

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2001 or

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

For the transition period from _____ to _____

Commission File Number 0-22529

inTEST Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

22-2370659

(I.R.S. Employer Identification Number)

7 Esterbrook Lane

Cherry Hill, New Jersey 08003

(Address of principal executive offices, including zip code)

(856) 424-6886

(Registrant's Telephone Number, including Area Code)

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

YES NO

Number of shares of Common Stock, \$.01 par value, outstanding as of March 31, 2001:

8,660,757

inTEST CORPORATION

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PART I. FINANCIAL INFORMATION

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inTEST CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

| | Mar. 31, 2001 | Dec. 31, 2000 |
|--|------------------|------------------|
| | ----- | ----- |
| | (Unaudited) | (Audited) |
| ASSETS: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 5,788 | \$ 5,680 |
| Trade accounts and notes receivable, net of allowance for doubtful accounts of \$231 and \$241, respectively | 12,371 | 14,752 |
| Inventories | 13,224 | 12,559 |
| Deferred tax asset | 1,287 | 1,287 |
| Refundable domestic and foreign income taxes | - | 158 |
| Other current assets | 560 | 463 |
| | ----- | ----- |
| Total current assets | 33,230 | 34,899 |
| | ----- | ----- |

| | | |
|---|----------|----------|
| Property and equipment: | | |
| Machinery and equipment | 10,476 | 9,856 |
| Leasehold improvements | 3,379 | 2,750 |
| | ----- | ----- |
| | 13,855 | 12,606 |
| Less: accumulated depreciation | (7,864) | (7,519) |
| | ----- | ----- |
| Net property and equipment | 5,991 | 5,087 |
| | ----- | ----- |
| Deferred tax asset | 210 | 210 |
| Other assets | 394 | 407 |
| Goodwill, net of accumulated amortization of \$1,379 and \$1,259, respectively | 5,806 | 5,926 |
| | ----- | ----- |
| Total assets | \$45,631 | \$46,529 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,630 | \$ 4,563 |
| Accrued expenses | 2,487 | 3,568 |
| Capital lease obligations | 78 | - |
| Domestic and foreign income taxes payable | 12 | - |
| | ----- | ----- |
| Total current liabilities | 6,207 | 8,131 |
| | ----- | ----- |
| Capital lease obligations, net of current portion | 364 | - |
| | ----- | ----- |
| Total liabilities | 6,571 | 8,131 |
| | ----- | ----- |
| Commitments and Contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.01 par value; 5,000,000 shares authorized; no shares issued or outstanding | - | - |
| Common stock, \$0.01 par value; 20,000,000 shares authorized; 8,660,757 and 8,658,511 shares issued and outstanding, respectively | 87 | 87 |
| Additional paid-in capital | 22,354 | 22,328 |
| Retained earnings | 20,314 | 19,456 |
| Accumulated other comprehensive loss | (589) | (300) |
| Deferred compensation | (72) | (98) |
| Note receivable from Equity Participation Plan | (3,034) | (3,075) |
| | ----- | ----- |
| Total stockholders' equity | 39,060 | 38,398 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$45,631 | \$46,529 |
| | ===== | ===== |

See accompanying Notes to Consolidated Financial Statements.

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inTEST CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except share and per share data)
(Unaudited)

| | Three Months Ended Mar. 31, | |
|---|--------------------------------|---------------|
| | ----- 2001 | ----- 2000 |
| | ----- | ----- |
| Net revenues | \$20,105 | \$20,254 |
| Cost of revenues | 12,142 | 10,279 |
| | ----- | ----- |
| Gross margin | 7,963 | 9,975 |
| | ----- | ----- |
| Operating expenses: | | |
| Selling expense | 2,869 | 2,318 |
| Engineering and product development expense | 1,677 | 1,450 |
| General and administrative expense | 2,134 | 1,473 |
| Merger-related costs | - | 2,557 |
| | ----- | ----- |
| Total operating expenses | 6,680 | 7,798 |
| | ----- | ----- |
| Operating income | 1,283 | 2,177 |

| | | |
|---|-----------|-----------|
| Other income (expense): | ----- | ----- |
| Interest income | 61 | 121 |
| Interest expense | (1) | (30) |
| Other | 98 | 9 |
| | ----- | ----- |
| Total other income | 158 | 100 |
| | ----- | ----- |
| Earnings before income taxes | 1,441 | 2,277 |
| Income tax expense | 583 | 1,799 |
| | ----- | ----- |
| Net earnings | \$ 858 | \$ 478 |
| | ===== | ===== |
| Net earnings per common share-basic | \$0.10 | \$0.06 |
| Weighted average common shares outstanding-basic | 8,252,139 | 8,137,167 |
| Net earnings per common share-diluted | \$0.10 | \$0.06 |
| Weighted average common and common share equivalents outstanding-diluted | 8,411,240 | 8,465,603 |

See accompanying Notes to Consolidated Financial Statements.

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inTEST CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS
(In thousands, except share and per share data)
(Unaudited)

| | Three Months Ended Mar. 31, | |
|--|--------------------------------|------------------------|
| | ----- 2001 ----- | ----- 2000 ----- |
| Net earnings | \$ 858 | \$ 478 |
| Foreign currency translation adjustments | (289) | (13) |
| | ----- | ----- |
| Comprehensive earnings | \$ 569 | \$ 465 |
| | ===== | ===== |

See accompanying Notes to Consolidated Financial Statements.

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inTEST CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2001
(In thousands, except share and per share data)
(Unaudited except Balance, December 31, 2000)

| | Common Stock | | Additional Paid-In Capital | Retained Earnings | Accumulated | Deferred Compensation | Equity Participation Plan Note | Total Stockholders' Equity |
|--|--------------|--------|----------------------------------|----------------------|--------------------------------|--------------------------|--------------------------------------|----------------------------------|
| | Shares | Amount | | | Other Comprehensive Loss | | | |
| Balance, December 31, 2000 | 8,658,511 | \$ 87 | \$22,328 | \$19,456 | \$(300) | \$ (98) | \$(3,075) | \$38,398 |
| Net earnings | - | - | - | 858 | - | - | - | 858 |
| Other comprehensive loss | - | - | - | - | (289) | - | - | (289) |
| Amortization of deferred compensation | - | - | - | - | - | 26 | - | 26 |
| Principal payments by Equity Participation Plan | - | - | - | - | - | - | 41 | 41 |
| Stock options exercised | 6,000 | - | 26 | - | - | - | - | 26 |
| Cancellation of escrow shares | (3,754) | - | - | - | - | - | - | - |
| Balance, March 31, 2001 | 8,660,757 | \$ 87 | \$22,354 | \$20,314 | \$(589) | \$ (72) | \$(3,034) | \$39,060 |

See accompanying Notes to Consolidated Financial Statements.

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inTEST CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except share and per share data)
(Unaudited)

| | Three Months Ended Mar. 31, | |
|---|--------------------------------|----------|
| | 2001 | 2000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net earnings | \$ 858 | \$ 478 |
| Adjustments to reconcile net earnings to net cash provided by (used in) operating activities: | | |
| Depreciation | 384 | 287 |
| Amortization of goodwill | 120 | 120 |
| Foreign exchange (gain) loss | (1) | 7 |
| Deferred compensation relating to stock options | 26 | 14 |
| Loss on disposal of fixed assets | 3 | - |
| Changes in assets and liabilities: | | |
| Trade accounts and notes receivable | 2,291 | (3,797) |
| Inventories | (714) | (1,173) |
| Proceeds from sale of demonstration equipment, net of gain | 7 | 7 |
| Other current assets | (104) | 246 |
| Accounts payable | (882) | 1,259 |
| Domestic and foreign income taxes payable | 199 | 530 |
| Accrued expenses | (1,068) | (298) |
| Net cash provided by (used in) operating activities | 1,119 | (2,320) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of machinery and equipment | (1,105) | (551) |
| Other long-term assets | (14) | 958 |
| Net cash provided by (used in) investing activities | (1,119) | 407 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net repayments of revolving debt | - | (1,241) |
| Repayment of long-term debt | - | (256) |
| Proceeds from financing of machinery and equipment | 216 | - |
| Note receivable repayments from Equity Participation Plan | 41 | 37 |
| Proceeds from stock options exercised | 26 | 33 |
| Net cash provided by (used in) financing activities | 283 | (1,427) |
| Effects of exchange rates on cash | (175) | (25) |
| Net cash provided by (used in) all activities | 108 | (3,365) |
| Cash and cash equivalents at beginning of period | 5,680 | 12,047 |
| Cash and cash equivalents at end of period | \$ 5,788 | \$ 8,682 |
| SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITY: | | |
| Capital lease additions | \$ 226 | \$ - |
| Cash payments made for: | | |
| Domestic and foreign income taxes | \$ 379 | \$ 1,290 |
| Interest | - | 32 |

See accompanying Notes to Consolidated Financial Statements.

(1) NATURE OF OPERATIONS

inTEST Corporation (the "Company") is a leading independent designer, manufacturer and marketer of manipulator and docking hardware products, temperature management systems and tester interface products that are used by semiconductor manufacturers in conjunction with automatic test equipment, or ATE, in the testing of integrated circuits, or ICs.

The consolidated entity is comprised of inTEST Corporation (parent) and its nine 100% owned subsidiaries: inTEST Limited (Thame, U.K.), inTEST Kabushiki Kaisha (Kichijoji, Japan), inTEST PTE, Limited (Singapore), inTEST Sunnyvale Corp. (Delaware), Tempronic Corporation (Delaware), inTEST GmbH (Germany) (operations commenced during August 2000), inTEST Investments, Inc. (a Delaware holding company), inTEST IP Corp. (a Delaware holding company) and inTEST Licensing Corp. (a Delaware holding company).

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

On March 9, 2000, the Company completed a merger with Tempronic Corporation ("Tempronic") whereby Tempronic was merged into a wholly-owned subsidiary of the Company. The Company exchanged 2,046,793 shares of its common stock for all of the Tempronic common stock. Each share of Tempronic common stock was exchanged for 0.925 shares of the Company's common stock. In addition, outstanding Tempronic stock options were converted at the same exchange ratio into options to acquire 175,686 shares of the Company's common stock. The merger was accounted for under the pooling-of-interests method of accounting. At the closing of the merger, an escrow consisting of 204,654 shares was established to satisfy any indemnity claims made between closing and March 9, 2001. During the quarter ended March 31, 2001, the Company made a claim against the escrow for 3,754 shares, which were returned to the Company and subsequently cancelled. The balance of the escrow shares were distributed to the holders of record shortly thereafter. Tempronic also has a 100% owned foreign subsidiary, which is consolidated with Tempronic for reporting purposes.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated upon consolidation. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Company's historic results of operations as presented in these financial statements may not be indicative of future results, as these future results involve a number of risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from historical results include, but are not limited to, the highly cyclical nature of the semiconductor industry, dependence upon capital expenditures of semiconductor manufacturers, developments and trends in the IC and ATE industries, changes in general economic, business and financial market conditions, future acquisitions and the Company's ability to successfully integrate its operations with those of the acquired entity, costs associated with future acquisitions and integration of operations, costs associated with the expansion of facilities, the ability to effectively control operating costs, competitive pricing pressures, delays in shipments of products, the mix of products sold, the mix of customers and geographic regions where products are sold, the development of new products and technologies by the Company or its competitors, the availability of materials used to manufacture the Company's products, the availability of qualified personnel, net revenues generated by foreign subsidiaries, exchange rate fluctuations and the use of forward exchange rate contracts, stock price fluctuations, the anticipated market for the Company's products, and the sufficiency of cash balances, lines of credit and net cash from operations.

Interim Financial Reporting

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

Certain footnote information has been condensed or omitted from these financial statements. Therefore, these financial statements should be read in conjunction with the consolidated financial statements and accompanying footnotes included in the Company's Form 10K filed on March 30, 2001.

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inTEST CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Earnings Per Common Share

Basic earnings per common share is computed by dividing net earnings by the weighted average number of common shares outstanding during each period. Diluted earnings per common share is computed by dividing net earnings by the weighted average number of common shares and common share equivalents outstanding during each period. Common share equivalents represent stock options and are calculated using the treasury stock method.

Weighted average common shares outstanding exclude unallocated shares of common stock held by the Company's Equity Participation Plan.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. SFAS 133, as amended by SFAS 137 and 138, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The Company adopted SFAS No. 133 in the first quarter of 2001, as required. The adoption of SFAS No. 133, as amended, did not have a material effect on the results of operations, financial condition or long-term liquidity of the Company.

(3) SEGMENT INFORMATION

The various products the Company designs, manufactures and markets are considered by management to form three reportable segments: manipulator and docking hardware products, temperature management systems and tester interface products. The manipulator and docking hardware segment includes the operations of the Company's Cherry Hill, New Jersey manufacturing facility as well as the operations of three of the Company's foreign subsidiaries: inTEST Limited, inTEST Kabushiki Kaisha, and inTEST PTE, Limited. Sales of this segment consist primarily of manipulator and docking hardware products which the Company designs, manufactures and markets, as well as certain other high performance test sockets and interface boards which the Company designs and markets, but which are manufactured by third parties. The temperature management segment includes the operations of Temptronic in Newton, Massachusetts as well as inTEST GmbH. Sales of this segment consist primarily of temperature management systems which the Company designs, manufactures and markets under its Temptronic product line. The tester interface segment includes the operations of inTEST Sunnyvale in Sunnyvale, California. Sales of this segment consist primarily of tester interface products which the Company designs, manufactures and markets under its TestDesign product line.

The Company operates its business worldwide and all three segments sell their products both domestically and internationally. All three segments sell to semiconductor manufacturers and ATE manufacturers.

Intercompany pricing between segments is either a multiple of cost for component parts used in manufacturing or a percentage discount from list price for finished goods sold to non-manufacturing operations.

| | Three Months Ended Mar. 31, | |
|---|--------------------------------|---------------|
| | ----- 2001 | 2000 ----- |
| Net revenues from unaffiliated customers: | | |
| Manipulator and Docking Hardware | \$ 7,893 | \$ 9,850 |
| Temperature Management | 9,008 | 7,505 |
| Tester Interface | 3,204 | 2,899 |
| | ----- | ----- |
| | \$20,105 | \$20,254 |
| | ===== | ===== |
| Affiliate sales or transfers from: | | |
| Manipulator and Docking Hardware | \$ 266 | \$ 668 |
| Temperature Management | 257 | 142 |
| Tester Interface | 647 | 204 |
| | ----- | ----- |
| | \$ 1,170 | \$ 1,014 |
| | ===== | ===== |

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inTEST CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(Unaudited)

(3) SEGMENT INFORMATION (Continued)

| | Three Months Ended Mar. 31, | |
|--------------------------------------|--------------------------------|---------------|
| | ----- 2001 | 2000 ----- |
| Operating income (loss): | | |
| Manipulator and Docking Hardware | \$ 41 | \$ 3,176 |
| Temperature Management | 1,164 | (1,266) |
| Tester Interface | 78 | 267 |
| | ----- | ----- |
| | \$ 1,283 | \$ 2,177 |
| | ===== | ===== |
| Earnings (loss) before income taxes: | | |
| Manipulator and Docking Hardware | \$ 153 | \$ 3,310 |
| Temperature Management | 1,210 | (1,300) |
| Tester Interface | 78 | 267 |

| | | |
|----------------------------------|----------|----------|
| | ----- | ----- |
| | \$ 1,441 | \$ 2,277 |
| | ===== | ===== |
| Income tax expense (benefit): | | |
| Manipulator and Docking Hardware | \$ (12) | \$ 1,222 |
| Temperature Management | 561 | 458 |
| Tester Interface | 34 | 119 |
| | ----- | ----- |
| | \$ 583 | \$ 1,799 |
| | ===== | ===== |
| Net earnings (loss): | | |
| Manipulator and Docking Hardware | \$ 165 | \$ 2,088 |
| Temperature Management | 649 | (1,758) |
| Tester Interface | 44 | 148 |
| | ----- | ----- |
| | \$ 858 | \$ 478 |
| | ===== | ===== |

The \$2.6 million of merger-related costs in 2000 were incurred by the temperature management segment. The Company does not currently allocate corporate overhead to its subsidiaries. All costs associated with the Company's executive management team are charged to the Cherry Hill, New Jersey operation which is included in the manipulator and docking hardware segment. Substantially all interest income is generated by the Company's three Delaware holding companies, whose results are also included in the manipulator and docking hardware segment.

inTEST CORPORATION

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

Overview

Our business and results of operations are substantially dependent upon the demand for ATE by semiconductor manufacturers and companies that specialize in the testing of ICs. Demand for ATE is driven by semiconductor manufacturers that are opening new or expanding existing semiconductor fabrication facilities or upgrading existing equipment, which in turn is dependent upon the current and anticipated market demand for semiconductors and products incorporating semiconductors. The semiconductor industry has been highly cyclical with recurring periods of oversupply, which often have a severe impact on the semiconductor industry's demand for ATE, including the products we manufacture. This cyclicity has been clearly demonstrated during the past five years, with downward cycles in 1996 and 1998, and up cycles in 1997, 1999 and 2000. During the fourth quarter of 2000, demand for ATE entered another cyclical downturn. We cannot be sure as to the length and depth of this current downturn and when the next cyclical growth phase will occur.

In response to this downturn, we reduced our worldwide workforce by 20%, or 77 people in late March 2001. In addition, we have implemented a worldwide salary freeze, put a hold on new hires and implemented additional cost controls on other expenditures with the goal of reducing our overall operating expenditures by 10%.

We sell our products to both semiconductor manufacturers (end user sales) and to ATE manufacturers (OEM sales) who ultimately resell our equipment with theirs to semiconductor manufacturers. The mix of customers during any given period will affect our gross margin due to differing sales discounts and commissions. Historically, the majority of our manipulator, docking hardware and tester interface product sales have been directly to semiconductor manufacturers, with our end user sales typically in the range of 65% to 75% of our net revenues. In the past year, many semiconductor manufacturers have begun to show a preference for purchasing the various components of the ATE (excluding temperature management systems) they need from a single source. Typically, this source is the manufacturer of the largest and most expensive components of the ATE system, the tester manufacturer. During 2000, OEM sales as a percentage of net revenues increased from 33% to 41% for manipulator and docking hardware products and from 21% to 42% for tester interface products. This trend continued during the first quarter of 2001, with OEM sales as a percentage of net revenues increasing from 35% to 52% for manipulator and docking hardware products and from 11% to 59% for tester interface products. We anticipate that OEM sales as a percentage of net revenues may continue to increase in the future for these product segments. The impact of this increase in OEM sales as a percentage of net revenues is a reduction in our gross margin, as OEM sales have a more significant discount than end user sales. Our current net operating margins on most OEM sales for these product segments, however, are only slightly less than margins on end user sales because of the payment of third party sales commissions on most end user sales. We also expect to continue to experience demands from our OEM customers' supply line management groups to reduce our sales prices to them. This continued price pressure may have the ultimate effect of reducing our gross and operating margins if we cannot reduce our manufacturing and operating costs.

We believe that purchases of most of our products are typically made from the end users' capital expenditure budgets. Certain portions of our business, however, are less dependent upon the capital expenditure budgets of the end users. For example, purchases of certain related ATE interface products, such as sockets and interface boards, which must be replaced periodically, are typically made from the end users' operating budgets. In addition, purchases of our products for the purpose of upgrading, or to improve the utilization, performance and efficiency of, existing ATE tend to be counter cyclical to sales of

new ATE. Moreover, we believe a portion of our sales of temperature management products results from the increasing need for temperature testing of circuit boards and specialized components that do not have the design or quantity to be tested in a handler. We believe that this business is less cyclical than new ATE sales.

Please refer to the section entitled "Risks That Could Affect Future Results" below for a discussion of other important factors that could cause our results to differ materially from our prior results or those expressed or implied by our forward-looking statements.

Significant Events

On March 9, 2000, we acquired Temptronic Corporation. The acquisition was in the form of a merger of Temptronic into a subsidiary of ours, and was accounted for as a pooling of interests. Temptronic designs, manufactures, sells and services high-performance temperature management systems used in the testing of ICs and other electronic products. These temperature management systems are complementary to our manipulator, docking hardware and tester interface products and expanded our line of product offerings to our customer base.

Results of Operations

All of our products are used by semiconductor manufacturers in conjunction with ATE in the testing of ICs. Consequently, the results of operations for each product segment are generally affected by the same factors. Separate discussions and analyses for each product segment would be repetitive and obscure any unique factors that affected the results of operations of our different product segments. The discussion and analysis that follows, therefore, is presented on a consolidated basis for the Company as a whole and includes discussion of factors unique to each product segment where significant to an understanding of such business.

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inTEST CORPORATION

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

Three Months Ended March 31, 2001 Compared to Three Months Ended March 31, 2000:

Net Revenues. Consolidated net revenues were \$20.1 million for the quarter ended March 31, 2001 compared to \$20.3 million for the same period in 2000, a decrease of \$149,000 or 1%. For manipulator and docking hardware products, however, net revenues decreased \$2.0 million or 20% for the first quarter of 2001 as compared to 2000 while net revenues for both the temperature management and tester interface segments increased by \$1.5 million or 20% and \$305,000 or 11%, respectively, in 2001 as compared to 2000. We believe that the decrease in net revenues over the comparable prior period for manipulator and docking hardware products reflects the cyclical downturn in the demand for ATE in 2001 as compared to 2000. The increase in net revenues of our temperature management segment was due to continued strong demand for Thermostream(R) products. Finally, we believe the increase in net revenues of our tester interface segment was primarily the result of reduced product shipments in the first quarter of 2000 when this division relocated its primary manufacturing facility.

Gross Margin. Gross margin decreased to 40% for the quarter ended March 31, 2001 from 49% for the comparable period in 2000 primarily as a result of increases in fixed operating costs due to facility expansions and, as previously discussed, increases in the level of OEM sales. For manipulator and docking hardware products, the decline in gross margin resulted from higher levels of fixed operating costs, and, to a lesser extent, higher component material costs. The increase in fixed operating costs is primarily the result of the expansion of our Cherry Hill manufacturing facility that was completed during the fourth quarter of 2000. We believe this increased capacity adequately addressed the capacity constraints that impacted product shipments during most of 2000 and will enable us to meet the demand for these products in the foreseeable future. The increase in component material costs as a percentage of net revenues is primarily the result of an increase in OEM sales as a percentage of total sales. For tester interface products, the decline in gross margin primarily resulted from a similar shift in customer mix. For temperature management products, the decline in gross margin was the result of higher component material costs, which were partially offset by a decrease in fixed operating costs as a percentage of net revenues due to the absorption of these costs over higher net revenue levels in 2001 as compared to 2000.

Selling Expense. Selling expense was \$2.9 million for the quarter ended March 31, 2001 compared to \$2.3 million for the same period in 2000, an increase of \$551,000 or 24%. We attribute the increase primarily to increased commission expense as well as higher levels of salary expense resulting from salary increases for existing staff as well as new sales and marketing staff hired in 2000. To a lesser extent, higher warranty costs also contributed to the increase over the prior comparable period. These increases were partially offset by decreases in advertising and travel expenditures in 2001 as compared to 2000.

Engineering and Product Development Expense. Engineering and product development expense was \$1.7 million for the quarter ended March 31, 2001 compared to \$1.5 million for the same period in 2000, an increase of \$227,000 or 16%. We attribute the increase primarily to higher levels of salary expense resulting from salary increases for existing staff and, to a lesser extent, the addition of new engineering and technical staff, as well as fees for technical consultants associated with new product development.

General and Administrative Expense. General and administrative expense was \$2.1 million for the quarter ended March 31, 2001 compared to \$1.5 million for the same period in 2000, an increase of \$661,000 or 45%. We attribute the increase primarily to higher administrative salary expense resulting from staffing additions in 2000 and salary increases for existing staff, as well as an increase in travel expenditures and legal fees. The increase in legal fees was primarily the result of the receipt in March 2000 of \$200,000 from the settlement of patent infringement litigation which partially offset legal fees for that quarter.

Merger-related Costs. Merger-related costs totaling \$2.6 million were recorded during the first quarter of 2000 as a result of our merger with Temptronic Corporation. These costs consisted of fees paid to investment bankers, professional fees, printing, escrow and other miscellaneous costs. There were no merger-related costs for the quarter ended March 31, 2001.

Other Income. Other income was \$158,000 for the quarter ended March 31, 2001 as compared to \$100,000 for the same period in 2000, and increase of

\$58,000 or 58%. The increase is primarily attributable to both foreign currency transaction gains and third party royalty income recorded during the quarter, which were partially offset by reduced levels of interest income resulting from reduced average cash balances in 2001 compared to 2000.

Income Tax Expense. Income tax expense decreased to \$583,000 for the quarter ended March 31, 2001 from \$1.8 million for the comparable period in 2000, a decrease of \$1.2 million. Our effective tax rate for the first quarter of 2001 was 40% due to a higher portion of our income for the quarter being derived from certain foreign jurisdictions where the statutory tax rates are higher than in the U.S. In addition, a greater portion of our income for the quarter was derived from our temperature management segment, which is located in Massachusetts where the state income tax rate is higher than in other states where we operate. Our effective tax rate for the first quarter of 2000 was 79% due to the recognition of \$2.3 million of non-tax deductible merger-related costs. In addition, we recognized a \$237,000 taxable gain on the liquidation of life insurance policies held on certain former Temptronic officers and directors.

Liquidity and Capital Resources

Net cash provided by operations for the three months ended March 31, 2001 was \$1.1 million. Accounts receivable decreased \$2.3 million from December 31, 2000 to March 31, 2001 due to cash collections in excess of the net sales recorded during the first quarter of 2001. Inventories increased \$714,000 as a result of purchases for future product shipments combined with delays in shipment of certain products at the end of the first quarter. Accounts payable decreased \$882,000 due to timing of payments to vendors combined with the lower production levels during the first quarter of 2001. Accrued expenses decreased \$1.1 million as a result of the payment of previously accrued expenses including sales commissions, incentive compensation and merger-related costs.

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inTEST CORPORATION

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

Purchases of machinery and equipment were \$1.1 million for the quarter ended March 31, 2001, which consisted primarily of improvements to our facilities in the U.K. and Massachusetts. We also acquired an additional coordinate measuring machine for our Cherry Hill, New Jersey facility under a capital lease. During the quarter, we relocated our U.K. manufacturing operation to a new facility and are converting the previous facility to a machine shop. We expect to spend an additional \$45,000 to complete the conversion of this facility. We relocated our Singapore subsidiary during April 2001, and expect to spend \$170,000 on leasehold improvements and purchases of furniture and equipment for this facility. During May 2001, we relocated our Temptronic subsidiary and expect to spend an additional \$900,000 on leasehold improvements and purchases of furniture and equipment for this facility. Our lease on this facility entitles us to a reimbursement of approximately \$280,000, which we expect to receive by the end of 2001.

Net cash provided by financing activities for the quarter ended March 31, 2001 was \$283,000, including approximately \$216,000 for equipment that was refinanced under a capital lease.

As of March 31, 2001, we had a \$5.0 million committed, unsecured line of credit. This line of credit is due to expire June 30, 2001. Based upon our projected operating results for 2001, coupled with our historic results of operations, we believe that this line of credit will be renewed in 2001 by the bank which granted it. This facility has been renewed each year since the original credit agreement was signed in 1992.

International Operations

Net revenues generated by our foreign subsidiaries were 12% and 20% of consolidated net revenues for the quarters ended March 31, 2001 and 2000, respectively. We anticipate that net revenues generated by our foreign subsidiaries will continue to account for a significant portion of consolidated net revenues in the foreseeable future. The net revenues generated by our foreign subsidiaries will continue to be subject to certain risks, including political and economic instability of foreign countries, the imposition of financial and operational controls or regulatory restrictions by foreign governments, the need to comply with a variety of U. S. and foreign export and import laws, trade restrictions, changes in tariffs and taxes, longer payment cycles, fluctuations in foreign currency exchange rates, and the greater difficulty of administering business abroad. We cannot predict whether quotas, duties, taxes or other charges or restrictions will be implemented by the United States or any other country upon the importation or exportation of our products in the future. Any of these factors or the adoption of restrictive policies could have a material adverse effect on our business, financial condition or results of operations.

Net revenues denominated in foreign currencies were 11% and 15% of consolidated revenues for the quarters ended March 31, 2001 and 2000, respectively. Although we seek to operate our business such that a significant portion of our product costs are denominated in the same currency that the associated sales are made in, we may be adversely affected in the future due to our exposure to foreign operations. Moreover, net revenues denominated in currencies other than U.S. dollars expose us to currency fluctuations, which can adversely affect results of operations.

The portion of our consolidated net revenues that were derived from sales to the Asia-Pacific region were 6% and 10% for the quarters ended March 31, 2001 and 2000, respectively. Countries in the Asia-Pacific region, including Japan, have experienced economic instability resulting in weaknesses in their currency, banking and equity markets. Although the past economic instability in the Asia-Pacific region has not materially adversely affected our order backlog, balance sheet, or results of operations to date, continued economic instability could have a material adverse effect on demand for our products and our consolidated results of operations.

Risks That Could Affect Future Results

A number of the matters and subject areas discussed in this Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report that are not historical or current facts deal with potential future circumstances and developments. These forward-looking statements typically can be identified by the use of terminology such as "believes," "expects," "may," "will," "should" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Investors and prospective investors are cautioned that such statements are only projections and that actual events or results may differ materially from those expressed in any such forward-looking statements. In addition to other factors described elsewhere in this report, our actual consolidated quarterly or annual operating

results have been affected in the past, or could be affected in the future, by factors, including, without limitation: changes in business conditions and the economy, generally; a decline in the demand for ICs; our ability to obtain patent protection, and enforce our patent rights, for existing and developing proprietary technologies; our ability to integrate successfully businesses, technologies or products which we may acquire; the effect of the loss of, or reduction in orders from, a major customer; cancellation, or delays in shipment, of orders in our backlog; competition from other manufacturers of docking hardware, manipulators, tester interfaces and related ATE interface products and temperature management products; progress of product development programs; cost overruns relating to leasehold improvements and moving costs for our Tempronic and Singapore subsidiaries, unanticipated exchange rate fluctuations; and capital requirements relating to future acquisitions. These risks and uncertainties are more fully discussed in our annual report on Form 10-K for the year ended December 31, 2000.

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inTEST CORPORATION

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to currency exchange rate risk in the normal course of our business, primarily in our Japanese operations. Our exposure results from the fact that the sales of our Japanese subsidiary are in Japanese yen and inventory purchases are in U.S. dollars. We have the same exposure in our German operations (which commenced in August 2000) as a portion of total sales are in German deutsche marks while inventory purchases are in U.S. dollars. We also have a similar exposure in our Singapore operations because our sales are in U.S. dollars but our manufacturing costs are in U.S. dollars, British pounds and Singapore dollars. We employ risk management strategies, including the use of forward exchange rate contracts, to manage our exposure to exchange rate risks involving the yen, and may, in the future, use forward exchange rate contracts to manage our exposure to exchange rate risks involving the Singapore dollar and German deutsche mark.

Our objective in managing currency exchange risk is to minimize the impact of significant currency exchange rate fluctuations. We use forward exchange rate contracts to establish a fixed conversion rate between the Japanese yen and the U.S. dollar so that the level of our gross margin from sales in Japan is not negatively affected by significant movements in the Japanese yen to U.S. dollar exchange rate. We purchase forward exchange rate contracts on a monthly basis in the amounts management deems appropriate in light of the amount of the U.S. dollar denominated obligations of our Japanese subsidiary that are due within the month. We do not purchase forward contracts with settlement dates beyond 30 days. As of March 31, 2001, there were no forward exchange rate contracts outstanding.

It is our policy to enter into forward exchange rate contracts only to the extent necessary to achieve the desired objectives of management in limiting our exposure to significant fluctuations in currency exchange rates. We do not hedge all of our currency exchange rate risk exposures in a manner that would completely eliminate the impact of changes in currency exchange rates on our net earnings. We do not expect that the results of our operations or our liquidity will be materially affected by these risk management activities.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may identify products manufactured and sold by others that we believe infringe our patents. If we are unable to negotiate satisfactory license arrangements with the parties engaged in such activities or otherwise prevent the manufacture and sale of such products, we may initiate legal proceedings against the parties engaged in such activities. Recently, we initiated such an action against Credence Systems Corporation. Management does not believe the prosecution of this litigation or the results of the litigation will be material to our results of operations or financial condition.

Item 2. Changes in Securities and Use of Proceeds

Not applicable

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

On April 18, 2001, the Company issued a press release regarding its earnings performance for the quarter ended March 31, 2001 and management's expectations regarding future performance. This press release is filed as an exhibit hereto and incorporated into this Report by reference.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

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

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

10.1 Change of Control Agreement dated April 17, 2001 between the Company and Robert E. Matthiessen .

10.2 Change of Control Agreement dated April 17, 2001 between the Company and Hugh T. Regan, Jr.

99 Press Release dated April 18, 2001

* Indicates document previously filed

(b) Reports on Form 8-K

On January 16, 2001, the Company filed a report on Form 8-K providing information regarding the dates for timely submission of stockholder proposals for the 2001 Annual meeting.

On March 5, 2001, the Company filed a report on Form 8-K providing information responsive to the requirements of Item 5 and 7 of that form regarding its financial results for the quarter and year ended December 31, 2000.

Signatures

inTEST Corporation

Date: May 14, 2001

/s/ Robert E. Matthiessen
Robert E. Matthiessen
President and Chief Executive Officer

Date: May 14, 2001

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

Index to Exhibits

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- 99 Press Release dated April 18, 2001

* Indicates document previously filed

[inTEST LETTERHEAD]

April 17, 2001

Mr. Robert E. Matthiessen
c/o inTEST Corporation
7 Esterbrook Drive
Cherry Hill, NJ 08003

RE: CHANGE OF CONTROL AGREEMENT

Dear Bob:

The Board of Directors believes that it is in the best interests of inTEST Corporation, a Delaware corporation ("inTEST"), and its shareholders to make the commitments set forth in this letter to you regarding your future employment with inTEST. As a result, the Board hereby offers to you the additional benefits described below. If you desire to accept the benefits described below, you must sign the extra copy of this Change of Control Agreement (the "Agreement") which is enclosed and return it to me on or before April 30, 2001.

1. TERM OF AGREEMENT.

This Agreement is effective immediately upon your acceptance as described above and will continue in effect as long as you are actively employed by inTEST, unless you and inTEST agree in writing to its termination.

2. TERMINATION COMPENSATION.

If your employment with inTEST is terminated without "Cause" (as defined in Section 6) at any time within two years following a "Change of Control" (as defined in Section 4), you will receive the "Termination Benefits" (as defined in Section 3). You will also receive the Termination Benefits if you terminate your employment for "Good Reason" (as defined in Section 5) at any time within two years following a Change of Control.

You are not entitled to receive the Termination Benefits if your employment is terminated by you or inTEST for any or no reason before a Change of Control occurs or more than two years after a Change of Control has occurred.

In order to receive the Termination Benefits, you must execute any release of claims that you may have pursuant to this Agreement (but not any other claims) that may be requested by inTEST.

The Termination Benefits will be paid to you under the terms and conditions hereof, without regard to whether you look for or obtain alternative employment following your termination of employment with inTEST.

3. TERMINATION BENEFITS DEFINED.

For purposes of this Agreement, the term "Termination Benefits" will mean and include the following:

- a. For a period of one year from your termination (the "Benefit Period"), payment of your base salary on the same basis that you were paid immediately prior to your termination;
- b. Payment of any bonus you would otherwise be eligible to receive for the year in which your termination occurs and for that portion of the following year which is included in the Benefit Period, such bonus to be calculated and paid as provided below; and
- c. Continuation during the Benefit Period of all fringe benefits that you were receiving immediately prior to your termination, including, without limitation, life, disability, accident and group health insurance benefits coverage for you and your immediate family ("Fringe Benefits"), such Fringe Benefits to be provided on substantially the same terms and conditions as they were provided immediately prior to your termination.

The bonus component of your Termination Benefits will equal the sum of (i) the bonus to which you would have been entitled for the year during which your termination occurs (calculated after annualizing inTEST's consolidated financial results through the date of termination if such bonus is based upon a percentage of profits) (the "Annual Amount"), and (ii) an amount equal to the product of (x) the Annual Amount times (y) a fraction the numerator of which is the number of days in the year following termination which is included in the Benefit Period and the denominator of which is 365 (the "Prorated Amount"). Both the Annual Amount and the Prorated Amount will be paid to you not later than March 31st of the year following your termination.

Notwithstanding the foregoing, if you terminate your employment for Good Reason, your Termination Benefits will be based upon the greater of (i) your salary, bonus and benefits immediately prior to your termination or (ii) your salary, bonus and benefits immediately prior to the Change of Control which gives rise to your right to receive Termination Benefits under this Agreement.

inTEST does not intend to provide duplicative Fringe Benefits. Consequently, Fringe Benefits otherwise receivable pursuant to this Section will be reduced or eliminated if and to the extent that you receive comparable Fringe Benefits from any other source (for example, another employer); provided, however, that you will have no obligation to seek, solicit or accept employment from another employer in order to receive such benefits.

4. CHANGE OF CONTROL DEFINED.

For purposes of this Agreement, a "Change of Control" will be deemed to have occurred upon the earliest to occur of the following events:

- a. The date the stockholders of inTEST (or the Board of Directors, if stockholder action is not required) approve a plan or other arrangement pursuant to which inTEST will be dissolved or liquidated;
- b. The date the stockholders of inTEST (or the Board of Directors, if stockholder action is not required) approve a definitive agreement to sell or otherwise dispose of all or substantially all of the assets of inTEST to any "Unrelated Person" or "Unrelated Persons" (as defined below) acting in concert with one another. "Person" means any entity, person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act of 1934. "Unrelated Person" means any Person other than (1) inTEST or any of its Affiliates or any employee benefit plan (or related trust) sponsored or maintained by inTEST or any of its Affiliates or (2) any Person who, on the date of this Agreement is the beneficial owner of at least twenty percent (20%) of the outstanding Common Stock of inTEST. "Affiliates" means any corporation or other business organization in which inTEST owns, directly or indirectly, 50% or more of the voting stock or capital;
- c. The date the stockholders of inTEST (or the Board of Directors, if stockholder action is not required) and the stockholders of the other constituent corporation (or its board of directors if stockholder action is not required) have approved a definitive agreement to merge or consolidate inTEST with or into such other corporation, and such other corporation is an Unrelated Person, other than a merger or consolidation of inTEST in which holders of shares of the Common Stock of inTEST immediately prior to the merger or consolidation will hold at least a majority of the ownership of common stock of the surviving corporation (and, if one class of common stock is not the only class of voting securities entitled to vote on the election of directors of the surviving corporation, a majority of the voting power of the surviving corporation's voting securities) immediately after the merger or consolidation, which common stock (and, if applicable, voting securities) is to be held in substantially the same proportion as such holders' ownership of the Common Stock of inTEST immediately before the merger or consolidation;
- d. The date any Unrelated Person will have become the beneficial owner of, or will have obtained voting control over, more than forty percent (40%) of the outstanding shares of the Common Stock of inTEST; or
- e. The date individuals who, as of the date of this Agreement, constitute the Board of Directors of inTEST (the "Incumbent Directors") cease for any reason to constitute a majority of the members of the Board; provided that any individual who becomes a director after the date of this Agreement whose election or nomination for election by the Company's shareholders was approved by a majority of the Incumbent Directors (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened "election contest" relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 under the Exchange Act), "tender offer" (as such term is used in Section 14(d) Of the Exchange Act) or a proposed Merger (as defined below)) will be deemed to be an Incumbent Director.

Notwithstanding any provision herein to the contrary, the filing of a proceeding for the reorganization of inTEST under Chapter 11 of the Federal Bankruptcy Code or any successor or other statute of similar import will not be deemed to be a Change of Control for purpose of this Agreement.

5. GOOD REASON DEFINED.

For purposes of this Agreement, the term "Good Reason" will mean and include the following situations:

- a. any material adverse change in your status, responsibilities or Fringe Benefits;
- b. any failure to nominate or elect you as Chief Executive Officer of the Company or as member of the Board;
- c. causing or requiring you to report to anyone other than the Board;
- d. assignment to you of duties materially inconsistent with your position as Chief Executive Officer;
- e. any reduction of your annual base salary or annual bonus (or, if applicable, a change in the formula for determining your annual bonus which would have the effect of reducing your annual bonus as it would otherwise have been calculated immediately prior to the Change of Control that gives rise to your right to receive Termination Benefits as provided in this Agreement) or other reduction in compensation or benefits, or
- f. requiring you to be principally based at any office or location more than 30 miles from the current offices of the Company in Cherry Hill, New Jersey.

6. CAUSE DEFINED.

For purposes of this Agreement, the term "Cause" will mean and include the following situations:

- a. Your conviction by a court of competent jurisdiction of any criminal offense involving dishonesty or breach of trust or any felony or crime of moral turpitude;
- b. Your commission of an act of fraud upon the Company; or
- c. Your willful refusal to perform the duties reasonably assigned to you by the Board of Directors of the Company, which failure or breach continues for more than ten days (or such longer period, not in excess of 30 days, as may be required to cure such failure) after written notice thereof is given to you.

7. CEILING ON BENEFITS.

Under the "golden parachute" rules in the Internal Revenue Code (the "Code") you will be subject to a 20% excise tax (over and above regular income tax) on any "excess parachute payment" that you receive following a Change in Control, and inTEST will not be permitted to deduct any such excess parachute payment. Very generally, compensation paid to you that is contingent upon a Change in Control will be considered a "parachute payment" if the present value of such consideration equals or exceeds three times your average annual compensation from inTEST for the five years prior to the Change in Control. If payments are considered "parachute payments," then all such payments to you in excess of your base annual compensation will be considered "excess parachute payments" and will be subject to the 20% excise tax imposed under Section 4999 of the Code.

For example, if your base annual compensation was \$100,000, you could receive \$299,000 following a Change in Control without payment of any excise tax. If you received \$301,000 in connection with a Change in Control, however, the entire \$301,000 would be considered a parachute payment and \$201,000 of this amount would be considered an excess parachute payment subject to excise tax.

In order to avoid this excise tax and the related adverse tax consequences for inTEST, by signing this Agreement, you agree that the Termination Benefits payable to you under this Agreement will in no event exceed the maximum amount that can be paid to you without causing any portion of the amounts paid or payable to you by inTEST following a Change in Control, whether under this Agreement or otherwise, to be considered an "excess parachute payment" within the meaning of Section 280G(b) of the Code.

If inTEST believes that these rules will result in a reduction of the payments to which you are entitled under this Agreement, it will so notify you within 60 days following delivery of the "Notice of Termination" described in Section 8. If you wish to have such determination reviewed, you may, within 30 days of the date you are notified of a reduction of payments, ask that inTEST retain, at its expense, legal counsel, certified public accountants, and/or a firm of recognized executive compensation consultants (an "Outside Expert") to provide an opinion concerning whether, and to what extent, your Termination Benefits must be reduced so that no amount payable to you by inTEST (whether under this Agreement or otherwise) will be considered an excess parachute payment.

The Outside Expert will be as mutually agreed by you and inTEST, provided that if we are not able to reach a mutual agreement, inTEST will select an Outside Expert, you will select an Outside Expert, and the two Outside Experts will select a third Outside Expert to provide the opinion required under this Section. The determination of the Outside Expert will be final and binding, subject to any contrary determination made by the Internal Revenue Service.

If inTEST believes that your Termination Benefits will exceed the limitation contained in this Section, it will nonetheless make payments to you, at the times stated above, in the maximum amount that it believes may be paid without exceeding such limitation. The balance, if any, will then be paid after the opinion of the Outside Expert has been received.

If the amount paid to you by inTEST following a Change in Control is ultimately determined, pursuant to the opinion of the Outside Expert or by the Internal Revenue Service, to have exceeded the limitation contained in this Section, the excess will be treated as a loan to you by inTEST and will be repayable on the 90th day following demand by inTEST, together with interest at the "applicable federal rate" provided in Section 1274(d) of the Code.

In the event that the provisions of Sections 280G and 4999 of the Code are repealed without successor provisions, this Section will be of no further force or effect.

8. TERMINATION NOTICE AND PROCEDURE.

Any termination by inTEST or you of your employment during the two years immediately following a Change of Control will be communicated by written Notice of Termination to you if such Notice of Termination is delivered by inTEST and to inTEST if such Notice of Termination is delivered by you, all in accordance with the following procedures:

- a. The Notice of Termination will indicate the specific termination provision in this Agreement relied upon, if applicable, and will set forth in reasonable detail the facts and circumstances alleged to provide a basis for such termination.
- b. Any Notice of Termination by inTEST will be in writing signed by the Chairman of the Board of inTEST.
- c. If inTEST furnishes you with a Notice of Termination or if you furnish inTEST with a Notice of Termination, and no good faith dispute exists regarding such termination, then the date of your termination will be the date such Notice of Termination is deemed given pursuant to Section 11 of this Agreement.

- d. If inTEST in good faith furnishes you with a Notice of Termination for Cause and you in good faith notify inTEST that a dispute exists concerning such termination within the 15-day period following your receipt of such notice, you may elect to continue your employment during such dispute. If it is thereafter determined that (i) Cause did exist, the date of your termination will be the earlier of (A) the date on which the dispute is finally determined or (B) the date of your death or permanent disability; or (ii) Cause did not exist, your employment will continue as if inTEST had not delivered its Notice of Termination and there will be no termination arising out of such notice.
- e. If you in good faith furnish a Notice of Termination for Good Reason and inTEST notifies you that a dispute exists concerning the termination within the 15-day period following inTEST's receipt of such notice, you may elect to continue your employment during such dispute. If it is thereafter determined that (i) Good Reason did exist, your date of termination will be the earlier of (A) the date on which the dispute is finally determined or (B) the date of your death or permanent disability; or (ii) Good Reason did not exist, your employment will continue after such determination as if you had not delivered the Notice of Termination asserting Good Reason. If Good Reason is determined to exist, your salary, bonus and Fringe Benefits prior to such determination will be no less than your salary, bonus and benefits immediately prior to the Change of Control which gives rise to your right to receive Termination Benefits as provided in this Agreement.
- f. If you do not elect to continue employment pending resolution of a dispute regarding a Notice of Termination, and it is finally determined that the reason for termination set forth in such Notice of Termination did not exist, if such notice was delivered by you, you will be deemed to have voluntarily terminated your employment other than for Good Reason and if delivered by inTEST, inTEST will be deemed to have terminated you without Cause.

9. SUCCESSORS.

inTEST will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of inTEST or any of its subsidiaries to expressly assume and agree to perform this Agreement in the same manner and to the same extent that inTEST would be required to perform it if no such succession had taken place. Failure of inTEST to obtain such assumption and agreement prior to the effectiveness of any such succession will be a breach of this Agreement and will entitle you to compensation in the same amount and on the same terms to which you would be entitled hereunder if you terminate your employment for Good Reason following a Change of Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective will be deemed the date of your termination. As used in this agreement "inTEST" will mean "inTEST" as hereinbefore defined and any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law or otherwise.

10. BINDING AGREEMENT.

This Agreement will inure to the benefit of and be enforceable by you and your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder had you continued to live, all such amounts, unless otherwise provided herein, will be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

NOTICES.

For purposes of this Agreement, notices and all other communications provided for in this Agreement will be in writing and will be deemed to have been duly given when personally delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to you at the last address you have filed in writing with inTEST or, in the case of inTEST, at its main office, attention of the Chairman of the Board of Directors, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address will be effective only upon receipt.

MISCELLANEOUS.

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and the Chairman of the Board of inTEST. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement will be governed by the laws of the State of Delaware without regard to its conflicts of law principles. All references to sections of the Exchange Act or the Code will be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder will be paid net of any applicable withholding required under federal, state or local law. The obligations of inTEST that arise prior to the expiration of this Agreement will survive the expiration of the term of this Agreement.

VALIDITY.

The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement, which will remain in full force and effect.

COUNTERPARTS.

This Agreement may be executed in several counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

EXPENSES AND INTEREST.

If a good faith dispute arises with respect to the enforcement of your rights under this Agreement or if any arbitration or legal proceeding will be brought in good faith to enforce or interpret any provision contained herein, or to recover damages for breach hereof, and you are the prevailing party, you will recover from inTEST any reasonable attorneys' fees and necessary costs and disbursements incurred as a result of such dispute or legal proceeding, and prejudgment interest on any money judgment obtained by you calculated at the rate of interest announced by Chase Manhattan Bank, New York from time to time as its prime rate from the date that payments to you should have been made under this Agreement. It is expressly provided that inTEST will in no event recover from you any attorneys' fees, costs, disbursements or interest as a result of any dispute or legal proceeding involving inTEST and you.

PAYMENT OBLIGATIONS ABSOLUTE.

inTEST's obligation to pay you the Termination Benefits in accordance with the provisions herein will be absolute and unconditional and will not be affected by any circumstances; provided, however, that inTEST may apply amounts payable under this Agreement to any debts owed to inTEST by you on the date of your termination. All amounts payable by inTEST in accordance with this Agreement will be paid without notice or demand. If inTEST has paid you more than the amount to which you are entitled under this Agreement, inTEST will have the right to recover all or any part of such overpayment from you or from whomsoever has received such amount.

ENTIRE AGREEMENT.

This Agreement sets forth the entire agreement between you and inTEST concerning the subject matter discussed in this Agreement and supersedes all prior agreements, promises, covenants, arrangements, communications, representations, or warranties, whether written or oral, by any officer, employee or representative of inTEST. Any prior agreements or understandings with respect to the subject matter set forth in this Agreement are hereby terminated and canceled.

LITIGATION.

Any action or claim at law or equity arising under or related to this Agreement will be brought only in the Superior Court of New Jersey or in the United States District Court for the District of New Jersey, and the parties hereto hereby consent to personal jurisdiction and venue in said courts.

DEFERRAL OF PAYMENTS.

To the extent that any payment under this Agreement, when combined with all other payments received during the year that are subject to the limitations on deductibility under Section 162(m) of the Code, exceeds the limitations on deductibility under Section 162(m) of the Code, such payment will, in the discretion of inTEST, be deferred to the next succeeding calendar year. Such deferred amounts will be paid no later than the 60th day after the end of such next succeeding calendar year, provided that such payment, when combined with any other payments subject to the Section 162(m) limitations received during the year, does not exceed the limitations on deductibility under Section 162(m) of the Code.

If you would like to participate in this special benefits program, please sign and return the extra copy of this letter which is enclosed.

Sincerely,

/s/ Alyn R. Holt
Alyn R. Holt
Chairman

ACCEPTANCE

I hereby accept the offer to participate in this special benefits program and I agree to be bound by all of the provisions noted above.

/s/Robert E. Matthiessen
Robert E. Matthiessen

Dated: April 17, 2001

[inTEST LETTERHEAD]

April 17, 2001

Mr. Hugh T. Regan, Jr.
c/o inTEST Corporation
7 Esterbrook Drive
Cherry Hill, NJ 08003

RE: CHANGE OF CONTROL AGREEMENT

Dear Hugh:

The Board of Directors believes that it is in the best interests of inTEST Corporation, a Delaware corporation ("inTEST"), and its shareholders to make the commitments set forth in this letter to you regarding your future employment with inTEST. As a result, the Board hereby offers to you the additional benefits described below. If you desire to accept the benefits described below, you must sign the extra copy of this Change of Control Agreement (the "Agreement") which is enclosed and return it to me on or before April 30, 2001.

1. TERM OF AGREEMENT.

This Agreement is effective immediately upon your acceptance as described above and will continue in effect as long as you are actively employed by inTEST, unless you and inTEST agree in writing to its termination.

2. TERMINATION COMPENSATION.

If your employment with inTEST is terminated without "Cause" (as defined in Section 6) at any time within two years following a "Change of Control" (as defined in Section 4), you will receive the "Termination Benefits" (as defined in Section 3). You will also receive the Termination Benefits if you terminate your employment for "Good Reason" (as defined in Section 5) at any time within two years following a Change of Control.

You are not entitled to receive the Termination Benefits if your employment is terminated by you or inTEST for any or no reason before a Change of Control occurs or more than two years after a Change of Control has occurred.

In order to receive the Termination Benefits, you must execute any release of claims that you may have pursuant to this Agreement (but not any other claims) that may be requested by inTEST.

The Termination Benefits will be paid to you under the terms and conditions hereof, without regard to whether you look for or obtain alternative employment following your termination of employment with inTEST.

3. TERMINATION BENEFITS DEFINED.

For purposes of this Agreement, the term "Termination Benefits" will mean and include the following:

- a. For a period of one year from your termination (the "Benefit Period"), payment of your base salary on the same basis that you were paid immediately prior to your termination;
- b. Payment of any bonus you would otherwise be eligible to receive for the year in which your termination occurs and for that portion of the following year which is included in the Benefit Period, such bonus to be calculated and paid as provided below; and
- c. Continuation during the Benefit Period of all fringe benefits that you were receiving immediately prior to your termination, including, without limitation, life, disability, accident and group health insurance benefits coverage for you and your immediate family ("Fringe Benefits"), such Fringe Benefits to be provided on substantially the same terms and conditions as they were provided immediately prior to your termination.

The bonus component of your Termination Benefits will equal the sum of (i) the bonus to which you would have been entitled for the year during which your termination occurs (calculated after annualizing inTEST's consolidated financial results through the date of termination if such bonus is based upon a percentage of profits) (the "Annual Amount"), and (ii) an amount equal to the product of (x) the Annual Amount times (y) a fraction the numerator of which is the number of days in the year following termination which is included in the Benefit Period and the denominator of which is 365 (the "Prorated Amount"). Both the Annual Amount and the Prorated Amount will be paid to you not later than March 31st of the year following your termination.

Notwithstanding the foregoing, if you terminate your employment for Good Reason, your Termination Benefits will be based upon the greater of (i) your salary, bonus and benefits immediately prior to your termination or (ii) your salary, bonus and benefits immediately prior to the Change of Control which gives rise to your right to receive Termination Benefits under this Agreement.

inTEST does not intend to provide duplicative Fringe Benefits. Consequently, Fringe Benefits otherwise receivable pursuant to this Section will be reduced or eliminated if and to the extent that you receive comparable Fringe Benefits from any other source (for example, another employer); provided, however, that you will have no obligation to seek, solicit or accept employment from another employer in order to receive such benefits.

4. CHANGE OF CONTROL DEFINED.

For purposes of this Agreement, a "Change of Control" will be deemed to have occurred upon the earliest to occur of the following events:

- a. The date the stockholders of inTEST (or the Board of Directors, if stockholder action is not required) approve a plan or other arrangement pursuant to which inTEST will be dissolved or liquidated;
- b. The date the stockholders of inTEST (or the Board of Directors, if stockholder action is not required) approve a definitive agreement to sell or otherwise dispose of all or substantially all of the assets of inTEST to any "Unrelated Person" or "Unrelated Persons" (as defined below) acting in concert with one another. "Person" means any entity, person or group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act of 1934. "Unrelated Person" means any Person other than (1) inTEST or any of its Affiliates or any employee benefit plan (or related trust) sponsored or maintained by inTEST or any of its Affiliates or (2) any Person who, on the date of this Agreement is the beneficial owner of at least twenty percent (20%) of the outstanding Common Stock of inTEST. "Affiliates" means any corporation or other business organization in which inTEST owns, directly or indirectly, 50% or more of the voting stock or capital;
- c. The date the stockholders of inTEST (or the Board of Directors, if stockholder action is not required) and the stockholders of the other constituent corporation (or its board of directors if stockholder action is not required) have approved a definitive agreement to merge or consolidate inTEST with or into such other corporation, and such other corporation is an Unrelated Person, other than a merger or consolidation of inTEST in which holders of shares of the Common Stock of inTEST immediately prior to the merger or consolidation will hold at least a majority of the ownership of common stock of the surviving corporation (and, if one class of common stock is not the only class of voting securities entitled to vote on the election of directors of the surviving corporation, a majority of the voting power of the surviving corporation's voting securities) immediately after the merger or consolidation, which common stock (and, if applicable, voting securities) is to be held in substantially the same proportion as such holders' ownership of the Common Stock of inTEST immediately before the merger or consolidation;
- d. The date any Unrelated Person will have become the beneficial owner of, or will have obtained voting control over, more than forty percent (40%) of the outstanding shares of the Common Stock of inTEST; or
- e. The date individuals who, as of the date of this Agreement, constitute the Board of Directors of inTEST (the "Incumbent Directors") cease for any reason to constitute a majority of the members of the Board; provided that any individual who becomes a director after the date of this Agreement whose election or nomination for election by the Company's shareholders was approved by a majority of the Incumbent Directors (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened "election contest" relating to the election of the directors of the Company (as such terms are used in Rule 14a-11 under the Exchange Act), "tender offer" (as such term is used in Section 14(d) Of the Exchange Act) or a proposed Merger (as defined below)) will be deemed to be an Incumbent Director.

Notwithstanding any provision herein to the contrary, the filing of a proceeding for the reorganization of inTEST under Chapter 11 of the Federal Bankruptcy Code or any successor or other statute of similar import will not be deemed to be a Change of Control for purpose of this Agreement.

5. GOOD REASON DEFINED.

For purposes of this Agreement, the term "Good Reason" will mean and include the following situations:

- a. any material adverse change in your status, responsibilities or Fringe Benefits;
- b. any failure to nominate or elect you as Chief Financial Officer of the Company;
- c. causing or requiring you to report to anyone other than the Chief Executive Officer;
- d. assignment to you of duties materially inconsistent with your position as Chief Financial Officer;
- e. any reduction of your annual base salary or annual bonus (or, if applicable, a change in the formula for determining your annual bonus which would have the effect of reducing your annual bonus as it would otherwise have been calculated immediately prior to the Change of Control that gives rise to your right to receive Termination Benefits as provided in this Agreement) or other reduction in compensation or benefits, or
- f. requiring you to be principally based at any office or location more than 30 miles from the current offices of the Company in Cherry Hill, New Jersey.

6. CAUSE DEFINED.

For purposes of this Agreement, the term "Cause" will mean and include the following situations:

- a. Your conviction by a court of competent jurisdiction of any criminal offense involving dishonesty or breach of trust or any felony or crime of moral turpitude;
- b. Your commission of an act of fraud upon the Company; or
- c. Your willful refusal to perform the duties reasonably assigned to you by the Board of Directors of the Company, which failure or breach continues for more than ten days (or such longer period, not in excess of 30 days, as may be required to cure such failure) after written notice thereof is given to you.

7. CEILING ON BENEFITS.

Under the "golden parachute" rules in the Internal Revenue Code (the "Code") you will be subject to a 20% excise tax (over and above regular income tax) on any "excess parachute payment" that you receive following a Change in Control, and inTEST will not be permitted to deduct any such excess parachute payment. Very generally, compensation paid to you that is contingent upon a Change in Control will be considered a "parachute payment" if the present value of such consideration equals or exceeds three times your average annual compensation from inTEST for the five years prior to the Change in Control. If payments are considered "parachute payments," then all such payments to you in excess of your base annual compensation will be considered "excess parachute payments" and will be subject to the 20% excise tax imposed under Section 4999 of the Code.

For example, if your base annual compensation was \$100,000, you could receive \$299,000 following a Change in Control without payment of any excise tax. If you received \$301,000 in connection with a Change in Control, however, the entire \$301,000 would be considered a parachute payment and \$201,000 of this amount would be considered an excess parachute payment subject to excise tax.

In order to avoid this excise tax and the related adverse tax consequences for inTEST, by signing this Agreement, you agree that the Termination Benefits payable to you under this Agreement will in no event exceed the maximum amount that can be paid to you without causing any portion of the amounts paid or payable to you by inTEST following a Change in Control, whether under this Agreement or otherwise, to be considered an "excess parachute payment" within the meaning of Section 280G(b) of the Code.

If inTEST believes that these rules will result in a reduction of the payments to which you are entitled under this Agreement, it will so notify you within 60 days following delivery of the "Notice of Termination" described in Section 8. If you wish to have such determination reviewed, you may, within 30 days of the date you are notified of a reduction of payments, ask that inTEST retain, at its expense, legal counsel, certified public accountants, and/or a firm of recognized executive compensation consultants (an "Outside Expert") to provide an opinion concerning whether, and to what extent, your Termination Benefits must be reduced so that no amount payable to you by inTEST (whether under this Agreement or otherwise) will be considered an excess parachute payment.

The Outside Expert will be as mutually agreed by you and inTEST, provided that if we are not able to reach a mutual agreement, inTEST will select an Outside Expert, you will select an Outside Expert, and the two Outside Experts will select a third Outside Expert to provide the opinion required under this Section. The determination of the Outside Expert will be final and binding, subject to any contrary determination made by the Internal Revenue Service.

If inTEST believes that your Termination Benefits will exceed the limitation contained in this Section, it will nonetheless make payments to you, at the times stated above, in the maximum amount that it believes may be paid without exceeding such limitation. The balance, if any, will then be paid after the opinion of the Outside Expert has been received.

If the amount paid to you by inTEST following a Change in Control is ultimately determined, pursuant to the opinion of the Outside Expert or by the Internal Revenue Service, to have exceeded the limitation contained in this Section, the excess will be treated as a loan to you by inTEST and will be repayable on the 90th day following demand by inTEST, together with interest at the "applicable federal rate" provided in Section 1274(d) of the Code.

In the event that the provisions of Sections 280G and 4999 of the Code are repealed without successor provisions, this Section will be of no further force or effect.

8. TERMINATION NOTICE AND PROCEDURE.

Any termination by inTEST or you of your employment during the two years immediately following a Change of Control will be communicated by written Notice of Termination to you if such Notice of Termination is delivered by inTEST and to inTEST if such Notice of Termination is delivered by you, all in accordance with the following procedures:

- a. The Notice of Termination will indicate the specific termination provision in this Agreement relied upon, if applicable, and will set forth in reasonable detail the facts and circumstances alleged to provide a basis for such termination.
- b. Any Notice of Termination by inTEST will be in writing signed by the Chairman of the Board of inTEST.
- c. If inTEST furnishes you with a Notice of Termination or if you furnish inTEST with a Notice of Termination, and no good faith dispute exists regarding such termination, then the date of your termination will be the date such Notice of Termination is deemed given pursuant to Section 11 of this Agreement.

- d. If inTEST in good faith furnishes you with a Notice of Termination for Cause and you in good faith notify inTEST that a dispute exists concerning such termination within the 15-day period following your receipt of such notice, you may elect to continue your employment during such dispute. If it is thereafter determined that (i) Cause did exist, the date of your termination will be the earlier of (A) the date on which the dispute is finally determined or (B) the date of your death or permanent disability; or (ii) Cause did not exist, your employment will continue as if inTEST had not delivered its Notice of Termination and there will be no termination arising out of such notice.
- e. If you in good faith furnish a Notice of Termination for Good Reason and inTEST notifies you that a dispute exists concerning the termination within the 15-day period following inTEST's receipt of such notice, you may elect to continue your employment during such dispute. If it is thereafter determined that (i) Good Reason did exist, your date of termination will be the earlier of (A) the date on which the dispute is finally determined or (B) the date of your death or permanent disability; or (ii) Good Reason did not exist, your employment will continue after such determination as if you had not delivered the Notice of Termination asserting Good Reason. If Good Reason is determined to exist, your salary, bonus and Fringe Benefits prior to such determination will be no less than your salary, bonus and benefits immediately prior to the Change of Control which gives rise to your right to receive Termination Benefits as provided in this Agreement.
- f. If you do not elect to continue employment pending resolution of a dispute regarding a Notice of Termination, and it is finally determined that the reason for termination set forth in such Notice of Termination did not exist, if such notice was delivered by you, you will be deemed to have voluntarily terminated your employment other than for Good Reason and if delivered by inTEST, inTEST will be deemed to have terminated you without Cause.

9. SUCCESSORS.

inTEST will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of inTEST or any of its subsidiaries to expressly assume and agree to perform this Agreement in the same manner and to the same extent that inTEST would be required to perform it if no such succession had taken place. Failure of inTEST to obtain such assumption and agreement prior to the effectiveness of any such succession will be a breach of this Agreement and will entitle you to compensation in the same amount and on the same terms to which you would be entitled hereunder if you terminate your employment for Good Reason following a Change of Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective will be deemed the date of your termination. As used in this agreement "inTEST" will mean "inTEST" as hereinbefore defined and any successor to its business and/or assets which assumes and agrees to perform this Agreement by operation of law or otherwise.

10. BINDING AGREEMENT.

This Agreement will inure to the benefit of and be enforceable by you and your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder had you continued to live, all such amounts, unless otherwise provided herein, will be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

NOTICES.

For purposes of this Agreement, notices and all other communications provided for in this Agreement will be in writing and will be deemed to have been duly given when personally delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to you at the last address you have filed in writing with inTEST or, in the case of inTEST, at its main office, attention of the Chairman of the Board of Directors, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address will be effective only upon receipt.

MISCELLANEOUS.

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and the Chairman of the Board of inTEST. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement will be governed by the laws of the State of Delaware without regard to its conflicts of law principles. All references to sections of the Exchange Act or the Code will be deemed also to refer to any successor provisions to such sections. Any payments provided for hereunder will be paid net of any applicable withholding required under federal, state or local law. The obligations of inTEST that arise prior to the expiration of this Agreement will survive the expiration of the term of this Agreement.

VALIDITY.

The invalidity or unenforceability of any provision of this Agreement will not affect the validity or enforceability of any other provision of this Agreement, which will remain in full force and effect.

COUNTERPARTS.

This Agreement may be executed in several counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument.

EXPENSES AND INTEREST.

If a good faith dispute arises with respect to the enforcement of your rights under this Agreement or if any arbitration or legal proceeding will be brought in good faith to enforce or interpret any provision contained herein, or to recover damages for breach hereof, and you are the prevailing party, you will recover from inTEST any reasonable attorneys' fees and necessary costs and disbursements incurred as a result of such dispute or legal proceeding, and prejudgment interest on any money judgment obtained by you calculated at the rate of interest announced by Chase Manhattan Bank, New York from time to time as its prime rate from the date that payments to you should have been made under this Agreement. It is expressly provided that inTEST will in no event recover from you any attorneys' fees, costs, disbursements or interest as a result of any dispute or legal proceeding involving inTEST and you.

PAYMENT OBLIGATIONS ABSOLUTE.

inTEST's obligation to pay you the Termination Benefits in accordance with the provisions herein will be absolute and unconditional and will not be affected by any circumstances; provided, however, that inTEST may apply amounts payable under this Agreement to any debts owed to inTEST by you on the date of your termination. All amounts payable by inTEST in accordance with this Agreement will be paid without notice or demand. If inTEST has paid you more than the amount to which you are entitled under this Agreement, inTEST will have the right to recover all or any part of such overpayment from you or from whomsoever has received such amount.

ENTIRE AGREEMENT.

This Agreement sets forth the entire agreement between you and inTEST concerning the subject matter discussed in this Agreement and supersedes all prior agreements, promises, covenants, arrangements, communications, representations, or warranties, whether written or oral, by any officer, employee or representative of inTEST. Any prior agreements or understandings with respect to the subject matter set forth in this Agreement are hereby terminated and canceled.

LITIGATION.

Any action or claim at law or equity arising under or related to this Agreement will be brought only in the Superior Court of New Jersey or in the United States District Court for the District of New Jersey, and the parties hereto hereby consent to personal jurisdiction and venue in said courts.

DEFERRAL OF PAYMENTS.

To the extent that any payment under this Agreement, when combined with all other payments received during the year that are subject to the limitations on deductibility under Section 162(m) of the Code, exceeds the limitations on deductibility under Section 162(m) of the Code, such payment will, in the discretion of inTEST, be deferred to the next succeeding calendar year. Such deferred amounts will be paid no later than the 60th day after the end of such next succeeding calendar year, provided that such payment, when combined with any other payments subject to the Section 162(m) limitations received during the year, does not exceed the limitations on deductibility under Section 162(m) of the Code.

If you would like to participate in this special benefits program, please sign and return the extra copy of this letter which is enclosed.

Sincerely,

/s/ Alyn R. Holt
Alyn R. Holt
Chairman

ACCEPTANCE

I hereby accept the offer to participate in this special benefits program and I agree to be bound by all of the provisions noted above.

/s/ Hugh T. Regan, Jr.
Hugh T. Regan, Jr.

Dated: April 17, 2001

[inTEST News Release Letterhead]

inTEST CORPORATION ANNOUNCES FIRST QUARTER FINANCIAL RESULTS

CHERRY HILL, NEW JERSEY - April 18, 2001... inTEST Corporation (NASDAQ:INTT) today announced its financial results for the quarter ended March 31, 2001. Net revenues for the quarter were \$20.1 million, a 7% decrease from the quarter ended December 31, 2000. Net earnings for the quarter were \$858,000 or \$.10 per diluted share, up from \$473,000 or \$.06 per diluted share for the quarter ended December 31, 2000. Orders for the Company's products for the quarter ended March 31, 2001 were \$20.8 million, a decrease of 10% from the quarter ended December 31, 2000.

Robert E. Matthiessen, President and CEO said, "We are continuing to feel the impact of the slowdown in the semiconductor industry on both our net revenues and bookings. While our view of this downturn is not substantially different from the consensus, we cannot say with any certainty when it will end. Therefore, as previously disclosed, we have implemented internal financial cost controls across all divisions and subsidiaries, and are increasing our emphasis on product and customer development to position us for the upturn when it occurs. We will continue to closely manage all aspects of our business to meet our short-term performance goals, and are also evaluating longer-term strategies to meet our future growth objectives."

Hugh T. Regan, Jr., Treasurer and CFO added, "With the current weakness experienced in the semiconductor capital equipment market over the last quarter, management is revising its guidance for the quarter ending June 30, 2001 downward to reflect these conditions, and believes that net revenues will range from \$15.0 to \$16.0 million and that diluted earnings per share will be breakeven for the second quarter of 2001.

inTEST Corporation (www.intest.com) is a leading independent designer, manufacturer and marketer of manipulator and docking hardware products, temperature management systems and customized interface solutions that are used by semiconductor manufacturers to perform final testing of integrated circuits and wafer products. Headquartered in Cherry Hill, New Jersey, inTEST has manufacturing facilities in New Jersey, Massachusetts, California, the UK and Singapore. In addition, inTEST also has offices in Japan and Germany, which provide design, sales, service and support, with additional support personnel in Arizona and Texas.

The statements by Messrs. Matthiessen and Regan are forward-looking statements that are based upon management's current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from these forward-looking statements. In addition to the factors discussed above, such risks and uncertainties include, but are not limited to, changes in business conditions and the economy, generally; a decline in the demand for integrated circuits; changes in rates of, and timing of, capital expenditures by semiconductor manufacturers; progress of product development programs; increases in raw material and fabrication costs associated with our products; costs associated with, and progress in, the integration of acquired operations; and other risk factors set forth from time to time in our SEC filings including, but not limited to, our report on Form 10-K for the year ended December 31, 2000.

As previously announced, there will be a conference call hosted by management on Wednesday, April 18, 2001 at 9:00 a.m. EST. This call will be broadcast live on the Internet and can be accessed through www.vcal.com. It is recommended that participants register at least 10 minutes prior to the broadcast. The call will be archived for 30 days.

SELECTED FINANCIAL DATA
(in thousands, except per share data)

Consolidated Statement of Earnings Data:

| | Three Months Ended March 31, | |
|---|---------------------------------|----------|
| | 2000 | 1999 |
| Net revenues | \$20,105 | \$20,254 |
| Gross margin | 7,963 | 9,975 |
| Operating expenses: | | |
| Selling expense | 2,869 | 2,318 |
| Engineering and product development expense | 1,677 | 1,450 |
| General and administrative expense | 2,134 | 1,473 |
| Merger-related costs | - | 2,557 |
| Operating income | 1,283 | 2,177 |
| Other income | 158 | 100 |
| Income tax expense | 583 | 1,799 |
| Net earnings | 858 | 478 |
| Net earnings per share -basic | \$0.10 | \$0.06 |
| Weighted average shares outstanding - basic | 8,252 | 8,137 |
| Net earnings per share - diluted | \$0.10 | \$0.06 |
| Weighted average shares outstanding - diluted | 8,411 | 8,466 |

Consolidated Balance Sheet Data:

| | As of: | |
|--|----------|----------|
| | 3/31/01 | 12/31/00 |
| Cash and cash equivalents | \$ 5,788 | \$ 5,680 |
| Trade accounts and notes receivable, net | 12,371 | 14,752 |
| Inventories | 13,224 | 12,559 |
| Total current assets | 33,230 | 34,899 |
| Net property and equipment | 5,991 | 5,087 |
| Total assets | 45,631 | 46,529 |
| Accounts payable | 3,630 | 4,563 |
| Accrued expenses | 2,487 | 3,568 |
| Total current liabilities | 6,207 | 8,131 |
| Non-current liabilities | 364 | - |
| Total stockholders' equity | 39,060 | 38,398 |