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TANDEM
PRODUCTS,
INC.

2520032900599

May 18, 1992

Top Hat Plan Exemption
Pension & Welfare Benefits Administration
Room N-5644 U.S Department of Labor
200 Constitution Avenue N.W.
Washington, D.C. 20210

RE: Tandem Products, Inc. Phantom Stock Plan

To Whom It May Concern:

In accordance with CFR Section 2520.104-23, Tandem Products, Inc. hereby makes the following statement with respect to the above-captioned Phantom Stock Plan:

1. Name and address of employer:
Tandem Products, Inc.
3444 Dight Avenue South
Minneapolis, MN 55406
2. Employer Identification Number:
41-1568778
3. Declaration:
Tandem Products, Inc. maintains the above-captioned Phantom Stock Plan for a select group of management and highly compensated employees as provided in Sections 2.01(2), 3.01(a)(3) and 4.01(a)(1) of ERISA.
4. Number of Plans:
Tandem Products, Inc. currently maintains only one Phantom Stock Plan.
5. Number of Employees in Each Plan:
Tandem Products, inc. currently employs 75 employees. Of these 75 employees, only 9 would be considered key management or highly compensated and eligible for participation in the Phantom Stock Plan.

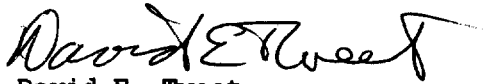
As provided in CFR Section 2520.104-23, attached hereto as Exhibits A and B are the Phantom Stock Plan Agreement and the

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Performance Agreement through which the units are awarded to the employees.

If you have any questions, please contact me at the above address, or you may contact our attorney, Kenneth Amdahl, 9800 Bred Road East, Suite 250, Minneapolis, MN 55343, (612) 945-0909.

Sincerely,

A handwritten signature in cursive script that reads "David E. Tweet".

David E. Tweet
President

DT:jjw
Enclosures

PERFORMANCE AGREEMENT

THIS AGREEMENT is entered into as of the ____ day of _____, 199__, between Tandem Products, Inc. ("Company) and _____ ("Participant").

RECITALS

- A. Participant is an employee who has been retained by Company to perform certain services in the past and who is expected to continue performing similar services for the Company in the future.
- B. Company has adopted a "Phantom Stock Plan" on January 1, 1992 (the "Plan"), a copy of which is attached hereto as Exhibit A. The purpose of the Plan is to provide for additional compensation to certain employees selected solely by Company who in the judgment of Company are significant to the economic welfare of the Company.
- C. Company desires to issue to Participant and Participant desires to accept Performance Units under the Plan under the terms and conditions as set forth herein and in the Plan.

NOW, THEREFORE, in consideration of the services heretofore rendered by Participant, and in anticipation of services to be rendered in the future by Participant, and in consideration of the mutual covenants set forth herein, the parties hereto hereby mutually agree as follows, fully intending to be legally bound hereby:

ARTICLE I

INCORPORATION OF PLAN AND ACKNOWLEDGEMENT OF CERTAIN APPLICABLE PROVISIONS

Company and Participant hereby acknowledge and consent to the following:

1.01 Incorporation of Plan and Definitions. All terms and conditions set forth in the Plan are incorporated herein by reference, and shall have the same force and effect as though set forth in full in this Agreement, except to the extent any of such terms and conditions are explicitly superseded or limited by this Agreement. Unless otherwise explicitly provided in this Agreement, capitalized terms used herein shall have the meanings assigned to them in the Plan.

1.02 Specific Provisions. Without limited the scope of the terms and conditions incorporated herein by virtue of the preceding section, Participant specifically acknowledges that Participant's rights and obligations with respect to the Performance Units maintained by the Company in a Performance Unit Account for his benefit shall be subject to the following terms and conditions:

(a) Participant shall be entitled to payments of cash only in the amount and manner, and on the terms and conditions, set forth in Section Six of the Plan including without limitation the vesting requirements as established under Section Five(a) of the Plan. Other than as therein provided, Participant shall be entitled to no other benefits under the Plan or this Agreement.

(b) A "Performance Unit Account" shall be established and maintained by Company for the benefit of the Participant in the manner provided in Section Four of the Plan, based on the number of Performance Units allocated to the Performance Unit Account established for the benefit of the Participant pursuant to Section Three hereof.

(c) Participant may not sell, assign, gift, convey, pledge, grant a security interest, or otherwise sell, dispose of or transfer a Performance Unit or the rights of Participant under this Agreement. Any rights which Participant may have to any benefits under the Plan and this Agreement are hereby expressly limited and subject to the restrictions set forth in Section Ten of the Plan.

(d) The Plan is subject to amendment and termination as provided in Section Fourteen of the Plan.

1.03 Unfunded. Participant acknowledges that the obligations of Company to provide benefits as set forth in the Plan and this Agreement are unsecured and unfunded. Company is not required to maintain in trust any funds for the payment of any obligations of Company with respect to any benefits granted to Participant under this Agreement or the Plan.

ARTICLE II

UNITS; TREATMENT AS COMPENSATION

2.01 Allocation of Performance Units. As of the date of this Agreement, and pursuant to the provisions of this Agreement and Plan, _____ Performance Units shall be, and hereby are, allocated to a Performance Unit Account to be maintained by Company for the Participant under the terms and conditions set forth in the Plan and in this Agreement. Participant shall be entitled to all rights and be bound by all obligations set forth in the Plan, which shall be determined by reference to the number of Units allocated to the Unit Account described in this Section 2.01. Participant acknowledges and accepts the benefits granted to him by the Company hereunder and further acknowledges and accepts that other Performance Units in the future may be or heretofore have been allocated to Performance Unit Accounts maintained by Company for the benefit of Participant or other persons under the Plan. Such Units may have been or may in the future be allocated pursuant to an agreement which may be materially different than this Agreement.

2.02 Income Tax. Participant acknowledges that any benefits which Participant may receive under the Plan or this Agreement constitute compensation for services, and that accordingly Participant will for federal, state and local income tax purposes be required to include in gross income the value of those benefits when received or as otherwise provided under the Internal Revenue Code of 1986, as amended, or applicable state or local law. Participant acknowledges that changes in the income tax laws may alter the timing of the inclusion of such benefits in his gross income, and that any assignment (even if not in contravention of this Agreement) of any benefits granted to Participant hereunder may result in the inclusion by the Participant in his gross income of the value of such benefits as of the date of such assignment. Company shall withhold from payments to be made and benefits to be delivered to Participant to the extent necessary to meet the withholding requirements imposed by any federal, state or local law, as provided as Section Eleven of the Plan.

2.03 FICA and Other Taxes. To the extent the income represented by benefits receivable by Participant under this Agreement may be subject to FICA taxes (i.e., social security taxes or self-employment taxes) or other taxes owed by the Participant and which the Company has the responsibility under law to pay, the withholding provisions of Section 2.02 hereof and Section Eleven of the Plan shall apply to (but not be limited to) such FICA taxes and other taxes.

ARTICLE III TOP HAT PLAN

3.01 Qualifications. The Plan is intended to constitute a "Top Hat Plan" as described in Sections 201(2), 301(a)(3) and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). It is understood that, to qualify as such a plan, the Plan must be, among other things, maintained by an Employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. Participant acknowledges that Participant and other persons participating in the Plan are key employees or independent contractors who perform a significant management, supervisory or professional role for Company.

ARTICLE IV CERTAIN LIMITATIONS AND OBLIGATIONS: TRANSFER RESTRICTIONS

4.01 Information. Participant acknowledges that, by virtue of his role with Company, Participant has had regular access to such information regarding the business of Company as is necessary to evaluate the business prospects of Company. Participant further acknowledges the following:

(a) Participant has had the opportunity to speak to the officers and directors of Company and to inquire of them with respect to all matter regarding the business and operations of Company.

(b) Participant has read this Agreement and the Plan, and understands the rights and obligations which are associated with the benefits granted to him as therein provided.

(c) Participant has sufficient knowledge, experience, expertise and information upon which to evaluate the value of the benefits provided to him under the Plan and this Agreement. Participant acknowledges that there is no guaranty or assurance from any person that Participant will receive any benefits under the Plan or this Agreement. Participant acknowledges that, among other things, any potential benefit granted herein is subject to the future profitability of the Company, the continued operation of the Company, and the scope and nature of the future business of the Company, all of which are matters as to which no representation or guaranty is made to or relied upon by Participant.

(d) Participant understands that he not be one hundred percent (100%) vested with the amount so credited to his Performance Unit Account until he has completed ten (10) full years of continuous employment or has otherwise performed services on behalf of the Company for a continuous period of ten (10) full years.

4.02 Not Stock. The Performance Units allocated to Participant under this Agreement are allocated solely for the purpose of determining the benefits to which Participant may be entitled under the Plan and this Agreement. Neither the Performance Units so allocated nor, the rights of Participant under this Agreement shall constitute a stock or ownership interest in Company. Participant's rights under this Agreement and the Plan shall be those of an unsecured creditor. Participant shall not have any right to receive or request data, documents or information regarding the business or affairs of Company, nor shall Participant have the right to notice, approval, disapproval or vote on any matter regarding the business, affairs, or structure of Company.

4.03 Designation of Beneficiary. Participant may by written notice to Company designate a primary beneficiary to receive benefits due to Participant under this Agreement after the death of Participant, and designate a contingent beneficiary to receive such payments in the event that such primary beneficiary disclaims any interest therein or does not survive the Participant. Company shall be entitled to rely on the last written designation by a Participant of any beneficiary designation and shall be held harmless from any claims by third parties relating to any payments made pursuant to such last written declaration made by a Participant. Each written designation may designate only one primary and one contingent beneficiary. Any

designation which specifies more than one primary beneficiary or more than one contingent beneficiary shall be void for all purposes. In the event a valid written designation has not been delivered to the Company, upon the death of a Participant any benefits and payments due to the deceased Participant under the Plan and this Agreement shall be payable to the estate of the deceased Participant.

4.04 No Tenure or Management Rights. NOTHING IN THIS AGREEMENT OR THE PLAN SHALL BE DEEMED A WARRANTY, REPRESENTATION, COVENANT OR COMMITMENT THAT PARTICIPANT WILL BE RETAINED AS AN EMPLOYEE, PERMANENTLY, INDEFINITELY OR FOR ANY PARTICULAR PERIOD OF TIME. COMPANY RESERVES THE RIGHT TO TERMINATE THE EMPLOYMENT WITH PARTICIPANT AT ANY TIME WITH OR WITHOUT CAUSE, AND SUCH TERMINATION SHALL IMPOSE NO ADDITIONAL FINANCIAL OBLIGATIONS ON COMPANY OTHER THAN THE OBLIGATION TO PROVIDE CERTAIN BENEFITS UPON OCCURRENCE OF A "TRIGGERING EVENT" TO THE EXTENT AND IN THE MANNER PROVIDED IN SECTION SIX OF THE PLAN. THE PLAN AND THIS AGREEMENT SHALL NOT BE CONSTRUED AS CONFERRING ANY RIGHT UPON A PARTICIPANT TO A CONTINUATION OF EMPLOYMENT NOR SHALL IT INTERFERE WITH OR LIMIT IN ANY WAY THE RIGHT OF THE COMPANY TO DISCHARGE ANY PERSON AT ANY TIME FOR ANY REASON WHATSOEVER (SUBJECT ONLY TO RESTRICTIONS IMPOSED BY ANY SEPARATE EMPLOYMENT AGREEMENT, IF ANY). THE PLAN AND THIS AGREEMENT SHALL NOT BE CONSTRUED AS CONFERRING ANY RIGHT UPON A PARTICIPANT TO PARTICIPATE IN THE MANAGEMENT OR OPERATION OF THE COMPANY, NOR TO REQUIRE COMPANY TO CONDUCT ITS AFFAIRS IN A MANNER WHICH WOULD MAXIMIZE THE BENEFITS OF PARTICIPANT UNDER THE PLAN OR THIS AGREEMENT.

ARTICLE V

MISCELLANEOUS

5.01 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and to the successors and assigns of Company and to the legal representatives, successors and assigns of Participant; provided that this Section shall not be deemed to permit any transfer of the Units or of any rights under this Agreement if prohibited or restricted by this Agreement of the Plan.

5.02 Entire Agreement. This Agreement contains the entire agreement of the parties relating to payment to Participant with respect to the profitability, value or appreciation of Company, its assets or stock. There are no representations, covenants or other agreements between the parties with respect to such matters except as explicitly stated or referred to herein.

5.03 **Plan Supersedes and Controls.** In the event of any conflict or inconsistency between this Agreement and the Plan, the provisions of the Plan shall govern, control and supersede the provisions of this Agreement with respect to all provisions hereof.

5.04 **Interpretation.** Headings and captions in this Agreement are inserted for convenience only, and shall not be deemed to limit, expand, alter or affect the meaning and interpretation of any provision of this Agreement. The masculine, feminine and neuter genders shall each be considered to include the others, and the singular and plural shall include each other, unless otherwise explicitly required by the context. References in this Agreement to Articles and Sections of this Agreement, except where they explicitly refer to the Plan or to another document.

5.04 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

Dated: _____

PARTICIPANT:

COMPANY:

TANDEM PRODUCTS, INC.

By _____
Its _____

**TANDEM PRODUCTS, INC.
PHANTOM STOCK PLAN**

1. **PURPOSE**

The purpose of the Tandem Products, Inc. Phantom Stock Plan (the "Plan") is to provide deferred compensation to certain key employees of Tandem Products, Inc. (the "Company"). Such deferred compensation shall be based upon the award of Performance Units, the value of which is related to the appreciation in the value of the common stock of the Company. The Plan is also intended to benefit the Company by creating incentives to participating key employees.

2. **ADMINISTRATION**

The Plan shall be administered by the Compensation Committee (the "Committee") of the Board of Directors of the Company. Subject to the provisions of the Plan, the Committee shall have exclusive power to select the key employees to be granted Performance Units, to determine the number of Performance Units to be granted to each key employee selected and to determine the time or times when Performance Units will be granted. The authority granted to the Committee by the preceding sentence will be exercised based upon recommendations received from the management of the Company. The Committee shall select key employees and administer the Plan so as to qualify the Plan as a "Top Hat Plan" as described in Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

The Committee shall have authority to interpret the Plan, to adopt and revise rules and regulations relating to the Plan, to determine the conditions subject to which any awards may be made or payable, and to make any other determinations which it believes necessary or advisable for the administration of the Plan. Determinations by the Committee shall be made by majority vote and shall be final and binding on all parties with respect to all matters relating to the Plan.

3. **GRANTS**

Performance Units shall be granted to such key employees of the Company as the Committee shall determine, who shall hereafter be referred to as "Participants." Such grants shall be made pursuant to Performance Agreements in the form attached hereto as Exhibit A. The maximum number of Performance Units that may be awarded under the Plan shall not exceed an aggregate of Fifty Thousand (50,000). If any Performance Units awarded under the Plan shall be forfeited or cancelled, such Performance Units may again be awarded under the Plan. Performance Units shall be granted at such time or times and shall be subject to such terms and

conditions, in addition to the terms and conditions set forth in the Plan, as the Committee shall determine.

4. PERFORMANCE UNITS

Performance Units granted to a Participant shall be credited to a Performance Unit Account (the "Account") established and maintained for such Participant. The Account of a Participant shall be the record of Performance Units granted to him under the Plan, is solely for accounting purposes and shall not require a segregation of any Company assets. Each Performance Unit shall be valued by the Committee, in the manner provided in Section 7, as of the date of grant thereof. Each grant of Performance Units under the Plan to a Participant and the value of such Performance Units as of the date of grant shall be communicated by the Committee in writing to the Participant within thirty (30) days after the date of grant.

5. MATURITY OF PERFORMANCE UNITS

(a) Performance Units granted to a Participant shall mature on the tenth anniversary of the date of grant.

(b) Notwithstanding the provision of paragraph (a) next above, all Performance Units granted to a Participant shall become fully matured upon the Participant's termination of employment with the Company due to death, disability or retirement. For purposes of this Section, (i) a Participant will be considered disabled if, in the determination of the Committee, he is subject to a physical or mental condition which is expected to render the Participant unable to perform his usual duties or any comparable duties for the Company; and (ii) a Participant will be considered retired if the Participant's employment with the Company terminated at or after the date of Participant attains the age of 65.

6. PAYMENT FOR PERFORMANCE UNITS

(a) Upon the termination of employment of a Participant with the Company for any reason, the Participant shall be entitled to receive from the Company an amount, with respect to each then mature Performance Unit in the Participant's Account, determined as follows: (i) the value (as determined by the Committee pursuant to Section 7) of each Performance Unit in the Participant's Account as of the date of termination of his employment with the Company, (ii) reduced by the value (as determined pursuant to Section 7) of such Performance Units as of the date of grant thereof to the Participant. The Participant shall not be entitled to payment for any Performance Unit which has not matured as of the Participant's termination of employment for any reason.

(b) Payment to a Participant of the amount set forth in paragraph (a) next above for Performance Units shall be made in cash either

in a lump sum or in equal annual installments over a period not to exceed 10 years. If the Company elects to make annual installments, the unpaid principal balance shall bear interest at a rate equal to the prime rate of interest established by First Bank Minneapolis, N.A., adjusted semi-annually. The Committee shall have the sole discretion to determine the method of payment under the Plan and the period over which such payments shall be made. Payment will be made to commence within ninety (90) days after the date of termination of the Participant's employment with the Company. A Participant will not be entitled to receive any earnings on the value of his Performance Units with respect to the period between his termination of employment and the receipt of payments under the Plan.

(c) Notwithstanding any other provision of the Plan, all rights to any payments hereunder to a Participant will be discontinued and forfeited, and the Company will have no further obligation hereunder to such Participant, if any of the following circumstances occur:

- (i) The Participant is discharged from employment with the Company for cause;
- (ii) The Participant engages in competition with the Company during, or within two years following his termination of, employment with the Company; or
- (iii) The Participant performs acts of willful malfeasance or gross negligence in a matter of material importance to the Company.
- (iv) The Participant violates any of the terms and conditions of the Employee Confidential Information, Invention and Non-Competition Agreement to which Participant is a party.

The Committee shall have sole discretion with respect to the application of the provisions of this paragraph and such exercise of discretion shall be conclusive and binding upon the Participant, and all other persons.

7. VALUATION OF PERFORMANCE UNITS

For all purposes of the Plan, the value of a Performance Unit on a date of grant pursuant to Section 4 or upon termination of employment pursuant to Section 6 will be an amount equal to the book value of the Company's common stock as determined by the Company's regularly retained accountant, or firm of accountants, from the books and records of Company, in accordance with the accrual basis method of accounting and based on the generally accepted accounting principles, consistently applied, computed as of the last day of the month prior to the award of Performance

Units by the Company. The following adjustments shall be made in determining such book value:

- (a) The cash value of any life insurance owned by the Company on the life of any shareholder shall be included in computing the book value.
- (b) Goodwill shall not be treated as an asset in computing the book value unless, the Board of Directors has adopted a resolution establishing a value for the Company's goodwill. Notwithstanding the foregoing, nothing herein contained shall require the Board of Directors to establish a value for the Company's goodwill.
- (c) If on the valuation date Company owns any securities of other corporations, the book value of such securities shall be adjusted to reflect the fair market value of such securities on the valuation date. The increase or decrease to book value required to reflect such adjustments shall be further adjusted by a reasonable estimate of the federal and state income tax liability which would be incurred (or tax benefit which would be realized) by the Company if such securities were sold by the Company on the valuation date.
- (d) With respect to items of annual expense, not readily allocable on a monthly basis, including contributions to tax exempt profit sharing or pension plans or other employee benefit plans, the total expense for the year in which the valuation date occurs shall be deemed to accrue at the rate of 1/365 on each day of the year.

8. FORFEITURE OF PERFORMANCE UNITS

If (i) the employment of a Participant with the Company is terminated for any reason other than death, disability or retirement at or after age 65; (ii) the owners of a majority of shares of capital stock of the Company terminate the business of, or liquidate or dissolve, the Company; (iii) substantially all of the assets of the Company are sold; or (iv) the Company merges or consolidates with any other corporation and the Company is not the surviving corporation of such merger or consolidation, then each Participant's rights with respect to Performance Units which have not matured on or prior to the date of the occurrence of such event will terminate and be forfeited and neither the Participant nor his heirs, personal representatives, successors or assigns shall have any future rights with respect to any such Performance Units.

9. CHANGES IN CAPITAL AND CORPORATE STRUCTURE

In the event of any change in the outstanding shares of common stock of the Company by reason of an issuance of additional

shares, recapitalization, reclassification, reorganization, stock split, reverse stock split, combination of shares, stock dividend or similar transactions, the Committee shall proportionately adjust, in an equitable manner, the number of Performance Units held by Participants under the Plan. The foregoing adjustment shall be made in a manner that will cause the relationship between the aggregate appreciation in outstanding common stock and earnings per share of the Company and the increase in value of each Performance Units granted hereunder to remain unchanged as a result of the applicable transaction.

10. NONTRANSFERABILITY

Performance Units granted under the Plan, and any rights and privileges pertaining thereto, may not be transferred, assigned, pledged or hypothecated in any manner, by operation of law or otherwise, other than by will or by the laws of descent and distribution, and shall not be subject to execution, attachment or similar process. In the event of a Participant's death, payment of any amount due under the Plan shall be made to the duly appointed and qualified executor or other personal representative of the Participant to be distributed in accordance with the Participant's will or applicable intestacy law; or in the event that there shall be no such representative duly appointed and qualified within six (6) months after the date of death of such deceased Participant, then to such persons as, at the date of his death, would be entitled to share in the distribution of such deceased Participant's personal estate under the provisions of the applicable statute then in force governing the descent of intestate property, in the proportions specified in such manner.

11. WITHHOLDING

The Company shall have the right to deduct from all amounts paid pursuant to the Plan any taxes required by law to be withheld with respect to such awards.

12. VOTING AND DIVIDEND RIGHTS

Except as provided under Section 9, no Participant shall be entitled to any voting rights, to receive any dividends, or to have his Account credited or increased as a result of any dividends or other distribution with respect to the Common Stock of the Company.

13. MISCELLANEOUS PROVISIONS

(a) No employee or other person shall have any claim or right to be granted an award under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving any employee any right to be retained in the employ of the Company.

(b) The Plan shall at all times be entirely unfunded and no provision shall at any time be made with respect to segregating assets of the Company for payment of any benefits hereunder. No Participant or other person shall have any interest in any particular assets of the Company with respect to any rights under the Plan.

(c) Except when otherwise required by the context, any masculine terminology in this document shall include the feminine, and any singular terminology shall include the plural.

14. AMENDMENT OF THE PLAN

The Board of Directors of the Company may alter or amend the Plan from time to time without obtaining the approval of the stockholders of the Company. No amendment to the Plan may alter, impair or reduce the number of Performance Units granted under the Plan prior to the effective date of such amendment without the written consent of any affected Participant.

15. EFFECTIVENESS AND TERM OF PLAN

The effective date of the Plan shall be February 1, 1992. The Committee may at any time terminate the Plan and unless sooner terminated by the Committee, the Plan shall terminate on January 31, 2002. No Performance Units shall be granted pursuant to the Plan after the date of termination of the Plan, although after such date payments shall be made with respect to Performance Units granted prior to the date of termination.