

(i) make any change in accounting methods, principles or practices unless required by GAAP;

(j) compromise or settle any material claim or litigation;

(k) take, or agree to commit to take, any action that would or is reasonably likely to result in any of the conditions to the Offer set forth in Annex A or any of the conditions to the Merger set forth in Article VI not being satisfied, or would make any representation or warranty of the Company contained herein inaccurate in any respect at, or as of any time prior to, the Effective Time, or that would impair the ability of the Company to consummate the Merger in accordance with the terms hereof or delay such consummation;

(l) make or rescind any Tax election or settle or compromise any Tax liability or refund or change in any material respect any of the methods of reporting income or deductions for federal income tax purposes;

(m) permit any material insurance policy naming it as a beneficiary or a loss payable payee to be canceled or terminated, except in the ordinary course of business and consistent with past practice;

(n) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of its Subsidiaries (other than the Merger);

(o) enter into any agreement or arrangement with any affiliate of the Company or any of its Subsidiaries (other than agreements or arrangements between the Company and wholly-owned Subsidiaries or between wholly-owned Subsidiaries) on terms less favorable to the Company or the Subsidiary, as the case may be, than could be reasonably expected to have been obtained with an unaffiliated third party on an arm's-length basis;

(p) amend, terminate or waive any provisions of any of the agreements set forth in Section 3.21(a) of the Disclosure Letter; or

(q) enter into an agreement, contract, commitment or arrangement to do any of the foregoing, or authorize, recommend, propose or announce an intention to do any of the foregoing.

SECTION 5.2 Access to Information, Confidentiality. From the date hereof to the Effective Time, the Company shall, and shall cause its Subsidiaries, officers, directors, employees, auditors and other agents to, afford the officers, employees, auditors, counsel, financing sources and other agents of Parent access at all reasonable times (i) to the Company's and its Subsidiaries' officers, employees, agents, properties, offices, and other facilities and to all books and records, and shall furnish such persons with all financial, operating and other data and information as they may from time to time request (including accountants' work papers) and (ii) the Company's and its Subsidiaries' management information systems and other consultants. During such period, the Company shall, and shall cause its Subsidiaries to, furnish promptly to Parent a copy of each report, schedule, registration statement and other document filed or received by it during such period pursuant to the requirements of the federal or state securities laws or the federal, state, local or foreign tax laws. Parent will, and will cause Purchaser to, hold any such information which is non-public in confidence in accordance

with the provisions of a letter agreement dated June 30, 1999 between the Company and Parent (the "CONFIDENTIALITY AGREEMENT").

SECTION 5.3 No Solicitation. (a) The Company shall not, nor shall it permit any of its Subsidiaries to, nor shall it authorize or permit any officer, director or employee of the Company or any of its Subsidiaries or any investment banker, financial advisor, attorney, accountant or other representative or agent retained by the Company or any Subsidiary (collectively, the "COMPANY REPRESENTATIVES") to, directly or indirectly, (i) solicit, initiate or knowingly encourage the submission of any Acquisition Proposal (as defined below) or (ii) participate in any discussions or negotiations regarding, or furnish to any person any nonpublic information with respect to, or take any other action designated or reasonably likely to facilitate any inquiries or the making of any proposal that constitutes an Acquisition Proposal; provided, however, that the Company may, in response to an unsolicited Acquisition Proposal received after the date hereof, and subject to compliance with Section 5.3(c), participate in discussions or negotiations with a third party making an Acquisition Proposal (and may furnish information to such third party pursuant to a customary confidentiality agreement on terms no less favorable to the Company than the Confidentiality Agreement) if (x) the Board of Directors of the Company reasonably determines that the Acquisition Proposal is a bona fide Superior Proposal (as defined below) and (y) the Board of Directors determines (after consultation with independent outside counsel) that failing to take such action could reasonably be determined to constitute a breach of its fiduciary duties to the Company's stockholders under applicable law. The Company shall immediately cease and cause to be terminated any existing solicitation, initiation, encouragement, activity, discussion or negotiation with any person conducted heretofore by the Company or any Company Representative with respect to any Acquisition Proposal existing on the date hereof. The Company agrees not to release any third party from, or amend or waive any provision of, any standstill agreement to which it is a party unless the Board of Directors of the Company determines (after consultation with independent outside counsel) that failing to take such action could reasonably be determined to constitute a breach of its fiduciary duties to the Company's stockholders under applicable law. Without limiting the foregoing, it is understood that any violation of the restrictions set forth in this Section 5.3(a) by any Company Representative shall be deemed to be a breach of this Section 5.3(a) by the Company. For purposes of this Agreement, "ACQUISITION PROPOSAL" means any inquiry, proposal or offer from any person relating to any direct or indirect acquisition or purchase of a substantial amount of assets of the Company and its Subsidiaries, taken as a whole (other than the purchase of the Company's products in the ordinary course of business), or of over 10% of any class of equity securities of the Company or any of its Subsidiaries or any tender offer or exchange offer that if consummated would result in any person beneficially owning 10% or more of any class of equity securities of the Company or any of its Subsidiaries or any merger, consolidation, business combination, sale of substantially all assets, recapitalization, liquidation, dissolution or similar transaction involving the Company or any of its Subsidiaries, other than the transactions contemplated by this Agreement, or any other transaction the consummation of which could reasonably be expected to impede, interfere with, prevent or materially delay the Offer or the Merger or which would reasonably be expected to dilute materially the benefits to Parent of the transactions contemplated hereby.

(b) Except as set forth in this Section 5.3, neither the Board of Directors of the Company nor any committee thereof shall (i) withdraw or modify, or propose to withdraw or modify, in a manner adverse to Parent, the approval or recommendation by such Board of Directors or such committee of the Offer, the Merger or this Agreement, (ii) approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal or (iii) cause the Company to enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement (each, an "ACQUISITION AGREEMENT") related to any Acquisition Proposal. Notwithstanding the foregoing, prior to the time of acceptance for payment of Shares in the Offer, the Board of Directors of the Company may (subject to the terms of this and the following sentence) withdraw or modify its approval or recommendation of the Offer, this Agreement or the Merger, approve or recommend a Superior Proposal, or enter into an agreement with respect to a Superior Proposal, in each case at any time after the second business day following Parent's receipt of written notice advising Parent that the Board of Directors of the Company has received a Superior Proposal, specifying the material terms and conditions of such Superior Proposal and identifying the person making such Superior Proposal; provided, that the Board of Directors of the Company shall have determined (and been advised in writing by

independent outside counsel) that the failure to take such action could reasonably be determined to cause the Board of Directors of the Company to violate its fiduciary duties to the Company's stockholders under applicable law; and provided further, that the Company shall not enter into an Acquisition Agreement with respect to a Superior Proposal unless the Company shall have furnished Parent with written notice not later than noon (New York time) two days in advance of any date that it intends to enter into such agreement and shall have caused its financial and legal advisors to negotiate with Parent to make such adjustments in the terms and conditions of this Agreement as would enable the Company to proceed with the transactions contemplated herein on such adjusted terms. In addition, if the Company proposes to enter into an Acquisition Agreement with respect to any Acquisition Proposal, it shall concurrently with entering into such agreement pay, or cause to be paid, to Parent the Termination Fee (as defined in Section 8.1). For purposes of this Agreement, a "SUPERIOR PROPOSAL" means any bona fide Acquisition Proposal made by a third party (i) that is on terms which the Board of Directors of the Company determines in its good faith judgment (based on consultation with the Company's financial advisor) to be more favorable to the Company's stockholders than the Offer and the Merger and (ii) for which financing, to the extent required, is then committed or which, in the good faith judgment of the Board of Directors of the Company, is capable of being obtained by such third party.

(c) In addition to the obligations of the Company set forth in paragraphs (a) and (b) of this Section 5.3, the Company shall promptly advise Parent orally and in writing of any request for nonpublic information or of any Acquisition Proposal known to it, the material terms and conditions of such request or Acquisition Proposal and the identity of the person making such request or Acquisition Proposal. The Company will promptly inform Parent of any material change in the details (including amendments or proposed amendments) of any such request or Acquisition Proposal.

SECTION 5.4 Stockholder Approval; Preparation of Proxy Statement. (a) If the Company Stockholder Approval is required by law, the Company shall, as soon as practicable following the expiration of the Offer and payment for the Shares, duly call, give notice of, convene and hold a meeting of its stockholders (the "STOCKHOLDERS MEETING") for the purpose of obtaining the Company Stockholder Approval. The Company shall, through its Board of Directors, recommend to its stockholders that the Company Stockholder Approval be given. Notwithstanding the foregoing, if Purchaser or any subsidiary of Parent shall acquire at least 90% of the outstanding Shares, the parties shall take all necessary and appropriate action to cause the Merger to become effective as soon as practicable after the expiration of the Offer without a Stockholders Meeting in accordance with Section 253 of the DGCL.

(b) If the Company Stockholder Approval is required by law, the Company shall, as soon as practicable following the expiration of the Offer, prepare and file a preliminary Proxy Statement with the SEC and shall use its best efforts to respond to any comments of the SEC or its staff and to cause the Proxy Statement to be mailed to the Company's stockholders as promptly as practicable after responding to all such comments to the satisfaction of the staff. The Company shall notify Parent promptly of the receipt of any comments from the SEC or its staff and of any request by the SEC or its staff for amendments or supplements to the Proxy Statement or for additional information and will supply Parent with copies of all correspondence between the Company or any of its representatives, on the one hand, and the SEC staff, on the other hand, with respect to the Proxy Statement or the Merger. If at any time prior to the Stockholders Meeting there shall occur any event that should be set forth in an amendment or supplement to the Proxy Statement, the Company shall promptly prepare and mail to its stockholders such an amendment or supplement. The Company shall not mail any Proxy Statement, or any amendment or supplement thereto, to which Parent reasonably objects.

(c) Parent agrees to cause all Shares purchased pursuant to the Offer and all other Shares owned by Parent or any Subsidiary of Parent to be voted in favor of the Company Stockholder Approval.

SECTION 5.5 Reasonable Efforts. Upon and subject to the terms and subject to the conditions set forth in this Agreement, each of the parties agrees to use all reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in

the most expeditious manner practicable, the Offer, the Merger and the other transactions contemplated by this Agreement, including using reasonable

efforts to take the following actions: (i) the taking of all reasonable acts necessary to cause the Offer Conditions to be satisfied, (ii) the obtaining of all necessary actions or nonactions, waivers, consents and approvals from Governmental Entities and the making of all necessary registrations and filings (including filings with Governmental Entities, if any) and the taking of all reasonable steps as may be necessary to avoid an action or proceeding by any Governmental Entity, (iii) the obtaining of all necessary consents, approvals or waivers from third parties, (iv) the defending of any lawsuits or other legal proceedings, whether judicial or administrative, challenging this Agreement or the consummation of the transactions contemplated hereby, including seeking to have any stay or temporary restraining order entered by any court or other Governmental Entity vacated or reversed, and (v) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement. Notwithstanding anything to the contrary contained in this Agreement, in connection with any filing or submission required or action to be taken by Parent, the Company or any of their respective Subsidiaries to consummate the Offer, the Merger or the other transactions contemplated by this Agreement, the Company shall not, without Parent's prior written consent, commit to any divestiture of assets or businesses of the Company or any of its Subsidiaries if such divested assets and/or businesses are material to the assets or profitability of the Company and its Subsidiaries taken as a whole; and neither Parent nor any of its Subsidiaries shall be required to divest or hold separate or otherwise take or commit to take any action that limits its freedom of action with respect to, or its ability to retain, the Company and its Subsidiaries or any of the businesses, product lines or assets of Parent or any of its Subsidiaries or that would have a Material Adverse Effect on Parent. In connection with and without limiting the foregoing, but subject to the terms and conditions hereof, the Company and its Board of Directors shall, if any state takeover statute or similar statute or regulation is or becomes applicable to the Offer, the Merger, this Agreement or any other transactions contemplated by this Agreement, use all reasonable efforts to ensure that the Offer, the Merger and the other transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise to minimize the effect of such statute or regulation on the Offer, the Merger, this Agreement and the other transactions contemplated by this Agreement.

SECTION 5.6 Notification of Certain Matters. The Company shall give prompt notice to Parent, and Parent shall give prompt notice to the Company, of (a) any representation or warranty made by it contained in this Agreement that is qualified as to materiality becoming untrue or inaccurate in any respect or any such representation or warranty that it not so qualified becoming untrue or inaccurate in any material respect, and (b) any failure by it to comply with or satisfy any covenant, condition, or agreement to be complied with or satisfied by it under this Agreement. No such notification shall affect the representations, warranties, covenants or agreements of the parties or the conditions to the obligations of the parties under this Agreement.

SECTION 5.7 Public Announcements. The initial press releases with respect to the execution of this Agreement shall be prepared by the parties in form and substance acceptable to Parent and the Company. Thereafter, so long as this Agreement is in effect, neither the Company, Parent nor any of their respective affiliates shall issue or cause the publication of any press release or other announcement with respect to the Merger, this Agreement or the other transactions contemplated hereby without the prior consultation of the other party, except as may be required by law or by any listing agreement with a national securities exchange or trading market.

SECTION 5.8 Directors' and Officers' Indemnification and Insurance.

(a) For six years after the Effective Time, the Surviving Corporation (or any successor to the Surviving Corporation) shall indemnify, defend and hold harmless the present and former officers and directors of the Company and its Subsidiaries (each an "INDEMNIFIED PARTY") against all losses, claims, damages, liabilities, fees and expenses (including reasonable fees and disbursements of counsel and judgments, fines, losses, claims, liabilities and amounts paid in settlement (provided that any such settlement is effected with the written consent of Parent or the Surviving Corporation, which consent will not be

unreasonably withheld)) arising out of actions or omissions occurring at or prior to the Effective Time to the full extent permitted under Delaware law (provided that such actions or omissions were in compliance with the standards set forth under Delaware law, the Certificate of Incorporation and the Bylaws of the Company), subject to the terms of the Certificate of Incorporation and the Bylaws of the Company, all as in effect at the date hereof; provided that,

in the event any claim or claims are asserted or made within such six-year period, all rights to indemnification in respect of any such claim or claims shall continue until disposition of any and all such claims; provided, further, that nothing herein shall impair any rights or obligations of any present or former directors or officers of the Company.

(b) Parent or the Surviving Corporation shall maintain the Company's existing officers' and directors' liability insurance for a period of not less than six years after the Effective Date; provided, that the Parent may substitute therefor policies of substantially similar coverage and amounts containing terms no less favorable to such former directors or officers; provided, further, that in no event shall the Company be required to pay aggregate premiums for insurance under this Section in excess of 200% of the aggregate premiums paid by the Company in 1999 on an annualized basis for such purpose.

SECTION 5.9 Warrants. At any time after payment for Shares pursuant to the Offer and prior to the Effective Time (but in no event later than January 31, 2000 if Purchaser has accepted Shares for payment pursuant to the Offer prior to such date), as determined by Purchaser, the parties shall take the actions necessary to cause each outstanding warrant to purchase Shares granted pursuant to the Warrants dated March 26, 1999 (the "WARRANTS") originally issued to Chase Bank of Texas, National Association, Bank of America, N.A., Wells Fargo Bank (Texas), National Association, Comerica Bank-Texas, and National City Bank of Kentucky, exercisable for an aggregate of 482,262 shares, to be surrendered and canceled by the holders thereof pursuant to the Third Amendment to Loan Agreement, dated as of October 22, 1999, among the Company and each of the holders of the Warrants (the "THIRD AMENDMENT TO LOAN AGREEMENT"). For the remainder of this Section 5.9 only, all capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Third Amendment to Loan Agreement. In order to effect the cancellation of the Warrants pursuant to Section 3 of the Third Amendment to Loan Agreement and to terminate the Revolving Loan Commitments, terminate and release the Loan Agreement (except as contemplated in the Third Amendment to Loan Agreement), and release the Company and the Subsidiaries from all claims of the Lenders and the Agent under and relating to the Loan Documents (except as contemplated in the Third Amendment to Loan Agreement) (a) Purchaser shall pay, or provide the funds and cause the Company to pay, the Notes in full, (b) Purchaser shall provide Cover, or provide the funds and cause the Company to provide Cover, for all then-outstanding Letters of Credit, and (c) Purchaser shall pay, or provide the funds and cause the Company to pay, all amounts due under Section 11.3 of the Loan Agreement. Upon payment of the amounts required pursuant to the Third Amendment to Loan Agreement, as set forth in this Section 5.9, the Company shall cause the Warrants to be delivered to Parent, together with such agreements and other documentation in form and substance reasonably satisfactory to Parent, executed by the holders of the Warrants effecting the surrender and cancellation of the Warrants effective upon performance of the obligations set forth in this Section 5.9.

SECTION 5.10 Convertible Notes. At any time after payment for Shares pursuant to the Offer and prior to the Effective Time (but in no event later than January 31, 2000 if Purchaser has accepted Shares for payment pursuant to the Offer prior to such date), as determined by the Purchaser, Purchaser shall pay, or provide the funds and cause the Company to pay, the Convertible Notes, as modified by the Note Modification Agreements (as such terms are defined in Annex A to the Disclosure Letter).

SECTION 5.11 Subsidiary Acquisition Agreements. At any time after payment for Shares pursuant to the Offer and prior to the Effective Time (but in no event later than January 31, 2000 if Purchaser has accepted Shares for payment pursuant to the Offer prior to such date), as determined by Purchaser, Purchaser shall pay, or provide the funds and cause the Company to pay, the amounts outstanding under (a) Paragraph 6 of the Collier Merger Agreement, on the terms set forth in that certain letter agreement dated November 9, 1999, executed by the Company and the individuals to whom such sums are owed, (b) Paragraph 5(C)

of the Colonial Merger Agreement, as amended by Second Amendment to Merger Agreement entered into by the parties thereto, and (c) Paragraph 6(C) of the Plant Maintenance Merger Agreement, as amended by Second Amendment to Merger Agreement entered into by the parties thereto (as such terms are defined in Annex A to the Disclosure Letter).

SECTION 5.12 Releases under Loan Agreement. Upon payment of the amounts required pursuant to the Third Amendment to Loan Agreement as set forth in Section 5.9, the Company shall deliver to Parent evidence of the termination and release of all Liens on any assets of the Company or any subsidiary of the Company granted in connection with, and executed receipts, payoff letters or similar documents executed by the Company's lenders under, the Company Loan Agreement (as such term is defined in Annex A to the Disclosure Letter), each in form and substance reasonably satisfactory to Parent and Parent's lenders (such evidence being referred to as the "RELEASES").

ARTICLE VI.

CONDITIONS TO CONSUMMATION OF THE MERGER

The respective obligation of each party to effect the Merger shall be subject to the satisfaction on or prior to the Closing Date of each of the following conditions, any and all of which may be waived in whole or in part by the Company, Parent or the Purchaser, as the case may be, to the extent permitted by applicable law:

(a) Stockholder Approval. If required by applicable law in order to consummate the Merger, the Company Stockholder Approval shall have been obtained;

(b) No Injunctions, Consents. No law, statute, rule, executive order, decree, regulation, temporary restraining order or preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other Governmental Entity shall be in effect which declares this Agreement invalid or unenforceable in any material respect or which prohibits consummation of the Merger, and all governmental consents, orders and approvals required for the consummation of the Merger and the other transactions contemplated hereby shall have been obtained and shall be in effect at the Effective Time;

(c) Purchase of Shares in Offer. Parent, Purchaser or their affiliates shall have purchased Shares pursuant to the Offer; and

(d) HSR Approval. The applicable waiting period under the HSR Act shall have expired or been terminated.

ARTICLE VII.

TERMINATION

SECTION 7.1 Termination. This Agreement may be terminated and the Offer and the Merger may be abandoned at any time prior to the Effective Time (notwithstanding any stockholder approval of the Merger):

(a) By the mutual written consent of the Board of Directors of Parent or Purchaser and the Board of Directors of the Company.

(b) By either of the Board of Directors of the Company or the Board of Directors of Parent or Purchaser:

(i) if the Offer shall have expired without any Shares being purchased therein; provided, however, that the right to terminate this Agreement under this Section 7.1(b)(i) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of Purchaser to purchase Shares pursuant to the Offer on or prior to the date on which the Offer shall have expired; or

(ii) if any Governmental Entity shall have issued an order, decree or ruling or taken any other action (which order, decree, ruling or other action the parties hereto shall use their best efforts to lift), which permanently restrains, enjoins or otherwise prohibits the acceptance for payment of, or payment for, Shares pursuant to the Offer or the Merger and

such order, decree, ruling or other action shall have become final and non-appealable.

(c) By the Board of Directors of the Company:

(i) if Parent, Purchaser or any of their affiliates shall have failed to commence the Offer on or prior to five business days following the date of the initial public announcement of the Offer; provided, that the Company may not terminate this Agreement pursuant to this Section 7.1(c)(i) if the Company is in material breach of this Agreement;

(ii) in connection with entering into a definitive agreement in accordance with Section 5.3(b), provided the Company has complied with all provisions thereof, including the notice provisions therein, and that the Company makes simultaneous payment of the Termination Fee; or

(iii) if Parent or Purchaser shall have breached in any material respect any of their respective representations, warranties, covenants or other agreements contained in this Agreement, which breach cannot be or has not been cured within 30 days after the giving of written notice to Parent or Purchaser, as applicable, except, in any case, for such breaches which are not reasonably likely to affect adversely Parent's or Purchaser's ability to complete the Offer or the Merger.

(d) By the Board of Directors of Parent or Purchaser:

(i) if, due to an occurrence that if occurring after the commencement of the Offer would result in a failure to satisfy any of the conditions set forth in Annex A hereto, Parent, Purchaser, or any of their affiliates shall have failed to commence the Offer on or prior to five business days following the date of the initial public announcement of the Offer; provided, that Parent or Purchaser may not terminate this Agreement pursuant to this Section 7.1(d)(i) if Parent or Purchaser is in material breach of this Agreement;

(ii) if prior to the purchase of Shares pursuant to the Offer, the Company shall have breached any representation, warranty, covenant or other agreement contained in this Agreement which would give rise to the failure of a condition set forth in paragraph (f) or (h) of Annex A hereto; or

(iii) if either Parent or Purchaser is entitled to terminate the Offer as a result of the occurrence of any event set forth in paragraph (e) of Annex A hereto.

SECTION 7.2 Effect of Termination. In the event of the termination of this Agreement as provided in Section 7.1, written notice thereof shall forthwith be given to the other party or parties specifying the provision hereof pursuant to which such termination is made, and this Agreement shall forthwith become null and void, and there shall be no liability on the part of Parent, Purchaser or the Company except (A) for fraud or for breach of this Agreement and (B) as set forth in Section 8.1.

ARTICLE VIII.

MISCELLANEOUS

SECTION 8.1 Fees and Expenses. (a) Except as provided in Section 8.1(b)below, all costs and expenses incurred in connection with this Agreement and the consummation of the transactions contemplated hereby shall be paid by the party incurring such expenses.

(b) If (x) the Board of Directors of the Company shall terminate this Agreement pursuant to Section 7.1(c)(ii), (y) the Board of Directors of Parent or Purchaser shall terminate this Agreement pursuant to Section 7.1(d)(iii)hereof, or (z) prior to the termination of this Agreement (other than by the Board of Directors of the Company pursuant to Section 7.1(c)(i) or 7.1(c)(iii)), an Acquisition Proposal shall have been made and within 12 months of such termination, the same or another Acquisition Proposal from the same or another party shall be accepted and the related transaction consummated pursuant to a definitive agreement or otherwise, the Company shall pay to Parent (concurrently with such termination, in the case of clauses (x) or (y) above,

and not later than two business days after the Company takes any such action with respect to an Acquisition Proposal, in the case of clause (z) above) an amount equal to $3 million plus an amount equal to the fees and expenses incurred by Parent and Purchaser in connection with the Offer, the

Merger, this Agreement and the consummation of the transactions contemplated hereby (the "TERMINATION FEE").

SECTION 8.2 Amendment and Modification. Subject to applicable law, this Agreement may be amended, modified and supplemented in any and all respects, whether before or after any vote of the stockholders of the Company contemplated hereby, by written agreement of the parties hereto (by action taken by their respective Boards of Directors), at any time prior to the Closing Date with respect to any of the terms contained herein; provided, however, that after the approval of this Agreement by the stockholders of the Company, no such amendment, modification or supplement shall reduce the amount or change the form of the Merger Consideration.

SECTION 8.3 Nonsurvival of Representations and Warranties. None of the representations and warranties in this Agreement or in any schedule, instrument or other document delivered pursuant to this Agreement shall survive the Effective Time.

SECTION 8.4 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (which is confirmed) or sent by an overnight courier service, such as Federal Express, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent or Purchaser, to:

Flowserve Corporation
222 W. Las Colinas Blvd., Suite 1500
Irving, Texas 75039
Attention: Ronald Shuff
Telephone No.: (972) 443-6543
Telecopy No.: (972) 443-6843

with a copy to:

Akin, Gump, Strauss, Hauer & Feld, L.L.P.
1700 Pacific Avenue
Suite 4100
Dallas, Texas 75201
Attention: Ford Lacy, P.C.
Telephone No.: (214) 969-2724
Telecopy No.: (214) 969-4343

and

(b) if to the Company, to:

Innovative Valve Technologies, Inc.
2 Northpoint Drive, Suite 300
Houston, Texas 77060
Attention: Charles F. Schugart
Telephone No.: (281) 925-0302
Telecopy No.: (281) 925-0362

with a copy to:

Boyer, Ewing & Harris
Nine Greenway Plaza, Suite 3100
Houston, Texas 77046
Attention: John R. Boyer, Jr.
Telephone No.: (713) 871-8022
Telecopy No.: (713) 871-8024

SECTION 8.5 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

SECTION 8.6 Entire Agreement; No Third Party Beneficiaries. This Agreement and the Confidentiality Agreement (including the documents and the instruments referred to herein and therein): (a) constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, and (b) except as provided in Section 5.8, is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

SECTION 8.7 Severability. Any term or provision of this Agreement that is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If the final judgment of a court of competent jurisdiction or other authority declares that any term or provision hereof is invalid, void or unenforceable, the parties agree that the court making such determination shall have the power to reduce the scope, duration, area or applicability of the term or provision, to delete specific words or phrases, or to replace any invalid, void or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.

SECTION 8.8 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without giving effect to the principles of conflicts of law thereof; provided, however, that the laws of the respective jurisdictions of incorporation of each of the parties shall govern the relative rights, obligations, powers, duties and other internal affairs of such party and its board of directors.

SECTION 8.9 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties, except that Purchaser may assign, in its sole discretion, any or all of its rights, interests and obligations hereunder to Parent or to any direct or indirect wholly-owned Subsidiary of Parent. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of, and be enforceable by the parties and their respective successors and assigns.

ARTICLE IX.

DEFINITIONS

SECTION 9.1 Defined Terms. As used herein, the following terms shall have the following meanings:

(a) "affiliate" of a person means a person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, the first mentioned person;

(b) "beneficial owner" with respect to any Shares means a person who, or any of whose affiliates or associates (as such term is defined in Rule 12b-2 of the Exchange Act), (i) beneficially owns, directly or indirectly, such Shares, (ii) has, directly or indirectly, (A) the right to acquire such Shares (whether such right is exercisable immediately or subject only to the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of consideration rights, exchange rights, warrants or options, or otherwise, or (B) the right to vote such Shares pursuant to any agreement, arrangement or understanding or (iii) has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of such Shares with any other beneficial owner of such Shares; "beneficially own" and "beneficial ownership" shall have correlative meanings.

(c) "control" (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly or as trustee or executor, of the power to direct or cause the direction of the management policies of a person, whether through the ownership of stock, power to elect a majority of directors or other managers, as trustee or executor, by contract or credit arrangement or otherwise;

33

(d) "Material Adverse Effect" on a person means any event, circumstances, condition, development, change or occurrence causing, resulting in or having (or with the passage of time likely to cause, result in or have) a material adverse effect on the consolidated financial condition, businesses, results of operations or prospects on such person and its Subsidiaries taken as a whole.

(e) "person" means an individual, corporation, partnership, association, trust, unincorporated organization, or other entity or group (as defined in Section 13(d)(3) of the Exchange Act); and

(f) "Subsidiary" or "Subsidiaries" of the Company, the Surviving Corporation or any other person means any corporation, partnership, joint venture or other legal entity of which the Company, the Surviving Corporation or such other person, as the case may be (either alone or through or together with any other Subsidiary), owns, directly or indirectly, 50% or more of the stock or other equity interests the holder of which is generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity.

(g) "Taxes" means any and all federal, state, local, foreign or other taxes of any kind (together with any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any taxing authority, including, without limitation, taxes or other charges on or with respect to income, franchises, windfall or other profits, gross receipts, property, sales, use, transfer, capital stock, payroll, employment, social security, workers' compensation, unemployment compensation, or net worth, and taxes or other charges in the nature of excise, withholding, ad valorem or value added.

(h) "Tax Return" means any return, report or similar statement (including the attached schedules) required to be filed with respect to any Tax, including, without limitation, any information return, claim for refund, amended return or declaration of estimated Tax.

SECTION 9.2 Additional Definitions

DEFINED TERM	SECTION DEFINED IN
Acquisition Agreement	5.3
Acquisition Proposal	5.3
Agreement	Introduction
Award Termination Agreement	2.10
Board of Directors	1.2
Certificate of Incorporation	2.5
Certificate of Merger	2.3
Certificates	2.9
Chapter 11 Stockholder Agreement	Preliminary Statements
Chapter 11 Stockholders	Preliminary Statements
Closing Date	2.2
Code	2.9
Common Stock	Preliminary Statements
Company	Introduction
Company Controlled Group Member	3.12
Company Controlled Group Plan	3.12
Company Financial Statements	3.6
Company Group	3.11
Company Plans	3.12
Company Representatives	5.3
Company Stockholder Approval	3.3
Confidentiality Agreement	5.2
Converted Notes	5.10
Current SEC Reports	3.7
Delaware Bankruptcy Court	Preliminary Statements
DGCL	2.1

34

DEFINED TERM	SECTION DEFINED IN
Disclosure Letter	Introduction to Article III
Dissenting Shares	2.8
Dissenting Stockholder	2.8
Effective Time	2.3
Environmental Law	3.13
ERISA	3.12
Exchange Act	1.1
Expiration Date	1.1
Financial Advisor	1.2
14f-1 Information Statement	1.3
fully diluted basis	Annex A
GAAP	3.6
Governmental Entity	3.4
Hazardous Substance	3.13
HSR Act	3.4
Independent Directors	1.3
Indemnified Party	5.8
Intellectual Property Rights	3.16
Interim Period	5.1
Legal Provisions	3.9
Liens	3.2
Merger	Preliminary Statements
Merger Consideration	2.8
Minimum Condition	Annex A
Offer	Preliminary Statements
Offer Conditions	1.1
Offer Documents	1.1
Offer Price	1.1
Parent	Introduction
Paying Agent	2.9
Permits	3.9
Plan	3.12
Proxy Statement	3.4
Purchaser	Introduction
Releases	5.12
Rights	3.2
Rights Agreement	3.2
SEC	1.1
SEC Reports	3.5
Schedule 14D-1	1.1
Schedule 14D-9	1.2
Securities Act	3.5
Series A Preferred Stock	3.2
Shares	Preliminary Statements
Stockholder Agreements	Preliminary Statements
Stockholder/Option Agreement	Preliminary Statements
Stockholders Meeting	5.4
Stock Options	2.10
Stock Plan	2.10
Subsidiary Acquisition Agreements	3.2
Superior Proposal	5.3

DEFINED TERM	SECTION DEFINED IN
Surviving Corporation	2.1
Termination Fee	8.1
Third Amendment to Loan Agreement	5.9
Warrants	5.9

SECTION 9.3 Other Definitional Provisions

(a) All terms defined in this Agreement shall have the defined meanings when used in any certificates, reports or other documents made or delivered pursuant hereto, unless the context otherwise requires.

(b) Terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa.

(c) As used herein, the neuter gender shall also denote the masculine and feminine, and the masculine gender shall also denote the neuter and feminine where the context so permits.

(d) When a reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated.

(e) Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation").

[Signature Page Follows]

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

FLOWSERVE CORPORATION, a New York corporation

By: /s/ RONALD F. SHUFF

Name: Ronald F. Shuff
Title: Vice President, Secretary and General Counsel

FORREST ACQUISITION SUB, INC., a Delaware corporation

By: /s/ RONALD F. SHUFF

Name: Ronald F. Shuff
Title: Secretary and Treasurer

INNOVATIVE VALVE TECHNOLOGIES, INC., a Delaware corporation

By: /s/ CHARLES F. SCHUGART

Name: Charles F. Schugart
Title: President

ANNEX A

Capitalized terms used in this Annex A have the meanings set forth in the attached Agreement, except that the term "Merger Agreement" shall be deemed to refer to the attached Agreement.

Notwithstanding any other provision of the Offer, and in addition to (and not in limitation of) Purchaser's rights to extend and amend the Offer at any time in its sole discretion (subject to the provisions of the Merger Agreement), Purchaser shall not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to the Purchaser's obligation to pay for or return tendered Shares promptly after termination or withdrawal of the Offer), pay for, and may postpone the acceptance for payment of and payment for any tendered Shares, and may terminate or amend the Offer if (i) a number of Shares which constitutes at least a majority of the Shares outstanding on a fully diluted basis shall not have been validly tendered and not withdrawn prior to the expiration of the Offer (the "MINIMUM CONDITION"; for purposes hereof "FULLY DILUTED BASIS" means issued and outstanding Shares, Shares subject to issuance under Stock Plan and Shares subject to issuance upon exercise of outstanding warrants, calls, subscriptions or other rights, agreements, arrangements or commitments of any character relating to the issued or unissued capital stock of the Company or securities convertible or exchangeable for such capital stock), exclusive of Shares potentially issuable under (w) Warrants subject to

termination under the Third Amendment to Loan Agreement, (x) Stock Options which are to be terminated under duly executed Award Termination Agreements, (y) conversion rights under Convertible Notes subject to duly executed Note Modification Agreements and (z) Obligations subject to termination under any of the duly executed Subsidiary Acquisition Agreements, other than the New Collier Shares; (ii) any applicable waiting period under the HSR Act shall not have expired or been terminated prior to the expiration of the Offer, or (iii) at any time on or after the date of the Merger Agreement and prior to the acceptance for payment for Shares, any of the following events shall occur or shall be determined by the Purchaser to have occurred:

(a) there shall have been threatened or instituted by any Governmental Entity any action or proceeding before any court or governmental, administrative or regulatory authority or agency of competent jurisdiction, domestic or foreign, (i) challenging or seeking to make illegal, materially delay or otherwise directly or indirectly restrain or prohibit or make materially more costly the making of the Offer, the acceptance for payment of, or payment for, any Shares by Parent, Purchaser or any other affiliate of Parent, or the consummation of any other transaction contemplated by the Merger Agreement, or seeking to obtain material damages in connection with the Offer, the Merger or any such other transaction; (ii) seeking to prohibit or limit materially the ownership or operation by the Company, Parent or any of their Subsidiaries of all or any material portion of the business or assets of the Company, Parent or any of their Subsidiaries, or to compel the Company, Parent or any of their Subsidiaries to dispose of or hold separate all or any portion of the business or assets of the Company, Parent or any of their Subsidiaries, as a result of the Offer, the Merger or any of the other transactions contemplated by the Merger Agreement; (iii) seeking to impose or confirm limitations on the ability of Parent, Purchaser or any other affiliate of Parent to exercise effectively full rights of ownership of any Shares, including, without limitation, the right to vote any Shares acquired by Purchaser pursuant to the Offer or otherwise on all matters properly presented to the Company's stockholders, including, without limitation, the approval and adoption of this Agreement and the Merger; (iv) seeking to require divestiture by Parent, Purchaser or any other affiliate of Parent of any Shares; or (v) which otherwise has a Material Adverse Effect on the Company;

(b) there shall be any statute, rule, regulation, judgment, order or injunction enacted, entered, enforced, promulgated or deemed applicable to the Offer or the Merger, or any other action shall be taken by any Governmental Entity, other than the application to the Offer or the Merger of applicable waiting periods under the HSR Act, that is reasonably likely to result, directly or indirectly, in any of the consequences referred to in clauses (i) through (v) of paragraph (a) above;

(c) there shall have occurred (i) any general suspension of trading in, or limitation on prices for, securities on any national securities exchange or in the Nasdaq National Market System, (ii) a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States (whether or not

mandatory), (iii) a commencement of a war, armed hostilities or other international or national calamity directly or indirectly involving the United States, (iv) any limitation (whether or not mandatory) by any United States governmental authority on the extension of credit by banks or other financial institutions, or (v) in the case of any of the foregoing existing at the time of commencement of the Offer, a material acceleration or worsening thereof;

(d) there shall have occurred any material adverse change (or any development that, insofar as reasonably can be foreseen, is reasonably likely to result in any material adverse change) in the consolidated financial condition, businesses, results of operations or prospects of the Company and its Subsidiaries, taken as a whole, other than any such change that is the result of cancellation of a distributor agreement or similar agreement from an original equipment manufacturer or other material supplier;

(e) (i) the Board of Directors of the Company or any committee thereof shall have withdrawn or modified in a manner adverse to Parent or Purchaser its approval or recommendation of the Offer, the Merger or this Agreement or resolved to do so, or shall have approved or recommended any Acquisition Proposal, or (ii) the Company shall have entered into any Acquisition Agreement

with respect to any Superior Proposal in accordance with Section 5.3(b) of the Merger Agreement;

(f) any of the representations and warranties of the Company set forth in the Merger Agreement that are qualified as to materiality shall not be true and correct and any such representations and warranties that are not so qualified shall not be true and correct in any material respect, in each case as of the date of the Merger Agreement and as of the scheduled Expiration Date of the Offer;

(g) (i) any stockholder of the Company party to a Stockholder Agreement shall have failed to perform in any material respect any material obligation or to comply in any material respect with any material agreement or covenant of such stockholder to be performed or complied with by such stockholder under such Stockholder Agreement or (ii) either Chapter 11 Stockholder Agreement shall not have been approved by the Delaware Bankruptcy Court for the District of Delaware and a plan of reorganization shall not have been confirmed by the Delaware Bankruptcy Court with respect to the Chapter 11 Stockholder party to such Chapter 11 Stockholder Agreement;

(h) the Company shall have failed to perform in any material respect any material obligation or to comply in any material respect with any material agreement or covenant of the Company to be performed or complied with by it under the Merger Agreement; or

(i) the Merger Agreement shall have been terminated in accordance with its terms;

which, in the reasonable judgment of Parent or Purchaser, in any such case and regardless of the circumstances (unless such condition is caused by the action or inaction of Parent or Purchaser) giving rise to such condition, makes it inadvisable to proceed with the Offer and/or with such acceptance for payment of or payment for Shares.

SCHEDULE A

LIST OF STOCKHOLDERS EXECUTING STOCKHOLDER/OPTION AGREEMENT

Roger L. Miller
William E. Haynes
Charles F. Schugart
Douglas R. Harrington, Jr.

SCHEDULE B

LIST OF CHAPTER 11 STOCKHOLDERS

Philip Industrial Services Group, Inc.
Philip Environmental Services, Inc.

EXHIBIT A

FORM OF STOCKHOLDER/OPTION AGREEMENT

EXHIBIT B

FORM OF CHAPTER 11 STOCKHOLDER AGREEMENT

STOCKHOLDER AGREEMENT

STOCKHOLDER AGREEMENT, dated as of November 18, 1999 (this "Agreement"), among Forrest Acquisition Sub, Inc., a Delaware corporation ("Purchaser"), and each of the persons listed on Schedule I hereto (each a "Stockholder" and collectively, the "Stockholders").

RECITALS:

WHEREAS, concurrently, with the execution and delivery of this Agreement, Purchaser, Flowserve Corporation, a New York corporation ("Parent"), and Innovative Valve Technologies, Inc., a Delaware corporation (the "Company"), are entering into an Agreement and Plan of Merger (the "Merger Agreement"), which provides, among other things, for the acquisition of the Company by Parent by means of a cash tender offer (the "Offer") by Purchaser for all outstanding shares of Common Stock, par value $0.001 per share, of the Company (the "Common Stock"), including the associated preferred share purchase rights (the "Rights," and together with the Common Stock, the "Shares") and for the subsequent merger of Purchaser with and into the Company (the "Merger"), all on the terms and subject to the conditions set forth in the Merger Agreement;

WHEREAS, as an inducement and a condition to entering into the Merger Agreement, Parent and Purchaser have required that the Stockholders agree, and the Stockholders have agreed, to enter into this Agreement; and

WHEREAS, the Board of Directors of the Company has approved this Agreement and the transactions contemplated hereby prior to the date hereof;

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Definitions. Terms used and not defined herein, but defined in the Merger Agreement, shall have the respective meanings ascribed to them in the Merger Agreement.

2. Tender of Shares; Agreement to Sell.

(a) In order to induce Parent and Purchaser to enter into the Merger Agreement, each Stockholder hereby agrees to validly tender (or cause the record owner of such shares to validly tender), and not to withdraw, pursuant to and in accordance with the terms of the Offer, not later than the tenth business day after commencement of the Offer, the number of shares set forth opposite such Stockholder's name on Schedule I hereto (the "Existing Shares" and, together with any Shares acquired by such Stockholder in any capacity after the date hereof and prior to the termination of this Agreement by means of purchase, dividend, distribution, exercise of options, warrants or other rights to acquire Shares or in any other way, the "Stockholder Shares"), all of which are beneficially owned by such Stockholder. If a Stockholder acquires beneficial ownership of Shares after the date hereof and prior to termination of this Agreement, such Stockholder shall tender such Shares on such tenth business day or, if later, on the second business day after such acquisition.

(b) Purchaser shall be entitled to deduct and withhold from the consideration otherwise payable hereunder to each Stockholder such amounts as are required to be withheld under the Internal Revenue Code of 1986, as amended (the "Code"), or any applicable provision of state, local or foreign tax law, as specified in the Offer Documents. To the extent that amounts are so withheld by Purchaser, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to such Stockholder.

(c) Each Stockholder hereby permits Parent and Purchaser to publish and disclose in the Offer Documents and, if approval of the Company's stockholders is required under applicable law, the Proxy Statement (including all documents and schedules filed with the SEC) the Stockholder's identity and ownership of the Stockholder Shares and the nature of the Stockholder's commitments, arrangements and understandings under this Agreement.

3. Option.

(a) In order to induce Parent and Purchaser to enter into the Merger Agreement, each Stockholder hereby grants to Purchaser an irrevocable option (the "Option") to purchase the Stockholder Shares at a price equal to $1.62 per Share. The Option may be exercised in whole or in part at any time prior to the termination of this Agreement and after (i) the occurrence of any event as a result of which Parent is entitled to receive a Termination Fee under the Merger Agreement or (ii) such time as such Stockholder shall have breached in any material respect any of its agreements in Section 2(a), 4(a), 4(b) or 4(d).

(b) If the Option becomes exercisable under Section 3(a), the Option shall remain exercisable until the later of (i) the date that is 90 days after the date the Option becomes exercisable and (ii) the date that is ten days after the date that all waiting periods under the HSR Act required for the purchase of the Stockholder Shares upon such exercise shall have expired or been terminated; provided, that if at the expiration of such period there shall be in effect any injunction or other order issued by any Governmental Entity prohibiting the exercise of the Option, the exercise period shall be extended until ten days after the date that no such injunction or order is in effect. In the event Purchaser wishes to exercise the Option, Purchaser shall send a written notice to each Stockholder identifying the place and date (not less than two (2) nor more than ten (10) business days from the date of the notice) for the closing of such purchase.

4. Additional Agreements.

(a) Each Stockholder shall, at any meeting of the stockholders of the Company, however called, or in connection with any written consent of the stockholders of the Company, vote (or cause to be voted) all Shares then held of record or beneficially owned by such Stockholder, (i) in favor of the Merger, the execution and delivery by the Company of the Merger Agreement and the approval of the terms thereof and each of the other actions contemplated by the Merger Agreement and this Agreement and any actions required in furtherance thereof and hereof and (ii) against any proposal relating to an Acquisition Proposal and against any action or agreement that would impede, frustrate, prevent or nullify this Agreement, or result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement of the Company under the Merger Agreement or which would result in any of the conditions set forth in Annex A to the Merger Agreement or set forth in Article VI of the Merger Agreement not being fulfilled.

(b) Each Stockholder hereby covenants and agrees that, except as contemplated by this Agreement and the Merger Agreement, it shall not (i) offer to transfer (which term shall include, without limitation, any sale, tender, gift, pledge, assignment or other disposition), transfer or consent to any transfer of, any or all of the Stockholder Shares or any interest therein without the prior written consent of Purchaser, (ii) enter into any contract, option or other agreement or understanding with respect to any transfer or any or all of the Stockholder Shares or any interest therein, (iii) grant any proxy, power-of-attorney or other authorization or consent in or with respect to the Stockholder Shares, (iv) deposit the Stockholder Shares into a voting trust or enter into a voting agreement or arrangement with respect to the Stockholder Shares or (v) take any other action that would make any representation or warranty of the Stockholder contained herein untrue or incorrect in any material respect or in any way restrict, limit or interfere in any material respect with the performance of its obligations hereunder or the transactions contemplated hereby or by the Merger Agreement.

(c) Each Stockholder hereby irrevocably grants to, and appoints, Purchaser and any designee of Purchaser, and each of them individually, such Stockholder's proxy and attorney-in-fact with full power of substitution), for and in the name, place and stead of such Stockholder, to vote the Stockholder Shares, or grant a consent or approval in respect of the Stockholder Shares, in the manner specified in Section 4(a). Each Stockholder represents that any proxies heretofore given in respect of the Stockholder Shares are not irrevocable and that any such proxies are hereby revoked. Each Stockholder hereby affirms that the irrevocable proxy set forth in this Section 4(c) is given in connection with the execution of the Merger Agreement and that such irrevocable proxy is given to secure the performance of the duties of such Stockholder under this Agreement. Each Stockholder hereby further affirms that the irrevocable proxy is coupled with an interest and may under no circumstances be revoked. Each Stockholder hereby ratifies and confirms all that such irrevocable proxy may lawfully do or cause to be done by virtue hereof.

(d) Subject to Section 8, each Stockholder hereby agrees that such Stockholder shall not, directly or indirectly, encourage, solicit, initiate or participate in any way in any discussions or negotiations with, or provide any information to, or afford any access to the properties, books or records of the Company or any of its Subsidiaries to, or otherwise take any other action to assist or facilitate, any Person or group (other than Parent or Purchaser or any affiliate or associate of Parent or Purchaser) concerning any Acquisition Proposal. Upon execution of this Agreement, each Stockholder will immediately cease any existing activities, discussions or negotiations conducted heretofore with respect to any Acquisition Proposal. Each Stockholder will immediately communicate to Purchaser the terms of any Acquisition Proposal (or any discussion, negotiation or inquiry with respect thereto) and the identity of the Person making such Proposal or inquiry which it may receive.

(e) Subject to the terms and conditions of this Agreement, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws to consummate and make effective the transactions contemplated by this Agreement. Each party shall promptly consult with the other and provide any necessary information and material with respect to all filings made by such party with any Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

(f) Each Stockholder hereby waives any rights of appraisal or rights to dissent from the Merger that it may have.

5. Representations and Warranties of each Stockholder. Each Stockholder, as to itself and no other Stockholder, hereby represents and warrants to Purchaser as follows:

(a) The Stockholder is the record and beneficial owner of the Existing Shares set forth opposite its name on Schedule I. The Existing Shares constitute all of the Shares owned of record or beneficially owned by the Stockholder on the date hereof. The Stockholder has sole voting power and sole power to issue instructions with respect to the matters set forth in Sections 2, 3 and 4 hereof, sole power of disposition, sole power to demand and waive appraisal rights and sole power to agree to all of the matters set forth in this Agreement, in each case with respect to all of the Existing Shares with no limitations, qualifications or restrictions on such rights, subject to applicable securities laws and the terms of this Agreement.

(b) The Stockholder has the power and authority to enter into and perform all of the Stockholder's obligations under this Agreement. This Agreement has been duly and validly executed and delivered by the Stockholder and constitutes a legal, valid and binding agreement of the Stockholder, enforceable against the Stockholder in accordance with its terms. There is no beneficiary or holder of a voting trust certificate or other interest of any trust of which the Stockholder is a trustee, or any party to any other agreement or arrangement, whose consent is required for the execution and delivery of this Agreement or the consummation by the Stockholder of the transactions contemplated hereby.

(c) Except for filings under the HSR Act and the Exchange Act (i) no filing with, and no permit, authorization, consent or approval of, any Governmental Entity is necessary for the execution and delivery of this Agreement by the Stockholder, the consummation by such Stockholder of the transactions contemplated hereby and the compliance by the Stockholder with the provisions hereof and (ii) none of the execution and delivery of this Agreement by the Stockholder, the consummation by the Stockholder of the transactions contemplated hereby or compliance by the Stockholder with any of the provisions hereof, shall (A) conflict with or result in any breach of any organizational documents applicable to the Stockholder, (B) result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default (or give rise to any third party right of termination, cancellation, modification or acceleration) under, any of the terms, conditions or provisions of any note, loan agreement, bond, mortgage, indenture, license, contract, commitment, arrangement, understanding, agreement or other instrument or obligation of any kind, including, without limitation, any voting agreement, proxy arrangement, pledge agreement, shareholders agreement or voting trust, to which the Stockholder is a party or by which it or any of its properties or assets may be bound or (C) violate any order, writ, injunction, decree, judgment, order, statute, rule or regulation applicable to the Stockholder or any of its properties or assets.

(d) Except as permitted by this Agreement, the Existing Shares beneficially owned by the Stockholder and the certificates representing such shares are now, and at all times during the term hereof will be, held by the Stockholder, or by a nominee or custodian for the benefit of the Stockholder, free and clear of all liens, proxies, voting trusts or agreements, understandings or arrangements or any other rights whatsoever, except for any such liens or proxies arising hereunder. The transfer by the Stockholder of the Stockholder Shares to Purchaser in the Offer or hereunder shall pass to and unconditionally vest in Purchaser good and valid title to all Stockholder Shares, free and clear of all liens, proxies, voting trusts or agreements, understandings or arrangements or any other rights whatsoever.

(e) No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of the Stockholder.

6. Stop Transfer. Each Stockholder shall request that the Company not register the transfer (book-entry or otherwise) of any certificate or uncertificated interest representing any of the Stockholder Shares, unless such transfer is made in compliance with this Agreement.

7. Termination. This Agreement shall terminate upon the earlier of (a) the Effective Time and (b) the termination of the Merger Agreement (unless, in the case of this clause (b), Parent is or may be entitled to receive a Termination Fee under the Merger Agreement following such termination or prior to such termination any of the Stockholders has breached in any material respect Section 2(a), 4(a), 4(b) or 4(d)).

8. No Limitation. Notwithstanding any other provision hereof, nothing in this Agreement shall be construed to prohibit the Stockholders, or any officer or affiliate of any of the Stockholders who is or has designated a member of the Board of Directors of the Company, from taking any action solely in his or her capacity as a member of the Board of Directors of the Company or from exercising his or her fiduciary duties as a member of such Board of Directors to the extent specifically permitted by the Merger Agreement.

9. Miscellaneous.

(a) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

(b) This Agreement shall not be assigned by operation of law or otherwise without the prior written consent of each of the Stockholders (in the case of any assignment by Purchaser) or Purchaser (in the case of an assignment by a Stockholder), provided that Purchaser may assign its rights and obligations hereunder to Parent or any direct or indirect Subsidiary of Parent, but no such assignment shall relieve Purchaser of its obligations hereunder.

(c) Without limiting any other rights Purchaser may have hereunder in respect of any transfer of Shares, each Stockholder agrees that this Agreement and the obligations hereunder shall attach to the Stockholder Shares and shall be binding upon any Person to which legal or beneficial ownership of such Shares shall pass, whether by operation of law or otherwise, including, without limitation, such Stockholder's heirs, guardians, administrators or successors.

(d) This Agreement may not be amended, changed, supplemented or otherwise modified with respect to a Stockholder except by an instrument in writing signed on behalf of such Stockholder and Purchaser.

(e) All notices, requests, claims, demands and other communications hereunder shall be given (and shall be deemed to have been duly received if given) by hand delivery or by facsimile transmission with confirmation of receipt, as follows:

If to a Stockholder:
At the address and facsimile number set forth on Schedule I hereto.

With a copy to:
Boyer, Ewing & Harris
9 Greenway Plaza, Suite 3100
Houston, Texas 77046
Fax: (713) 871-2024
Attention: John Boyer

If to Parent or Purchaser:
Flowserve Corporation
222 W. Las Colinas Blvd., Suite 1500
Irving, Texas 75039
Fax: (972) 443-6543
Attention: Ronald Shuff

With a copy to:
Akin, Gump, Strauss, Hauer & Feld, L.L.P.
1700 Pacific Avenue, Suite 4100
Dallas, Texas 75201
Fax: (214) 969-4343
Attention: Ford Lacy, P.C.

or to such other address or facsimile number as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

(f) Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

(g) All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any thereof by any party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such party.

(h) The failure of any party hereto to exercise any rights, power or remedy provided under this Agreement or otherwise available in respect hereof at law or in equity, or to insist upon compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver by such party of its right to exercise any such or other right, power or remedy to demand such compliance.

(i) This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

(j) This Agreement shall be governed and construed in accordance with the laws of the State of Delaware.

(k) The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any state or Federal court located in the State of Delaware, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (A) consents to submit itself to the personal jurisdiction of any state or Federal court located in the state of Delaware in the event any dispute arises out of this Agreement or any transaction contemplated by this Agreement, (B) agrees that it will not attempt to deny or

defeat such personal jurisdiction by motion or other request for leave from any

such court and (C) agrees that it will not bring any action relating to this Agreement or any transaction contemplated by this Agreement in any court other than any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in any state or Federal court located in the State of Delaware, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

(l) The descriptive headings used herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

(m) This Agreement may be executed in counterparts (by fax or otherwise), each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

(n) Except as otherwise provide herein, each party shall pay its, his or her own expenses incurred in connection with this Agreement.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

7

IN WITNESS WHEREOF, Purchaser and the Stockholders have caused this Agreement to be duly executed in multiple counterparts as of the day and year first above written.

FORREST ACQUISITION SUB, INC.

By: /s/ RONALD F. SHUFF

Name: Ronald F. Shuff

Title: Secretary and Treasurer

STOCKHOLDERS

/s/ ROGER L. MILLER
Roger L. Miller

/s/ WILLIAM E. HAYNES
William E. Haynes

/s/ CHARLES F. SCHUGART
Charles F. Schugart

/s/ DOUGLAS R. HARRINGTON, JR.
Douglas R. Harrington, Jr.

8

SCHEDULE I

NAME, FACSIMILE NUMBER AND ADDRESS OF STOCKHOLDER	NUMBER OF SHARES OF COMMON STOCK BENEFICIALLY OWNED
Roger L. Miller 2331 River Rock Trail Kingwood, Texas 77345	563,219
William E. Haynes 614 Rock Cove Houston, Texas 77079	146,665

Home Fax: (281) 493-0299

Charles F. Schugart 57,800
2214 Long Valley
Kingwood, Texas 77345
Business Fax: (281) 925-0362

Douglas R. Harrington, Jr. 17,000
28003 Sapphire Court
Magnolia, Texas 77353
Home Fax: (281) 289-2544

STOCKHOLDER AGREEMENT

STOCKHOLDER AGREEMENT, dated as of November 18, 1999 (this "Agreement"), among Forrest Acquisition Sub, Inc., a Delaware corporation ("Purchaser"), and Philip Industrial Services Group, Inc. (the "Stockholder").

RECITALS:

WHEREAS, concurrently, with the execution and delivery of this Agreement, Purchaser, Flowserve Corporation, a New York corporation ("Parent"), and Innovative Valve Technologies, Inc., a Delaware corporation (the "Company"), are entering into an Agreement and Plan of Merger (the "Merger Agreement"), which provides, among other things, for the acquisition of the Company by Parent by means of a cash tender offer (the "Offer") by Purchaser for all outstanding shares of Common Stock, par value $0.001 per share, of the Company (the "Common Stock"), including the associated preferred share purchase rights (the "Rights," and together with the Common Stock, the "Shares") and for the subsequent merger of Purchaser with and into the Company (the "Merger"), all on the terms and subject to the conditions set forth in the Merger Agreement;

WHEREAS, the Stockholder has filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code with the Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"); and

WHEREAS, as an inducement and a condition to entering into the Merger Agreement, Parent and Purchaser have required that the Stockholder agree, and the Stockholder has agreed, to enter into this Agreement; and

WHEREAS, the Board of Directors of the Company has approved this Agreement and the transactions contemplated hereby prior to the date hereof; and

WHEREAS, the current board of directors of the Stockholder has approved this Agreement and the transactions contemplated hereby prior to the date hereof;

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Definitions. Terms used and not defined herein, but defined in the Merger Agreement, shall have the respective meanings ascribed to them in the Merger Agreement.

2. Tender of Shares; Agreement to Sell; Consideration.

(a) In order to induce Parent and Purchaser to enter into the Merger Agreement, the Stockholder hereby agrees that, unless the Company shall have terminated the Merger Agreement to accept a Superior Proposal and subject to the approval of the Bankruptcy Court to the extent necessary, it shall validly tender (or cause the record owner of such shares to validly tender), and not to withdraw, pursuant to and in accordance with the terms of the Offer, not later than the tenth business day after commencement of the Offer (or if Bankruptcy Court approval of this Agreement pursuant to Section 3(e) is received or the Stockholder's plan of reorganization is confirmed by the Bankruptcy Court after such tenth business day, not later than the first business day after the earlier to occur of such approval or confirmation), the number of shares set forth opposite the Stockholder's name on Schedule I hereto (the "Existing Shares" and, together with any Shares acquired by the Stockholder in any capacity after the date hereof and prior to the termination of this Agreement by means of purchase, dividend, distribution, exercise of options, warrants or other rights to acquire Shares or in any other way, the "Stockholder Shares"), all of which are beneficially owned by the Stockholder. Unless the Company shall have terminated the Merger Agreement to accept a Superior Proposal and subject to the approval of the Bankruptcy Court to the extent necessary, if the Stockholder acquires beneficial ownership of Shares after the date hereof and prior to termination of this Agreement, the Stockholder shall tender such Shares on such tenth business day or, if later, on the second business day after such acquisition (or if Bankruptcy

Court approval of this Agreement pursuant to Section 3(e) is received or the Stockholder's plan of reorganization is confirmed after such tenth business day or such later date, not later than the first business day after the earlier to occur of such approval or confirmation).

(b) Purchaser shall be entitled to deduct and withhold from the consideration otherwise payable hereunder to the Stockholder such amounts as are required to be withheld under the Internal Revenue Code of 1986, as amended (the "Code"), or any applicable provision of state, local or foreign tax law, as specified in the Offer Documents. To the extent that amounts are so withheld by Purchaser, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Stockholder.

(c) The Stockholder hereby permits Parent and Purchaser to publish and disclose in the Offer Documents and, if approval of the Company's stockholders is required under applicable law, the Proxy Statement (including all documents and schedules filed with the SEC) the Stockholder's identity and ownership of the Stockholder Shares and the nature of the Stockholder's commitments, arrangements and understandings under this Agreement.

(d) Subject to paragraph 2(b) hereof, Purchaser shall purchase the Stockholder Shares for an aggregate price equal to the Offer Price multiplied by the number of Stockholder Shares and shall pay such amount as directed by Bankers Trust Company; provided, however, that this Agreement shall not be binding on the Stockholder unless the Offer Price shall equal or exceed $1.50 per share.

3. Additional Agreements.

(a) Except as otherwise contemplated by this Agreement, the Stockholder shall, at any meeting of the stockholders of the Company, however called, or in connection with any written consent of the stockholders of the Company, vote (or cause to be voted) all Shares then held of record or beneficially owned by the Stockholder, (i) in favor of the Merger, the execution and delivery by the Company of the Merger Agreement and the approval of the terms thereof and each of the other actions contemplated by the Merger Agreement and this Agreement and any actions required in furtherance thereof and hereof and (ii) against any proposal relating to an Acquisition Proposal and against any action or agreement that would impede, frustrate, prevent or nullify this Agreement, or result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement of the Company under the Merger Agreement or which would result in any of the conditions set forth in Annex A to the Merger Agreement or set forth in Article VI of the Merger Agreement not being fulfilled.

(b) The Stockholder hereby covenants and agrees that, except as contemplated by this Agreement and the Merger Agreement, it shall not (i) offer to transfer (which term shall include, without limitation, any sale, tender, gift, pledge, assignment or other disposition), transfer or consent to any transfer of, any or all of the Stockholder Shares or any interest therein without the prior written consent of Purchaser, (ii) enter into any contract, option or other agreement or understanding with respect to any transfer or any or all of the Stockholder Shares or any interest therein, (iii) grant any proxy, power-of-attorney or other authorization or consent in or with respect to the Stockholder Shares, (iv) deposit the Stockholder Shares into a voting trust or enter into a voting agreement or arrangement with respect to the Stockholder Shares or (v) take any other action that would make any representation or warranty of the Stockholder contained herein untrue or incorrect in any material respect or in any way restrict, limit or interfere in any material respect with the performance of its obligations hereunder or the transactions contemplated hereby or by the Merger Agreement.

(c) Except as otherwise contemplated by this Agreement, the Stockholder hereby irrevocably grants to, and appoints, Purchaser and any designee of Purchaser, and each of them individually, the Stockholder's proxy and attorney-in-fact with full power of substitution, for and in the name, place and stead of the Stockholder, to vote the Stockholder Shares, or grant a consent or approval in respect of the Stockholder Shares, in the manner specified in Section 3(a). The Stockholder represents that any proxies heretofore given in respect of the Stockholder Shares are not irrevocable and that any such proxies are hereby revoked. The Stockholder

hereby affirms that the irrevocable proxy set forth in this Section 3(c)

is given in connection with the execution of the Merger Agreement and that such irrevocable proxy is given to secure the performance of the duties of the Stockholder under this Agreement. The Stockholder hereby further affirms that the irrevocable proxy is coupled with an interest and may under no circumstances be revoked, unless this Agreement is terminated under Section 6. The Stockholder hereby ratifies and confirms all that such irrevocable proxy may lawfully do or cause to be done by virtue hereof.

(d) Subject to Section 7, the Stockholder hereby agrees that the Stockholder shall not, directly or indirectly, encourage, solicit, initiate or participate in any way in any discussions or negotiations with, or provide any information to, or afford any access to the properties, books or records of the Company or any of its Subsidiaries to, or otherwise take any other action to assist or facilitate, any Person or group (other than Parent or Purchaser or any affiliate or associate of Parent or Purchaser) concerning any Acquisition Proposal. Upon execution of this Agreement, the Stockholder will immediately cease any existing activities, discussions or negotiations conducted heretofore with respect to any Acquisition Proposal. The Stockholder will immediately communicate to Purchaser the terms of any Acquisition Proposal (or any discussion, negotiation or inquiry with respect thereto) and the identity of the Person making such Proposal or inquiry which it may receive.

(e) The Stockholder hereby covenants and agrees that as soon as practicable following public announcement by Parent of the execution of the Merger Agreement, it will file, or cause to be filed, a petition with the Bankruptcy Court requesting the approval of this Agreement and the transactions contemplated hereby. The Stockholder shall deliver a copy of such petition to Purchaser's counsel for review at least two business days prior to such filing and shall promptly notify Purchaser of any action taken by the Bankruptcy Court with respect to the approval of this Agreement or the confirmation of a plan of reorganization regarding the Stockholder.

(f) Subject to the terms and conditions of this Agreement, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws to consummate and make effective the transactions contemplated by this Agreement. Each party shall promptly consult with the other and provide any necessary information and material with respect to all filings made by such party with any Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

(g) The Stockholder hereby waives any rights of appraisal or rights to dissent from the Merger that it may have.

(h) The Stockholder shall use its best efforts to secure the Agent's Consent (as defined) as soon as practicable and, upon receipt thereof, shall deliver a copy of same to Purchaser.

4. Representations and Warranties of each Stockholder. The Stockholder hereby represents and warrants to Purchaser as follows:

(a) The Stockholder is the record and beneficial owner of the Existing Shares set forth opposite its name on Schedule I. The Existing Shares constitute all of the Shares owned of record or beneficially owned by the Stockholder on the date hereof. The Stockholder has sole voting power and sole power to issue instructions with respect to the matters set forth in Sections 2 and 3 hereof, sole power of disposition, sole power to demand and waive appraisal rights and sole power to agree to all of the matters set forth in this Agreement, in each case with respect to all of the Existing Shares with no limitations, qualifications or restrictions on such rights, subject to (i) applicable securities laws, (ii) the terms of this Agreement, and (iii) the earlier to occur of the approval of this Agreement and the transactions contemplated hereby by the Bankruptcy Court and the confirmation of the Stockholder's plan of reorganization by the Bankruptcy Court.

(b) The Stockholder has the power and authority to enter into and perform all of the Stockholder's obligations under this Agreement, subject

to the earlier to occur of the approval of this Agreement and the transactions contemplated hereby by the Bankruptcy Court and the confirmation of the Stockholder's plan of reorganization by the Bankruptcy Court and further subject to the receipt by the Stockholder of a

consent from the agent bank on behalf of the lending banks to the Stockholder under the Stockholder's principal bank credit arrangement (the "Agent's Consent"). This Agreement has been duly and validly executed and delivered by the Stockholder and, subject to the earlier to occur of the approval of this Agreement and the transactions contemplated hereby by the Bankruptcy Court and the confirmation of the Stockholder's plan or reorganization by the Bankruptcy Court and further subject to the receipt by the Stockholder of the Agent's Consent, constitutes a legal, valid and binding agreement of the Stockholder, enforceable against the Stockholder in accordance with its terms. There is no beneficiary or holder of a voting trust certificate or other interest of any trust of which the Stockholder is a trustee, or any party to any other agreement or arrangement, whose consent is required for the execution and delivery of this Agreement or the consummation by the Stockholder of the transactions contemplated hereby, other than the earlier to occur of the approval of this Agreement and the transactions contemplated hereby by the Bankruptcy Court and the confirmation of the Stockholder's plan of reorganization by the Bankruptcy Court.

(c) Except for filings under the HSR Act and the Exchange Act, and subject to the earlier to occur of the approval of this Agreement and the transactions contemplated hereby by the Bankruptcy Court and the confirmation of the Stockholder's plan of reorganization by the Bankruptcy Court and further subject to the receipt by the Stockholder of the Agent's Consent, (i) no filing with, and no permit, authorization, consent or approval of, any Governmental Entity is necessary for the execution and delivery of this Agreement by the Stockholder, the consummation by such Stockholder of the transactions contemplated hereby and the compliance by the Stockholder with the provisions hereof, and (ii) none of the execution and delivery of this Agreement by the Stockholder, the consummation by the Stockholder of the transactions contemplated hereby or compliance by the Stockholder with any of the provisions hereof, shall (A) conflict with or result in any breach of any organizational documents applicable to the Stockholder, (B) result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default (or give rise to any third party right of termination, cancellation, modification or acceleration) under, any of the terms, conditions or provisions of any note, loan agreement, bond, mortgage, indenture, license, contract, commitment, arrangement, understanding, agreement or other instrument or obligation of any kind, including, without limitation, any voting agreement, proxy arrangement, pledge agreement, shareholders agreement or voting trust, to which the Stockholder is a party or by which it or any of its properties or assets may be bound or (C) violate any order, writ, injunction, decree, judgment, order, statute, rule or regulation applicable to the Stockholder or any of its properties or assets.

(d) Upon the payment by Purchaser of the Offer Price per share for the Stockholder Shares as directed by Bankers Trust Company, the transfer by the Stockholder of the Stockholder Shares to Purchaser in the Offer or hereunder shall pass to and unconditionally vest in Purchaser good and valid title to all Stockholder Shares, free and clear of all liens, proxies, voting trusts or agreements, understandings or arrangements or any other rights whatsoever, subject to the earlier to occur of the approval of this Agreement and the transactions contemplated hereby by the Bankruptcy Court and the confirmation of the Stockholder's plan of reorganization by the Bankruptcy Court.

(e) No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of the Stockholder.

(f) The required number of the Stockholder's lenders have executed a resolution authorizing the Stockholder to enter into the transactions contemplated by this Agreement.

5. Stop Transfer. The Stockholder shall request that the Company not register the transfer (book-entry or otherwise) of any certificate or uncertificated interest representing any of the Stockholder Shares, unless such transfer is made in compliance with this Agreement.

6. Termination. This Agreement shall terminate upon the earlier of (a) the Effective Time and (b) the termination of the Merger Agreement (unless, in the case of this clause (b), Parent is or may be entitled to

receive a Termination Fee under the Merger Agreement following such termination or prior to such termination the Stockholder has breached in any material respect Section 2(a), 3(a), 3(b) or 3(d)).

7. No Limitation. Notwithstanding any other provision hereof, nothing in this Agreement shall be construed to prohibit the Stockholder, or any officer or affiliate of the Stockholder who is or has designated a member of the Board of Directors of the Company, from taking any action solely in his or her capacity as a member of the Board of Directors of the Company or from exercising his or her fiduciary duties as a member of such Board of Directors to the extent specifically permitted by the Merger Agreement.

8. Stockholder's Fiduciary Obligation. Notwithstanding anything contained herein to the contrary, Stockholder shall have the right to take or refrain from taking any such acts as it shall have reasonably determined are necessary to fulfill its fiduciary obligations as a debtor and debtor in possession, including, but not limited to, the right to withdraw the Shares tendered pursuant to the Offer and to entertain and, if appropriate, accept any higher and better offers to purchase the Shares, and Stockholder shall not be deemed to be in breach of any provision of this Agreement as a result of taking any such action or refraining from taking any such action, provided that Stockholder shall furnish Purchaser with written notice of the terms of any competing offer to purchase the Shares and shall provide Purchaser a reasonable opportunity to match any such competing offer.

9. Miscellaneous.

(a) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

(b) This Agreement shall not be assigned by operation of law or otherwise without the prior written consent of the Stockholder (in the case of any assignment by Purchaser) or Purchaser (in the case of an assignment by the Stockholder), provided that Purchaser may assign its rights and obligations hereunder to Parent or any direct or indirect Subsidiary of Parent, but no such assignment shall relieve Purchaser of its obligations hereunder.

(c) Without limiting any other rights Purchaser may have hereunder in respect of any transfer of Shares, the Stockholder agrees that this Agreement and the obligations hereunder shall attach to the Stockholder Shares and shall be binding upon any Person to which legal or beneficial ownership of such Shares shall pass, whether by operation of law or otherwise, including, without limitation, such Stockholder's heirs, guardians, administrators or successors.

(d) This Agreement may not be amended, changed, supplemented or otherwise modified with respect to the Stockholder except by an instrument in writing signed on behalf of such Stockholder and Purchaser.

(e) All notices, requests, claims, demands and other communications hereunder shall be given (and shall be deemed to have been duly received if given) by hand delivery or by facsimile transmission with confirmation of receipt, as follows:

If to the Stockholder:

At the address and facsimile number set forth on Schedule I hereto.

With a copy to:

Skadden, Arps, Slate, Meagher & Flom
333 West Wacker Drive
Chicago, Illinois 60606-1285
(312) 407-0411 (facsimile)
Attn: J. Gregory St. Clair

If to Parent or Purchaser:

Flowserve Corporation
222 W. Las Colinas Blvd., Suite 1500
Irving, Texas 75039
(972) 443-6843 (facsimile)
Attention: Ronald Shuff

With a copy to:

Akin, Gump, Strauss, Hauer & Feld, L.L.P.
1700 Pacific Avenue, Suite 4100
Dallas, Texas 75201
(214) 969-4343 (facsimile)
Attention: Ford Lacy, P.C.

or to such other address or facsimile number as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

(f) Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

(g) All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any thereof by any party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such party.

(h) The failure of any party hereto to exercise any rights, power or remedy provided under this Agreement or otherwise available in respect hereof at law or in equity, or to insist upon compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver by such party of its right to exercise any such or other right, power or remedy to demand such compliance.

(i) This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

(j) This Agreement shall be governed and construed in accordance with the laws of the State of Delaware.

(k) The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any state or Federal court located in the State of Delaware, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (A) consents to submit itself to the personal jurisdiction of any state or Federal court located in the state of Delaware in the event any dispute arises out of this Agreement or any

transaction contemplated by this Agreement, (B) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (C) agrees that it will not bring any action relating to this Agreement or any transaction contemplated by this Agreement in any court other than any such court. The parties irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of

this Agreement or the transactions contemplated hereby in any state or Federal court located in the State of Delaware, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

(l) The descriptive headings used herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

(m) This Agreement may be executed in counterparts (by fax or otherwise), each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

(n) Except as otherwise provide herein, each party shall pay its, his or her own expenses incurred in connection with this Agreement.

(o) The obligations of the Stockholder hereunder are subject to the Stockholder's receipt of the Agent's Consent.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Purchaser and the Stockholders have caused this Agreement to be duly executed in multiple counterparts as of the day and year first above written.

FORREST ACQUISITION SUB, INC.

By: /s/ RONALD F. SHUFF

Name: Ronald F. Shuff
Title: Secretary and Treasurer

STOCKHOLDER

PHILIP INDUSTRIAL SERVICES GROUP, INC.

By: /s/ COLIN SOULE

Name: Colin Soule
Title: Secretary

SCHEDULE I

NAME, FACSIMILE NUMBER AND ADDRESS OF STOCKHOLDER	NUMBER OF SHARES OF COMMON STOCK BENEFICIALLY OWNED
Philip Industrial Services Group, Inc. 5151 San Felipe, Suite 1600 Houston, Texas 77056	2,185,758

STOCKHOLDER AGREEMENT

STOCKHOLDER AGREEMENT, dated as of November 18, 1999 (this "Agreement"), among Forrest Acquisition Sub, Inc., a Delaware corporation ("Purchaser"), and Philip Environmental Services, Inc. (the "Stockholder").

RECITALS:

WHEREAS, concurrently, with the execution and delivery of this Agreement, Purchaser, Flowserve Corporation, a New York corporation ("Parent"), and Innovative Valve Technologies, Inc., a Delaware corporation (the "Company"), are entering into an Agreement and Plan of Merger (the "Merger Agreement"), which provides, among other things, for the acquisition of the Company by Parent by means of a cash tender offer (the "Offer") by Purchaser for all outstanding shares of Common Stock, par value $0.001 per share, of the Company (the "Common Stock"), including the associated preferred share purchase rights (the "Rights," and together with the Common Stock, the "Shares") and for the subsequent merger of Purchaser with and into the Company (the "Merger"), all on the terms and subject to the conditions set forth in the Merger Agreement;

WHEREAS, the Stockholder has filed a voluntary petition under Chapter 11 of the U.S. Bankruptcy Code with the Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"); and

WHEREAS, as an inducement and a condition to entering into the Merger Agreement, Parent and Purchaser have required that the Stockholder agree, and the Stockholder has agreed, to enter into this Agreement; and

WHEREAS, the Board of Directors of the Company has approved this Agreement and the transactions contemplated hereby prior to the date hereof; and

WHEREAS, the current board of directors of the Stockholder has approved this Agreement and the transactions contemplated hereby prior to the date hereof;

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, the parties hereto agree as follows:

1. Definitions. Terms used and not defined herein, but defined in the Merger Agreement, shall have the respective meanings ascribed to them in the Merger Agreement.

2. Tender of Shares; Agreement to Sell; Consideration.

(a) In order to induce Parent and Purchaser to enter into the Merger Agreement, the Stockholder hereby agrees that, unless the Company shall have terminated the Merger Agreement to accept a Superior Proposal and subject to the approval of the Bankruptcy Court to the extent necessary, it shall validly tender (or cause the record owner of such shares to validly tender), and not to withdraw, pursuant to and in accordance with the terms of the Offer, not later than the tenth business day after commencement of the Offer (or if Bankruptcy Court approval of this Agreement pursuant to Section 3(e) is received or the Stockholder's plan of reorganization is confirmed by the Bankruptcy Court after such tenth business day, not later than the first business day after the earlier to occur of such approval or confirmation), the number of shares set forth opposite the Stockholder's name on Schedule I hereto (the "Existing Shares" and, together with any Shares acquired by the Stockholder in any capacity after the date hereof and prior to the termination of this Agreement by means of purchase, dividend, distribution, exercise of options, warrants or other rights to acquire Shares or in any other way, the "Stockholder Shares"), all of which are beneficially owned by the Stockholder. Unless the Company shall have terminated the Merger Agreement to accept a Superior Proposal and subject to the approval of the Bankruptcy Court to the extent necessary, if the Stockholder acquires beneficial ownership of Shares after the date hereof and prior to termination of this Agreement, the Stockholder shall tender such Shares on such tenth business day or, if later, on the second business day after such acquisition (or if Bankruptcy

Court approval of this Agreement pursuant to Section 3(e) is received or the Stockholder's plan of reorganization is confirmed after such tenth business day or such later date, not later than the first business day after the earlier to occur of such approval or confirmation).

(b) Purchaser shall be entitled to deduct and withhold from the consideration otherwise payable hereunder to the Stockholder such amounts as are required to be withheld under the Internal Revenue Code of 1986, as amended (the "Code"), or any applicable provision of state, local or foreign tax law, as specified in the Offer Documents. To the extent that amounts are so withheld by Purchaser, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Stockholder.

(c) The Stockholder hereby permits Parent and Purchaser to publish and disclose in the Offer Documents and, if approval of the Company's stockholders is required under applicable law, the Proxy Statement (including all documents and schedules filed with the SEC) the Stockholder's identity and ownership of the Stockholder Shares and the nature of the Stockholder's commitments, arrangements and understandings under this Agreement.

(d) Subject to paragraph 2(b) hereof, Purchaser shall purchase the Stockholder Shares for an aggregate price equal to the Offer Price multiplied by the number of Stockholder Shares and shall pay such amount as directed by Bankers Trust Company; provided, however, that this Agreement shall not be binding on the Stockholder unless the Offer Price shall equal or exceed $1.50 per share.

3. Additional Agreements.

(a) Except as otherwise contemplated by this Agreement, the Stockholder shall, at any meeting of the stockholders of the Company, however called, or in connection with any written consent of the stockholders of the Company, vote (or cause to be voted) all Shares then held of record or beneficially owned by the Stockholder, (i) in favor of the Merger, the execution and delivery by the Company of the Merger Agreement and the approval of the terms thereof and each of the other actions contemplated by the Merger Agreement and this Agreement and any actions required in furtherance thereof and hereof and (ii) against any proposal relating to an Acquisition Proposal and against any action or agreement that would impede, frustrate, prevent or nullify this Agreement, or result in a breach in any respect of any covenant, representation or warranty or any other obligation or agreement of the Company under the Merger Agreement or which would result in any of the conditions set forth in Annex A to the Merger Agreement or set forth in Article VI of the Merger Agreement not being fulfilled.

(b) The Stockholder hereby covenants and agrees that, except as contemplated by this Agreement and the Merger Agreement, it shall not (i) offer to transfer (which term shall include, without limitation, any sale, tender, gift, pledge, assignment or other disposition), transfer or consent to any transfer of, any or all of the Stockholder Shares or any interest therein without the prior written consent of Purchaser, (ii) enter into any contract, option or other agreement or understanding with respect to any transfer or any or all of the Stockholder Shares or any interest therein, (iii) grant any proxy, power-of-attorney or other authorization or consent in or with respect to the Stockholder Shares, (iv) deposit the Stockholder Shares into a voting trust or enter into a voting agreement or arrangement with respect to the Stockholder Shares or (v) take any other action that would make any representation or warranty of the Stockholder contained herein untrue or incorrect in any material respect or in any way restrict, limit or interfere in any material respect with the performance of its obligations hereunder or the transactions contemplated hereby or by the Merger Agreement.

(c) Except as otherwise contemplated by this Agreement, the Stockholder hereby irrevocably grants to, and appoints, Purchaser and any designee of Purchaser, and each of them individually, the Stockholder's proxy and attorney-in-fact with full power of substitution, for and in the name, place and stead of the Stockholder, to vote the Stockholder Shares, or grant a consent or approval in respect of the Stockholder Shares, in the manner specified in Section 3(a). The Stockholder represents that any proxies heretofore given in respect of the Stockholder Shares are not irrevocable and that any such proxies are hereby revoked. The Stockholder

hereby affirms that the irrevocable proxy set forth in this Section 3(c)

is given in connection with the execution of the Merger Agreement and that such irrevocable proxy is given to secure the performance of the duties of the Stockholder under this Agreement. The Stockholder hereby further affirms that the irrevocable proxy is coupled with an interest and may under no circumstances be revoked, unless this Agreement is terminated under Section 6. The Stockholder hereby ratifies and confirms all that such irrevocable proxy may lawfully do or cause to be done by virtue hereof.

(d) Subject to Section 7, the Stockholder hereby agrees that the Stockholder shall not, directly or indirectly, encourage, solicit, initiate or participate in any way in any discussions or negotiations with, or provide any information to, or afford any access to the properties, books or records of the Company or any of its Subsidiaries to, or otherwise take any other action to assist or facilitate, any Person or group (other than Parent or Purchaser or any affiliate or associate of Parent or Purchaser) concerning any Acquisition Proposal. Upon execution of this Agreement, the Stockholder will immediately cease any existing activities, discussions or negotiations conducted heretofore with respect to any Acquisition Proposal. The Stockholder will immediately communicate to Purchaser the terms of any Acquisition Proposal (or any discussion, negotiation or inquiry with respect thereto) and the identity of the Person making such Proposal or inquiry which it may receive.

(e) The Stockholder hereby covenants and agrees that as soon as practicable following public announcement by Parent of the execution of the Merger Agreement, it will file, or cause to be filed, a petition with the Bankruptcy Court requesting the approval of this Agreement and the transactions contemplated hereby. The Stockholder shall deliver a copy of such petition to Purchaser's counsel for review at least two business days prior to such filing and shall promptly notify Purchaser of any action taken by the Bankruptcy Court with respect to the approval of this Agreement or the confirmation of a plan of reorganization regarding the Stockholder.

(f) Subject to the terms and conditions of this Agreement, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws to consummate and make effective the transactions contemplated by this Agreement. Each party shall promptly consult with the other and provide any necessary information and material with respect to all filings made by such party with any Governmental Entity in connection with this Agreement and the transactions contemplated hereby.

(g) The Stockholder hereby waives any rights of appraisal or rights to dissent from the Merger that it may have.

(h) The Stockholder shall use its best efforts to secure the Agent's Consent (as defined) as soon as practicable and, upon receipt thereof, shall deliver a copy of same to Purchaser.

4. Representations and Warranties of each Stockholder. The Stockholder hereby represents and warrants to Purchaser as follows:

(a) The Stockholder is the record and beneficial owner of the Existing Shares set forth opposite its name on Schedule I. The Existing Shares constitute all of the Shares owned of record or beneficially owned by the Stockholder on the date hereof. The Stockholder has sole voting power and sole power to issue instructions with respect to the matters set forth in Sections 2 and 3 hereof, sole power of disposition, sole power to demand and waive appraisal rights and sole power to agree to all of the matters set forth in this Agreement, in each case with respect to all of the Existing Shares with no limitations, qualifications or restrictions on such rights, subject to (i) applicable securities laws, (ii) the terms of this Agreement, and (iii) the earlier to occur of the approval of this Agreement and the transactions contemplated hereby by the Bankruptcy Court and the confirmation of the Stockholder's plan of reorganization by the Bankruptcy Court.

(b) The Stockholder has the power and authority to enter into and perform all of the Stockholder's obligations under this Agreement, subject

to the earlier to occur of the approval of this Agreement and the transactions contemplated hereby by the Bankruptcy Court and the confirmation of the Stockholder's plan of reorganization by the Bankruptcy Court and further subject to the receipt by the Stockholder of a

consent from the agent bank on behalf of the lending banks to the Stockholder under the Stockholder's principal bank credit arrangement (the "Agent's Consent"). This Agreement has been duly and validly executed and delivered by the Stockholder and, subject to the earlier to occur of the approval of this Agreement and the transactions contemplated hereby by the Bankruptcy Court and the confirmation of the Stockholder's plan or reorganization by the Bankruptcy Court and further subject to the receipt by the Stockholder of the Agent's Consent, constitutes a legal, valid and binding agreement of the Stockholder, enforceable against the Stockholder in accordance with its terms. There is no beneficiary or holder of a voting trust certificate or other interest of any trust of which the Stockholder is a trustee, or any party to any other agreement or arrangement, whose consent is required for the execution and delivery of this Agreement or the consummation by the Stockholder of the transactions contemplated hereby, other than the earlier to occur of the approval of this Agreement and the transactions contemplated hereby by the Bankruptcy Court and the confirmation of the Stockholder's plan of reorganization by the Bankruptcy Court.

(c) Except for filings under the HSR Act and the Exchange Act, and subject to the earlier to occur of the approval of this Agreement and the transactions contemplated hereby by the Bankruptcy Court and the confirmation of the Stockholder's plan of reorganization by the Bankruptcy Court and further subject to the receipt by the Stockholder of the Agent's Consent, (i) no filing with, and no permit, authorization, consent or approval of, any Governmental Entity is necessary for the execution and delivery of this Agreement by the Stockholder, the consummation by such Stockholder of the transactions contemplated hereby and the compliance by the Stockholder with the provisions hereof, and (ii) none of the execution and delivery of this Agreement by the Stockholder, the consummation by the Stockholder of the transactions contemplated hereby or compliance by the Stockholder with any of the provisions hereof, shall (A) conflict with or result in any breach of any organizational documents applicable to the Stockholder, (B) result in a violation or breach of, or constitute (with or without notice or lapse of time or both) a default (or give rise to any third party right of termination, cancellation, modification or acceleration) under, any of the terms, conditions or provisions of any note, loan agreement, bond, mortgage, indenture, license, contract, commitment, arrangement, understanding, agreement or other instrument or obligation of any kind, including, without limitation, any voting agreement, proxy arrangement, pledge agreement, shareholders agreement or voting trust, to which the Stockholder is a party or by which it or any of its properties or assets may be bound or (C) violate any order, writ, injunction, decree, judgment, order, statute, rule or regulation applicable to the Stockholder or any of its properties or assets.

(d) Upon the payment by Purchaser of the Offer Price per share for the Stockholder Shares as directed by Bankers Trust Company, the transfer by the Stockholder of the Stockholder Shares to Purchaser in the Offer or hereunder shall pass to and unconditionally vest in Purchaser good and valid title to all Stockholder Shares, free and clear of all liens, proxies, voting trusts or agreements, understandings or arrangements or any other rights whatsoever, subject to the earlier to occur of the approval of this Agreement and the transactions contemplated hereby by the Bankruptcy Court and the confirmation of the Stockholder's plan of reorganization by the Bankruptcy Court.

(e) No broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of the Stockholder.

(f) The required number of the Stockholder's lenders have executed a resolution authorizing the Stockholder to enter into the transactions contemplated by this Agreement.

5. Stop Transfer. The Stockholder shall request that the Company not register the transfer (book-entry or otherwise) of any certificate or uncertificated interest representing any of the Stockholder Shares, unless such transfer is made in compliance with this Agreement.

6. Termination. This Agreement shall terminate upon the earlier of (a) the Effective Time and (b) the termination of the Merger Agreement (unless, in the case of this clause (b), Parent is or may be entitled to

receive a Termination Fee under the Merger Agreement following such termination or prior to such termination the Stockholder has breached in any material respect Section 2(a), 3(a), 3(b) or 3(d)).

7. No Limitation. Notwithstanding any other provision hereof, nothing in this Agreement shall be construed to prohibit the Stockholder, or any officer or affiliate of the Stockholder who is or has designated a member of the Board of Directors of the Company, from taking any action solely in his or her capacity as a member of the Board of Directors of the Company or from exercising his or her fiduciary duties as a member of such Board of Directors to the extent specifically permitted by the Merger Agreement.

8. Stockholder's Fiduciary Obligation. Notwithstanding anything contained herein to the contrary, Stockholder shall have the right to take or refrain from taking any such acts as it shall have reasonably determined are necessary to fulfill its fiduciary obligations as a debtor and debtor in possession, including, but not limited to, the right to withdraw the Shares tendered pursuant to the Offer and to entertain and, if appropriate, accept any higher and better offers to purchase the Shares, and Stockholder shall not be deemed to be in breach of any provision of this Agreement as a result of taking any such action or refraining from taking any such action, provided that Stockholder shall furnish Purchaser with written notice of the terms of any competing offer to purchase the Shares and shall provide Purchaser a reasonable opportunity to match any such competing offer.

9. Miscellaneous.

(a) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof.

(b) This Agreement shall not be assigned by operation of law or otherwise without the prior written consent of the Stockholder (in the case of any assignment by Purchaser) or Purchaser (in the case of an assignment by the Stockholder), provided that Purchaser may assign its rights and obligations hereunder to Parent or any direct or indirect Subsidiary of Parent, but no such assignment shall relieve Purchaser of its obligations hereunder.

(c) Without limiting any other rights Purchaser may have hereunder in respect of any transfer of Shares, the Stockholder agrees that this Agreement and the obligations hereunder shall attach to the Stockholder Shares and shall be binding upon any Person to which legal or beneficial ownership of such Shares shall pass, whether by operation of law or otherwise, including, without limitation, such Stockholder's heirs, guardians, administrators or successors.

(d) This Agreement may not be amended, changed, supplemented or otherwise modified with respect to the Stockholder except by an instrument in writing signed on behalf of such Stockholder and Purchaser.

(e) All notices, requests, claims, demands and other communications hereunder shall be given (and shall be deemed to have been duly received if given) by hand delivery or by facsimile transmission with confirmation of receipt, as follows:

If to the Stockholder:

At the address and facsimile number set forth on Schedule I hereto.

With a copy to:

Skadden, Arps, Slate, Meagher & Flom
333 West Wacker Drive
Chicago, Illinois 60606-1285
(312) 407-0411 (facsimile)
Attn: J. Gregory St. Clair

If to Parent or Purchaser:

Flowserve Corporation
222 W. Las Colinas Blvd., Suite 1500
Irving, Texas 75039
(972) 443-6843 (facsimile)
Attention: Ronald Shuff

With a copy to:

Akin, Gump, Strauss, Hauer & Feld, L.L.P.
1700 Pacific Avenue, Suite 4100
Dallas, Texas 75201
(214) 969-4343 (facsimile)
Attention: Ford Lacy, P.C.

or to such other address or facsimile number as the person to whom notice is given may have previously furnished to the others in writing in the manner set forth above.

(f) Whenever possible, each provision or portion of any provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction such invalidity, illegality or unenforceability will not affect any other provision or portion of any provision in such jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision or portion of any provision had never been contained herein.

(g) All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise of any thereof by any party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such party.

(h) The failure of any party hereto to exercise any rights, power or remedy provided under this Agreement or otherwise available in respect hereof at law or in equity, or to insist upon compliance by any other party hereto with its obligations hereunder, and any custom or practice of the parties at variance with the terms hereof, shall not constitute a waiver by such party of its right to exercise any such or other right, power or remedy to demand such compliance.

(i) This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and nothing in this Agreement, express or implied, is intended to confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

(j) This Agreement shall be governed and construed in accordance with the laws of the State of Delaware.

(k) The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any state or Federal court located in the State of Delaware, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (A) consents to submit itself to the personal jurisdiction of any state or Federal court located in the state of Delaware in the event any dispute arises out of this Agreement or any

transaction contemplated by this Agreement, (B) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (C) agrees that it will not bring any action relating to this Agreement or any transaction contemplated by this Agreement in any court other than any such court. The parties irrevocably and

unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in any state or Federal court located in the State of Delaware, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

(l) The descriptive headings used herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

(m) This Agreement may be executed in counterparts (by fax or otherwise), each of which shall be deemed to be an original, but all of which, taken together, shall constitute one and the same agreement.

(n) Except as otherwise provided herein, each party shall pay its, his or her own expenses incurred in connection with this Agreement.

(o) The obligations of the Stockholder hereunder are subject to the Stockholder's receipt of the Agent's Consent.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, Purchaser and the Stockholders have caused this Agreement to be duly executed in multiple counterparts as of the day and year first above written.

FORREST ACQUISITION SUB, INC.

By: /s/ RONALD F. SHUFF

Name: Ronald F. Shuff
Title: Secretary and Treasurer

STOCKHOLDER

PHILIP ENVIRONMENTAL SERVICES, INC.

By: /s/ COLIN SOULE

Name: Colin Soule
Title: Secretary

SCHEDULE I

NAME, FACSIMILE NUMBER AND ADDRESS OF STOCKHOLDER	NUMBER OF SHARES OF COMMON STOCK BENEFICIALLY OWNED
Philip Environmental Services, Inc. 5151 San Felipe, Suite 1600 Houston, Texas 77056	154,958

Exhibit 99(c)(5)

FORREST CORPORATION

CONFIDENTIAL

October 29, 1999

SERVCO
Attention: Charles Schugart, President

RE: Forrest/Servco Transaction (All terms used herein shall have the definitions ascribed to them in the 10/22/99 draft Agreement and Plan of Merger between Forrest, Forrest Acquisition Sub, Inc. and Servco)

Dear Charles:

As we discussed by telephone on October 28, 1999, Parent has incurred, and is continuing to incur, substantial out-of-pocket fees and expenses in connection with the proposed transaction with the Company. As an inducement for Parent to continue incurring such fees and expenses and in light of the unexpected volatility in the trading price of the Common Stock and resulting uncertainty that it creates for a transaction being consummated, the Company agrees that if within six months of the date hereof an Acquisition Proposal is accepted and the related transaction consummated pursuant to a definitive agreement or otherwise, then in such event the Company shall pay to Parent (within two business days after the Company consummates any such Acquisition Proposal) an amount equal to the out-of-pocket fees and expenses incurred by Parent and Purchaser in connection with the Offer, the Merger, the Agreement and the consummation of the transactions contemplated thereby.

The terms and provisions of this letter shall terminate upon the earlier of six months from the date hereof and the execution of a definitive Agreement.

Please confirm that the foregoing accurately states our agreement by signing and returning the duplicate original of this letter.

Sincerely,

/s/ RONALD SHUFF

Ronald Shuff
Vice President, Secretary and
General Counsel

Accepted and agreed as of
October 29, 1999 by:
SERVCO

By: /s/ CHARLES SCHUGART

Charles Schugart, President