

SPARTON CORP  
Form DEFM14A  
January 23, 2019  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**  
**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**SPARTON CORPORATION**

**(Name of Registrant as Specified in its Charter)**

N/A

**(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

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Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common Stock, \$1.25 par value per share

(2) Aggregate number of securities to which transaction applies:

9,909,316

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

\$18.50

(4) Proposed maximum aggregate value of transaction:

\$183,322,346

(5) Total fee paid:

\$22,219

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



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**Sparton Corporation**

**425 North Martingale Road, Suite 1000**

**Schaumburg, Illinois 60173**

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

To our Shareholders:

On December 11, 2018, Sparton Corporation (which we refer to as the *Company*), Striker Parent 2018, LLC (which we refer to as *Parent*), and Striker Merger Sub 2018, Inc., a wholly owned subsidiary of Parent (which we refer to as *Merger Sub*), entered into an Agreement and Plan of Merger (which we refer to as the *merger agreement*) that provides for Parent to acquire the Company. Upon the terms and subject to the conditions set forth in the merger agreement, Merger Sub will merge with and into the Company (which we refer to as the *merger*), so that the Company will be the surviving corporation in the merger and a wholly owned subsidiary of Parent. Parent and Merger Sub are owned by funds and accounts affiliated with Cerberus Capital Management, L.P., a private investment firm.

At the effective time of the merger (which we refer to as the *effective time*), each share of the Company's common stock, par value \$1.25 per share (which we refer to as *Company common stock*), issued and outstanding immediately prior to the effective time of the merger (except for shares of Company common stock held by (i) Parent, Merger Sub or any other wholly owned subsidiary of Parent or the Company or any wholly owned subsidiary of the Company and (ii) holders of Company common stock (which we refer to as *Company shareholders*) who have properly exercised dissenters' rights) will be converted into the right to receive \$18.50 in cash without interest (which we refer to as the *merger consideration*). The merger consideration represents a premium of:

41% over \$13.12, the closing price of Company common stock on The New York Stock Exchange (which we refer to as the *NYSE*) on December 11, 2018, the last full trading day before the public announcement of the merger agreement;

32.3% over the 30-day volume weighted average price of Company common stock on the NYSE as of December 11, 2018; and

36.2% over the 60-day volume weighted average price of Company common stock on the NYSE as of December 11, 2018.

On January 18, 2019, the most recent practicable date before the accompanying proxy statement was mailed to the Company shareholders, the closing price for Company common stock on the NYSE was \$18.38 per share. **We urge you to obtain current market quotations for Sparton Corporation (trading symbol *SPA*).**

The Company will hold a special meeting of the Company shareholders (which we refer to as the *special meeting*) in connection with the merger. Company shareholders will be asked to vote to adopt the merger agreement and approve related matters, as described in the accompanying proxy statement. Adoption of the merger agreement requires the affirmative vote in person or by proxy of holders of at least two-thirds of the outstanding shares of Company common

stock entitled to vote thereon.

The special meeting will be held on March 1, 2019, at 10:00 a.m., central time, at the offices of the Company, located at 425 North Martingale Road, Suite 1000, Schaumburg, Illinois 60173.

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**The board of directors of the Company has unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are fair to the Company shareholders and are in the best interests of the Company and the Company shareholders, declared advisable and approved the merger agreement and the execution, delivery and performance of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and directed that a proposal for the adoption of the merger agreement be submitted to the Company shareholders for consideration at the special meeting. The board of directors of the Company recommends that the Company shareholders vote FOR the adoption of the merger agreement and FOR the other matters to be considered at the special meeting.**

**The accompanying proxy statement provides detailed information about the special meeting, the merger, the merger agreement, the documents related to the merger and other related matters. Please carefully read the entire proxy statement, including its annexes, and any documents incorporated in the proxy statement by reference.** In particular, you should read the section entitled Cautionary Statement Concerning Forward-Looking Statements in this proxy statement for a description of the risks related to the proposed merger and the sections entitled Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the fiscal year ended July 1, 2018, and the other reports filed by the Company with the Securities and Exchange Commission and incorporated by reference into the proxy statement, for a description of the risks related to the Company's business.

On behalf of the board of directors of the Company, thank you for your cooperation and continued support of the Company.

Sincerely,

/s/ Joseph J. Hartnett

Joseph J. Hartnett

Interim President and Chief Executive Officer

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger, passed upon the merits or fairness of the merger agreement or the transactions contemplated thereby or passed upon the adequacy or accuracy of the disclosure in this proxy statement. Any representation to the contrary is a criminal offense.**

The date of this proxy statement is January 22, 2019 and it is first being mailed or otherwise delivered to the Company shareholders on or about January 25, 2019.

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**Sparton Corporation**

**425 North Martingale Road, Suite 1000**

**Schaumburg, Illinois 60173**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**To be held on March 1, 2019**

NOTICE IS HEREBY GIVEN that Sparton Corporation, an Ohio corporation (which we refer to as the Company), will hold a special meeting of holders of shares of common stock of the Company (which we refer to as Company common stock and holders of which we refer to as Company shareholders) on March 1, 2019, at 10:00 a.m., central time, at 425 North Martingale Road, Suite 1000, Schaumburg, Illinois 60173 (which we refer to as the special meeting) to consider and vote upon the following matters:

1. A proposal to adopt the Agreement and Plan of Merger, dated as of December 11, 2018, by and among the Company, Striker Parent 2018, LLC, a Delaware limited liability company (which we refer to as Parent), and Striker Merger Sub 2018, Inc., an Ohio corporation and a wholly owned subsidiary of Parent (which we refer to as Merger Sub), as such agreement may be amended from time to time (which we refer to as the merger agreement), a copy of which is attached as **Annex A** to the accompanying proxy statement, which provides that, upon the terms and subject to the conditions set forth in the merger agreement, Merger Sub will merge with and into the Company (which we refer to as the merger), so that the Company will be the surviving corporation in the merger and a wholly owned subsidiary of Parent (which we refer to as the merger proposal). Parent and Merger Sub are owned by funds and accounts affiliated with Cerberus Capital Management, L.P., a private investment firm. At the effective time of the merger (which we refer to as the effective time), each share of Company common stock issued and outstanding immediately prior to the effective time (except for shares of Company common stock held by (i) Parent, Merger Sub or any other wholly owned subsidiary of Parent or the Company or any wholly owned subsidiary of the Company and (ii) Company shareholders who have properly exercised dissenters' rights) will be converted into the right to receive \$18.50 in cash without interest (which we refer to as the merger consideration). For a discussion of the treatment of awards outstanding under the Company stock plans as of the effective time, see the section entitled The Merger Agreement Treatment of Company Equity Awards in the accompanying proxy statement;
2. A proposal to approve, on a non-binding, advisory basis, the compensation that certain executive officers of the Company may receive in connection with the merger pursuant to agreements or arrangements with the Company (which we refer to as the compensation proposal); and
3. A proposal to approve one or more adjournments of the special meeting, if necessary or advisable, including adjournments to permit further solicitation of proxies in favor of the merger proposal if there are insufficient votes at the time of the special meeting to approve the merger proposal (which we refer to as the adjournment proposal).

The board of directors of the Company has fixed the close of business on January 18, 2019 as the record date for the special meeting. Only Company shareholders of record at that time are entitled to notice of, and to vote at, the special meeting or any adjournment or postponement thereof. Adoption of the merger agreement requires the affirmative vote in person or by proxy of holders of at least two-thirds of the outstanding shares of Company common stock entitled to vote thereon. Approval of the compensation proposal and the adjournment proposal requires the affirmative vote of the holders of a majority of the shares of Company common stock present in person or represented by proxy at the special

meeting.



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The board of directors of the Company has unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are fair to the Company shareholders and are in the best interests of the Company and the Company shareholders, has declared advisable and approved the merger agreement and the execution, delivery and performance of the merger agreement and the transactions contemplated by the merger agreement, including the merger, has directed that a proposal for the adoption of the merger agreement be submitted to the Company shareholders for consideration at the special meeting, and unanimously recommends that the Company shareholders vote **FOR** the merger proposal, **FOR** the compensation proposal and **FOR** the adjournment proposal.

**Your vote is very important. We cannot complete the merger unless the Company shareholders approve the merger proposal.**

If you have any questions about the merger or the accompanying proxy statement, would like additional copies of the proxy statement or need assistance voting your shares of Company common stock, please contact the Company's proxy solicitor, Morrow Sodali LLC, 470 West Avenue, 3rd floor, Stamford, CT 06902, by telephone at (203) 658-9400 (for banks and brokerage firms) or (800) 662-5200 (for shareholders) or by email at spa.info@morrow sodali.com. If you hold your shares in street name through a bank, broker or other holder of record, please also contact your bank, broker or other holder of record for additional information.

Each copy of the accompanying proxy statement mailed to the Company shareholders is accompanied by a form of proxy card with instructions for voting. Regardless of whether you plan to attend the special meeting, please vote as soon as possible by accessing the Internet site listed on the proxy card, voting telephonically using the phone number listed on the proxy card or submitting your proxy card by mail. If you hold shares of Company common stock in your name as a shareholder of record and are voting by mail, please complete, sign, date and return the accompanying proxy card in the enclosed postage-paid return envelope. This will not prevent you from voting in person, but it will help to secure a quorum and avoid added solicitation costs. Any holder of record of shares of Company common stock who is present at the special meeting may vote in person instead of by proxy, thereby canceling any previous proxy. In any event, a proxy may be revoked at any time before the special meeting in the manner described in the accompanying proxy statement. Information and applicable deadlines for voting through the Internet or by telephone are set forth in the enclosed proxy card instructions. If you hold your stock in street name through a bank, broker or other holder of record, please follow the instructions on the voting instruction card furnished by the record holder. If you hold stock in the Company's 401(k) retirement savings plan, please follow the instructions on the voting instruction card furnished by the plan trustee.

Under Ohio law, Company shareholders who do not vote in favor of or consent to the adoption of the merger agreement will have dissenters rights to seek the fair cash value of their shares of Company common stock, but only if they submit a written demand to the Company for such fair cash value before the vote on the merger proposal and comply with the other Ohio law procedures explained in the accompanying proxy statement. Company shareholders who do not vote in favor of the merger proposal and who submit a written demand for payment of the fair cash value of their shares of Company common stock before the vote on the merger proposal and comply with the other Ohio law procedures will not receive the merger consideration.

The accompanying proxy statement provides a detailed description of the special meeting, the merger, the merger agreement, the documents related to the merger and other related matters. **Please carefully read the entire proxy statement, including its annexes and any documents incorporated in the proxy statement by reference.**

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Joseph G. McCormack

Joseph G. McCormack

Corporate Secretary

Date: January 22, 2019

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**REFERENCES TO ADDITIONAL INFORMATION**

This proxy statement incorporates important business and financial information about the Company from documents filed with the Securities and Exchange Commission (which we refer to as the SEC) that are not included in or delivered with this proxy statement. You can obtain any of the documents filed with or furnished to the SEC by the Company at no cost from the SEC's website at <https://www.sec.gov>. You may also request copies of these documents, including documents incorporated by reference into this proxy statement, at no cost by contacting the Company at the following address:

Sparton Corporation  
Attention: Shareholders Relations Department  
425 North Martingale Road, Suite 1000  
Schaumburg, Illinois 60173  
Telephone: 847-762-5800

You will not be charged for any of these documents that you request. To obtain timely delivery of these documents, you must request them no later than five business days before the date of the special meeting. This means that Company shareholders requesting documents must do so by February 22, 2019 in order to receive them before the special meeting.

**For additional questions about the merger, assistance in submitting proxies or voting shares of Company common stock, or to request additional copies of the proxy statement or the enclosed proxy card, please contact:**

Morrow Sodali LLC  
470 West Avenue 3<sup>rd</sup> floor  
Stamford, CT 06902  
Banks and Brokerage Firms Call: (203) 658-9400  
Shareholders Call Toll Free: (800) 662-5200  
Email: [spa.info@morrowsodali.com](mailto:spa.info@morrowsodali.com)

If you hold your shares in street name through a bank, broker or other holder of record, please also contact your bank, broker or other holder of record for additional information.

If you hold your shares in the Company's 401(k) retirement savings plan, please also contact the plan trustee for additional information.

You should rely only on the information contained in, or incorporated by reference into, this proxy statement. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement. This proxy statement is dated January 22, 2019 and you should assume that the information in this proxy statement is accurate only as of such date.

This proxy statement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction.

See [Where You Can Find More Information](#) beginning on page 160 for more details.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE  
SPECIAL MEETING**

*The following questions and answers are intended to address briefly some commonly asked questions that you may have about the merger, the merger agreement and the special meeting. The information in this section does not provide all of the information that might be important to you with respect to the merger or the special meeting. We urge you to read carefully the remainder of this proxy statement, the annexes attached hereto and the other documents referred to or incorporated by reference herein, which contain additional important information. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions in *Where You Can Find More Information*.*

**Q: What is the merger?**

**A:** Sparton Corporation, an Ohio corporation (which we refer to as the *Company* ), Striker Parent 2018, LLC, a Delaware limited liability company (which we refer to as *Parent* ), and Striker Merger Sub 2018, Inc., an Ohio corporation and a wholly owned subsidiary of Parent (which we refer to as *Merger Sub* ), entered into an Agreement and Plan of Merger, dated December 11, 2018, as such agreement may be amended from time to time (which we refer to as the *merger agreement* ). Upon the terms and subject to the conditions set forth in the merger agreement, Merger Sub will merge with and into the Company (which we refer to as the *merger* ), so that the Company will be the surviving corporation in the merger and a wholly owned subsidiary of Parent. Parent and Merger Sub are owned by funds and accounts affiliated with Cerberus Capital Management, L.P., a private investment firm. A copy of the merger agreement is attached as **Annex A** to this proxy statement.

The merger cannot be consummated unless, among other things, holders of at least two-thirds of the outstanding shares of common stock of the Company (which we refer to as *Company common stock* ) and holders of which we refer to as *Company shareholders* ) entitled to vote approve the proposal to adopt the merger agreement.

**Q: When and where is the special meeting?**

**A:** The special meeting will be held on March 1, 2019, at 10:00 a.m., central time, at the offices of the Company, located at 425 North Martingale Road, Suite 1000, Schaumburg, Illinois 60173.

**Q: Why am I receiving this proxy statement?**

**A:** We are delivering this document to you because you were a Company shareholder as of January 18, 2019, the record date for the special meeting the Company has called to adopt the merger agreement and approve related matters (which we refer to as the *special meeting* ). This proxy statement is being used by the board of directors of the Company (which we refer to as the *Company board* ) to solicit, on behalf of the Company, proxies of the Company shareholders in connection with the adoption of the merger agreement and related matters and describes the proposals to be presented at the special meeting.

This proxy statement contains important information about the merger and the other proposals being voted on at the special meeting. You should read it carefully and in its entirety. The enclosed materials allow you to have your shares of Company common stock voted by proxy without attending the special meeting. **Your vote is important and we encourage you to submit your proxy as soon as possible.**

**Q: What are the Company shareholders being asked to vote on at the special meeting?**

**A:** The Company is soliciting proxies from its shareholders with respect to the following proposals:

1. A proposal to adopt the merger agreement (which we refer to as the merger proposal );



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2. A proposal to approve, on a non-binding, advisory basis, the compensation that certain executive officers of the Company may receive in connection with the merger pursuant to agreements or arrangements with the Company, as described in Proposal 2 Advisory Vote on Merger-Related Compensation for the Company's Named Executive Officers (which we refer to as the compensation proposal); and
3. A proposal to approve one or more adjournments of the special meeting, if necessary or advisable, including adjournments to permit further solicitation of proxies in favor of the merger proposal if there are insufficient votes at the time of the special meeting to approve the merger proposal (which we refer to as the adjournment proposal).

**Q: Why am I being asked to consider and vote on, by non-binding, advisory vote, the compensation proposal?**

**A:** The SEC rules require the Company to seek a non-binding, advisory vote to approve compensation that will or may become payable by the Company to its named executive officers in connection with the merger. The approval of this proposal is not a condition to the consummation of the merger and will not be binding on the Company or Parent. If the merger agreement is approved by Company shareholders and the merger is consummated, the merger-related compensation may be paid to the Company's named executive officers even if the Company shareholders do not approve the proposal.

**Q: What do I need to do now?**

**A:** After you have carefully read this proxy statement including its annexes and any documents incorporated by reference herein and have decided how you wish to vote your shares of Company common stock, please vote your shares promptly so that your shares are represented and voted at the special meeting.

If you hold your shares in your name as a shareholder of record, you can complete, sign, date and mail your proxy card in the enclosed postage-paid return envelope, and we request that you do this as soon as possible. Alternatively, you may vote through the Internet or by telephone. Information and applicable deadlines for voting by mail, through the Internet or by telephone are set forth in the enclosed proxy card instructions.

If you hold your shares in street name through a bank, broker or other holder of record, please refer to the instructions for voting your shares provided by such bank, broker or other holder of record.

If you hold your shares in the Company's 401(k) retirement savings plan (which we refer to as the 401(k) Plan), please refer to the instructions for voting your shares provided by the plan trustee, Merrill Lynch, Pierce, Fenner & Smith (which we refer to as Merrill Lynch).

**Q: If my shares of Company common stock are held in street name by my broker, will my broker automatically vote my shares for me?**

**A:**

No. Your broker cannot vote your shares without instructions from you. If your shares are held in street name through a broker, you must provide your broker with instructions on how to vote your shares. Please follow the voting instructions provided by such broker. You may not vote shares held in street name by returning a proxy card directly to the Company, or by voting in person at the special meeting, unless you provide a legal proxy, which you must obtain from your broker. Broker non-votes are shares held in street name by brokers that are present in person or represented by proxy at the special meeting, but for which the beneficial owner has not provided the broker with instructions on how to vote on a particular proposal that such broker does not have discretionary voting power on. Brokers holding shares in street name do not have discretionary voting authority with respect to any of the three proposals described in this proxy statement.

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**Q: How do I vote my shares held in the Company's 401(k) retirement savings plan?**

**A:** If you participate in the 401(k) Plan and hold shares in your plan account, you must provide the 401(k) Plan trustee, Merrill Lynch, with instructions on how to vote your shares. Please follow the voting instructions provided by Merrill Lynch. You may not vote shares held in the 401(k) Plan by returning a proxy card directly to the Company or by voting in person at the special meeting.

If you do not instruct the 401(k) Plan trustee, Merrill Lynch, as to how to vote your shares held in the 401(k) Plan, Merrill Lynch may vote your shares in accordance with its fiduciary obligations under the Employee Retirement Income Security Act of 1974, as amended.

**Q: Why is my vote important?**

**A:** If you do not submit a proxy card or vote in person at the special meeting, or if you fail to instruct your broker as to how to vote, it will be more difficult for the Company to obtain the necessary quorum to hold the special meeting. In addition, your failure to submit a proxy or vote in person, your failure to instruct your broker how to vote or your abstention will have the same effect as a vote **AGAINST** the adoption of the merger agreement.

**Q: Can I attend the special meeting and vote my shares in person?**

**A:** All Company shareholders, including shareholders of record and shareholders who hold their shares through banks, brokers or other holders of record and in the 401(k) Plan, are invited to attend the special meeting. Shareholders of record of shares of Company common stock can vote in person at the special meeting.

If you are not a shareholder of record (in other words, if your shares are held for you in street name through a bank, broker or other holder of record), you must obtain a legal proxy, executed in your favor, from your bank, broker or other holder of record of your shares to be able to vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership.

Company shareholders who hold shares in the 401(k) Plan may attend the special meeting but may not vote the shares held in the 401(k) Plan in person at the special meeting.

In addition, all Company shareholders must bring a form of personal photo identification in order to be admitted to the meeting. The Company reserves the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification. Whether or not you intend to be present at the special meeting, you are urged to sign, date and return your proxy card, or to vote via the Internet or by telephone, promptly. If you are then present at the special meeting and wish to vote your shares in person, you may revoke your original proxy by voting at the special meeting.

**Q:**

**Will the Company be required to submit the merger proposal to the Company shareholders even if the Company board has withdrawn, modified or qualified its recommendation?**

**A:** Yes. Unless the merger agreement is terminated before the special meeting, the Company is required to submit the merger proposal to the Company shareholders even if the Company board has withdrawn, modified or qualified its recommendation.

**Q: Are the Company shareholders entitled to dissenters rights?**

**A:** Yes. Company shareholders are entitled to dissenters rights under Sections 1701.84 and 1701.85 of the General Corporation Law of the State of Ohio (which we refer to as the OGCL ). For further information, see Dissenters Rights.

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**Q: If I am a Company shareholder, should I send in my stock certificate(s) now?**

**A:** No. If the merger proposal is approved, shortly after the consummation of the merger, you will receive a letter of transmittal describing how you may exchange your stock certificate(s) or book-entry shares of Company common stock for the merger consideration. If your shares of Company common stock are held in street name through a bank, broker or other holder of record, you should contact the record holder of your shares for instructions as to how to effect the surrender of your street name shares of Company common stock in exchange for the merger consideration. If you hold your shares of Company common stock in the 401(k) Plan, you should contact the plan trustee, Merrill Lynch, for instructions as to how to effect the surrender of those shares in exchange for the merger consideration. **Please do NOT return your stock certificate(s) with your proxy.**

**Q: What should I do if I receive more than one set of voting materials?**

**A:** You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold shares of Company common stock in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold your shares. If you are a shareholder of record of shares of Company common stock and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive or otherwise follow the voting instructions set forth in this proxy statement to ensure that you vote every share of Company common stock that you own.

**Q: What will happen to the Company generally as a result of the merger?**

**A:** If the merger is consummated, Company common stock will be delisted from The New York Stock Exchange (which we refer to as the NYSE ) and deregistered under the Securities Exchange Act of 1934, as amended (which we refer to as the Exchange Act ), and the Company will no longer file periodic reports with the SEC on account of Company common stock. The Company will cease to be an independent public company and will become a wholly owned subsidiary of Parent. You will no longer have any ownership interest in the Company.

**Q: When do you expect the merger to be consummated?**

**A:** The Company currently expects to consummate the merger in the first calendar quarter of 2019. However, the Company cannot assure you of when or if the merger will be consummated. The closing of the transaction is subject to the satisfaction of various conditions that are not within the Company's control. The Company must obtain the approval of the Company shareholders to adopt the merger agreement at the special meeting. The Company and Parent must also obtain necessary regulatory approvals and satisfy certain other closing conditions.

**Q: What happens if the merger is not consummated?**

- A:** If the merger is not consummated for any reason, the Company shareholders will not receive any consideration for their shares of Company common stock in connection with the merger. Instead, the Company will remain an independent, public company and Company common stock will continue to be listed and traded on the NYSE. In addition, under certain circumstances specified in the merger agreement, the Company may be required to pay a termination fee. See [The Merger Agreement Termination Fees](#) for a complete discussion of the circumstances under which a termination fee would be required to be paid.

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**Q: What happens if I sell my shares of Company common stock before the special meeting?**

**A:** The record date for Company shareholders entitled to vote at the special meeting is earlier than the date of the special meeting and the expected closing date of the merger. If you transfer your shares of Company common stock after January 18, 2019, the record date for the special meeting, you will, unless special arrangements are made, retain your right to vote at the special meeting but will transfer the right to receive the merger consideration to the transferee of your shares.

**Q: Whom should I call with questions?**

**A:** If you have any questions about the merger or this proxy statement, would like additional copies of this proxy statement, or need assistance voting your shares of Company common stock, please contact the Company's proxy solicitor:

Morrow Sodali LLC

470 West Avenue 3rd floor

Stamford, CT 06902

Banks and Brokerage Firms Call: (203) 658-9400

Shareholders Call Toll Free: (800) 662-5200

Email: [spa.info@morrowsodali.com](mailto:spa.info@morrowsodali.com)

If your Company common stock is held in street name through your bank, broker or other holder of record, please also contact your bank, broker or other holder of record for additional information.

If your Company common stock is held in the 401(k) Plan, please also contact the plan trustee, Merrill Lynch, for additional information.

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**SUMMARY**

*The following summary highlights selected information in this proxy statement and may not contain all the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, including the more detailed information contained elsewhere in this proxy statement, its annexes and the documents incorporated by reference into or otherwise referred to in this proxy statement. Each item in this summary includes a page reference directing you to a more complete description of that topic. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions in *Where You Can Find More Information*.*

**Parties to the Merger (Page 19)**

**Sparton Corporation**, an Ohio corporation, is a provider of design, development and manufacturing services for complex electromechanical devices, as well as sophisticated engineered products complementary to the same electromechanical value stream. The Company serves the Medical & Biotechnology, Military & Aerospace and Industrial & Commercial markets through two reportable business segments; Manufacturing & Design Services (which we refer to as MDS ) and Engineered Components & Products (which we refer to as ECP ). The majority of the Company s customers are in highly regulated industries where strict adherence to regulations is necessary. The Company s products and services include offerings for Original Equipment Manufacturers and Emerging Technology customers that utilize microprocessor-based systems which include transducers, printed circuit boards and assemblies, sensors and electromechanical components, as well as development and design engineering services relating to these product sales. The Company also develops and manufactures sonobuoys, anti-submarine warfare devices used by the United States Navy as well as by foreign governments that meet Department of State licensing requirements. Additionally, the Company manufactures rugged flat panel display systems for military panel PC workstations, air traffic control and industrial applications, as well as high performance industrial grade computer systems and peripherals.

**Striker Parent 2018, LLC**, a Delaware limited liability company, was formed solely for the purpose of engaging in the transactions contemplated by the merger agreement and has not engaged in any business activities other than in connection with the transactions contemplated by the merger agreement and arranging of equity financing and debt financing in connection with the merger. Parent is owned by funds and accounts affiliated with Cerberus Capital Management, L.P. (which we refer to as Cerberus ). Cerberus, together with its affiliates, is one of the world s leading private investment firms with approximately \$35 billion under management. Upon completion of the merger, the Company will be a direct wholly owned subsidiary of Parent.

**Striker Merger Sub 2018, Inc.**, an Ohio corporation and direct wholly owned subsidiary of Parent, was formed solely for the purpose of engaging in the transactions contemplated by the merger agreement and has not engaged in any business activities other than in connection with the transactions contemplated by the merger agreement and arranging of equity financing and debt financing in connection with the merger. Upon completion of the proposed merger, Merger Sub will cease to exist.

**The Special Meeting (Page 21)**

***Date, Time and Place of the Special Meeting (Page 21)***

The special meeting to vote upon the merger proposal, in addition to the other matters described in this proxy statement, will be held on March 1, 2019, at 10:00 a.m., central time, at the offices of the Company, located at 425 North Martingale Road, Suite 1000, Schaumburg, Illinois 60173.





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***Record Date and Quorum (Page 21)***

The Company board has fixed the close of business on January 18, 2019 as the record date for the determination of the Company shareholders entitled to notice of, and to vote at, the special meeting. As of the close of business on the record date, there were 9,834,723 shares of Company common stock outstanding and entitled to vote, held by approximately 263 holders of record. You will have one vote on each matter properly coming before the special meeting for each share of Company common stock that you owned on the record date.

The presence in person or by proxy of the holders of record of a majority of the outstanding voting shares of the Company as of the record date is necessary to constitute a quorum at the special meeting. All shares of Company common stock present in person or represented by proxy, including abstentions, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the special meeting. If a beneficial owner of Company common stock held by a broker in street name does not give voting instructions to the broker, then those shares will not be counted as present in person or by proxy at the special meeting.

***Vote Required (Page 22)***

***Merger Proposal:***

**Standard:** Approval of the merger proposal requires the affirmative vote in person or by proxy of holders of at least two-thirds of the outstanding shares of Company common stock entitled to vote thereon.

**Effect of abstentions and broker non-votes:** If you fail to submit a proxy card or vote in person, mark **ABSTAIN** on your proxy or fail to instruct your broker how to vote with respect to the merger proposal, it will have the same effect as a vote **AGAINST** the proposal.

***Compensation Proposal:***

**Standard:** Approval, on a non-binding, advisory basis, of the compensation proposal requires the affirmative vote of the holders of a majority of the shares of Company common stock present in person or represented by proxy at the special meeting.

**Effect of abstentions and broker non-votes:** If you mark **ABSTAIN** on your proxy card, it will have the same effect as a vote **AGAINST** the proposal. If you fail to submit a proxy card or vote in person at the special meeting, or fail to instruct your broker how to vote with respect to the compensation proposal, it will have no effect on the proposal.

***Adjournment Proposal:***

**Standard:** Whether or not a quorum is present, approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the shares of Company common stock present in person or represented by proxy at the special meeting.

Effect of abstentions and broker non-votes: If you mark **ABSTAIN** on your proxy card, it will have the same effect as a vote **AGAINST** the proposal. If you fail to submit a proxy card or vote in person at the special meeting, or fail to instruct your broker how to vote with respect to the adjournment proposal, it will have no effect on the proposal.

***Voting, Proxies and Revocation (Page 22)***

Company shareholders of record entitled to vote at the special meeting may submit a proxy by telephone, over the Internet or by returning the enclosed proxy card in the enclosed postage-paid return envelope, or may vote in person by appearing at the special meeting. Company shareholders entitled to vote at the special meeting that

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hold shares in street name through a bank, broker or other holder of record may submit a proxy by following the voting instructions provided by such record holder, or may vote in person by appearing at the special meeting and providing a legal proxy obtained from such record holder. Company shareholders entitled to vote at the special meeting that hold shares in the 401(k) Plan may submit a proxy by following the voting instructions provided by the Merrill Lynch, the 401(k) Plan trustee, and may not vote in person at the special meeting.

If no instruction as to how to vote is given (including no instruction to abstain from voting) in an executed, duly returned and not revoked proxy, the proxy will be voted in accordance with the recommendations of the Company board, which, as of the date of this proxy statement, are **FOR** the merger proposal, **FOR** the compensation proposal and **FOR** the adjournment proposal.

If you are a shareholder of record of shares of Company common stock, you have the right to revoke a proxy, whether delivered over the Internet, by telephone or by mail, at any time before it is exercised. Proxies may be revoked by submitting a later-dated proxy through any of the methods available to you, by giving written notice of revocation to the Company's Corporate Secretary, which must be filed with the Corporate Secretary by 5:00 p.m., central time, on the business day immediately prior to the date of the special meeting, or by attending the special meeting and voting in person. Attending the special meeting alone, without voting at the special meeting, will not be sufficient to revoke your proxy. Written notice of revocation should be mailed to: Sparton Corporation, Attn: Corporate Secretary, 425 North Martingale Road, Suite 1000, Schaumburg, Illinois 60173.

If you are a street name holder of the Company's common stock, you may change your vote by submitting new voting instructions to your bank, broker or other holder of record. You must contact the record holder of your shares to obtain instructions as to how to change your proxy vote. If you hold your shares of Company common stock in the 401(k) Plan, you should contact the plan trustee, Merrill Lynch, to obtain instructions as to how to change your proxy vote.

### **The Merger (Page 26)**

Upon the terms and subject to the conditions set forth in the merger agreement, Merger Sub, a wholly owned subsidiary of Parent, will merge with and into the Company, so that the Company will be the surviving corporation in the merger and a wholly owned subsidiary of Parent. Upon the consummation of the merger, the separate corporate existence of Merger Sub will cease.

### ***Recommendation of the Company Board of Directors; Reasons for the Merger (Page 81)***

After careful consideration of various factors described in The Merger Recommendation of the Company Board of Directors; Reasons for the Merger, the Company board (i) determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are fair to the Company shareholders and in the best interests of the Company and the Company shareholders; (ii) declared advisable and approved the merger agreement and the execution, delivery and performance of the merger agreement and the transactions contemplated by the merger agreement, including the merger; (iii) directed that a proposal for the adoption of the merger agreement be submitted to the Company shareholders for consideration at the special meeting; and (iv) resolved to recommend that the Company shareholders adopt the merger agreement. The Company board made its determination after consultation with its legal and financial advisors and consideration of numerous factors.

The Company board unanimously recommends that you vote **FOR** the merger proposal, **FOR** the compensation proposal and **FOR** the adjournment proposal.



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***Opinion of Raymond James & Associates, Inc. (Page 89 and Annex B-1)***

At the December 11, 2018 meeting of the Company board, representatives of Raymond James & Associates, Inc. (which we refer to as Raymond James ) rendered its oral opinion to the Company board (which was subsequently confirmed in writing by delivery of Raymond James written opinion dated the same date), that, as of December 11, 2018, the merger consideration to be received by Company shareholders in the merger pursuant to the merger agreement was fair, from a financial point of view, to Company shareholders based upon market, economic, financial and other circumstances and conditions existing and disclosed to Raymond James as of December 10, 2018, and based upon and subject to the qualifications, assumptions and other matters considered in connection with the preparation of its opinion.

**The full text of the written opinion of Raymond James, dated December 11, 2018, which sets forth, among other things, the various qualifications, assumptions and limitations on the scope of the review undertaken, is attached as Annex B-1 to this proxy statement. Raymond James provided its opinion for the information and assistance of the Company board (solely in its capacity as such) in connection with, and for purposes of, its consideration of the merger and its opinion only addresses whether the merger consideration to be received by Company shareholders in the merger pursuant to the merger agreement was fair, from a financial point of view, to such shareholders. The opinion of Raymond James did not address any other term or aspect of the merger agreement or the merger contemplated thereby. The Raymond James opinion does not constitute a recommendation to the Company board or any Company shareholder as to how the Company board, such shareholder or any other person should vote or otherwise act with respect to the merger or any other matter.**

***Opinion of Wells Fargo Securities (Page 98 and Annex B-2)***

On December 11, 2018, Wells Fargo Securities, LLC (which we refer to as Wells Fargo Securities ) rendered its oral opinion to the Company board (which was subsequently confirmed in writing by delivery of Wells Fargo Securities written opinion dated the same date) that, based upon and subject to the procedures followed, qualifications, assumptions and other matters considered in connection with the preparation of its opinion, as of December 11, 2018, the merger consideration to be received by Company shareholders in the merger pursuant to the merger agreement was fair, from a financial point of view, to Company shareholders.

**Wells Fargo Securities opinion was for the information and use of the Company board (in its capacity as such) in connection with its evaluation of the merger. Wells Fargo Securities opinion only addressed the fairness, from a financial point of view, to Company shareholders of the merger consideration to be received by such shareholders in the merger pursuant to the merger agreement and did not address any other aspect or implication of the merger. The summary of Wells Fargo Securities opinion in this proxy statement is qualified in its entirety by reference to the full text of its written opinion, which is attached as Annex B-2 to this proxy statement and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Wells Fargo Securities in connection with the preparation of its opinion. However, neither Wells Fargo Securities written opinion nor the summary of its opinion and the related analyses set forth in this proxy statement is intended to be, and they do not constitute, advice or a recommendation to the Company board or any holder of Company common stock as to how any such holder should vote or act on any matter relating to the proposed merger.**

***Financing of the Merger (Page 106)***

The obligations of Parent and Merger Sub to complete the merger are not contingent upon the receipt of any financing.



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Cerberus Institutional Partners VI, L.P. (which we refer to as CIP VI), which is an affiliate of Cerberus, and Parent have entered into an equity commitment letter, dated as of December 11, 2018 (which we refer to as the equity commitment letter), pursuant to which CIP VI committed to purchase securities of Parent for \$280 million in cash substantially contemporaneously with the consummation of the merger. Such commitment amount is subject to reduction if Parent does not require the entire amount to pay the aggregate merger consideration and all amounts required to be paid with respect to the Company's equity awards, to repay or refinance the indebtedness of the Company to the extent required in connection with the transactions contemplated by the merger agreement, and to pay the fees and expenses of Parent, Merger Sub and the surviving corporation in connection with the merger and the transactions contemplated by the merger agreement (which we refer to, collectively, as the required payments). Under certain circumstances, the Company is a third party beneficiary to the equity commitment letter.

In the merger agreement, Parent and Merger Sub have represented that the equity financing, when funded in accordance with its terms, will provide Parent with funds sufficient to satisfy, or cause to be satisfied, the required payments.

Parent also plans to finance a portion of the amounts required to complete the merger through a debt financing, which is expected to take the form of a revolving credit facility and a term loan facility. Subject to customary terms, the Company has agreed to, and to cause its subsidiaries to, provide Parent with customary cooperation as reasonably requested by Parent or Merger Sub to assist them in arranging such debt financing.

For more information, see The Merger Financing of the Merger Financing.

***Limited Guarantee (Page 107)***

Pursuant to the limited guarantee delivered by CIP VI in favor of the Company, dated as of December 11, 2018 (which we refer to as the limited guarantee), CIP VI has guaranteed the due and punctual payment of certain monetary obligations that may be owed by Parent pursuant to the merger agreement, subject to a maximum liability equal to (a) \$9.25 million with respect to the reverse termination fee payable by Parent pursuant to the merger agreement, plus (b) \$1.5 million with respect to certain reimbursement and indemnification obligations of Parent and Merger Sub for certain costs, expenses or losses suffered or incurred by the Company, as specified in the merger agreement and in connection with enforcing the limited guarantee. For more information, see The Merger Financing of the Merger Limited Guarantee.

***Interests of the Company's Executive Officers and Directors in the Merger (Page 107)***

The interests of the Company's executive officers and directors in the merger that are different from, or in addition to, those of the Company shareholders generally are described in the section entitled The Merger Interests of the Company's Executive Officers and Directors in the Merger. The Company board was aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending that the merger agreement be adopted by the Company shareholders. These interests include (i) the right to receive payments in respect of Company RSUs (as defined below) which will, subject to the limitations described herein, be cashed-out based on the merger consideration; (ii) the receipt of cash severance payments and vested benefits upon a qualifying termination of employment pursuant to the terms of each executive officer's respective employment agreement; and (iii) entitlement to continued indemnification, expense advancement and insurance coverage under the merger agreement.





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**Table of Contents*****Material U.S. Federal Income Tax Consequences of the Merger (Page 117)***

The exchange of shares of Company common stock for cash pursuant to the merger generally will be a taxable transaction for U.S. holders (as defined in The Merger Material U.S. Federal Income Tax Consequences of the Merger ) for U.S. federal income tax purposes. A Company shareholder who is a U.S. holder and who exchanges shares of Company common stock for cash in the merger will, for U.S. federal income tax purposes, generally recognize gain or loss in an amount equal to the difference, if any, between the amount of such cash received by such Company shareholder and the Company shareholder's adjusted tax basis in the Company shareholder's shares of Company common stock. Backup withholding may also apply to the cash payments made pursuant to the merger unless the recipient provides a taxpayer identification number, certifies that such number is correct and otherwise complies with the backup withholding rules. Company shareholders should read The Merger Material U.S. Federal Income Tax Consequences of the Merger for a more detailed discussion of the U.S. federal income tax consequences of the merger. Company shareholders should also consult their tax advisors for a complete analysis of the effect of the merger on the Company shareholders' federal, state, local and foreign taxes.

***Regulatory Approvals Required for the Merger (Page 119)***

The consummation of the merger is subject to the expiration or early termination of the waiting period applicable to the consummation of the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (which we refer to as the HSR Act ). Subject to the terms and conditions of the merger agreement, the parties have agreed to cooperate and use their reasonable best efforts to prepare and file as promptly as practicable all necessary documentation and to obtain as promptly as practicable all regulatory approvals necessary or advisable to consummate the merger or any of the other transactions contemplated by the merger agreement.

***The Merger Agreement (Page 121 and Annex A)******Merger Consideration (Page 122)***

In the merger, each share of Company common stock issued and outstanding immediately prior to the effective time of the merger (which we refer to as the effective time ) (except for shares of Company common stock held by (i) Parent, Merger Sub or any other wholly owned subsidiary of Parent or the Company or any wholly owned subsidiary of the Company and (ii) Company shareholders who have properly exercised dissenters' rights, which we refer to collectively as excluded shares ) will be converted into the right to receive \$18.50 in cash, without interest (which we refer to as the merger consideration ).

***Treatment of Company Equity Awards (Page 122)***

**Restricted Stock.** At the effective time, with respect to each outstanding share of Company common stock that is subject to any vesting, forfeiture, repurchase or other lapse restriction (which we refer to as a restricted share ) under the Sparton Corporation Stock Incentive Plan and the Sparton Corporation 2010 Long-Term Incentive Plan (which we refer to collectively as the Company stock plans ), the vesting, forfeiture, repurchase or other lapse restriction will lapse and such restricted share will be fully vested and will be converted into the right to receive the merger consideration.

**Restricted Stock Units.** At the effective time, each outstanding restricted stock unit award in respect of shares of Company common stock granted under the Company stock plans (which we refer to as a Company RSU ) will fully vest and will be cancelled and converted into the right to receive an amount in cash, without interest, equal to the merger consideration in respect of each share of Company common stock underlying such Company RSU.

*Stock Options.* At the effective time, each outstanding option to purchase shares of Company common stock (which we refer to as a stock option ) granted under the Company stock plans, whether vested or unvested, that has an exercise price per share that is less than the merger consideration will fully vest and will be cancelled and

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converted into the right to receive an amount in cash, without interest, equal to the product of (i) the amount by which the merger consideration exceeds the exercise price per share of such stock option and (ii) the total number of shares of Company common stock subject to such stock option. Any stock option that has an exercise price per share that is greater than or equal to the merger consideration will be cancelled at the effective time for no consideration or payment.

***Non-Solicitation of Acquisition Proposals (Page 132)***

The merger agreement provides that none of the Company, its subsidiaries or its or their representatives retained in connection with the merger will, and the Company will instruct and use its reasonable best efforts to cause its and its subsidiaries' representatives retained other than in connection with the merger not to, directly or indirectly:

initiate, solicit or knowingly take any action to facilitate, encourage or solicit any acquisition proposal (as defined in The Merger Agreement Non-Solicitation of Acquisition Proposals ) or the making of any proposal that would reasonably be expected to lead to an acquisition proposal;

participate in any discussions or negotiations regarding, or furnish or provide any non-public information to any person in connection with, any acquisition proposal or afford access to the business, properties, assets, books or records of the Company or any of its subsidiaries to, or knowingly assist, participate in, facilitate or encourage any effort relating to an acquisition proposal by, any person that is seeking to make, or has made, an acquisition proposal;

except as required by applicable law, amend or grant any waiver or release under any standstill or similar agreement with respect to any class of equity securities of the Company or any of its subsidiaries; or

enter into any letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement or other similar agreement relating to an acquisition proposal.

Notwithstanding these restrictions, under certain circumstances, and to the extent that the Company board concludes in good faith, after receiving the advice of its outside legal counsel and its financial advisors, that an acquisition proposal is, or is reasonably likely to lead to, a superior proposal (as defined in The Merger Agreement Non-Solicitation of Acquisition Proposals ), the Company may, prior to the time the merger agreement is adopted by the Company shareholders, make available non-public information or data, and engage in discussions, with respect to certain unsolicited bona fide written acquisition proposals that did not result from a breach of the merger agreement.

***No Change in Board Recommendation; No Entry into Alternative Transactions (Page 134)***

If the Company board determines in good faith after considering advice from its financial advisors and outside legal counsel that it would be inconsistent with the directors' fiduciary duties under applicable law to continue to recommend the merger agreement, then it may make a change in its recommendation, provided that:

(i) the Company has received an acquisition proposal that did not result from breach of the Company's agreement not to solicit other offers (and such proposal is not withdrawn) and the Company board determines in good faith, after receiving the advice of its outside legal counsel and its financial advisors, that such acquisition proposal constitutes a superior proposal or (ii) an intervening event, which was unknown, or if known the consequences of which were unknown, to the Company board as of the date of signing the merger agreement, shall have occurred and the Company board determines in good faith, after receiving the advice of its outside legal counsel and its financial advisors, that continuing to recommend the merger agreement would be inconsistent with the directors' fiduciary duties under applicable law;

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the Company gives Parent at least four business days prior written notice of its intention to take such action and such notice (i) in the case of an acquisition proposal, specifies the latest material terms of, and the identity of the third party making, such acquisition proposal and includes an unredacted copy of any relevant proposed transaction agreements relating to such acquisition proposal and (ii) in the case of an intervening event, includes a description of the intervening event in reasonable detail, and during such four-day period, Parent may propose revisions to the merger agreement; and

at the end of such notice period, the Company board discusses and negotiates in good faith any amendment or modification to the merger agreement proposed by Parent and, after receiving the advice of its outside legal counsel and its financial advisors, determines in good faith that it would nevertheless be inconsistent with the directors' fiduciary duties under applicable law to continue to recommend the merger agreement or not terminate the merger agreement.

Unless the merger agreement has been terminated in accordance with its terms, the Company is required to hold the special meeting for the purpose of voting upon the merger proposal even if there is a change in Company recommendation.

***Company Shareholders Meeting (Page 136)***

The Company has agreed to hold a special meeting as promptly as practicable for the purpose of voting upon the adoption of the merger agreement and upon other related matters. The Company board has agreed to recommend that the Company shareholders adopt the merger agreement in this proxy statement and in other materials and communications between the Company and the Company shareholders and to use its reasonable best efforts to solicit the adoption of the merger agreement at the special meeting.

***Conditions to the Merger (Page 145)***

The respective obligations of the Company, Parent and Merger Sub to effect the merger are subject to the satisfaction or waiver of certain customary conditions, including the adoption of the merger agreement by the Company shareholders, the absence of any legal prohibitions, the accuracy of the representations and warranties (subject to customary materiality qualifiers), compliance by the other party with its obligations under the merger agreement (subject to customary materiality qualifiers) and the expiration or early termination of the waiting period with respect to the merger under the HSR Act.

Neither the Company nor Parent can be certain when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be effected.

***Termination (Page 147)***

The merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time (whether before or after the adoption of the merger agreement by the Company shareholders (unless otherwise specified below)) under the following circumstances:

by mutual written consent of the Company and Parent;

by either the Company or Parent if:

the merger is not consummated by May 11, 2019, subject to certain permitted extensions as described in The Merger Agreement Termination, and unless the failure of the merger to be consummated by that date is due to the failure of the party seeking to terminate the merger agreement to perform or observe its covenants and agreements under the merger agreement;

the proposal to adopt the merger agreement is not approved by the Company shareholders at the special meeting; or

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any law, executive order, ruling, injunction or other order permanently restraining, enjoining or otherwise prohibiting consummation of the merger becomes final and non-appealable, unless the party seeking termination has not observed in all material respects its covenants under the merger agreement with respect to obtaining regulatory approvals;

by the Company if:

prior to obtaining the approval of the Company shareholders of the merger proposal, in order to enter into a definitive agreement with respect to a superior proposal concurrently with the termination, so long as the Company has complied with its obligation not to solicit other offers and pays the termination fee described below to Parent;

there is an uncured breach of any of the covenants or agreements or any of the representations or warranties set forth in the merger agreement on the part of Parent or Merger Sub, which, in each case, would constitute the failure of certain closing conditions set forth in the merger agreement; or

if the mutual conditions to closing and Parent and Merger Sub's conditions to closing have been satisfied or waived in accordance with the merger agreement and Parent and Merger Sub fail to consummate the merger on the date that the closing should have occurred pursuant to the merger agreement, the Company delivers written notice to Parent that it stands ready and willing to consummate the merger and Parent and Merger Sub fail to consummate the merger within five business days after the delivery of such notice; and

by Parent if:

prior to obtaining the approval of the Company shareholders of the merger proposal, the Company board effected a Company adverse recommendation change (as defined in "The Merger Agreement - No Change in Board Recommendation; No Entry into Alternative Transactions");

prior to obtaining the approval of the Company shareholders of the merger proposal, the Company has breached its obligations in any material respect with respect to not soliciting other offers;

there is an uncured breach of any of the covenants or agreements or any of the representations or warranties set forth in the merger agreement on the part of the Company, which, in each case, would constitute the failure of certain closing conditions set forth in the merger agreement; or

the Company, any of its subsidiaries or the ERAPSCO JV (as defined in "The Merger - Background of the Merger") shall have been suspended, debarred, excluded or proposed for debarment from doing



business with any governmental entity or shall have been declared non-responsible or ineligible for contracting with any governmental entity and such impairment is not curable or is not cured prior to the earlier of (i) sixty days after written notice of such matter is given by Parent to the Company or (ii) the outside date (as defined in The Merger Agreement Termination ).

***Expenses (Page 143)***

The Company must reimburse Parent for all reasonable documented out-of-pocket expenses to the extent incurred by Parent, Merger Sub or any of their affiliates in connection with the merger agreement (but subject to certain limitations set forth in the merger agreement, which are further described in The Merger Agreement Expenses ) if the merger agreement is terminated by Parent due to a willful breach by the Company of any of its covenants or agreements contained in the merger agreement. The aggregate amount of such expenses payable by the Company shall not exceed \$4,750,000.

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***Termination Fees (Page 148)***

The Company must pay a termination fee in the amount of \$7,500,000 (less the aggregate amount of any expenses paid by the Company as described above) if the merger agreement is terminated in the following circumstances:

In the event that the Company terminates the merger agreement to enter into a definitive agreement with respect to a superior proposal.

In the event that:

after the date of signing the merger agreement and prior to the date of the special meeting, an acquisition proposal has been publicly announced or otherwise publicly disclosed and not withdrawn prior to the date of the special meeting; and

thereafter the Company or Parent terminates the merger agreement because the merger proposal is not approved at the special meeting and (i) within twelve months of the date of termination of the merger agreement, the Company enters into a definitive agreement and later consummates a transaction with respect to such acquisition proposal or (ii) otherwise consummates an acquisition proposal within twelve months after the date of termination of the merger agreement, provided that, in the case of each of clause (i) and clause (ii), such acquisition proposal provides for aggregate consideration in excess of \$65 million to be paid to the Company, its subsidiaries or their respective shareholders.

In the event that:

after the date of signing the merger agreement and prior to the outside date, an acquisition proposal has been publicly announced or otherwise disclosed to the Company board;

the Company or Parent terminates the merger agreement due to the passing of the outside date or Parent terminates the merger agreement due to a material breach by the Company of the merger agreement;

such acquisition proposal shall not have been withdrawn prior to (i) the outside date, if the merger agreement was terminated due to the passing of the outside date or (ii) the applicable date the merger agreement was terminated, if the merger agreement was terminated by Parent due to a material breach by the Company of the merger agreement; and

within twelve months after any termination described in the immediately preceding bullet, (i) the Company enters into a definitive agreement to consummate an acquisition proposal and consummates

a transaction with respect to such acquisition proposal or (ii) otherwise consummates an acquisition proposal within twelve months after the date of termination of the merger agreement, provided that, in the case of each of clause (i) and clause (ii), such acquisition proposal provides for aggregate consideration in excess of \$65 million to be paid to the Company, its subsidiaries or their respective shareholders.

Parent must pay a Parent termination fee in the amount of \$9,250,000 to the Company if the merger agreement is terminated in the following circumstances:

the Company terminates the merger agreement due to a material breach of the merger agreement by Parent or Merger Sub;

the Company exercises its failure to close termination right (as defined in The Merger Agreement Termination ).

either the Company or Parent terminates the merger agreement due to the passing of the outside date, and as of the time of such termination the Company was entitled to terminate the merger agreement as described in either of the two immediately preceding bullets.

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**Table of Contents*****Remedies (Page 149)***

The parties are entitled to seek an injunction, specific performance or other equitable remedies to prevent breaches of the merger agreement and to enforce specifically its terms. Furthermore, the Company is entitled to seek specific performance, injunctive relief or other equitable remedies to cause Parent to obtain the financing under the equity commitment letter (which we refer to as the equity financing ) in order to consummate the closing so long as (i) the mutual conditions to closing and Parent and Merger Sub's conditions to closing have been satisfied or waived in accordance with the merger agreement at the time when the closing would have occurred, or would have been required to occur, pursuant to the merger agreement and (ii) the Company irrevocably confirms to Parent that it stands ready and willing to consummate the merger in the event specific performance is granted and the equity financing is funded.

The Company is not entitled to receive (i) both (A) a grant of specific performance to cause the equity financing to be funded and the closing to be consummated and (B) the payment of any monetary damages or the payment of the Parent termination fee or (ii) both (A) a payment of any monetary damages and (B) payment of the Parent termination fee.

Aside from the equitable relief described above, the Company's sole and exclusive remedy under the merger agreement is the right to receive the Parent termination fee and the reimbursement of certain out-of-pocket costs and expenses as provided in the merger agreement. If the Company has received the Parent termination fee and the reimbursement of the costs and expenses contemplated by the merger agreement and the limited guarantee, then none of Parent, Merger Sub or any of their affiliates shall have any liability or obligation with respect to any losses or damages suffered by the Company or any of its affiliates in connection with the merger or the merger agreement, and none of the Company or any of its affiliates shall be entitled to bring any claim arising out of any such matters.

Aside from the equitable relief described above, if Parent has received (i) the termination fee or the expenses (as defined in The Merger Agreement Expenses ) (but, in the case of the payment of the expenses, if the Company is subsequently required to pay the termination fee, it must have paid the termination fee) and (ii) the reimbursement of the costs and expenses contemplated by the merger agreement, then none of the Company or any of its affiliates shall have any liability or obligation with respect to any losses or damages suffered by Parent, Merger Sub or any of their respective affiliates in connection with the merger or the merger agreement, and none of Parent, Merger Sub or any of their respective affiliates shall be entitled to bring any claim arising out of any such matters.

**Dissenters' Rights (Page 154 and Annex C)**

If the merger agreement is adopted by the Company shareholders, the Company shareholders who do not vote in favor of or consent to the merger proposal and who properly demand payment of the fair cash value of their shares are entitled to certain dissenters' rights pursuant to Sections 1701.84 and 1701.85 of the OGCL. Section 1701.85 of the OGCL generally provides that shareholders of the Company will not be entitled to such rights without strict compliance with the procedures set forth in Section 1701.85, and failure to take any one of the required steps may result in the termination or waiver of such rights.

Specifically, any Company shareholder who is a record holder of shares of Company common stock on January 18, 2019, the record date for the special meeting, and whose shares are not voted in favor of or have not consented to the adoption of the merger agreement may be entitled to be paid the fair cash value of such shares of Company common stock after the effective time. To be entitled to such payment, a Company shareholder must deliver to the Company a written demand for payment of the fair cash value of the shares of Company common stock held by such Company shareholder before the vote on the merger proposal is taken, the Company shareholder must



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not vote in favor of the merger proposal, and the Company shareholder must otherwise comply with Section 1701.85. A Company shareholder's failure to vote against the merger proposal will not constitute a waiver of such Company shareholder's dissenters' rights, as long as such Company shareholder does not vote in favor of the merger proposal. A proxy returned to the Company signed but not marked to specify voting instructions will be voted in favor of the proposal to adopt the merger agreement and will constitute a waiver of dissenting shareholders' rights. Any written demand must specify the Company shareholder's name and address, the number and class of shares of Company common stock held by him, her or it on the record date, and the amount claimed as the fair cash value of such shares of Company common stock.

See the text of Section 1701.84 and Section 1701.85 of the OGCL attached as **Annex C** to this proxy statement for specific information on the procedures to be followed in exercising dissenters' rights. Any Company shareholder wishing to exercise dissenters' rights is encouraged to consult legal counsel before attempting to exercise those rights due to the complexity of the process.

Company shareholders considering seeking payment of the fair cash value of their shares of Company common stock should be aware that the fair cash value of their shares as determined pursuant to Section 1701.85 of the OGCL could be more than, the same as, or less than the value of the consideration they would receive pursuant to the merger if they did not seek payment of the fair cash value of their shares of Company common stock. If the shares of Company common stock are listed on a national securities exchange, such as the NYSE, immediately before the effective time, the fair cash value will be the closing sale price of the shares of Company common stock as of the close of trading on the day before the vote of the Company shareholders.

**Delisting and Deregistration of Company Common Stock (Page 159)**

If the merger is consummated, Company common stock will be delisted from the NYSE and deregistered under the Exchange Act, and the Company will no longer file periodic reports with the SEC on account of Company common stock. The Company will cease to be an independent public company and will become a wholly owned subsidiary of Parent. You will no longer have any ownership interest in the Company.

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This proxy statement contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are intended to be protected by the safe harbor provided therein. We generally identify forward-looking statements, particularly those statements regarding the benefits of the proposed merger between Merger Sub and the Company, the anticipated timing of the transaction and the business of each company, by terminology such as outlook, believes, expects, potential, continues, may, will, would, could, should, approximately, predicts, intends, plans, estimates, anticipates, projects, strategy, future, opportunity or the negative version of those words or other comparable words. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, you are cautioned that any such forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict.

A number of important factors could cause actual results to differ materially from those indicated by the forward-looking statements in this proxy statement, including, but not limited to:

the risk that the merger may not be consummated in a timely manner or at all, which may adversely affect the Company's business and the price of the Company common stock;

the risk that required approvals of the merger may not be obtained or may not be obtained on the terms expected or on the anticipated schedule;

the risk that the Company's shareholders may fail to approve the merger;

the risk that the parties to the merger agreement may fail to satisfy other conditions to the consummation of the merger or meet expectations regarding the timing and consummation of the merger;

the occurrence of any event, change or other circumstance that could give rise to the termination of the merger agreement;

the effect of the announcement or pendency of the merger on the Company's business relationships, operating results, employees and business generally;

the risk that the proposed merger disrupts current plans and operations of the Company and potential difficulties in the Company's employee retention as a result of the merger;

risks related to diverting management's attention from the Company's ongoing business operations;

the outcome of legal proceedings that may be instituted against the Company related to the merger agreement or the merger;

the amount of unexpected costs, fees, expenses and other charges related to the merger; and

political instability.

For additional factors that could materially affect our financial results and our business generally, please refer to the Company's filings with the SEC, including but not limited to, the factors, uncertainties and risks described under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended July 1, 2018 (which we refer to as the "2018 Annual Report") and its Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 and the other reports filed by the Company with the SEC. See "Where You Can Find More Information." The Company undertakes no obligation to revise these statements following the date of this communication, except as required by law.



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**PARTIES TO THE MERGER**

**The Company**

*Sparton Corporation*

425 North Martingale Road, Suite 1000

Schaumburg, Illinois 60173

Telephone: (847) 762-5800

The Company, an Ohio corporation, is a provider of design, development and manufacturing services for complex electromechanical devices, as well as sophisticated engineered products complementary to the same electromechanical value stream. The Company serves the Medical & Biotechnology, Military & Aerospace and Industrial & Commercial markets through two reportable business segments; Manufacturing & Design Services (which we refer to as MDS ) and Engineered Components & Products (which we refer to as ECP ). The majority of the Company's customers are in highly regulated industries where strict adherence to regulations is necessary. The Company's products and services include offerings for Original Equipment Manufacturers and Emerging Technology customers that utilize microprocessor-based systems which include transducers, printed circuit boards and assemblies, sensors and electromechanical components, as well as development and design engineering services relating to these product sales. The Company also develops and manufactures sonobuoys, anti-submarine warfare devices used by the United States Navy as well as by foreign governments that meet Department of State licensing requirements. Additionally, the Company manufactures rugged flat panel display systems for military panel PC workstations, air traffic control and industrial applications, as well as high performance industrial grade computer systems and peripherals.

Company common stock is traded on the NYSE under the symbol SPA. Additional information about the Company and its subsidiaries is included in documents incorporated by reference into this proxy statement. See Where You Can Find More Information. The Company maintains a website at <http://www.sparton.com>. The information provided on the Company's website is not part of this proxy statement and is not incorporated by reference.

**Parent**

*Striker Parent 2018, LLC*

c/o Cerberus Capital Management, L.P.

875 Third Avenue

New York, New York 10022

Telephone: (212) 891-2100

**Striker Parent 2018, LLC**, a Delaware limited liability company, was formed solely for the purpose of engaging in the transactions contemplated by the merger agreement and has not engaged in any business activities other than in connection with the transactions contemplated by the merger agreement and arranging of equity financing and debt financing in connection with the merger. Parent is owned by funds and accounts affiliated with Cerberus Capital Management, L.P. (which we refer to as Cerberus ). Cerberus, together with its affiliates, is one of the world's leading

private investment firms with approximately \$35 billion under management. Upon completion of the proposed merger, the Company will be a direct wholly owned subsidiary of Parent.

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**Merger Sub**

*Striker Merger Sub 2018, Inc.*

c/o Cerberus Capital Management, L.P.

875 Third Avenue

New York, New York 10022

Telephone: (212) 891-2100

**Striker Merger Sub 2018, Inc.**, an Ohio corporation and direct wholly owned subsidiary of Parent, was formed solely for the purpose of engaging in the transactions contemplated by the merger agreement and has not engaged in any business activities other than in connection with the transactions contemplated by the merger agreement and arranging of equity financing and debt financing in connection with the merger. Upon completion of the proposed merger, Merger Sub will cease to exist.

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**THE SPECIAL MEETING**

*This section contains information for the Company shareholders about the special meeting that the Company has called to allow the Company shareholders to consider and vote on the merger proposal and other matters. The Company is mailing this proxy statement to you, as a Company shareholder, on or about January 25, 2019. This proxy statement is accompanied by a notice of the special meeting and a form of proxy card that the Company board is soliciting for the Company at the special meeting and at any adjournments or postponements thereof.*

**Date, Time and Place of the Special Meeting**

This proxy statement is being furnished to our shareholders as part of the solicitation of proxies by the Company board from the Company shareholders for use at the special meeting to be held on March 1, 2019, at 10:00 a.m., central time, at the offices of the Company, located at 425 North Martingale Road, Suite 1000, Schaumburg, Illinois 60173, or at any postponement or adjournment thereof.

**Purpose of the Special Meeting**

At the special meeting, you will be asked to consider and vote upon the following matters:

The merger proposal (Proposal 1 on your proxy card);

The compensation proposal (Proposal 2 on your proxy card); and

The adjournment proposal (Proposal 3 on your proxy card).

The Company shareholders must adopt the merger agreement by approving the merger proposal in order to consummate the merger. A copy of the merger agreement is attached as **Annex A** to this proxy statement. You are urged to read the merger agreement carefully in its entirety.

**Recommendation of the Company Board of Directors**

The Company board has unanimously determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are fair to the Company shareholders and in the best interests of the Company and the Company shareholders and declared advisable and approved the merger agreement and the execution, delivery and performance of the merger agreement and the transactions contemplated by the merger agreement, including the merger. The Company board unanimously recommends that the Company shareholders vote **FOR** the merger proposal, **FOR** the compensation proposal and **FOR** the adjournment proposal. See The Merger Recommendation of the Company Board of Directors; Reasons for the Merger for a more detailed discussion of the Company board's recommendation.

**Record Date and Quorum**

The Company board has fixed the close of business on January 18, 2019 as the record date for the determination of the Company shareholders entitled to notice of, and to vote at, the special meeting. As of the close of business on the record date, there were 9,834,723 shares of Company common stock outstanding and entitled to vote, held by

approximately 263 holders of record. You will have one vote on each matter properly coming before the special meeting for each share of Company common stock that you owned on the record date.

The presence in person or by proxy of the holders of record of a majority of the outstanding voting shares of the Company as of the record date is necessary to constitute a quorum at the special meeting. All shares of Company common stock present in person or represented by proxy, including abstentions, will be treated as present for purposes of determining the presence or absence of a quorum for all matters voted on at the special meeting. Because, under applicable rules, brokers holding shares in street name do not have discretionary voting

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authority with respect to any of the three proposals described in this proxy statement, if a beneficial owner of Company common stock held in street name does not give voting instructions to the broker that is the record holder of its, his or her shares, then those shares will not be counted as present in person or by proxy at the special meeting if no other proposals are brought before the special meeting.

## **Vote Required**

### ***Merger Proposal***

**Standard:** Approval of the merger proposal requires the affirmative vote in person or by proxy of the holders of at least two-thirds of the outstanding shares of Company common stock entitled to vote thereon.

**Effect of abstentions and broker non-votes:** If you fail to submit a proxy card or vote in person, mark **ABSTAIN** on your proxy or fail to instruct your broker how to vote with respect to the merger proposal, it will have the same effect as a vote **AGAINST** the proposal.

### ***Compensation Proposal***

**Standard:** Approval, on a non-binding, advisory basis, of the compensation proposal requires the affirmative vote of the holders of a majority of the shares of Company common stock present in person or represented by proxy at the special meeting.

**Effect of abstentions and broker non-votes:** If you mark **ABSTAIN** on your proxy card, it will have the same effect as a vote **AGAINST** the proposal. If you fail to submit a proxy card or vote in person at the special meeting, or fail to instruct your broker how to vote with respect to the compensation proposal, it will have no effect on the proposal.

### ***Adjournment Proposal***

**Standard:** Whether or not a quorum is present, approval of the adjournment proposal requires the affirmative vote of the holders of a majority of the shares of Company common stock present in person or represented by proxy at the special meeting.

**Effect of abstentions and broker non-votes:** If you mark **ABSTAIN** on your proxy card, it will have the same effect as a vote **AGAINST** the proposal. If you fail to submit a proxy card or vote in person at the special meeting, or fail to instruct your broker how to vote with respect to the adjournment proposal, it will have no effect on the proposal.

## **Voting, Proxies and Revocation**

### ***Attending the Special Meeting***

All Company shareholders, including shareholders of record and shareholders who hold their shares through banks, brokers or other holders of record or through the 401(k) Plan, are invited to attend the special meeting. Shareholders of record can vote in person at the special meeting. If you are not a shareholder of record, you must obtain a legal proxy executed in your favor from the record holder of your shares to be able to vote in person at the special meeting. If you hold your shares in the 401(k) Plan, you may not vote in person at the special meeting. If you plan to attend the special meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership. In addition, you must bring a form of personal photo identification with you in order to be admitted to the meeting. The Company reserves the right to refuse admittance to anyone without proper proof of share ownership or without proper photo identification.

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***Voting by Shareholders of Record***

If you are a shareholder of record, you may vote your shares of Company common stock on matters presented at the special meeting in any of the following ways:

*by proxy* shareholders of record have a choice of submitting a proxy:

by telephone or over the Internet, by accessing the telephone number or website specified on the enclosed proxy card. The control number provided on your proxy card is designed to verify your identity when voting by telephone or by Internet. Please be aware that you may incur costs such as telephone and Internet access charges for which you will be responsible;

by signing, dating and returning the enclosed proxy card in the enclosed postage-paid return envelope;  
or

*in person* you may attend the special meeting and cast your vote there.

***Voting of Shares Held in Street Name ; Broker Non-Votes***

If you are a beneficial owner of shares of Company common stock held in street name, you should receive instructions from your bank, broker or other holder of record that you must follow in order to have your shares of Company common stock voted. If you have not received such voting instructions or require further information regarding such voting instructions, contact your bank, broker or other holder of record. If your bank, broker or other holder of record holds your shares of Company common stock in street name, such record holder will vote your shares of Company common stock only if you provide instructions on how to vote by filling out the voter instruction form sent to you by such record holder with this proxy statement. Please note that, if you are a beneficial owner of shares of Company common stock held in street name and wish to vote in person at the special meeting, you must obtain a legal proxy executed in your favor from your bank, broker or other holder of record and present such legal proxy at the special meeting.

Under stock exchange rules, brokers who hold shares of Company common stock in street name for a beneficial owner of those shares typically have the authority to vote in their discretion on routine proposals when they have not received instructions from beneficial owners. However, such record holders are not allowed to exercise their voting discretion with respect to the approval of matters determined to be non-routine. Broker non-votes are shares held in street name by brokers that are present in person or represented by proxy at the special meeting, but for which the beneficial owner has not provided the record holder with instructions on how to vote on a particular proposal and such record holder does not have discretionary voting power with respect to such proposal. Under applicable rules, brokers holding shares in street name do not have discretionary voting authority with respect to any of the three proposals described in this proxy statement. If a beneficial owner of Company common stock held in street name does not give voting instructions to the applicable broker, then those shares will not be counted as present in person or by proxy at the special meeting. As the vote to approve the merger proposal is based on the total number of shares of Company common stock outstanding at the close of business on the record date, if you fail to issue voting instructions to your broker, it will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement.



***Voting Shares of Company Common Stock Held Through the 401(k) Plan***

If you participate in the Company's 401(k) retirement savings plan (which we refer to as the 401(k) Plan) and hold shares in your plan account, you may vote the number of shares credited to your account as of the record date. You should receive instructions from the 401(k) Plan trustee, Merrill Lynch, Pierce, Fenner & Smith (which we refer to as Merrill Lynch), on how to vote your shares of Company common stock held in the 401(k) Plan. You must provide Merrill Lynch with instructions on how to vote your shares. Only the trustee may vote your plan shares. You may not vote shares held in the 401(k) Plan by returning a proxy card directly to the Company or by voting in person at the special meeting.

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If you do not instruct the 401(k) Plan trustee, Merrill Lynch, as to how to vote your shares held in the 401(k) Plan, Merrill Lynch may vote your shares in accordance with its fiduciary obligations under the Employee Retirement Income Security Act of 1974, as amended.

### ***Voting of Proxies; Incomplete Proxies***

If you submit a proxy, regardless of the method you choose to submit such proxy, the individuals named on the enclosed proxy card, and each of them, with full power of substitution, will vote your shares of Company common stock in the way that you indicate. When completing the Internet or telephone processes or the proxy card, you may specify whether your shares of Company common stock should be voted for or against, or abstain from voting, on all, some or none of the specific items of business to come before the special meeting.

All shares represented by valid proxies that the Company receives through this solicitation, and that are not revoked, will be voted in accordance with your instructions on the proxy card. If you properly sign your proxy card but do not mark the boxes showing how your shares of Company common stock should be voted on a matter, the shares of Company common stock represented by your proxy will be voted in accordance with the recommendations of the Company board, which, as of the date of this proxy statement, are **FOR** the merger proposal, **FOR** the compensation proposal and **FOR** the adjournment proposal.

### ***Deadline to Vote by Proxy***

Please refer to the instructions on your proxy card or voting instruction card to determine the deadlines for submitting your proxy over the Internet or by telephone. If you choose to submit a proxy by mailing a proxy card, your proxy card should be mailed in the enclosed postage-paid return envelope and must be received by our Corporate Secretary by 5:00 p.m., central time, on February 28, 2019.

### ***Revocation of Proxy***

If you are a shareholder of record of shares of Company common stock, you may revoke a proxy by:

- (i) signing and returning a proxy card with a later date;
- (ii) voting by telephone or the Internet at a later time;
- (iii) attending the special meeting and voting in person. Attending the special meeting alone, without voting at the special meeting, will not be sufficient to revoke your proxy;
- (iv) delivering written notice of revocation to the Company's Corporate Secretary at 425 North Martingale Road, Suite 1000, Schaumburg, Illinois 60173, which must be filed with the Corporate Secretary by 5:00 p.m., central time, on February 28, 2019.

If you are a street name holder of shares of Company common stock, you may change your vote by submitting new voting instructions to your bank, broker or other holder of record or obtaining a legal proxy and voting in person at the special meeting. You must contact the record holder of your shares to obtain instructions as to how to change your

proxy vote.

If you hold your shares of Company common stock in the 401(k) Plan, you should contact the plan trustee, Merrill Lynch, to obtain instructions as to how to change your proxy vote.

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**Adjournments and Postponements**

Although it is not currently expected, the special meeting may be adjourned or postponed for the purpose of soliciting additional proxies if there are insufficient votes at the time of the special meeting to approve the merger proposal. In the event that there is present, in person or by proxy, sufficient favorable voting power to secure the vote of the Company shareholders necessary to approve the merger proposal, the Company does not anticipate that it will adjourn or postpone the special meeting, unless it is advised by counsel that such adjournment or postponement is necessary under applicable law to allow additional time for any disclosure. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow the Company shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

**Solicitation of Proxies**

The Company is soliciting your proxy in conjunction with the merger. The Company will bear the cost of soliciting proxies from you. In addition to solicitation of proxies by mail, the Company will request that banks, brokers and other holders of record send proxies and proxy materials to the beneficial owners of Company common stock and secure their voting instructions. The Company has also made arrangements with Morrow Sodali LLC to assist it in soliciting proxies and has agreed to pay Morrow Sodali LLC approximately \$20,000 plus reasonable expenses for these services.

**Questions and Additional Information**

If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please contact Sparton Corporation, Attn: Shareholders Relations Department, 425 North Martingale Road, Suite 1000, Schaumburg, Illinois 60173, or by telephone at 847-762-5800, or the Company's proxy solicitor:

Morrow Sodali LLC

470 West Avenue 3rd floor

Stamford, CT 06902

Banks and Brokerage Firms Call: (203) 658-9400

Shareholders Call Toll Free: (800) 662-5200

Email: [spa.info@morrrowsodali.com](mailto:spa.info@morrrowsodali.com)

If you hold your shares in street name through a bank, broker or other holder of record, please also contact your bank, broker or other holder of record for additional information.

If you hold your shares in the 401(k) Plan, please also contact the plan trustee, Merrill Lynch, for additional information.

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**THE MERGER**

*This discussion of the merger is qualified in its entirety by reference to the merger agreement, which is attached to this proxy statement as **Annex A**. You should read the entire merger agreement carefully as it is the legal document that governs the merger.*

**Terms of the Merger**

The Company board has unanimously approved the merger agreement and the execution, delivery and performance of the merger agreement and the transactions contemplated by the merger agreement, including the merger. Upon the terms and subject to the conditions set forth in the merger agreement, Merger Sub, a wholly owned subsidiary of Parent, will merge with and into the Company, so that the Company will be the surviving corporation in the merger and a wholly owned subsidiary of Parent. Upon the consummation of the merger, the separate corporate existence of Merger Sub will cease.

At the effective time, each share of Company common stock issued and outstanding immediately prior to the effective time (except for excluded shares) will be converted into the right to receive the merger consideration. For a discussion of the treatment of awards outstanding under the Company stock plans as of the effective time, see *The Merger Agreement Treatment of Company Equity Awards*.

The Company shareholders are being asked to adopt the merger agreement. See *The Merger Agreement* for additional and more detailed information regarding the legal documents that govern the merger, including information about conditions to the consummation of the merger and provisions for terminating or amending the merger agreement.

**Background of the Merger**

*Set forth below is a description of what we believe are the material aspects of the background and history of the merger. This description may not contain all the information that is important to you. The Company encourages you to read carefully the entirety of this proxy statement, including the merger agreement attached as **Annex A** to this proxy statement, for a more complete understanding of the merger.*

*This description begins in August 2015 with the Company's exploration of strategic alternatives that led to a process in which the Company was marketed to potential acquirers and covers the background and history of the various events following that time and leading to the signing of the merger agreement, including, among other things, the signing and termination of a merger agreement (which we refer to as the *Ultra merger agreement*) with Ultra Electronics Holdings plc (which we refer to as *Ultra*). The section below entitled *Initial Exploration of Strategic Alternatives; Transaction with Ultra*, which covers the start of such process until the signing of the *Ultra merger agreement*, is substantially identical to the section entitled *Background of the Merger* contained in the proxy statement filed by the Company in connection with the proposed merger with Ultra. For the background and history relating to the merger that arose following the signing of the *Ultra merger agreement*, please see the section below entitled *Developments Following Execution of Ultra Merger Agreement*, beginning on page 59.*

The Company board and Company management regularly review and assess the Company's business strategies and objectives, and the Company board regularly reviews and discusses the Company's performance, risks and opportunities, all with the goal of enhancing value for the Company's shareholders.

***Initial Exploration of Strategic Alternatives; Transaction with Ultra***

In August 2015, the Company board, with the assistance of Company management, reviewed the status and performance of the Company's previously announced strategic growth plan for 2015 through 2020 (which we

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refer to as the 2020 Vision ) and, as a part of such review, considered the possibility of potential strategic and financial alternatives that might be available to the Company. As part of its review of the 2020 Vision, the Company board heard presentations from two nationally-recognized middle market investment banks regarding the 2020 Vision and the Company's strategic alternatives. Neither investment bank had been retained by the Company to perform a review of the Company's strategic alternatives and the investment banks based their analyses solely on publicly available information.

On September 2, 2015, the Company board held a telephonic meeting at which, as a result of its review of the 2020 Vision and in light of the possibility that Cary B. Wood, the President and Chief Executive Officer of the Company at such time, might have an interest in partnering with a potential financial buyer of the Company, the Company board created a special committee of independent directors of the Company board (which we refer to as the special committee ). The Company board designated Joseph J. Hartnett, the Chairman of the Company board at such time, and directors James D. Fast, Charles R. Kummeth, David P. Molfenter, James R. Swartwout and Frank A. Wilson as the members of the special committee. The special committee was delegated the power of the Company board to, among other things, review the Company's strategic alternatives and make a recommendation to the Company board regarding the Company's strategic alternatives. The special committee was authorized to retain its own advisors, including financial advisors and legal counsel, to assist it in discharging its duties.

From September 2, 2015 through September 11, 2015, after seeking the input of the members of the special committee, Mr. Hartnett and Mr. Swartwout researched and reviewed and interviewed representatives of various law firms to identify potential legal counsel to be retained by the special committee to assist it in discharging its duties.

On September 18, 2015, the special committee held a telephonic meeting. Upon the recommendation of Messrs. Hartnett and Swartwout, the special committee voted to retain Mayer Brown LLP (which we refer to as Mayer Brown ) to serve as its legal counsel.

On September 22, 2015, the special committee held a telephonic meeting at which representatives of Mayer Brown were present. During the meeting, representatives of Mayer Brown discussed the responsibilities the special committee had been charged with by the Company board and reviewed with the members of the special committee their fiduciary duties under applicable law. In addition, representatives of Mayer Brown discussed expected next steps in the process, including the retention by the special committee of a financial advisor to assist the special committee in exploring strategic alternatives. In addition, representatives of Mayer Brown discussed considerations in addressing any potential actions by Mr. Wood and other members of the Company management team to seek third-party support for a potential proposal to acquire control of the Company.

On September 30, 2015, Mr. Wood delivered to the Company board a preliminary, non-binding proposal contemplating that he and Michael W. Osborne, Senior Vice President, Corporate Development of the Company at such time, and certain unspecified financial partners would acquire the Company at an unspecified cash price. The proposal was subject to, among other things, obtaining financing, completion of due diligence with results satisfactory to the financial partners in their sole discretion and negotiation of definitive transaction agreements.

On October 2, 2015, the special committee held a telephonic meeting at which representatives of Mayer Brown were present. During the meeting, a representative of Mayer Brown outlined the terms of the September 30, 2015 proposal sent by Mr. Wood and the special committee discussed the contents of a proposed letter to be sent by the special committee responding to Mr. Wood. Mr. Hartnett also updated the special committee on the process that he and Mr. Swartwout had been following to identify a list of potential financial advisors for the special committee's consideration, including an initial outreach process conducted by Mayer Brown to eight financial advisors on a no-names basis to gauge each financial advisor's interest in potentially representing the special committee to assist it in



exploring strategic alternatives and obtain background on each financial advisor's expertise and experience for such an assignment. The special committee directed Messrs. Hartnett and Swartwout to continue the process of identifying potential financial advisors to represent the special committee.

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On October 5, 2015, Mr. Hartnett, on behalf of the Company board and the special committee, sent to Mr. Wood a letter acknowledging receipt of Mr. Wood's proposal dated September 30, 2015 and stating that because the special committee had not yet authorized the exploration of an acquisition of the Company, the Company would not be moving forward to entertain Mr. Wood's proposal at that time. The letter went on to state that in the event that the special committee were to authorize an exploration of an acquisition of the Company, the special committee would notify Mr. Wood of such development. Ultimately, Mr. Wood never submitted another proposal to acquire the Company.

On November 4, 2015, the special committee held a meeting at the Company's corporate headquarters at which representatives of Mayer Brown were present. During the meeting, representatives of Mayer Brown discussed their observations regarding the joint venture agreement (which we refer to as the ERAPSCO agreement) between Sparton DeLeon Springs, LLC, a subsidiary of the Company (which we refer to as SDS) and UnderSea Sensor Systems, Inc., a subsidiary of Ultra (which we refer to as USSI) under which SDS and USSI are 50/50 partners in a joint venture (which we refer to as the ERAPSCO JV). The ERAPSCO JV allows SDS and USSI to combine their own unique and complementary backgrounds to jointly develop and produce U.S. derivative sonobuoy designs for the United States Navy (which we refer to as the Navy) as well as for foreign governments that meet Department of State licensing requirements. Representatives of Mayer Brown provided their views on, among other things, the provisions of the ERAPSCO agreement that restrict each party from certain transfers of their respective interests in the ERAPSCO JV, unless the party seeking to make such a transfer first offers the other party the opportunity to purchase such interest (which we refer to as the ERAPSCO transfer provisions). Mr. Hartnett also updated the special committee on the process that he and Mr. Swartwout had been following to identify a list of four financial advisors for the special committee to meet with and interview in-person in order to make a final selection of a financial advisor to advise the special committee. Mr. Hartnett described to the special committee the four financial advisors that he and Mr. Swartwout recommended for in-person meetings and, after discussion, the special committee approved their recommendation and directed Messrs. Hartnett and Swartwout to schedule in-person meetings with representatives of those financial advisors.

On November 18 and November 19, 2015, Messrs. Hartnett, Fast, Molfenter and Swartwout held in-person meetings in Rosemont, Illinois with representatives of each of the four financial advisors approved by the special committee. After discussion and consideration by Messrs. Hartnett, Fast, Molfenter and Swartwout, each of Wells Fargo Securities and a middle-market financial advisor (which we refer to as Financial Advisor A) were asked to submit a draft of a letter agreement pursuant to which it would be engaged to act as financial advisor to the special committee.

On November 30, 2015, Messrs. Hartnett, Fast, Molfenter and Swartwout conducted a conference call with representatives of Wells Fargo Securities to discuss Wells Fargo Securities' draft form of engagement letter and requested that Wells Fargo Securities submit a revised draft engagement letter reflecting their comments and discussion.

On December 1, 2015, the special committee held a telephonic meeting at which representatives of Mayer Brown were present. During the meeting, Mr. Hartnett updated the special committee on activities related to the search for and engagement of a financial advisor for the special committee. The special committee supported the selection of Wells Fargo Securities and Financial Advisor A for continued consideration and authorized Messrs. Hartnett, Fast, Molfenter and Swartwout to continue their evaluation, including the negotiation of an acceptable form of engagement letter with each of Wells Fargo Securities and Financial Advisor A, until they were prepared to recommend a financial advisor to the special committee and submit a draft engagement letter for the recommended financial advisor for approval of the special committee.

On December 2, 2015, Wells Fargo Securities submitted to the special committee a revised draft of its engagement letter.

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From December 3 through December 29, 2015, representatives of the Company, Wells Fargo Securities and Mayer Brown negotiated the terms of Wells Fargo Securities' engagement letter to act as financial advisor to the special committee. During this period, Mr. Hartnett provided periodic updates to the special committee on the progress of the negotiations of the Wells Fargo Securities engagement letter and the engagement letter for Financial Advisor A, a revised draft of which was received on December 7, 2015.

On December 14, 2015, in light of the possibility that the special committee might retain Wells Fargo Securities to serve as its financial advisor, Mayer Brown sent to Mr. Hartnett a waiver letter containing an acknowledgement by the special committee that Mayer Brown has represented, and continues to represent, Wells Fargo Securities and its affiliates with respect to matters other than its representation of the special committee and the letter provided that the special committee consents to Mayer Brown continuing to represent the special committee, notwithstanding such representations of Wells Fargo Securities and its affiliates.

On December 29, 2015, on the recommendation of Messrs. Hartnett, Fast, Molfenter and Swartwout, the special committee approved the retention of Wells Fargo Securities to serve as its financial advisor to assist the special committee in exploring strategic alternatives and authorized Mr. Hartnett to execute the Wells Fargo Securities engagement letter that had been negotiated.

On December 31, 2015, the special committee, Wells Fargo Securities and the Company executed the Wells Fargo Securities engagement letter.

On January 5, 2016, representatives of Wells Fargo Securities attended a management presentation at the Company's corporate headquarters. During the presentation, senior management of the Company reported on the state of the Company's business and strategy, including the 2020 Vision and key value drivers the Company was pursuing.

On January 8, 2016, the special committee held a telephonic meeting at which representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, representatives of Wells Fargo Securities reviewed and discussed the Company's business plan and strategy with the special committee. In addition, the representatives of Wells Fargo Securities reviewed and discussed with the special committee a preliminary list of companies that might potentially be interested in acquiring one or more of the Company's operations in the event that the Company were to consider divesting part or all of its operations in the future. In addition, the special committee approved the waiver letter that Mayer Brown had sent Mr. Hartnett on December 14, 2015 and directed Mr. Hartnett to execute such waiver letter.

On January 10, 2016, Mr. Kummeth received a telephone call from a representative of a middle market private equity fund focused on the healthcare industry (which we refer to as Party A) inquiring about a potential go-private acquisition of the Company.

On January 13, 2016, Mr. Kummeth received a follow-up email from the representative of Party A that had contacted him on January 10, 2016 reiterating Party A's interest in discussing a potential go-private acquisition transaction of the Company. In connection with such inquiry, Mr. Kummeth directed the representative of Party A to contact Mr. Hartnett, as chairman of the Company board. The representative of Party A contacted Mr. Hartnett by email later that day to express Party A's interest in discussing a potential go-private acquisition of the Company.

On January 18, 2016, Mr. Hartnett responded by email to the representative of Party A that had sent him the email expressing Party A's interest in discussing a potential go-private transaction of the Company. In his response, Mr. Hartnett thanked the representative of Party A for his email and indicated that the Company board continues to focus on the best path forward for creating value for the Company's shareholders and that if there is an appropriate

time for such a conversation with his organization, the Company board would keep Party A in mind.

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On January 28, 2016, the special committee held a telephonic meeting at which representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, Messrs. Kummeth and Hartnett reported to the special committee their communications with the representative of Party A. The special committee also discussed the process for having Company management produce a five-year forecast that Wells Fargo Securities could use for purposes of assisting the special committee in evaluating strategic alternatives. The special committee decided that such forecast would be subject to the review of the special committee and would not be authorized for use by Wells Fargo Securities unless and until approved by the special committee.

On February 5, 2016, Mr. Wood resigned as the President and Chief Executive Officer of the Company and as a member of the Company board, effective as of such date and Mr. Osborne left the Company, also effective as of such date. Also on February 5, 2016, the Company board appointed Mr. Hartnett as interim President and Chief Executive Officer of the Company and Mr. Hartnett resigned as Chairman of the Company board and as a member of the audit committee of the Company board but remained on the Company board as a director and as a member of the special committee. Finally, on February 5, 2016, the Company board appointed Mr. Swartwout to serve as Chairman of the Company board.

On February 8, 2016, Rakesh Sharma, Chief Executive of Ultra, contacted Mr. Swartwout by telephone. During the call, Mr. Sharma expressed an interest in a potential acquisition of the Company's sonobuoy business. Mr. Swartwout and Mr. Sharma discussed certain potential tax implications of such a transaction as well as matters relating to the Navy, ECP's largest customer. Mr. Swartwout concluded by telling Mr. Sharma that if the Company were to consider such a transaction, the Company would contact Mr. Sharma first.

On February 9, 2016, a representative of an aerospace and defense company contacted Mr. Hartnett by email regarding a potential strategic transaction with the Company. Mr. Hartnett responded to such representative by email in which he indicated that the Company board continues to focus on the best path forward for creating value for the Company's shareholders and that if there is an appropriate time for a conversation with his organization regarding a strategic transaction, the Company board would keep his organization in mind. Ultimately, this party did not execute a non-disclosure agreement with the Company or make a proposal to acquire the Company.

On March 8, 2016, the special committee held a meeting at the Company's corporate headquarters at which representatives of Wells Fargo Securities and Mayer Brown were present, as well as Joseph G. McCormack, Senior Vice President and Chief Financial Officer of the Company and other members of the Company's senior management. During the meeting, representatives of Wells Fargo Securities reviewed and discussed with the special committee the Company's historical financial performance, and the historical prices at which its common stock had traded. In addition, the special committee, with the assistance of representatives of Wells Fargo Securities, reviewed and discussed management's status quo financial forecast plan and the key considerations in evaluating the risks in achieving that plan. Also, representatives of Wells Fargo Securities provided preliminary financial analysis with respect to the Company and described certain strategic alternatives available to the Company, including continuing to execute management's status quo financial forecast plan, and certain execution and process considerations related thereto, and a possible acquisition of the Company or its business segments by one or more third parties. Upon the conclusion of those discussions, the representatives of Wells Fargo Securities and Mr. McCormack and other members of the Company's senior management left the meeting and the special committee adopted resolutions recommending to the Company board that the Company proceed to conduct a process (which we refer to as the marketing process) to identify parties interested in purchasing or engaging in a merger or other strategic transaction with (i) the Company, (ii) MDS or (iii) the Company as it would exist after a divestiture of MDS, and to identify and determine the price and other terms and conditions upon which any such parties would be willing to consummate any such transactions. The special committee also resolved to recommend to the Company board that the Company board establish a new committee (which we refer to as the process committee) comprised of Messrs. Hartnett, Molfenter and

Swartwout to conduct the marketing process. The process committee would be assisted and advised by Wells Fargo Securities and Mayer Brown. Such committee would have authority, among other things, to negotiate and execute non-disclosure,

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standstill and other preliminary agreements and to negotiate purchase agreements, merger agreements and other applicable definitive transaction agreements, except that the process committee would not have the power or authority to authorize the Company to enter into any sale or other business combination transaction or any agreement obligating the Company to consummate any such transaction. Finally, the special committee adopted a resolution to recommend to the Company board that the Company issue a press release announcing that the Company board is considering a range of strategic alternatives with the goal of identifying the best way to enhance shareholder value. Immediately following the adjournment of the meeting of the special committee, the Company board met and adopted resolutions implementing all of the special committee's recommendations. While not all members of the Company board were members of the process committee, meetings of the process committee were open to all members of the Company board that would like to attend, and often members of the Company board that were not members of the process committee attended meetings of the process committee.

On March 10, 2016, Engine Capital, L.P., Norwood Capital Partners, LP and certain of their respective affiliates (which we collectively refer to as the Engine Group) filed a Schedule 13D with the SEC disclosing, in the aggregate, ownership of approximately 6.9% of the outstanding shares of Company common stock. In its Schedule 13D, the Engine Group stated that it had entered into an agreement to, among other things, undertake a plan of action at the Company aimed at enhancing shareholder value, which plan may include, but not be limited to, proposals relating to the Company's operations, cost and capital allocation, strategic alternatives, the calling of special meetings, and/or reconstitution of the Company board.

On March 16, 2016, Mr. Swartwout contacted Mr. Sharma to inform him that later that day the Company would be issuing a press release announcing that the Company board had been exploring strategic alternatives, with the goal of identifying the best way to enhance shareholder value. Mr. Swartwout also told Mr. Sharma that the Company would like to begin discussions with Ultra in connection with a potential transaction and would like to provide confidential information to Ultra to facilitate those discussions. To that end, Mr. Sharma requested that the Company send to Ultra a draft of a non-disclosure agreement under which the Company would provide certain non-public information to Ultra to facilitate Ultra in making an acquisition proposal.

Later on March 16, 2016, the Company issued a press release announcing that the Company board had been exploring strategic alternatives, with the goal of identifying the best way to enhance shareholder value. The press release stated that Wells Fargo Securities had been retained as financial advisor and that Mayer Brown had been retained as legal advisor to assist in the process.

On March 17, 2016, at the request of the Company board, representatives of Wells Fargo Securities called representatives of Ultra to discuss exploring strategic alternatives with Ultra. During the call, as authorized by the Company board, the representatives of Wells Fargo Securities informed Ultra that a sale of ECP to Ultra might not be financially attractive to the Company, given the potential tax impact on the Company that would result from such a transaction. As directed by the Company board, the representatives of Wells Fargo Securities emphasized that the more straightforward course of action would be an acquisition of the Company in its entirety by Ultra, but the Company board was open to considering other alternatives if superior value could be achieved for the Company's shareholders.

On March 18, 2016, the process committee held a telephonic meeting. During the meeting, the process committee reviewed and discussed a proposed preparation and marketing timeline, including the assembling of documents for the data room, the preparation of a carve-out audited financial statement for MDS and the preparation of a quality of earnings analysis that would present ECP and MDS as standalone businesses and address corporate costs.



On March 28, 2016, the process committee held a telephonic meeting during which it reviewed and approved a proposal from a nationally recognized accounting and advisory firm to perform a quality of earnings report for the Company and its subsidiaries and a proposal for the Company's outside auditors to prepare audited carve-out financial statements for MDS.

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On April 1, 2016, the process committee held a telephonic meeting during which it reviewed the progress of the preparation of the quality of earnings report for the Company and its subsidiaries and preparation of the audited carve-out financial statements for MDS.

On April 18, 2016, the process committee held a telephonic meeting during which it reviewed and approved certain proposed changes to the latest draft of the non-disclosure agreement received from Ultra and reviewed and discussed an updated timeline for the marketing process.

On April 22, 2016, as requested by the process committee, representatives of Wells Fargo Securities called representatives of Ultra to discuss the possibility of Ultra proposing to acquire the Company and the Company board's process of exploring strategic alternatives. During the call, a representative of Ultra stated that Ultra was not interested in acquiring MDS, but that Ultra would be open to considering an acquisition of the entire Company.

On April 27, 2016, the Company issued a press release announcing that as part of its previously announced exploration of strategic alternatives, the Company board had authorized Wells Fargo Securities to conduct a process to identify parties interested in acquiring the entire Company.

On April 28, 2016, the Company board held a meeting at its corporate headquarters at which representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, representatives of Wells Fargo Securities updated the Company board on the status of the marketing process. The representatives of Wells Fargo Securities noted that Baker Tilly Virchow Krause, LLP had commenced work on a quality of earnings report for the Company and its subsidiaries. Representatives of Wells Fargo Securities also discussed the status of the five-quarter forecast and five-year projections being prepared by Company management as well as the current status of the confidential information package regarding the Company to be used in the initial stage of the marketing process. Wells Fargo Securities also reviewed and discussed the 15 potential strategic buyers and 20 potential financial buyers that had to date reached out to Wells Fargo Securities to express an interest in a potential strategic transaction with the Company.

On May 4, 2016, the Company announced that it had entered into an agreement with the Engine Group pursuant to which Alan L. Bazaar and John A. Janitz were appointed to the Company board. Under the agreement, the Engine Group agreed, among other things, to vote its Company shares in support of all of the Company's director nominees, including both Messrs. Bazaar and Janitz, at the Company's 2016 annual meeting of shareholders and to abide by customary standstill provisions until January 1, 2017. In addition, under the terms of the agreement, Mr. Janitz and Mr. Bazaar were each appointed to the process committee and the special committee, among other committee appointments.

On May 9, 2016, Ultra Electronics Limited, a subsidiary of Ultra, and the Company entered into a non-disclosure agreement.

On May 11, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of preparations for the marketing process and the timeline for the marketing process. After discussion, the process committee authorized Wells Fargo Securities to contact the 82 potential strategic buyers, including Ultra, that Wells Fargo Securities had identified to the process committee regarding a potential strategic transaction with the Company and to send interested parties a form of non-disclosure agreement approved by the process committee so that the Company could provide certain non-public information to interested parties to facilitate their making of acquisition proposals. In addition, a sub-committee comprised of Mr. Hartnett and Mr. Swartwout was formed to oversee and administer, with the advice of counsel, the negotiation and execution of non-disclosure agreements with potential buyers. The form of non-disclosure agreement approved by the process committee

contained customary provisions, including standstill provisions that, for a period of eighteen months, prohibit the counterparty, without the prior written

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consent of the Company board, from participating in a proposal for the Company either publicly or privately or from asking the Company to amend or waive such standstill provisions (often referred to as a "don't ask, don't waive" provision), except that the counterparty may ask the Company to amend or waive the standstill provisions (i) after the Company enters into a definitive agreement with respect to (or has recommended that Company shareholders accept or approve) a transaction involving the acquisition of all or a majority of the Company's outstanding equity securities or all or substantially all of the Company's assets and (ii) in order to make a proposal for the Company to the Company board on a confidential basis.

From May 2016 through July 2016, representatives of Wells Fargo Securities contacted the 81 potential strategic buyers, other than Ultra, which had already been contacted, and sent the process committee-approved form of non-disclosure agreement to the 46 strategic buyers that expressed an interest in exploring a strategic transaction with the Company.

On June 3, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities provided an update on the status of the confidential information package regarding the Company and its businesses (which we refer to as the "CIP"), the status of the strategic buyer outreach process authorized by the process committee and the timeline for the marketing process. After discussion, the process committee authorized Wells Fargo Securities to contact the 98 potential financial buyers that Wells Fargo Securities had identified to the process committee regarding a potential strategic transaction with the Company and to send any interested parties the process committee-approved form of non-disclosure agreement so that the Company could provide certain non-public information to interested parties to facilitate their making of acquisition proposals.

From June 2016 through July 2016, representatives of Wells Fargo Securities contacted the 98 potential financial buyers and sent the process committee-approved form of non-disclosure agreement to the 61 financial buyers that expressed an interest in exploring a strategic transaction with the Company.

On June 10, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. At the meeting, the process committee approved the final form of the CIP to be distributed to all prospective buyers that had executed a non-disclosure agreement with the Company.

On June 14, 2016, Mr. Hartnett attended the regularly scheduled meeting of the board of directors of the ERAPSCO JV at USSI's offices in Columbia City, Indiana. Following the meeting, representatives of Ultra met with Mr. Hartnett and inquired about the Company board's process of exploring strategic alternatives. Mr. Hartnett told the representatives of Ultra that Wells Fargo Securities would contact Ultra soon about participating in the marketing process. Representatives of Ultra inquired as to whether the marketing process only contemplated the Company board pursuing a sale of the entire Company, to which Mr. Hartnett responded that the Company board was committed to considering all potential transactions that might create value for the Company shareholders. Finally, a representative of Ultra stated that Ultra would expect that the Company would comply with the ERAPSCO transfer provisions as part of the marketing process. Mr. Hartnett responded that it was not clear at this stage of the marketing process whether the ERAPSCO transfer provisions would apply to any transaction the Company board might select to pursue but that in any event the Company would comply with all of its obligations under the ERAPSCO agreement.

On June 17, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process and reported that to date 19 strategic buyers and 15 financial buyers had executed non-disclosure agreements and received the CIP. In addition, at the meeting, the

process committee approved the form of the letter (which we refer to as the IOI letter ) to solicit initial indications of interest from potential buyers of ECP, MDS or the entire Company. The process committee authorized Wells Fargo Securities to send the approved form of letter to solicit initial

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indications of interest from potential buyers of ECP, MDS or the entire Company to interested parties with a requested deadline for submissions of initial indications of interest due July 12, 2016.

During the week of June 20, 2016, as instructed, Wells Fargo Securities sent an IOI letter to all potential buyers that received the CIP and had not indicated that they were no longer interested in participating in the marketing process.

On June 24, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Mayer Brown were present. During the meeting, the process committee discussed information provided by Wells Fargo Securities on the status of the marketing process including that, to date, 21 strategic buyers and 28 financial buyers had executed non-disclosure agreements and received the CIP.

On June 29, 2016, the Company board held a meeting at the Company's corporate headquarters at which representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, representatives of Wells Fargo Securities updated the Company board on the status of the marketing process and reported that to date, 83 strategic buyers and 101 financial buyers had been contacted, with 21 strategic buyers and 30 financial buyers executing non-disclosure agreements and receiving the CIP and IOI letter. In addition, 28 potential buyers were still negotiating non-disclosure agreements as of such date. In addition, during the meeting, the Company board discussed the advantages and disadvantages of four potential strategic alternative scenarios: (i) a buyer acquiring the entire Company, (ii) a buyer acquiring the entire Company and thereafter the buyer selling one of the Company's business segments to a second buyer, (iii) a buyer acquiring one of the Company's business segments and a second buyer then acquiring the Company, which would own the remaining business segment, with both transactions closing substantially simultaneously and (iv) a buyer acquiring one of the Company's business segments and at a later time a second buyer acquiring the Company, which would own the remaining business segment. Finally, the Company board noted and considered that since Mr. Wood's resignation on February 5, 2016, the membership of the Company board and the membership of the special committee were the same and that the responsibilities of special committee were, in effect, being discharged by the Company board. In light of such facts, the Company board adopted resolutions formally rendering the special committee inactive, but not dissolving the special committee so that it would be available in the future in the event the special committee needed to be reactivated later in the marketing process. The resolutions adopted by the Company board also charged the Company board with carrying out the duties previously delegated to the special committee, with Wells Fargo Securities and Mayer Brown to serve as advisors to the Company board, which arrangements were subsequently memorialized in amendments to such advisors' respective engagement letters.

On July 8, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process and reported that to date 23 strategic buyers and 50 financial buyers had executed non-disclosure agreements and received the CIP, with 18 strategic buyers and 44 financial buyers continuing to participate in or not having affirmatively withdrawn from the marketing process.

On July 12, 2016, Wells Fargo Securities received initial indications of interest from seven strategic buyers, including Ultra, and 14 financial buyers. Nine of the initial indications of interest contained a proposal to acquire the entire Company, with indicative prices ranging from \$18.00 to \$28.00 per share of Company common stock. Six of the initial indications of interest contained a proposal to acquire ECP, with indicative prices ranging from \$220 million to \$275 million, on a cash-free, debt-free basis. Eight of the initial indications of interest contained a proposal to acquire MDS, with prices ranging from \$90 million to \$150 million, on a cash-free, debt-free basis. Ultra's initial indication of interest contained a proposal to acquire the entire Company for \$21.00 per share of Company common stock, which attributed a value of \$60 million, on a cash-free, debt-free basis, to MDS and a value of \$270 million, on a cash-free, debt-free basis, to ECP. In its initial indication of interest, Ultra also expressed a willingness to work with a potential

buyer of MDS that had a higher valuation for MDS, if such a joint bid would result in a proposal that would be more attractive to the Company than Ultra's proposal. Among

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the initial indications of interest submitted, a non-U.S.-based manufacturer of defense products (which we refer to as Party B ) submitted a proposal to acquire the entire Company at a price range of \$26.00 to \$28.00 per share of Company common stock. Party B 's indication of interest also contained a proposal to acquire ECP for \$250 million, on a cash-free, debt-free basis. Among the initial indications of interest submitted, an indication of interest was also submitted by a financial buyer (which we refer to as Party C ) to acquire the entire Company at a price range of \$25.00 to \$28.00 per share of Company common stock. Party A did not submit an initial indication of interest.

On July 15, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities reviewed and discussed its preliminary financial analyses with respect to the Company and its two business segments. In addition, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process and provided a summary of the financial terms of the initial indications of interest received on July 12, 2016. Mr. McCormack also described for the process committee the tax basis analysis of the Company that had recently been completed. The tax basis analysis indicated that, given the Company 's low tax basis in ECP, a sale of ECP would result in significant tax liability to the Company. After a review and discussion with the assistance of representatives of Wells Fargo Securities, the process committee directed that the 13 potential buyers, including Ultra, that had proposed the highest values be invited to participate in the next stage of the marketing process, which would include management presentations.

On July 20, 2016, Wells Fargo Securities received an initial indication of interest from a strategic buyer to acquire ECP for \$300 million, on a cash-free, debt-free basis.

On July 22, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including the schedule for management presentations to the potential buyers invited to participate in the next stage of the process. In addition, the process committee approved the potential buyer that submitted its initial indication of interest on July 20, 2016 for advancement to the next stage of the marketing process.

On July 23, 2016, Wells Fargo Securities received an initial indication of interest from a strategic buyer to acquire ECP for \$320 million, on a cash-free, debt-free basis. The strategic buyer was invited to advance to the next stage of the marketing process.

On July 25, 2016, at the Company 's corporate headquarters, Mr. Hartnett and other members of Company management gave a management presentation to Ultra regarding the Company, its business segments and operations and its historical and projected financial performance.

From July 26, 2016 through August 12, 2016, Mr. Hartnett and other senior management of the Company gave 14 management presentations at the Company 's corporate headquarters to the other potential buyers that advanced to the next stage of the process.

On July 28, 2016, Wells Fargo Securities received a revised initial indication of interest from a strategic buyer that had not been invited to advance to the next stage in the marketing process. The strategic buyer 's revised proposal was to acquire ECP following the sale of MDS for \$325 million on a debt-free basis. The strategic buyer was invited to advance to the next stage of the marketing process.

On July 29, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities



updated the process committee on the status of the marketing process, including the schedule for management presentations to the potential buyers invited to participate in the next stage of the process.

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During the week of August 8, 2016, the 15 potential buyers still participating in the marketing process were granted access to limited due diligence materials regarding the Company and its businesses via an online virtual data room.

On August 12, 2016, Wells Fargo Securities sent to the 15 potential buyers still participating in the marketing process a letter requesting the submission by August 19, 2016 of revised indications of interests to acquire the entire Company or one of its business segments.

On August 19, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including with respect to the expected submission later in the day of revised indications of interest from the potential buyers participating in the marketing process.

On August 22, 2016, Mr. Hartnett spoke to Mr. Sharma by telephone regarding Ultra's participation in the current stage of the marketing process and the next stages in the process.

From August 19 through August 23, 2016, Wells Fargo Securities received revised indications of interest from four strategic buyers, including Ultra, and seven financial buyers. Six of the revised indications of interest contained a proposal to acquire the entire Company, with prices ranging from \$19.50 to \$28.00 per share of Company common stock. Four of the revised indications of interest contained a proposal to acquire ECP, with prices ranging from \$235 million on a cash-free, debt-free basis to \$325 million, on a debt-free basis, which proposal was structured as an acquisition of the Company following a pre-closing divestiture of MDS. Two of the revised indications of interest contained a proposal to acquire MDS, with prices ranging from \$92.5 million to \$120 million, on a cash-free, debt-free basis. Ultra's revised indication of interest contained a proposal to acquire the entire Company at a price of \$26.00 per share of Company common stock, contingent upon a sale of MDS for \$145 million. To the extent the sale price for MDS would be higher or lower than \$145 million, the per share purchase price would be adjusted accordingly to account for the change in the Company's implied enterprise value. Ultra also stated in its revised indication of interest that it reserved its rights under the ERAPSCO transfer provisions. Among the revised indications of interest submitted, Party B submitted a proposal to acquire the entire Company at a price range of \$26.00 to \$28.00 per share of Company common stock. Party B's revised indication of interest also contained a proposal to acquire the Company's ECP business segment for \$250 million, on a cash-free, debt-free basis. Also, among the revised initial indications of interest submitted, Party C submitted a proposal to acquire the entire Company at a price of \$26.00 per share of Company common stock.

On August 24, 2016, the Company board held a meeting at its offices at which representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities reviewed and discussed its preliminary financial analyses with respect to the Company and its two business segments. In addition, a representative of Wells Fargo Securities provided a summary of the revised indications of interest received from August 19, 2016 through August 23, 2016. The Company board discussed the revised indications of interest and noted, among other things, that Ultra's revised indication of interest reflected a valuation of ECP that was \$90 million lower than the highest revised indication of interest for that business segment and a valuation of MDS that was approximately \$25 million higher than any other revised indication of interest for that business segment. Wells Fargo Securities also discussed with the Company board the upcoming stages of the marketing process for the parties that continued participating in the process, which would include access for potential buyers to an online virtual data room containing more complete information than that provided to date as well as submission by potential buyers of mark-ups of drafts of definitive transaction documents.

Later in the day on August 24, 2016, Wells Fargo Securities received a revised indication of interest for the acquisition of ECP for a price ranging from \$200 million to \$220 million, on a cash-free, debt-free basis.

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On August 25, 2016, Mr. Hartnett spoke to Mr. Sharma by telephone. Mr. Hartnett told Mr. Sharma that based on the revised indications of interest that had been received, Ultra's revised indication of interest reflected a valuation of ECP that was \$90 million lower than the highest revised indication of interest for that business segment and a valuation of MDS that was approximately \$25 million higher than that from any other revised indication of interest for that business segment. Mr. Hartnett encouraged Mr. Sharma to have Ultra raise its price to top all other potential buyers and requested that, if the Company decided to pursue an acquisition of the entire Company by another potential buyer, Ultra commit to work as a cooperative joint venture partner with that potential buyer after completion of the transaction. Mr. Sharma responded that Ultra would further consider its most recent indication of interest and would consider submitting a revised indication of interest in the coming days.

On August 30, 2016, Wells Fargo Securities received a revised indication of interest for the acquisition of MDS for \$100 million, on a cash-free, debt-free basis.

On September 1, 2016, Ultra submitted to Wells Fargo Securities a revised indication of interest letter. Ultra's revised indication of interest contained a proposal to acquire the entire Company at a price of \$27.00 per share of Company common stock, contingent upon a sale of MDS for \$125 million. To the extent the sale price for MDS would be higher or lower than \$125 million, the per share purchase price would be adjusted accordingly to account for the change in the Company's implied enterprise value. Ultra also stated in its revised indication of interest that it reserved its rights under the ERAPSCO transfer provisions.

On September 2, 2016, the process committee held a telephonic meeting at which representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the revised indications of interest received since the meeting of the Company board on August 24, 2016, including the revised indication of interest received from Ultra on September 1, 2016. After review and discussion with the assistance of representatives of Wells Fargo Securities, the process committee directed that the ten potential buyers, including Ultra, that had proposed the highest values be invited to participate in the next stage of the marketing process.

On September 7, 2016, as directed by the process committee Wells Fargo Securities sent to each of those potential buyers, including Ultra, a process letter that had been approved by the process committee requesting final proposals to acquire the entire Company or one of its business segments by October 7, 2016. The process letters indicated that for potential buyers that would be making proposals to acquire the entire Company or ECP, a form of merger agreement would be sent to them prior to October 7, 2016 for their review and comment and for potential buyers that would be making proposals for MDS, an indicative term sheet setting forth the material terms of an MDS acquisition would be sent to them prior to October 7, 2016 for their review and comment.

On September 12, 2016, a representative of Wells Fargo Securities spoke by telephone with a representative of RBC Capital Markets (which we refer to as "RBC"), a financial advisor to Ultra, regarding the due diligence process. As directed by the process committee, the representatives of Wells Fargo Securities provided RBC with certain information provided by the Company regarding the Company's corporate cost structure and the likely liabilities that would remain in the Company if the Company were to divest MDS. The representative of RBC informed the representatives of Wells Fargo Securities that Ultra and the Company appeared to have different views on the applicability of the ERAPSCO transfer provisions to the marketing process and that it would be useful for Mr. Hartnett and Mr. Sharma to discuss this matter.

Also on September 12, 2016, additional due diligence materials were made available in the online virtual data room for each of the potential buyers that continued to participate in the process.

On September 13, 2016, Mr. Sharma sent Mr. Hartnett an email indicating that Ultra could not justify spending millions of dollars on due diligence expenses if it did not have exclusivity with the Company regarding a potential strategic transaction and that given the different views of the Company and Ultra as to the applicability

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of the ERAPSCO transfer provisions to the marketing process, he would like to discuss the issue with Mr. Hartnett by telephone.

On September 14, 2016, Mr. Hartnett spoke with Mr. Sharma by telephone. They discussed the current state of the marketing process, including the fact that other potential buyers were offering higher value than Ultra for a strategic transaction, and their different views as to the applicability of the ERAPSCO transfer provisions to the marketing process. Mr. Hartnett and Mr. Sharma agreed that they would meet, together with their respective financial advisors, in Boston on September 19, 2016 to seek a resolution to the issue relating to the ERAPSCO transfer provisions.

On September 16, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including requests from certain buyers for additional information and site visits at the Company's facilities. The process committee also discussed issues relating to Mr. Hartnett's upcoming meeting on September 19, 2016 in Boston with Mr. Sharma and representatives of the Company's and Ultra's respective financial advisors.

On September 19, 2016, Mr. Hartnett and Mr. Sharma met in Boston, together with representatives of their respective financial advisors. During the meeting, Mr. Hartnett told Mr. Sharma that a sale of the entire Company was the most likely strategic transaction that would result from the marketing process. Mr. Sharma indicated Ultra's strong preference that Ultra would only acquire the Company following a sale of MDS or, alternatively, that the Company sell MDS to a buyer and otherwise remain a public company. Mr. Sharma also requested exclusivity in order to remain in the marketing process, to which Mr. Hartnett responded that exclusivity for Ultra was not justified at this time, given the value Ultra had indicated it would be prepared to offer relative to other potential buyers. Mr. Hartnett and Mr. Sharma discussed their respective views on the applicability of the ERAPSCO transfer provisions to the marketing process. Mr. Hartnett indicated to Mr. Sharma that if the Company were to pursue a transaction for the Company or ECP to be acquired by a potential buyer other than Ultra, the Company would provide an opportunity for representatives of Ultra to meet with representatives of such potential buyer prior to the Company entering into a definitive transaction agreement with such potential buyer. Mr. Hartnett and Mr. Sharma agreed that they should consider amending the ERAPSCO agreement to clarify the application of the ERAPSCO transfer provisions to circumstances such as the marketing process, as well as modify other commercial points relating to issues that had arisen in the ERAPSCO JV since the last time the ERAPSCO agreement was amended. Although the Company and Ultra and their respective advisors subsequently negotiated a draft of an amendment of the ERAPSCO agreement, no such amendment or other agreement regarding the applicability of the ERAPSCO transfer provisions was ever executed by the Company, Ultra or their respective subsidiaries.

On September 21, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, Mr. Hartnett, with the assistance of a representative of Wells Fargo Securities summarized for the process committee the matters discussed at the meeting with representatives of Ultra and its financial advisor that they attended in Boston on September 19, 2016, including with respect to working with Ultra and its representatives to amend the ERAPSCO agreement.

On September 21, 2016, as directed by the process committee, Wells Fargo Securities sent to potential buyers that would be making proposals to acquire the entire Company or ECP, including Ultra, a form of merger agreement, which had been prepared by Mayer Brown and approved by the process committee, for their review and comment to be included in their proposals that were due on October 7, 2016. The draft proposed, among other things, (i) a "hell or high water" provision that required the proposed buyer to take any and all actions necessary to obtain antitrust approval for the merger (including offering and agreeing to divestitures with respect to its existing business or the Company's business and/or litigating to resist or eliminate any order seeking to delay or prohibit the merger), (ii) a termination fee

of 2% of the equity value of the transaction, (iii) a right for

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the Company board to change its recommendation that the Company shareholders vote to adopt the merger agreement (even in the absence of a superior proposal) if the Company board determined in good faith, after consulting with its outside legal counsel, that the failure to do so would be inconsistent with the directors' fiduciary duties to shareholders. The draft did not condition the closing of the merger on the parties obtaining any regulatory approval, other than clearance under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (which we refer to as the HSR Act ), or on the potential buyer obtaining financing.

On September 30, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including that several potential buyers continued to appear to be actively conducting due diligence, with Ultra and Party B appearing the most active to date. In addition, two bidders, including Party C, informed Wells Fargo Securities that they were no longer going to participate in the marketing process, while three other potential buyers appeared to only be performing limited due diligence.

On September 30, 2016, as directed by the process committee, Wells Fargo Securities sent to potential buyers, that would be making proposals to acquire MDS, an indicative term sheet, which had been prepared by Mayer Brown and approved by the process committee, setting forth the material terms of an MDS acquisition for their review and comment to be included in their proposals that were due on October 7, 2016. The indicative term sheet provided for, among other things, (i) a transaction for the sale of MDS that would close immediately prior to the consummation of a merger transaction pursuant to which another potential buyer would acquire the Company, (ii) a cash purchase price for MDS on a cash-free, debt-free basis, (iii) certain transition services and supply arrangements to be entered into with the Company, (iv) approval of the transaction by the Company shareholders and (v) the potential buyer to obtain representation and warranty insurance to provide coverage for claims relating to a breach of representation or warranty by the Company or any of its subsidiaries, with no liability of the Company or its subsidiaries for such claims. The indicative term sheet did not condition the closing of the transaction on the parties obtaining any regulatory approval other than clearance under the HSR Act or on the potential buyer obtaining financing.

On October 7, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including that Party C had re-engaged in the marketing process and was expected to submit a proposal on October 7, 2016.

From October 7, 2016 through October 10, 2016, Wells Fargo Securities received revised indications of interest from three potential buyers, including Party C. Two of the revised indications of interest contained proposals to acquire the entire Company and one revised indication of interest contained a proposal to acquire ECP. There were no revised indications of interest with a proposal to acquire MDS. Party C submitted a revised indication of interest containing a proposal to acquire the entire Company for \$26.00 per share of Company common stock, with the other updated indication of interest containing a proposal at a price of \$21.00 per share of Company common stock. Neither Party C nor the other potential buyer submitted a mark-up of the merger agreement with their updated indications of interest, but Party C included an issues list. The indication of interest containing a proposal to acquire ECP was at a price of \$260 million, on a debt-free basis, which proposal was structured as an acquisition of the Company following a pre-closing divestiture of MDS, and did not contain a mark-up of the merger agreement, but did include an issues list.

On October 8, 2016, Mr. Hartnett and Mr. Sharma spoke by telephone. During the conversation, Mr. Sharma informed Mr. Hartnett that Ultra was no longer pursuing a strategic transaction with the Company, but that, given the ERAPSCO JV relationship, Ultra would like for the Company to provide an opportunity for representatives of Ultra to meet with representatives of any potential buyer of the Company or ECP prior to the Company entering into a



definitive transaction agreement with such potential buyer.

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On October 9, 2016, Mr. Hartnett sent Mr. Sharma an email confirming that the Company would provide an opportunity for representatives of Ultra to meet with representatives of any potential buyer of the Company or ECP prior to the Company entering into a definitive transaction agreement with such potential buyer.

On October 14, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including with respect to the three updated indications of interest that were received from October 7, 2016 through October 10, 2016. A representative of Wells Fargo Securities also noted that except for the three potential buyers that submitted a revised indication of interest and Party B, all other potential buyers had withdrawn from the marketing process. In that regard, an updated indication of interest from Party B was expected to be received later on October 14, 2016.

Later on October 14, 2016, Party B submitted an updated indication of interest containing a proposal to acquire the entire Company for \$24.00 per share of Company common stock and a mark-up of the merger agreement.

On October 19, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including with respect to discussions with the potential buyers remaining in the marketing process. At the meeting, representatives of Wells Fargo Securities, noting that the number of potential buyers in the process had decreased from ten to four, with Party B and Party C appearing to be the potential buyers most interested in pursuing a potential strategic transaction with the Company, provided additional information regarding investment banking and lending relationships that it or its affiliates had with these remaining bidders. Among other things, a representative of Wells Fargo Securities highlighted for the process committee that (i) Wells Fargo Securities or an affiliate of Wells Fargo Securities is the lead bank for the current credit facility of a subsidiary of Party B and (ii) Wells Fargo Securities or an affiliate of Wells Fargo Securities is a participant in the current credit facility of a consultant that has been advising Party B in its evaluation of a strategic transaction with the Company and that might also provide equity financing to Party B in connection with any such transaction. Representatives of Wells Fargo Securities and Mr. McCormack then left the meeting. The process committee considered whether, in light of Wells Fargo Securities' relationships with Party B and the consultant, the Company board should retain a second financial advisor in connection with its consideration of strategic alternatives. In response to a request from Party B, the process committee also authorized Wells Fargo Securities to provide Party B with the names of parties that might be interested in acquiring MDS following an acquisition of the entire Company by Party B. Party C had not made a similar request.

On October 24, 2016, as directed by the process committee, Wells Fargo Securities sent Party B and Party C a process letter requesting final proposals to acquire the entire Company to be submitted by November 4, 2016.

On October 28, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including with respect to discussions with Party B and Party C. A representative of Wells Fargo Securities informed the process committee that, as requested by Party B and with the consent of the process committee, Wells Fargo Securities had provided Party B with the names of parties that might be interested in acquiring MDS following an acquisition of the entire Company by Party B. A representative of Wells Fargo Securities stated that Party B was well along in its due diligence but that Party C, whose proposal contemplated obtaining financing from a fund that invests in special situation opportunities (which we refer to as Party D ) had a significant amount of due diligence to complete.

On November 2, 2016, the Company board held a meeting at its corporate headquarters at which representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo

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Securities updated the process committee on the status of the marketing process, including with respect to discussions with Party B and Party C and the status of their respective due diligence to date. The Company board also discussed updating the then-current 5-year management forecast, such updated forecast to be discussed at a meeting of the Company board to be scheduled for November 8, 2016. The revised 5-year forecast would then be provided to potential buyers for the next round of proposals from Party B and Party C, the due date for which would be extended to November 15, 2016. The Company board noted that the revised 5-year forecast would likely reflect a downward adjustment of financial performance, as compared to the then-current 5-year forecast. After the representatives of Wells Fargo Securities left the meeting, a representative of Mayer Brown described for the Company board the potential conflicts of interest that Wells Fargo Securities might have as a result of the relationships with Party B that it disclosed, in light of Party B being one of only two bidders remaining in the marketing process, to the process committee on October 19, 2016. After discussion, the Company board decided to seek to identify a potential second financial advisor to assist it in the exploration of strategic alternatives.

On November 8, 2016, the Company board held a telephonic meeting at which members of Company management and representatives of Wells Fargo Securities and Mayer Brown were present. Company management presented and discussed a revised 5-year management forecast, which after discussion, the Company board approved, with certain changes, for distribution to Party B and Party C.

On November 14, 2016, the Company board held a telephonic meeting at which representatives of Mayer Brown were present. At the meeting, the Company board discussed the potential conflicts of interest of Wells Fargo Securities that were discussed by the Company board at its November 2, 2016 meeting, in light of Party B being one of only two bidders remaining in the marketing process. After discussion, the Company board decided to engage a second financial advisor to advise it in evaluating potential strategic alternatives available to the Company, including the marketing process, and provide a fairness opinion in the event the Company board decides to pursue a strategic transaction.

On November 15, 2016, Party C submitted a proposal to acquire the entire Company for \$26.25 per share of Company common stock. The proposal contained a detailed list of due diligence requests and a letter from a national investment bank stating that it was highly confident that an acquisition of the Company could be financed in the then-current debt markets. Party C's proposal also contained a mark-up of the merger agreement.

On November 16, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including with respect to the proposal received from Party C on November 15, 2016. The representative of Wells Fargo Securities stated that Wells Fargo Securities understood that Party C was an uncommitted family office fund with investors that included several prominent families in the United States. The process committee asked Wells Fargo Securities to follow up with Party C to obtain information regarding the identities of financing sources for Party C's proposal. The process committee decided to not make a decision on how to proceed with Party C until it learned whether Party B would submit a proposal.

On November 17, 2016, Party B submitted a proposal to acquire the entire Company for \$21.50 per share of Company common stock. The proposal contained a detailed list of due diligence requests and requested a meeting with Ultra to discuss the ERAPSCO JV and agree on maintaining the ERAPSCO JV without material change through 2023. Party B also requested exclusivity with the Company for 30 days and included in its proposal a form of the exclusivity agreement it was prepared to execute.

Also on November 17, 2016, Party C sent to Wells Fargo Securities a letter outlining its sources and uses of funds for its proposal that it submitted on November 15, 2016. Also in the letter, Party C indicated that it was important that it be permitted to engage with USSI to discuss the ERAPSCO agreement.

On November 18, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Mayer Brown were present. During the meeting, Mr. Hartnett updated the process committee

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on the status of the marketing process, including with respect to the proposal received from Party B on November 17, 2016 and the letter received from Party C on November 17, 2016. After discussion, the process committee decided that Mr. Hartnett and a representative of Mayer Brown would have a conference call with representatives of Party C and its counsel for the purpose of determining the identities of the investors in Party C and the parties providing financing for Party C's proposal and requesting that Party C submit written equity and debt commitments in connection with the financing of its proposal. Later on November 18, 2016, Mr. Hartnett and a representative of Mayer Brown had a telephone call with representatives of Party C and its counsel, after which Party C sent a letter to Wells Fargo Securities setting forth additional information identifying its sources of financing for its proposal.

On November 18, 2016, with the approval of the Company board, the Company entered into an agreement with Raymond James for Raymond James to serve as a second financial advisor to advise the Company board in evaluating potential strategic alternatives available to the Company, including the marketing process, and provide a fairness opinion in the event the Company board decides to pursue a strategic transaction. In an amendment to Wells Fargo Securities' engagement letter, the Company consented to Wells Fargo Securities remaining as the Company's financial advisor notwithstanding its participation in certain financings for Party B and its affiliates, and Wells Fargo Securities agreed, subject to certain limitations, to reduce its transaction fee payable upon the closing of a strategic transaction involving the Company by the amount of the transaction fee that the Company pays to Raymond James in connection with such transaction but not exceeding the lesser of \$1.5 million and 50% of the amount of the transaction fee that would otherwise have been payable to Wells Fargo Securities.

On November 20, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including with respect to the proposals received from Party B and Party C and subsequent correspondence. The process committee instructed Wells Fargo Securities and Raymond James to contact representatives of Party C to determine the status of their financing efforts with their identified financing sources.

On November 22, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including with proposals received from Party B and Party C. After reviewing and discussing with the assistance of representatives of Wells Fargo Securities and Raymond James, the process committee decided to pursue a potential acquisition of the Company by Party C and, to that end, seek to arrange a meeting with representatives of the Company and Ultra and Party C, respectively. In addition, the process committee requested that Wells Fargo Securities and Raymond James continue to encourage Party B to make a more competitive proposal.

Also on November 22, 2016, Party C sent a letter to Wells Fargo Securities reiterating its financing sources for its proposal and indicating that Party D is also prepared to provide an equity backstop for Party C's proposal. Party C also reiterated its need to engage with USSI to discuss the ERAPSCO agreement.

On December 2, 2016, Mr. Hartnett, Mr. Sharma and a representative of Party C met at the Company's corporate headquarters to discuss the ERAPSCO JV. Mr. Sharma and the representative of Party C each made presentations to each other regarding their respective companies and their views on the future of the ERAPSCO JV and the ERAPSCO agreement in the event Party C were to acquire the Company. At the conclusion of the meeting, the representative of Party C indicated to Mr. Hartnett that Party C would require exclusivity with the Company to continue in the marketing process, although he did not specify a duration of such requested exclusivity.

Also on December 2, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, Mr. Hartnett reported on the meeting with Mr. Sharma and the representative of Party C earlier in the day. A

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representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including discussions with representatives of Party B.

On December 5, 2016, Mr. Hartnett spoke with Mr. Sharma by telephone. During the conversation, Mr. Sharma told Mr. Hartnett that he thought Party C would be an acceptable joint venture partner for Ultra, in the event that Party C were to acquire the Company.

On December 6, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including discussions with representatives of the financial advisors to Party B and Party C. A representative of Wells Fargo Securities noted that Party C did not seem to be moving with much urgency to get to a final agreement on a transaction and Party B also could not make any commitment on the timing of an increased value proposal, if any.

On December 7, 2016, Party B sent Wells Fargo Securities a letter increasing its November 17, 2016 proposal from \$21.50 to \$24.50 per share of Company common stock. The letter also requested exclusivity with the Company for 30 days and stated that the revised proposal would expire on December 12, 2016, if the Company did not agree to exclusivity by such date.

On December 9, 2016, Mr. Hartnett spoke by telephone with a representative of Party C regarding changes that Party C intended to propose to Ultra regarding the ERAPSCO JV. During the call they agreed that Mr. Hartnett would seek to arrange a telephone call with representatives of Ultra and Party C.

On December 10, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting Mr. Hartnett and representatives of Wells Fargo Securities and Raymond James updated the process committee on the status of the marketing process, including discussions with representatives of Party C and the financial advisors to Party B and Party C. The process committee instructed Wells Fargo Securities and Raymond James to contact the financial advisor to Party B to seek an extension of the expiration date of Party B's proposal.

On December 11, 2016, Mr. Hartnett, Mr. Sharma and a representative of Party C held a conference call to discuss changes that Party C intended to propose to Ultra regarding the ERAPSCO JV. After the conference call, Mr. Hartnett spoke with the representative of Party C who told Mr. Hartnett that arriving at an agreement with Ultra on the future conduct of the ERAPSCO JV was necessary if Party C were to proceed with its proposal to acquire the Company. Mr. Hartnett emphasized that any agreement that Party C sought with Ultra would need to be obtained quickly, as the Company board was considering options other than Party C's proposal.

On December 13, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting Mr. Hartnett and representatives of Wells Fargo Securities and Raymond James updated the process committee on the status of the marketing process, including discussions with representatives of Party C and Ultra and the financial advisors to Party B and Party C. A representative of Wells Fargo Securities reported that Party B had agreed to keep its proposal open beyond the previously stated expiration date, without providing a revised expiration date. The process committee decided to allow representatives of Party C and Ultra to have until December 16, 2016 to discuss the ERAPSCO JV and come to an agreement on the future conduct of the ERAPSCO JV in the event Party C acquires the Company.



On December 16, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting Mr. Hartnett and representatives of Wells Fargo Securities and Raymond James updated the process committee on the status of the marketing process, including discussions with representatives of the financial advisor to Party

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C earlier that day. The process committee decided that Mr. Hartnett would contact Mr. Sharma to determine whether Ultra was amenable to entering into an agreement acceptable to Party C regarding the future conduct of the ERAPSCO JV in the event Party C acquires the Company.

Later on December 16, 2016, Mr. Hartnett spoke to Mr. Sharma by telephone. Mr. Sharma stated that he thought that Ultra and Party C were aligned on the future conduct of the ERAPSCO JV in the event Party C were to acquire the Company and that he thought an agreement reflecting that understanding could be executed. Mr. Sharma stated that he would send a draft of an amendment to the ERAPSCO agreement to reflect the relevant changed terms to memorialize this understanding.

On December 19, 2016, a representative of Ultra sent to Mr. Hartnett a draft of an amendment to the ERAPSCO agreement to reflect changes that Ultra proposed to the terms of the ERAPSCO agreement for the future conduct of the ERAPSCO JV in the event Party C were to acquire the Company.

On December 20, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting representatives of Mayer Brown, Wells Fargo Securities and Raymond James reviewed with the process committee the draft amendment to the ERAPSCO agreement and the process committee, with the assistance of the Company board's legal and financial advisors, discussed a potential response. The process committee decided that Mr. Hartnett would contact a representative of Party C to discuss a response to Ultra's proposed draft of an amendment to the ERAPSCO agreement and then Mr. Hartnett would contact Mr. Sharma to respond to such proposal.

On December 20, 2016, Mr. Hartnett spoke with a representative of Party C by telephone during which they discussed Ultra's proposed amendment to the ERAPSCO agreement and they both agreed that Ultra's proposed amendment was unworkable and did not provide the clarity that Party C sought regarding the future conduct of the ERAPSCO JV in the event Party C were to acquire the Company. Later that day, Mr. Hartnett sent an email to Mr. Sharma to schedule a telephone call to discuss Ultra's proposed amendment to the ERAPSCO agreement, but he and Mr. Sharma did not have that discussion.

On December 26, 2016, Party C sent to Wells Fargo Securities a letter revising its November 15, 2016 proposal. Party C stated in its letter that it had received the clarification it had requested regarding the future conduct of the ERAPSCO JV in the event Party C were to acquire the Company and that Party C was reducing the amount of its proposal to acquire the entire Company from \$26.25 to \$23.50 per share of Company common stock.

On December 30, 2016, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting Mr. Hartnett and representatives of Wells Fargo Securities and Raymond James updated the process committee on the status of the marketing process, including the revised proposal received from Party C on December 26, 2016, and discussions with representatives of Party C and its financial advisor regarding the revised proposal. The feedback from a representative of Party C and its financial advisor was that Ultra's proposed amendment to the ERAPSCO agreement appeared to indicate a lack of cooperation from Ultra with Party C with respect to the potential future of the ERAPSCO JV. The process committee, with the assistance of Wells Fargo Securities, Raymond James and Mayer Brown, also discussed whether it was likely that Ultra would react differently to Party B regarding the ERAPSCO JV, should a transaction with Party B be pursued. The process committee decided that Wells Fargo Securities and Raymond James should contact each of Party B and Party C and ask them to provide proposals assuming that there would be no changes to the ERAPSCO agreement or other agreement with Ultra prior to an acquisition of the Company and that the post-acquisition conduct of the ERAPSCO JV would be governed by the ERAPSCO agreement as currently in effect. Representatives of Mayer Brown would be available to discuss their views on the ERAPSCO

agreement with representatives of Party B and Party C, to the extent such parties desired to have those discussions.

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On January 4, 2017, representatives of Mayer Brown, Wells Fargo Securities, Raymond James and Party C held a conference call on which they discussed the ERAPSCO agreement, including the ERAPSCO transfer provisions.

Also on January 4, 2017, Party B sent a letter to Wells Fargo Securities stating that in order to re-engage in the marketing process, it was requesting permission from the Company to engage in discussions with Ultra and the Navy, the largest customer of the ERAPSCO JV.

On January 5, 2017, Mr. Hartnett had a telephone conversation with a representative of Party B in which such representative stated that Party B had concluded that the ERAPSCO transfer provisions would not apply to an acquisition of the Company by Party B and that Party B was willing to proceed with a transaction to acquire the Company without conditioning its proposal on any amendment to the ERAPSCO agreement. The representative of Party B also requested that Mr. Hartnett arrange an in-person meeting with representatives of Party B, the Company and Ultra to discuss the future conduct of the ERAPSCO JV in the event Party B were to acquire the Company.

On January 6, 2017, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting Mr. Hartnett and representatives of Wells Fargo Securities and Raymond James updated the process committee on the status of the marketing process, including recent discussions with representatives of Party B and Party C. A representative of Wells Fargo Securities reported that representatives of Party C's financial advisor had stated that as a result of its due diligence efforts, Party C had concluded that the ERAPSCO transfer provisions would not apply to an acquisition of the Company by Party C. The process committee decided that Mr. Hartnett should contact Mr. Sharma and arrange a meeting with Mr. Hartnett, Mr. Sharma and a representative of Party B. The process committee also decided that the Company's advisors should continue providing to Party C due diligence material and information with respect to the ERAPSCO JV.

On January 9, 2017, Party C sent to Wells Fargo Securities a letter stating that, in light of the results of its recent due diligence efforts, Party C is willing to move forward with a transaction to acquire the Company without conditioning its proposal on any amendment to the ERAPSCO agreement.

During the week of January 9, 2017, a representative of RBC contacted a representative of Wells Fargo Securities by telephone and stated that Ultra would not be comfortable with having Party B as a joint venture partner if Party B were to acquire the Company, given that Ultra and Party B are competitors in markets other than sonobuoys. The representative of Wells Fargo Securities suggested a meeting with representatives of the Company, Ultra and Party B to address any concerns Ultra might have with the possibility of having Party B as a potential joint venture partner.

On January 13, 2017, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting Mr. Hartnett updated the process committee on his efforts to arrange a meeting with Mr. Sharma, Mr. Hartnett and a representative of Party B. Representatives of Wells Fargo Securities and Raymond James updated the process committee on the status of discussions with financial advisors to Party B and Party C and discussions with Ultra's financial advisor. A representative of Wells Fargo Securities reported regarding the call from Ultra's financial advisor indicating that Ultra would not be comfortable with Party B as a joint venture partner. The process committee directed Mayer Brown to prepare a mark-up of the draft merger agreement submitted by Party C with its November 15, 2016 proposal.

On January 20, 2017, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting Mr. Hartnett updated the process committee on his efforts to arrange a meeting with Mr. Sharma, Mr. Hartnett and a representative of Party B. A representative of Raymond James updated the process committee on the status



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of discussions with the financial advisor to Party C. The process committee directed Mayer Brown to send a mark-up of Party C's draft of the merger agreement to counsel for Party C.

Later on January 20, 2017, Mayer Brown sent a mark-up of Party C's draft of the merger agreement to counsel for Party C.

On January 25, 2017, the Company board held a meeting at its corporate headquarters at which representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, representatives of Wells Fargo Securities and Raymond James updated the Company board on the status of the marketing process, including with respect to discussions with Party B and Party C and the status of such parties' due diligence efforts to date. It was reported that the financial advisor for Party C stated that Party C did not see material issues in the draft of the merger agreement that Mayer Brown sent Party C's counsel on January 20, 2017. Mr. Hartnett reported that a meeting with Mr. Sharma, Mr. Hartnett and a representative of Party B would be held at Ultra's corporate headquarters on January 30, 2017. The Company board discussed the final information it would require from Party C, including an update on Party C's financing structure and commitments from financing sources. The Company board directed Mayer Brown to send to Party B's counsel a revised draft of the merger agreement that Party B submitted with its October 14, 2016 proposal. The Company board directed Company management to update the current financial projections to reflect results of the Company's second fiscal quarter for the 2017 fiscal year and directed Wells Fargo Securities and Raymond James to provide the updated projections to Party B and Party C on January 30, 2017. The Company board directed Wells Fargo Securities and Raymond James to request that best and final proposals from Party B and Party C be submitted by February 2, 2017.

Later on January 25, 2017, a representative of Raymond James received a telephone call from a representative of a middle-market private equity fund (which we refer to as Party E). Party E had signed a non-disclosure agreement, but had withdrawn early in the marketing process without submitting an initial indication of interest. The representative of Party E stated that Party E was seeking to re-enter the marketing process and was highly motivated to pursue a transaction to acquire the Company. The representative of Raymond James told the representative of Party E that while the marketing process was well-advanced, Party E should submit a proposal, which would be provided to the Company board for consideration.

On January 27, 2017, Wells Fargo Securities, at the request of the process committee, sent Party E a draft of the form of merger agreement previously provided to other potential buyers.

On January 28, 2017, Mayer Brown sent a mark-up of Party B's draft of the merger agreement to counsel for Party B.

On January 30, 2017, Mr. Hartnett, Mr. Sharma and representatives of Party B met at Ultra's corporate headquarters. During the meeting Mr. Sharma and the representatives of Party B discussed their views on the future operation of the ERAPSCO JV in the event Party B were to acquire the Company. Mr. Sharma indicated that he did not think Ultra would be comfortable with Party B as a joint venture partner in the ERAPSCO JV, given that Ultra and Party B are competitors in markets other than sonobuoys. Mr. Sharma also acknowledged to Mr. Hartnett and the representatives of Party B that Ultra could not control whether Party B acquired the Company, but under the ERAPSCO agreement, Ultra, like the Company, had the right to terminate the agreement for convenience on 18 months notice and Ultra might exercise that right. Following the meeting, a representative of Party B spoke with Mr. Hartnett and requested a meeting with a representative of the Navy in order to discuss issues relating to the ERAPSCO JV in the event Party B were to acquire the Company.

On January 30, 2017, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting Mr. Hartnett updated

the process committee on the meeting among Mr. Sharma, Mr. Hartnett and a representative of Party B that had taken place at Ultra's corporate headquarters earlier in the day. Representatives of Wells Fargo Securities and Raymond James updated the process committee on the status of the marketing

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process, including the recent communications with Party E and its interest in re-engaging in the marketing process and that a proposal from Party E was expected to be received soon.

On January 31, 2017, Party E submitted a proposal to acquire the Company for \$25.50 per share of Company common stock. The proposal indicated that Party E believed it could complete due diligence and execute a definitive agreement to acquire the Company within two to three weeks. The proposal did not include a mark-up of the merger agreement but included a merger agreement issues list.

On February 1, 2017, representatives of Wells Fargo Securities received a telephone call from a representative of an electronic medical device manufacturer (which we refer to as Party F ). Party F had signed a non-disclosure agreement, but had withdrawn early in the marketing process after submitting two prior indications of interest to acquire MDS. The representative of Party F stated that Party F was seeking to re-enter the marketing process and was seeking to pursue a transaction to acquire the Company. The representative of Wells Fargo Securities told the representative of Party F that while the marketing process was well-advanced, Party F should submit a proposal, which would be provided to the Company board for consideration.

Later on February 1, 2017, Party F submitted a proposal to acquire the Company for \$23.00 per share of Company common stock and requesting exclusivity with the Company while Party F completed its due diligence.

On February 1, 2017, Wells Fargo Securities and Raymond James sent to Party B, Party C, Party E and Party F a process letter requesting final proposals by February 6, 2017.

On February 3, 2017, Mr. Hartnett and other members of Company management gave a management presentation at the Company s corporate headquarters to representatives of Party E.

On February 6, 2017, Party B submitted a proposal to acquire the Company for \$24.50 per share of Company common stock and reiterated its request for exclusivity with the Company for 30 days. Also that day, Party C submitted a proposal to acquire the Company for \$24.00 per share of Company common stock and also requested exclusivity with the Company for 30 days.

On February 7, 2017, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, the representatives of Wells Fargo Securities and Raymond James updated the Company board on the status of the marketing process, including with respect to proposals that had been received on February 6, 2017. Party E had not yet submitted a proposal following its January 31, 2017 proposal, but had indicated that it expected to do so later that day. The Company board discussed the remaining due diligence requests from Party C, including completion of a quality of earnings report and environmental due diligence and the Company board s need to further understand the financing arrangements being proposed by Party C. The Company board also discussed Party B s request to meet with representatives of the Navy and the closing condition in Party B s draft of the merger requiring approval of the Committee on Foreign Investment in the United States (which we refer to as CFIUS ). The Company board directed Wells Fargo Securities, Raymond James and Mayer Brown to follow-up with Party B and Party C to discuss these issues and decided to hold its next meeting after receipt of Party E s proposal.

On February 12, 2017, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, representatives of Wells Fargo Securities and Raymond James updated the Company board on the status of the marketing process, including with respect to proposals from Party B and Party C that had been received on February 6, 2017, including advantages and disadvantages of each proposal, as well as the follow-up actions that the Company board s advisors had taken as



directed by the Company board at its last meeting. A representative of Raymond James stated that neither Party E nor Party F submitted a proposal. Party E stated that following its due diligence, any proposal it would submit would be less than \$20.00 per share of Company common stock and

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it did not view that its bid would be competitive. Party F indicated that it did not have the time and resources to submit a proposal and it believed the per share price it would propose would be low compared to other likely proposals. With regard to Party C's proposal, Wells Fargo Securities and Raymond James had asked for copies of the equity backstop letter from Party D to support Party C's bid. After initial resistance, Party C provided a copy of an equity backstop letter from Party D, which a representative of Raymond James described as a letter of support that lacked the terms and conditions of an equity commitment letter. The representative of Raymond James stated that he subsequently asked for details on the terms and conditions of the proposed Party D financing but to date had not received any additional information. As part of the discussion of Party B's proposal, a representative of Mayer Brown described for the Company board the CFIUS approval process, as well as other defense-related governmental approvals that would be required in a transaction with Party B. After discussion, the Company board decided to pursue exclusivity with Party B and identified the following additional process points to be completed prior to the Company entering into an exclusivity agreement with Party B: (i) Mr. Hartnett would contact a representative of the Navy that oversees the sonobuoy program to discuss a potential acquisition of the Company by Party B, (ii) Mayer Brown would pursue discussions with Party B's counsel to address key legal matters relating to a definitive agreement, including a reverse break-up fee if regulatory approvals are not obtained and (iii) Wells Fargo Securities and Raymond James would seek additional information from Party B with respect to its ability to finance an acquisition of the Company. Subject to the process committee receiving feedback to its satisfaction on these items, the Company board authorized the Company to execute an exclusivity agreement with Party B for an exclusivity period not to exceed 30 days.

On February 15, 2017, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, representatives of Wells Fargo Securities and Raymond James updated the process committee on recent discussions with Party B and Party C. Mr. Hartnett updated the process committee on the discussion he had with a representative of the Navy. A representative of Mayer Brown updated the process committee on a discussion he had with counsel for Party B.

On February 16, 2017, Party C sent a letter to the Company stating that it would increase its proposed price per share of Company common stock to \$24.25, assuming Party C and the Company have entered into a mutually acceptable exclusive negotiation arrangement by February 20, 2017.

On February 17, 2017, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, representatives of Wells Fargo Securities and Raymond James described the revised proposal received from Party C on February 16, 2017 and discussions with representatives of Party D regarding its intention to provide financing for a transaction with Party C and regarding the due diligence work that Party D indicated it needed to complete. After discussion, the process committee decided that because the most recent price per share offered by Party C remained less than the price offered by Party B, Wells Fargo Securities and Raymond James should attempt to have Party C extend its deadline for obtaining exclusivity with the Company to February 22, 2017 and the Company should continue to seek to sign an exclusivity agreement with Party B.

On February 20, 2017, Party C sent a letter to the Company stating that it would increase its proposed price per share of Company common stock to \$24.50, assuming Party C and the Company have entered into a mutually acceptable exclusive negotiation arrangement by February 22, 2017.

On February 22, 2017, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, representatives of Wells Fargo Securities and Raymond James described the revised proposal received from Party C on February 20, 2017 and discussions with representatives of Party C regarding its ability to obtain financing from Party D and its remaining due diligence requirements, including with respect to a quality of earnings report and additional

environmental due diligence. After discussion, the process committee decided that the Company should continue to seek to sign an exclusivity agreement with Party B, with a term not to exceed 30 days, and authorized Mr. Hartnett to execute such an agreement.

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On February 23, 2017, Mayer Brown sent to counsel for Party B a revised draft of the form of exclusivity agreement Party B had delivered in its proposal on November 17, 2016.

Also on February 23, 2017, Ultra sent a letter to the Company stating, among other things, its position that the ERAPSCO transfer provisions give USSI a right of last refusal for any offer to purchase the Company, reserving its rights under the ERAPSCO agreement and requesting that the Company provide it the terms and conditions on which the Company would propose to engage in a transaction.

On February 24, 2017, Arnold & Porter Kaye Scholer LLP (which we refer to as Arnold & Porter ), counsel to Ultra sent a letter to Mayer Brown stating, among other things, that in the event the Company fails to comply with its obligations under the ERAPSCO transfer provisions, Ultra will take all legal action available to it to enforce its rights.

On March 3, 2017, Mr. Hartnett provided copies of the letters from Ultra and Arnold & Porter to a representative of Party B.

Also on March 3, 2017, USSI sent a letter to the Company requesting that the Company confirm by March 10, 2017 in writing that it will honor its obligations under the ERAPSCO transfer provisions, and stating that, if the Company did not so confirm, then USSI will invoke the dispute resolution mechanism provided for in the ERAPSCO agreement.

Also on March 3, 2017, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, representatives of Mayer Brown described for the Company board the recent correspondence that had been received from Ultra and Arnold & Porter and described the drafts of suggested response letters to be sent to Ultra and Arnold & Porter respectively that set forth the Company's explanation of why the ERAPSCO transfer provisions are not applicable to any transaction the Company was pursuing at that time. Representatives of Mayer Brown also described the status of negotiations of the exclusivity agreement with Party B's counsel. After discussion, the Company board decided that the Company should continue to seek to sign an exclusivity agreement with Party B, as previously authorized, and that the Company and Mayer Brown should send their respective response letters immediately. Later that day, the Company and Mayer Brown sent their response letters to Ultra and Arnold & Porter, respectively, and Mr. Hartnett provided copies of the response letters and the most recent letter from Ultra to a representative of Party B.

On March 7, 2017, Ultra sent a letter to the Company stating, among other things, that its counsel would be contacting the Company's attorneys to agree on next steps to establish procedures for the dispute resolution mechanism under the ERAPSCO agreement and that Ultra will not be a party to a joint venture agreement with Party B in any form or manner other than honoring Ultra's obligations following termination. The letter went on to state that if the acquirer is Party B, Ultra would serve notice of its decision to terminate the ERAPSCO agreement. Later that day, Mr. Hartnett forwarded the letter to a representative of Party B.

On March 9, 2017, Party C sent a letter to the Company stating that it was withdrawing its requirement that a quality of earnings review be completed and it was also significantly reducing its list of remaining open due diligence items. In addition, the letter went on to state that Party C's best offer price per share of Company common stock was \$24.50, and assuming Party C and the Company have entered into a mutually acceptable exclusive negotiation arrangement by March 13, 2017, Party C believed it could complete its remaining confirmatory due diligence in 15 business days. The letter also confirmed that Party D was partnering with Party C in the transaction by providing all of the equity that Party C was not providing itself.

Later on March 9, 2017, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, Mr. Hartnett reported

on recent discussions he had had with a representative of Party B, including with respect to

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the threat to terminate the ERAPSCO agreement contained in the most recent letter from Ultra. Representatives of Wells Fargo Securities and Raymond James updated the Company board on the status of discussions with Party C's financial advisors, including with respect to the letter received from Party C earlier in the day and the equity financing to be provided by Party D for an acquisition of the Company by Party C. Given the recent developments reported to the Company board, including Ultra's threat in its most recent letter to terminate the ERAPSCO agreement in the event that Party B were to be the acquirer of the Company and the significant reduction in Party C's due diligence requests, the Company board, after discussion with its legal and financial advisors, decided to pursue an acquisition of the Company by Party C, instead of Party B, and grant Party C the 15 business day exclusivity period it requested in order to complete its due diligence and for the parties to work toward the signing of a definitive agreement for Party C to acquire the Company. After discussion, the Company board decided that Mr. Hartnett would contact Mr. Sharma to determine whether Ultra would find Party C an acceptable joint venture partner and representatives of Wells Fargo Securities and Raymond James would reach out to Party C and Party D to seek further information regarding Party C's proposal, including details regarding the proposed financing arrangements and confirmatory due diligence requirements.

On March 11, 2017, Mr. Hartnett spoke with Mr. Sharma by telephone inquiring of him whether Ultra would find Party C an acceptable partner in the ERAPSCO JV. Mr. Sharma indicated that, as opposed to Party B, Party C would be an acceptable joint venture partner for Ultra.

On March 13, 2017, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, Mr. Hartnett reported on the recent discussions he had had with Mr. Sharma. Mr. Hartnett also reported that he had a discussion with a representative of Party B in which he was told that Party B is reconsidering whether it will remain in the marketing process in light of the most recent letter that the Company received from Ultra. Representatives of Wells Fargo Securities and Raymond James updated the Company board on the status of discussions with Party C's financial advisor with respect to confirmatory due diligence requirements. A representative of Mayer Brown reported on discussions he had with counsel for Party C regarding financing commitments and transaction structure as it relates to obtaining regulatory approval. After discussion, the Company board authorized Mr. Hartnett to execute an exclusivity agreement with Party C for a term not to exceed 15 business days.

Later on March 13, 2017, Mayer Brown sent to counsel for Party C a draft of an exclusivity agreement. From March 13, 2017 through March 15, 2017, Mayer Brown, counsel for Party C and counsel for Party D negotiated the exclusivity agreement.

On March 15, 2017, the Company, Party C and Party D executed an exclusivity agreement providing for exclusivity through April 5, 2017.

From March 15, 2017 through April 5, 2017, Company management, Wells Fargo Securities and Raymond James had telephone calls with representatives of Party C and its financial advisors and Party D to discuss Party C and Party D's due diligence review. During this period, representatives of Wells Fargo Securities and Raymond James also had telephone calls with representatives of Party C's financial advisors and Party D to discuss the financing commitments Party C and Party D were putting in place for an acquisition of the Company. During that period, representatives of Mayer Brown had telephone calls with representatives of counsel to Party D to discuss the draft of the merger agreement.

On March 31, 2017, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, representatives of Wells Fargo Securities and Raymond James updated the Company board on the status of process with Party C and Party D,

including with respect to Party C and Party D's due diligence requests. A representative of Mayer Brown discussed the most significant issues on the merger agreement raised in discussions with Party D's counsel and indicated that despite repeated requests, counsel for Party D had not committed to a time table for

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delivering comments to the merger agreement or the disclosure schedules. With Party C and Party D's period of exclusivity about to expire, the Company board decided that no extension would be granted until Party C and Party D first committed to a time table for delivering comments to the merger agreement and the disclosure schedules.

On April 5, 2017, representatives of Wells Fargo Securities and Raymond James spoke by telephone to representatives of Party C and its financial advisor and Party D. Representatives of Party D acknowledged that they had not completed their due diligence and were not in a position to provide a date by which they thought they would complete their due diligence. Representatives of Party D stated that during the exclusivity period they had met with representatives of Ultra to discuss the ERAPSCO JV. A representative of Party D stated that based on those discussions, Party C and Party D now believe that Ultra is of the view that Party C and Party D would not be acceptable joint venture partners and they believe that Ultra would not be a cooperative partner with Party C or Party D in the ERAPSCO JV in the event of an acquisition of the Company.

On April 7, 2017, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, representatives of Wells Fargo Securities and Raymond James updated the Company board on the recent discussions with Party C and its financial advisor and Party D. The Company board considered potential next steps in the marketing process, including (i) continuing with Party C and Party D without granting an extension of exclusivity, (ii) re-engaging with Party B, (iii) seeking to re-engage with other potential acquirers of the Company that had previously withdrawn from the marketing process, (iv) exploring whether to pursue a sale of MDS with a later potential sale of the Company, which would have continued as the owner of ECP, (v) approaching Ultra regarding a potential acquisition of the Company or (vi) concluding the marketing process without a strategic transaction. The Company board discussed and evaluated the various potential next steps and decided to simultaneously continue working with Party C and Party D without granting an extension of exclusivity and seek to re-start discussions with Party B. In addition, it was decided that Mr. Hartnett would contact Mr. Sharma to seek his feedback regarding his meeting with representatives of Party C and Party D.

On April 10, 2017, Mr. Hartnett spoke with Mr. Sharma regarding his discussion with representatives of Party C and Party D. After recounting the issues he had discussed with representatives of Party C and Party D, Mr. Sharma indicated that if Party C and Party D were to withdraw from the marketing process, Ultra would be interested in acquiring the Company.

On April 11, 2017, at the request of the Company board, a representative of Wells Fargo Securities spoke with Mr. Sharma regarding a potential acquisition of the Company by Ultra. During the discussion, Mr. Sharma stated that if Ultra were to acquire the Company, MDS would need to be divested prior to or at the same time that Ultra acquires the Company.

On April 12, 2017, a representative of Wells Fargo Securities spoke again with Mr. Sharma regarding a potential acquisition of the Company by Ultra. Mr. Sharma told the representative of Wells Fargo Securities that Ultra would have to update its financial analysis of the Company before responding with a proposed price per share of Company common stock and would require a period of exclusivity.

On April 14, 2017, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, Mr. Hartnett reported on the recent discussions he had had with Mr. Sharma. In addition, representatives of Wells Fargo Securities and Raymond James updated the Company board on the recent discussions with representatives of Party C and Party D in which Party C and Party D described their remaining due diligence and reiterated that the Company's relationship with Ultra in the ERAPSCO JV caused them concerns because their discussions with representatives of Ultra did not



demonstrate a clear willingness by Ultra to be a cooperative partner with the Company in the ERAPSCO JV following an acquisition of the Company by Party C and Party D. A representative of Wells Fargo Securities recounted the discussions with Mr. Sharma on April 11, 2017 and

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April 12, 2017 in which Mr. Sharma indicated that Ultra would like to obtain updated financial information and obtain a period of exclusivity. A representative of Wells Fargo Securities also reported regarding a discussion with the financial advisor to Party B in which the financial advisor indicated that Party B would likely not pursue an acquisition of the Company, given the response from Ultra to the possibility of an acquisition of the Company by Party B, including Ultra's threat to terminate the ERAPSCO agreement in the event of such an acquisition. After discussion, the Company board decided to explore a transaction for a potential acquisition of the Company by Ultra, including a potential contemporaneous divestiture of MDS.

On April 20, 2017, a representative of the Navy forwarded to Mr. Hartnett a copy of a letter received by the Secretary of Defense from Representative Jim Banks, member of the U.S. House of Representatives from the Third District in Indiana, requesting a briefing concerning the measures in place to ensure continuity of sonobuoy supply and the protection of sonobuoy intellectual property from contractors from non-Five Eyes nations who might seek to acquire all or a part of the ERAPSCO JV. The Navy asked the Company to provide certain information requested in Representative Banks' letter, which would be incorporated into the Department of Defense's response to Representative Banks' information request.

On April 21, 2017, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. A representative of Wells Fargo Securities reported that Wells Fargo Securities was expecting a proposal from Ultra to acquire the Company later in the day, although Ultra's financial advisors had said that the price per share of Company common stock would be less than \$24.50. Representatives of Wells Fargo Securities and Raymond James reported that at this point Party C and Party D have said they would not be interested in pursuing an acquisition of the Company that did not include ECP, and Party B had not been in recent contact with the Company's financial advisors.

Later in the day on April 21, 2017, Ultra sent an indication of interest to Wells Fargo Securities to acquire the Company for \$23.50 per share of Company common stock. In its letter, Ultra stated that a sale of MDS would not be a condition to Ultra's acquisition of the Company; however, the letter also stated that Ultra required assistance from the Company's financial advisor in identifying parties that might be interested in acquiring MDS and that Ultra be permitted to negotiate with those parties. Ultra also requested six weeks of exclusivity with the Company.

On April 25, 2017, Guggenheim Securities, LLC (which we refer to as "Guggenheim"), financial advisor to Ultra, sent to Wells Fargo Securities its initial due diligence request list.

On April 26, 2017, the Company board held a meeting at its corporate headquarters at which Mr. McCormack was present and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present by telephone. A representative of Wells Fargo Securities reported that Party C and Party D had withdrawn from the marketing process, with a representative Party D indicating that if at a later time Party D were to pursue an acquisition of the Company, it would need to conduct an extensive due diligence process because they would need to proceed on the assumption that the ERAPSCO JV would be terminated in connection with an acquisition of the Company. The representative of Party D indicated that under such circumstances, an acquisition of the Company would be at a price per share for Company common stock below Party C and Party D's current price of \$24.50. Representatives of Raymond James and Wells Fargo Securities also reported on recent discussions with Party B's financial advisor. Party B's financial advisor informed Raymond James that Party B would consider submitting an updated proposal, which would assume a termination of the ERAPSCO JV in connection with an acquisition of the Company by Party B; however, any such proposal would be at a price per share for Company common stock below Party B's current price of \$24.50. Representatives of Raymond James and Wells Fargo Securities also described for the Company board Ultra's indication of interest received on April 21, 2017 and noted that Ultra did not ascribe a separate value to MDS in its indication of interest. The Company board decided to have Wells Fargo Securities and Raymond James engage with

Ultra's financial advisor to determine how much value Ultra is ascribing to MDS in its indication of interest and wait to receive Party B's next proposal.

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Also on April 26, 2017, the Company sent to the Navy by email its response to the request for information it received from the Navy on April 20, 2017 in connection with Representative Banks' letter to the Department of Defense.

On April 28, 2017, Ultra sent an updated indication of interest to Wells Fargo Securities that maintained the same terms as the April 21, 2017 indication of interest and ascribed a minimum value for MDS materially below other indications received by the Company from bidders for MDS.

On May 1, 2017, Ultra sent an updated indication of interest to Wells Fargo Securities that maintained the same terms as the April 28, 2017 indication of interest but instead provided for only a four week exclusivity period. The updated indication of interest also provided that Ultra would provide to the Company a list of open due diligence items by the end of the first week of exclusivity and that if a substantial majority of such items were not provided to Ultra by the end of the second week of exclusivity, the exclusivity period would be automatically extended for one to two weeks.

On May 1, 2017, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. A representative of Wells Fargo Securities provided the Company board with an update regarding the updated indication of interest letter from Ultra received earlier in the day. The Company board discussed Ultra's request for exclusivity for a period of four to six weeks. Representatives of Wells Fargo Securities and Raymond James also reported that representatives of Party B had not replied to their inquiries about whether Party B was willing to submit a revised proposal to acquire the Company. After discussion, the Company board authorized Mr. Hartnett to negotiate an exclusivity agreement with Ultra.

On May 2, 2017, at the request of the Company board, representatives of Wells Fargo Securities and Raymond James sent to Guggenheim and RBC a draft of a document outlining a proposed four week process to allow Ultra to engage with potential MDS buyers before the execution of a merger agreement with the Company.

Later in the day on May 2, 2017, Mayer Brown sent to Arnold & Porter a draft of an exclusivity agreement. From May 2, 2017 through May 10, 2017, Mayer Brown and Arnold & Porter negotiated the exclusivity agreement.

On May 3, 2017, representatives of Wells Fargo Securities and Raymond James discussed with RBC and Guggenheim the proposed four week process to allow Ultra to engage with potential MDS buyers before the execution of a merger agreement with the Company, which process included, with the consent of the Company board, Wells Fargo Securities contacting potential MDS buyers that participated in the marketing process and providing confidential information to and obtaining initial indications of interest from potential MDS buyers and Ultra negotiating definitive purchase agreements with selected potential MDS buyers. Entry by the Company or Ultra into a definitive agreement to acquire MDS would not be a condition to the execution of a merger agreement or the closing of Ultra's acquisition of the Company. From May 3, 2017 through July 7, 2017, representatives of Wells Fargo Securities, with the consent of the Company board, provided assistance to RBC and Guggenheim in exploring a potential sale of MDS.

On May 10, 2017, the Company and Ultra executed an exclusivity agreement providing for exclusivity through June 7, 2017, except that if by May 22, 2017 the Company shall not have provided Ultra a substantial majority of the due diligence items on a list to be provided by Ultra to the Company no later than May 15, 2017, the exclusivity period would be automatically extended to June 21, 2017. The exclusivity agreement contained provisions permitting the Company and its representatives and advisors to assist Ultra in the process of soliciting proposals from potential buyers of MDS.

On May 17, 2017, representatives of Wells Fargo Securities spoke by telephone with a representative of Guggenheim. The representative of Guggenheim stated that under the listing rules of the United Kingdom Listing Authority (which we refer to as the ( UKLA ), Ultra's acquisition of the Company would be subject to the approval of Ultra's shareholders.



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On May 19, 2017, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities provided the process committee with an update regarding the solicitation of potential buyers of MDS. In addition, a representative of Wells Fargo Securities reported regarding the progress of Ultra's due diligence review of the Company since the exclusivity agreement was entered into by the Company and Ultra. A representative of Wells Fargo Securities and a representative of Mayer Brown also reported to the process committee that Ultra's financial advisor indicated that the approval of the transaction by Ultra's shareholders would be a closing condition to the transaction. As there remained outstanding a substantial number of Ultra's due diligence requests, the process committee expected that exclusivity would be extended to June 21, 2017, and exclusivity was so extended to that date.

On May 24, 2017, Arnold & Porter sent to Mayer Brown a revised draft of the merger agreement that had been provided to Ultra on September 21, 2016 in connection with Ultra's participation in the marketing process.

On May 26, 2017, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. A representative of Wells Fargo Securities updated the process committee on the progress Ultra was making in its due diligence and the structure under which Ultra intended to raise funds to pay the purchase price in the transaction by doing an equity placement, to be completed on the date that the transaction is announced. Representatives of Wells Fargo Securities and Raymond James also reviewed with the process committee the seven initial indications of interest that been submitted for MDS by potential buyers. The purchase prices in such indications ranged from \$39 million to \$80 million for the sale of MDS, on a cash-free, debt-free basis. The representatives of Wells Fargo Securities and Raymond James told the process committee that, in light of the prices in the initial indications of interest for MDS, they had attempted to obtain from Ultra a higher price per share of Company common stock in the transaction. In response, Ultra refused to raise its price, stating that the MDS sale was not a condition to the transaction and that Ultra was taking the execution risk on selling MDS after it acquires the Company.

On May 31, 2017, a representative of Wells Fargo Securities received an email from an individual representing a publicly listed supplier of aerospace and defense products and systems (which we refer to as Party G) seeking to make a proposal to acquire the Company. In accordance with the terms of the exclusivity agreement, the Company notified Ultra of the receipt of this communication.

On June 2, 2017, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. A representative of Mayer Brown discussed key issues raised by counsel for Ultra in its draft of the merger agreement. A representative of Mayer Brown also described the approach that Mayer Brown is taking in the revised draft of the merger agreement that it is preparing, including with respect to provisions related to certainty of closing, among other issues. A representative of Wells Fargo Securities reported on the progress Ultra has been making in its due diligence. He further reported that five of the seven parties that had provided indications of interest in acquiring MDS have been given access to the confidential information the Company has compiled in a virtual online data room and that they will be asked to provide more definitive proposals to the Company's financial advisors and Ultra's financial advisors, after additional due diligence has been performed.

On June 4, 2017, representatives of Wells Fargo Securities and Mayer Brown had a conference call with representatives of Guggenheim and RBC and Ultra's U.K. counsel and outside accountants. During the call, the parties discussed the process and timing for completion of Ultra's shareholder circular to be sent to its shareholders in connection with the shareholder meeting to be held for Ultra's shareholders to vote on the transaction as well as the timing for such meeting. In addition, in connection with the preparation of Ultra's shareholder circular, representatives of Ultra's outside accountants and counsel described certain information that would be required to be provided to Ultra by the Company.



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On June 6, 2017, Party G sent to a representative of Wells Fargo Securities a non-binding proposal to acquire the Company for \$22.00 to \$24.00 per share of Company common stock. In accordance with the terms of the exclusivity agreement, the Company notified Ultra of the receipt of this communication and provided Ultra a copy of the proposal.

On June 9, 2017, a representative of the Company spoke with a representative of Ultra. During the conversation, the representative of the Company described a potential breach by the Company of its financial covenants in its credit agreement for the test period ending on the last day of the Company's fiscal quarter ending July 2, 2017. The representative of the Company told the representative of Ultra that the Company was working with its creditor banks to have any such potential breach, if it were to occur, waived by such banks.

Also on June 9, 2017, Mayer Brown sent to Arnold & Porter a revised draft of the merger agreement.

On June 12, 2017, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities and Mayer Brown were present. A representative of Wells Fargo Securities reported on progress Ultra and its representatives have made, detailing milestones that Ultra had indicated needed to be achieved prior to executing a merger agreement with the Company, including with respect to Ultra's remaining due diligence requirements and its drafting and filing with the UKLA of a shareholder circular with respect to the meeting of Ultra shareholders that would be required to be convened to vote on approval of the transaction. The representative also reported that representatives of Ultra's financial advisors indicated that Ultra currently expects to submit to the Company on June 23, 2017 a letter confirming its price for an acquisition of the Company and setting out its requirements to be satisfied before executing a merger agreement, which letter would be sent following a meeting of Ultra's board of directors. A representative of Mayer Brown described for the process committee certain considerations and implications of the Company executing a merger agreement with Ultra concurrently with Ultra filing its shareholder circular with the UKLA instead of executing the merger agreement only after the shareholder circular has been approved by the UKLA for mailing to Ultra's shareholders. The later the date that Ultra would be permitted to hold its shareholders meeting to vote on the transaction, the longer the opportunity the Ultra board would have to, in the exercise of its fiduciary duties, change its recommendation to its shareholders that they approve the transaction. After discussion, the Company board decided to seek to sign a merger agreement with Ultra as soon as possible, even if the shareholder circular shall not have been approved by the UKLA.

On June 13, 2017, at the direction of the process committee and with the consent of Ultra, a representative of Wells Fargo Securities sent to a representative of Party G an email stating that Party G's proposal had been forwarded to the Company board and that once the Company board had a response to such proposal, Wells Fargo Securities would contact Party G.

On June 16, 2017, Arnold & Porter sent to Mayer Brown a revised draft of the merger agreement.

On June 19, 2017, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. A representative of Wells Fargo Securities reported on the status of Ultra's progress on the milestones it previously identified as being required for it to enter into a merger agreement to acquire the Company. He also reported that Ultra indicated that it would send a letter confirming its price per share of Company common stock prior to the process committee's next meeting. A representative of Mayer Brown advised the process committee on key issues remaining to be resolved in merger agreement negotiations, including with respect to closing certainty and efforts to obtain regulatory approval. The process committee decided to extend the exclusivity period under the Company's exclusivity agreement with Ultra to June 26, 2017 and authorized Mr. Hartnett to execute an amendment to the exclusivity agreement to grant such extension.



On June 21, 2017, representatives of Wells Fargo Securities and Mayer Brown had a conference call with representatives of Guggenheim, RBC and Ultra's counsel. On the call, the participants discussed items remaining

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to be resolved in the merger agreement, including with respect to (i) whether the Ultra shareholder meeting would be held prior to, contemporaneous with or after the Company shareholder meeting, (ii) whether Ultra would obtain the support of certain shareholders through undertakings under which such shareholders would agree to vote to approve the transaction at the Ultra shareholders meeting, (iii) the timing of the filing and the level of efforts in seeking approval of the UKLA for the Ultra shareholder circular to be sent to Ultra's shareholders in connection with the Ultra shareholders meeting, (iv) Ultra's level of efforts in pursuing and obtaining all governmental approvals, including clearances under the HSR Act and CFIUS, (v) whether Ultra would have the right to terminate the merger agreement if a governmental authority shall have filed an action seeking to restrain the transaction and (vi) the amounts of the termination fees to be paid by the Company and Ultra if the merger agreement were to be terminated under certain circumstances.

Later in the day on June 21, 2017, representatives of Mayer Brown had a conference call with representatives of Arnold & Porter to negotiate terms of the merger agreement. During the call, Mayer Brown and Arnold & Porter engaged in discussions and negotiations regarding, among other things, (i) the scope of each party's representations and warranties in the merger agreement, (ii) the scope of the restrictions on the Company's operations of its business between signing of the merger agreement and closing of the merger, (iii) the provisions permitting the Company board to effect a change of recommendation in certain circumstances, (iv) financing and regulatory matters, (v) the circumstances in which a termination fee would become payable by the Company to Ultra and the size of such fee, (vi) the circumstances in which a termination fee would become payable by Ultra to the Company and the size of such fee and (vii) certain closing conditions.

Also on June 21, 2017, the Company and Ultra entered into an amendment to the exclusivity agreement extending the exclusivity period to June 26, 2017.

On June 22, 2017, Mayer Brown sent to Arnold & Porter a draft of the disclosure schedules to the merger agreement.

Also on June 22, 2017, representatives of Wells Fargo Securities and Raymond James spoke by telephone with representatives of Guggenheim and RBC. During the call, representatives of Wells Fargo Securities and Raymond James, at the direction of the Company board, described a potential breach by the Company of its financial covenants in its credit agreement for the test period ending on the last day of the Company's fiscal quarter ending July 2, 2017. The representatives of Guggenheim and RBC responded that they did not believe that Ultra would execute the merger agreement if the breach were not to be waived by the creditor banks under the credit agreement.

On June 23, 2017, *MergerMarket* published an article reporting that the Company and Ultra were in deep sale discussions.

On June 24, 2017, in response to the *MergerMarket* article, as required by the UKLA, Ultra issued a press release confirming it was in advanced discussions to acquire the Company.

On June 26, 2017, in response to the *MergerMarket* article and Ultra's press release of June 24, 2017, the Company issued a press release confirming it was in discussions to be acquired by Ultra.

Also on June 26, 2017, Ultra sent to the Company its final offer to acquire the Company for \$22.35 per share of Company common stock. Ultra's final offer was conditioned upon, among other things, the Company's lenders waiving the Company's compliance with its debt covenants from signing to closing of the transaction. Ultra also requested that exclusivity be extended to July 10, 2017.

On June 26, 2017, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. A representative of Wells Fargo Securities described the final offer received from Ultra earlier in the day and explained that Ultra

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believed that the outstanding debt of the company was \$12 million higher than the amount it had been assuming for purposes of determining the enterprise value of the Company. In light of Ultra's view that debt was higher than it previously assumed, Ultra reduced the price per share of Company common stock so that the enterprise value remained constant over the two different debt levels. The representative also reported on recent discussions with representatives of Ultra's financial advisors regarding the recent actions and efforts of Company management to negotiate an amendment of the Company's credit facilities and the expected timing for entering into an amendment with the necessary lenders thereunder as well as the final due diligence work that Ultra desires to complete before the execution of a merger agreement. The representative of Wells Fargo Securities also reviewed the five recently received revised indications of interest from potential buyers of MDS. The purchase prices in such indications ranged from \$45 million to \$80 million for the sale of MDS on a cash-free, debt-free basis. A representative of Mayer Brown updated the process committee on the status of merger agreement negotiations that Mayer Brown had been having with Arnold & Porter. After discussion, the process committee instructed Wells Fargo Securities and Raymond James to engage with Ultra's financial advisors to seek to obtain a per share price for Company common stock of at least \$23.50. The process committee decided to extend the period of exclusivity with Ultra to July 6, 2017.

Also on June 26, 2017, the Company and Ultra entered into an amendment to the exclusivity agreement extending the exclusivity period to July 6, 2017.

On June 28, 2017, Mayer Brown sent to Arnold & Porter a revised draft of the merger agreement.

On June 28, 2017, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities reported that, as instructed by the Company board, Wells Fargo Securities and Raymond James had contacted Guggenheim and RBC to seek to obtain a higher per share price for Company common stock, stating that the level of the Company's indebtedness was the same as the amount Ultra had assumed when Ultra's price per share of Company common stock was \$23.50. Ultra's financial advisors told Wells Fargo Securities and Raymond James they would discuss the matter with Ultra.

On June 30, 2017, Arnold & Porter sent to Mayer Brown a revised draft of the merger agreement.

Also on June 30, 2017, Guggenheim sent to Wells Fargo Securities a final package deal reflecting a revised final offer to acquire the Company for \$23.50 per share of Company common stock, which was contingent on the Company accepting Ultra's position on four major open points in the merger agreement: (i) Ultra would have no obligation to make any divestitures or agree to any restrictions on its business in connection with obtaining governmental approvals for the transaction and Ultra would have no obligation to litigate if a governmental authority filed suit challenging the transaction, (ii) the amount of the termination fees payable by the Company or Ultra in certain circumstances would each be \$7.5 million, (iii) the Ultra board of directors would have no obligation to hold a meeting of the Ultra shareholders to vote on the approval of the transaction if the Ultra board of directors shall have changed its recommendation that Ultra shareholders should vote to approve the transaction and (iv) Ultra would not be required to hold the Ultra shareholders meeting by a date certain specified in the merger agreement.

Also on June 30, 2017, the Company entered into an amendment to its credit facility that, among other things, waived any event of default that may have occurred solely as a result of the Company's failure to comply with its leverage covenants in the credit agreement for the test period ending on the last day of the Company's fiscal quarter ending June 2017 and changed the trailing 4-quarter EBITDA requirements that the Company and its subsidiaries are to maintain to \$22,500,000 for the fiscal quarter ending June 2017; \$20,000,000 for the fiscal quarter ending September 2017; and \$22,000,000 for the fiscal quarter ending December 2017.

On July 1, 2017, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of

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Wells Fargo Securities discussed the recent price negotiations with Ultra and its advisors and that \$23.50 per share of Company common stock was now being offered by Ultra, subject to the Company accepting the four major points in Ultra's package deal. A representative of Mayer Brown described for the Company board the terms in the merger agreement that the Company had been requesting from Ultra and the positions Ultra was taking in its package deal. After discussion, the Company board decided to accept the four positions in Ultra's package deal, subject to clarifying Ultra's draft of the merger agreement to provide that if the Ultra shareholders meeting is not held by a date prior to the outside date of the merger agreement, the Company would have the right to terminate the merger agreement and receive a termination fee from Ultra, and subject to Mayer Brown and Arnold & Porter negotiating the remaining outstanding terms of the merger agreement.

Later on July 1, 2017, a representative of Wells Fargo Securities reported to a representative of Guggenheim the conditions under which the Company board would accept Ultra's package deal and the representative of Guggenheim confirmed those conditions were acceptable to Ultra.

From July 2, 2017 through July 6, 2017, Mayer Brown and Arnold & Porter finalized the terms of the merger agreement and disclosure schedules.

On July 5, 2017, the Company board held a telephonic meeting at which representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present to, among other things, consider the proposed merger with Ultra at a price of \$23.50 per share of Company common stock. A representative of Mayer Brown reviewed with the members of the Company board their fiduciary duties under applicable law. Representatives of Wells Fargo Securities and Raymond James then joined the meeting and, with Mr. Hartnett, reviewed the developments in the marketing process since the last meeting of the Company board on July 1, 2017 with respect to the proposed transaction with Ultra and the solicitation of indications of interest for MDS. At the request of the Company board, representatives of Wells Fargo Securities and Raymond James then reviewed with the Company board their respective preliminary financial analyses with respect to the Company and the proposed merger. Mayer Brown provided the Company board with both a written and an oral summary of the key terms of the merger agreement, noting any items in the merger agreement that remained to be resolved. A representative of Mayer Brown also described for the Company board the resolutions that the Company board would consider adopting at its next meeting. Following discussion and consideration of the proposed transaction with Ultra, the Company board unanimously determined to proceed with the merger, assuming satisfactory finalization of definitive transaction documentation.

On July 6, 2017, the Company board held a telephonic meeting at which representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present to, among other things, consider the proposed merger with Ultra. A representative of Mayer Brown reviewed with the Company board the resolution of the issues in the merger agreement that had been unresolved as of the time of the meeting of the Company board on July 5, 2017. At the request of the Company board, representatives of Wells Fargo Securities reviewed with the Company board Wells Fargo Securities financial analyses with respect to the Company and the proposed merger. Thereafter, at the request of the Company board, Wells Fargo Securities rendered its oral opinion to the Company board (which was subsequently confirmed in writing by delivery of Wells Fargo Securities' written opinion dated July 6, 2017) to the effect that, as of July 6, 2017, and based upon and subject to certain assumptions, qualifications, limitations and other matters considered in connection with the preparation of the opinion, the merger consideration to be received by the holders of shares of the Company common stock in the merger pursuant to the merger agreement was fair, from a financial point of view, to such holders. At the request of the Company board, representatives of Raymond James confirmed the financial analysis they had presented to the Company board at its meeting on July 5, 2017. Thereafter, at the request of the Company board, Raymond James rendered its oral opinion to the Company board (which was subsequently confirmed in writing by delivery of Raymond James' written opinion dated July 6, 2017) that based upon and subject to the factors, limitations and assumptions set forth therein, as of July 6, 2017, the merger consideration to be paid to the

holders of shares of the Company common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders. The Company board then unanimously (i) determined that the merger agreement and the transactions

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contemplated by the merger agreement, including the merger, are fair to the Company shareholders and are in the best interests of the Company and the Company shareholders, (ii) authorized, declared advisable and approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, (iii) directed that a proposal for the adoption of the merger agreement be submitted to the Company shareholders for consideration at the special meeting and (iv) resolved to recommend that the Company shareholders adopt the merger agreement.

Early in the morning of July 7, 2017, the Company, Ultra and Merger Sub executed the Ultra merger agreement and the Company issued a press release announcing entry into the Ultra merger agreement prior to the opening of trading on the NYSE that morning.

### ***Developments Following Execution of Ultra Merger Agreement***

On July 21, 2017, each of the Company and Ultra filed with the Department of Justice and the Federal Trade Commission a premerger notification and report form under the HSR Act with respect to the transaction contemplated by the Ultra merger agreement (which we refer to as the HSR filings ). Under the HSR Act and the rules promulgated thereunder, the transaction contemplated by the Ultra merger agreement could not be consummated until the Company and Ultra had made the HSR filings and furnished the necessary information to the Department of Justice and the Federal Trade Commission and until a 30-day waiting period (or any extension of the waiting period) expired or was terminated.

On August 21, 2017, after discussions with the Department of Justice, Ultra withdrew its HSR filing and then re-filed it on August 23, 2017. As a result of the re-filing, a second 30-day waiting period under the HSR Act commenced on August 23, 2017.

On September 22, 2017, the Department of Justice delivered notices to each of Ultra and the Company pursuant to which the Department of Justice made a second request for information in connection with the Department of Justice's review of the transaction contemplated by the Ultra merger agreement (which we refer to as the second request ). As a result of the second request, the waiting period under the HSR Act was extended until 30 days after Ultra and the Company had substantially complied with the second request.

On October 5, 2017, the Company held a special meeting of the Company shareholders and the Company shareholders voted in favor of adopting the Ultra merger agreement.

On October 23, 2017, the Company, Ultra and the Department of Justice entered into a timing agreement pursuant to which, among other things, the Company and Ultra agreed not to consummate the transaction contemplated by the Ultra merger agreement until 90 days following the date on which both of them shall have certified compliance with the second request, unless the Department of Justice's investigation shall have been closed sooner, subject to certain exceptions.

On March 5, 2018, the Company announced the termination by the Company and Ultra of the Ultra merger agreement as a result of the staff of the Department of Justice informing the parties that it intended to recommend that the Department of Justice block the transaction contemplated by the Ultra merger agreement. Under an agreement entered into by the parties to the Ultra merger agreement, the parties agreed to release each other from certain claims and liabilities arising out of or related to the Ultra merger agreement or the transactions contemplated thereby, including any termination fees. The Company's announcement also stated that, as a result of the termination of the Ultra merger agreement, the Company would seek to re-engage with parties that previously expressed an interest in acquiring all or a part of the Company and that are in a position to expeditiously proceed to effect such a transaction.



Also on March 5, 2018, the Company announced that, during the Department of Justice's review of the transaction contemplated by the Ultra merger agreement, the Navy expressed the view that instead of the

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Company and Ultra proceeding with such transaction, each of the Company and Ultra should enhance its ability to independently develop, produce and sell sonobuoys and over time work toward the elimination of their use of the ERAPSCO JV for such activities.

In addition, on March 5, 2018, a representative of Party B contacted Mr. Hartnett by telephone and indicated that Party B was once again interested in exploring a potential acquisition of the Company. Mr. Hartnett told the representative of Party B that the Company's financial advisors would be contacting parties that might be interested in an acquisition of a portion or all of the Company and that the Company's financial advisors would contact Party B's financial advisor to discuss Party B's interest in a potential acquisition of the Company.

From March 5, 2018 through March 9, 2018, at the direction of the Company board, the Company's financial advisors contacted representatives of parties that previously expressed an interest in an acquisition of a portion or all of the Company, including a representative of the financial advisor for Party B.

On March 6, 2018, a representative of Cerberus contacted a representative of Wells Fargo Securities by telephone expressing interest in a potential acquisition of the Company. The representative of Wells Fargo Securities told the representative of Cerberus that executing a transaction expeditiously was a priority for the Company and that he would convey to the Company board Cerberus' interest in a potential acquisition of the Company.

On March 7, 2018, the Department of Justice delivered notices to each of Mayer Brown (we refer to the notice to Mayer Brown as the DOJ notice) and counsel for Ultra stating that the Department of Justice had opened an investigation into the ERAPSCO agreement as being in potential violation of Section 1 of the Sherman Act (which we refer to as the DOJ investigation). Such notices also requested that certain documents and electronic information be preserved by the Company, Ultra and their respective affiliates and counsel in connection with the DOJ investigation.

On March 9, 2018, a representative of Party B contacted Mr. Hartnett by telephone to reiterate that Party B was interested in exploring a potential acquisition of the Company.

On March 12, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, representatives of Wells Fargo Securities and Raymond James informed the Company board that, since the Company had issued its press release regarding the termination of the Ultra merger agreement on March 5, 2018, Wells Fargo Securities and Raymond James had discussions with 15 parties, including Cerberus and Party B and a U.S. based manufacturer of defense products (which we refer to as Party H), regarding a potential transaction involving the Company. Party H had signed a non-disclosure agreement as part of the marketing process prior to the signing of the Ultra merger agreement, but had withdrawn in the initial phase of the marketing process after submitting two prior indications of interest to acquire ECP. A representative of Wells Fargo Securities also noted that Party B had indicated that it would send an updated list of due diligence requests and that it would be prepared to submit a new indication of interest within two weeks after Party B receives responses to such requests. The Company board also discussed resuming the marketing process to identify parties interested in exploring an acquisition of a portion or all of the Company, the length of time such parties would need to complete their due diligence in connection with the renewed marketing process and the effect the renewed marketing process would have on the business and operations of the Company.

Later on March 12, 2018, Party B sent a letter to Wells Fargo Securities stating that Party B remained interested in potentially acquiring the Company and requested that the Company provide certain due diligence materials. In the letter, Party B indicated that it anticipated that it could submit a new indication of interest one to two weeks following its receipt of such information. Party B also stated in its letter that it would request exclusivity with the Company for a period of time that was not specified in the letter following submission of its indication of interest.



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On March 13, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, the Company board and representatives of Wells Fargo Securities and Raymond James discussed the March 12, 2018 letter from Party B. Wells Fargo Securities and Raymond James also reviewed and discussed 13 potential acquirers, including Cerberus, Party B and Party H, that either had reached out to Wells Fargo Securities and Raymond James following the termination of the Ultra merger agreement to express an interest in a potential strategic transaction with the Company or may have an interest in such a transaction. The Company board and the representatives of Wells Fargo Securities and Raymond James also discussed the logistics and timing associated with the marketing process and the amount of due diligence new participants in the marketing process might require. The Company board noted that Party B had conducted a significant amount of due diligence in the initial process and thus could be in a position to sign a definitive agreement to acquire the Company more quickly than other potential bidders. The Company board authorized management to engage with Party B regarding a potential strategic transaction involving the Company and to negotiate and execute any supplements, amendments or modifications to Party B's non-disclosure agreement with the Company as management deemed advisable. The Company board also discussed the option of pursuing a standalone business plan in the event that Party B was not able to move forward quickly with a potential transaction. Following such discussions, the Company board authorized the Company to resume the marketing process and authorized Wells Fargo Securities and Raymond James to contact the 13 potential buyers that Wells Fargo Securities and Raymond James had identified to the Company board. Of such 13 potential buyers, nine had received signed non-disclosure agreements and received the CIP and five had attended management presentations in the marketing process prior to the execution of the Ultra merger agreement.

On March 15, 2018, Party B and the Company entered into a standstill agreement which supplemented the non-disclosure agreement signed by Party B and the Company during the marketing process. The standstill agreement included standstill provisions which, for a period of eighteen months, prohibited Party B, without the prior written consent of the Company board, from acquiring any securities of the Company or participating in a proposal for the Company either publicly or privately or from asking the Company to amend or waive such standstill provisions (often referred to as a "don't ask, don't waive" provision), except that (i) all of the standstill restrictions would automatically terminate (other than Party B's restriction from acquiring the Company's securities) if the Company enters into a definitive agreement with respect to (or has recommended that Company shareholders accept or approve) a transaction involving the acquisition of all or a majority of the Company's outstanding equity securities or all or substantially all of the Company's assets and (ii) nothing in the standstill agreement or the non-disclosure agreement would prohibit Party B making to the Company board on a confidential basis one or more proposals for a strategic transaction involving the Company.

On March 23, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Mayer Brown were present. During the meeting, Mr. Hartnett updated the Company board on the Company's preliminary discussions with Party B regarding a potential strategic transaction with the Company and, based on a conversation he had with a representative of Party B, on Party B's meeting with the Navy. The Company board then discussed the feasibility of resuming the marketing process to identify a beneficial strategic transaction expeditiously and the timing and logistics associated therewith. The Company board reactivated the process committee comprised of Messrs. Molfenter, Bazaar, Swartwout and Hartnett to conduct the marketing process. The process committee would be assisted and advised by Wells Fargo Securities, Raymond James and Mayer Brown and would have the authority, among other things, to negotiate and execute non-disclosure, standstill and other preliminary agreements and any amendments or modifications to any such agreements. The Company board and representatives of Mayer Brown discussed engaging a consultant in connection with a potential stand-alone business plan and the Company board determined that, in light of the commencement of the marketing process, the Company board would wait to engage such a consultant until it had further clarity on the results of the marketing process.



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On March 27, 2018, Cerberus and the Company entered into a non-disclosure agreement which included standstill provisions substantially similar to the ones contained in the standstill agreement entered into by Party B and the Company on March 15, 2018.

On March 29, 2018, Party B sent an indication of interest to Wells Fargo Securities to acquire the Company for \$23.50 per share of Company common stock. In its letter, Party B stated that its indication of interest was subject to the completion of confirmatory due diligence to Party B's satisfaction, including being provided opportunities to meet with the Navy and Ultra regarding Party B's potential acquisition of the Company and the ERAPSCO JV. Party B also requested 21 days of exclusivity with the Company.

On April 2, 2018, the process committee held a telephonic meeting at which representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the marketing process with 15 parties with which Wells Fargo Securities and Raymond James had discussions, including the timing and logistics associated therewith. The representative of Wells Fargo Securities also updated the process committee on preliminary discussions with Party B's financial advisor regarding Party B's March 29, 2018 proposal. After discussion, the process committee directed Wells Fargo Securities to deliver a process letter to each of the potential buyers participating in the marketing process.

On April 4, 2018, as directed by the process committee, Wells Fargo Securities (i) sent to each of the potential buyers participating in the marketing process a process letter requesting indications of interest to acquire the Company to be submitted by April 18, 2018 and (ii) provided each of the participants in the marketing process that had executed non-disclosure agreements access to limited due diligence materials regarding the Company and its businesses via an online virtual data room.

On April 6, 2018, the process committee held a telephonic meeting at which representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including that, to date, five strategic buyers and six financial buyers had executed non-disclosure agreements, amendments to existing non-disclosure agreements or standstill agreements each of which included standstill provisions substantially similar to the ones contained in the standstill agreement entered into by Party B and the Company on March 15, 2018. Such representative of Wells Fargo Securities also updated the process committee on discussions between Wells Fargo Securities and Party B's financial advisor. Mr. Hartnett informed the process committee that a meeting among Mr. Hartnett, representatives of Party B and Ultra had been scheduled for April 13, 2018 at Ultra's headquarters. The process committee then discussed Party B's request for exclusivity and determined that such exclusivity would only be granted after Party B had completed all of its substantive due diligence.

Also on April 6, 2018, a representative of Party G that was employed by a significant shareholder of Party G contacted a representative of Wells Fargo Securities by telephone to express Party G's interest in a potential acquisition of the Company.

From April 6, 2018 through April 13, 2018, representatives of Wells Fargo Securities and representatives of Party G (including employees of Party G's significant shareholder) had several discussions regarding the marketing process and Party G's interest in acquiring the Company.

On April 9, 2018, a representative of a potential strategic buyer contacted Mr. Hartnett by email to indicate that the strategic buyer may be interested in exploring a potential acquisition of the Company. Later that day, at the request of the Company, Wells Fargo Securities confirmed that the Company was interested in having such strategic buyer participate in the marketing process.

On April 11, 2018, Wells Fargo Securities sent such strategic buyer the form of non-disclosure agreement. After a series of discussions between Wells Fargo Securities and such strategic buyer, a representative of the strategic

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buyer informed representatives of Wells Fargo Securities by email on April 16, 2018 that such strategic buyer would not be participating in the marketing process.

On April 11, 2018, as directed by the process committee, Wells Fargo Securities sent to Party B a form of merger agreement, which had been prepared by Mayer Brown and approved by the process committee. The draft was substantially similar to the Ultra merger agreement except that, among other things, (i) the provisions specific to Ultra (such as those relating to Ultra's shareholder vote) were deleted, (ii) the parent termination fee would be payable if the merger agreement was terminated due to a failure to obtain requisite regulatory approvals and (iii) the amount of the parent termination fee would be two times the amount of the termination fee.

Between April 13, 2018 and April 17, 2018, members of Company management held telephonic meetings with several of the participants in the marketing process, including Cerberus and Party H, to discuss, among other things, the ERAPSCO JV and such participant's interest in acquiring the Company and due diligence of the Company.

On April 13, 2018, Mr. Hartnett and representatives of Party B and Ultra held a meeting at Ultra's corporate headquarters to discuss the ERAPSCO JV and their expectations for the future conduct of the ERAPSCO JV in the event Party B were to acquire the Company.

Also on April 13, 2018, a representative of Wells Fargo Securities sent the form non-disclosure agreement to a representative of Party G and encouraged Party G to proceed expeditiously as the marketing process had already commenced and other participants in the marketing process had already begun their due diligence review of the Company.

On April 16, 2018, the process committee held a telephonic meeting at which representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, Mr. Hartnett updated the process committee on the meeting with Party B and Ultra and informed the process committee that a meeting between Party B and the Navy had been scheduled for April 18, 2018. A representative of Wells Fargo Securities updated the process committee on the status of the marketing process and indicated that it was still anticipating that the potential buyers, including Party B, Party H and Cerberus, would deliver their indications of interest on or around April 18, 2018.

On April 17, 2018, Party G sent a mark-up of the form of non-disclosure agreement to Wells Fargo Securities.

On April 18, 2018, Mr. Hartnett and representatives of Party B held a meeting with the Navy regarding Party B's potential acquisition of the Company.

Also on April 18, 2018, at the instruction of the Company, a representative of Wells Fargo Securities indicated to Party G that, given the role that the significant shareholder of Party G was playing in Party G's consideration of a potential acquisition of the Company, the Company would require that such significant shareholder be a party to the non-disclosure agreement in order for Party G to participate in the marketing process.

Later on April 18, 2018, the Company determined not to allow Party G to participate in the marketing process in light of the fact that the participants in the marketing process were further along in their due diligence of the Company, that allowing Party G to catch up with other bidders could result in a delay of the marketing process and that executing a transaction expeditiously was a priority for the Company.

On April 18, 2018 and April 19, 2018, Wells Fargo Securities, on behalf of the Company, received indications of interest from four strategic buyers, including Party B (which updated its current indication of interest) and Party H, and one financial buyer, which was Cerberus. The initial indications of interest reflected indicative prices ranging



from \$21.00 to \$23.50 per share of Company common stock. Cerberus' indication of interest contained a proposal to acquire the entire Company for \$23.50 per share of Company common stock and stated that (i) its

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proposal was contingent on satisfactory completion of due diligence which it expected to complete within 30 days and (ii) it intended to acquire both ECP and MDS. Party B did not submit a new indication of interest letter, but Party B submitted a mark-up of the draft merger agreement sent to Party B on April 11, 2018 in which Party B, among other things, deleted the provisions providing that the parent termination fee would be payable if the merger agreement was terminated due to a failure to obtain requisite regulatory approvals. A representative of Party B also told representatives of Wells Fargo Securities and Raymond James that based on updated share count information in the Company's dataroom, Party B's price per share of Company common stock was \$22.25. Party H submitted a proposal to acquire the entire Company at a price of \$23.00 per share of Company common stock and stated that it expected that its due diligence would be completed and a merger agreement with the Company could be executed within 45 to 60 days.

Also on April 19, 2018, Wells Fargo Securities, on behalf of the Company, received an unsolicited indication of interest from Party G which contained a proposal to acquire the entire Company for \$24.00 per share of Company common stock, which proposal was based solely on publicly available information.

On April 20, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities provided a summary of the financial terms of the six proposals received on April 18, 2018 and April 19, 2018, with indicative prices ranging from \$21.00 to \$24.00 per share of Company common stock, and a description of the extent of due diligence conducted by each potential buyer. As part of the summary, the representative of Wells Fargo Securities noted that Party G's indicated price of \$24.00 per share of Company common stock was based on publicly available information and that, taking into account additional information in the Company's dataroom, which information was made available to the participants in the marketing process, Party G's indicated price was equivalent to \$22.48 per share of Company common stock. The Company board, with the assistance of representatives of Wells Fargo Securities and Mayer Brown, discussed the circumstances involving Party G and affirmed the Company's decision to exclude Party G from the marketing process. Representatives of Mayer Brown described the changes made by Party B in its mark-up of the draft merger agreement. Mr. Hartnett also provided the Company board an update on his meeting with Party B and the Navy. Following such discussions, the Company board instructed Wells Fargo Securities to indicate to Party B that granting Party B exclusivity would be based on the following conditions: (i) Party B must confirm a price of \$23.50 per share of Company common stock, (ii) Party B must agree that the merger agreement would include provisions providing that the parent termination fee would be payable if the merger agreement was terminated due to a failure to obtain requisite regulatory approvals and (iii) a discussion between Party B's counsel and Mayer Brown must be held to discuss regulatory due diligence matters relating to Party B and the results of such discussion must not indicate any significant regulatory risk associated with a transaction for the Company to be acquired by Party B. The Company board also authorized Messrs. Swartwout and Hartnett to negotiate the terms of and execute an exclusivity agreement with Party B for an exclusivity period not to exceed 21 days, subject to satisfaction of the foregoing conditions.

On April 23, 2018, representatives of Party B's financial advisor informed representatives of Wells Fargo Securities and Raymond James that Party B had determined that, after consideration of the due diligence information that had been provided to date, including with respect to the Company's financial condition, the uncertainty of the future of the ERAPSCO JV and the anticipated difficulty in executing a post-acquisition divestiture of MDS, Party B's board of directors decided that Party B would not be moving forward with a potential acquisition of the Company and would be withdrawing from the marketing process.

On April 25, 2018, the Company board held a meeting at which representatives of the Company's senior management and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the Company board on the status of the marketing process. Wells

Fargo Securities also discussed with the Company board Party B's withdrawal from the marketing process and reviewed the financial terms of the proposals received from the five other potential buyers on April 18, 2018 and April 19, 2018. The representatives of Wells Fargo Securities and Raymond James

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indicated that Party G's proposal was less credible than those of other bidders because such bidders had access to additional due diligence materials of the Company and Party G had relied exclusively on publicly available information. Following this review, the Company board noted that Cerberus and Party H's proposals reflected the highest prices proposed by all potential buyers in the marketing process and that Cerberus and Party H had been more active in their due diligence than the other potential buyers. The Company board then discussed information Wells Fargo Securities had provided to the Company board in advance of the meeting regarding business relationships between Wells Fargo Securities and Cerberus and Party H. A representative of Raymond James informed the Company board that Raymond James would provide the Company board disclosures regarding its relationships with Cerberus and Party H at a later point in time. After discussion, the Company board determined (i) to continue the marketing process, (ii) to allow Cerberus and Party H into the next stage of the marketing process and (iii) to allow Party H to contact a financial acquirer that owned and operated businesses in the contract manufacturing industry (which we refer to as Party I), with which Ultra had engaged in discussions to sell MDS prior to the termination of the Ultra merger agreement, as Party H had indicated that it did not intend to hold MDS and that Party H needed certainty with respect to how it would divest MDS if it were to acquire the Company.

On April 26, 2018, as directed by the Company board, Wells Fargo Securities sent to Cerberus and Party H a form of merger agreement, which had been prepared by Mayer Brown and approved by the process committee, for their review and comment to be included in their proposals.

On April 30, 2018, Wells Fargo Securities sent to Cerberus and Party H a process letter requesting final proposals to acquire the entire Company to be submitted by May 16, 2018.

On May 2, 2018, representatives of Company management held a due diligence call with representatives of Cerberus, Lowenstein Sandler LLP, transaction counsel to Cerberus (which we refer to as Lowenstein Sandler), and Blank Rome LLP, government contracts counsel to Cerberus (which we refer to as Blank Rome), to discuss matters relating to the ERAPSCO JV, including the DOJ investigation. Representatives of Wells Fargo Securities were also present on this call.

On May 3, 2018, at the Company's corporate headquarters, Mr. Hartnett and other members of Company management gave a management presentation to Cerberus regarding the Company, its business segments and operations and its historical and projected financial performance.

On May 4, 2018, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, Mr. Hartnett and a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including discussions with representatives of Cerberus and Party H, and Party H's intent to engage Party I and possibly other third parties in connection with a potential sale of MDS.

On May 7, 2018 and May 8, 2018, at the Company's facility in DeLeon Springs, Florida, members of Company management met with Cerberus for a site visit and to discuss the ERAPSCO JV, the Company's business and historical operations and the Company's projected financial performance. Mr. Hartnett attended such meeting by telephone.

On May 9, 2018, representatives of Cerberus, Mayer Brown, Lowenstein Sandler and Blank Rome had a conference call to further discuss the DOJ investigation.

On May 10, 2018, at the Company's facility in DeLeon Springs, Florida, members of Company management gave a management presentation to Party H regarding the Company, its business segments and operations and its historical and projected financial performance and gave a tour of such facility. Mr. Hartnett attended such management

presentation by telephone.

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On May 14, 2018, the process committee held a telephonic meeting at which representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including progress made by Cerberus and Party H in their respective due diligence of the Company.

On May 16, 2018, Wells Fargo Securities received updated indications of interest from Cerberus and Party H. In addition, Party H's indication of interest included its proposed mark-up of the form of merger agreement. Cerberus' indication of interest contained a proposal to acquire the entire Company for \$22.00 per share of Company common stock, reaffirmed its intention to acquire both ECP and MDS and requested 21 days of exclusivity. Party H's indication of interest contained a proposal to acquire the entire Company for \$23.50 per share of Company common stock and requested 30 days of exclusivity, but did not include any proposed plan with respect to a sale of MDS.

On May 17, 2018, Wells Fargo Securities received Cerberus' proposed mark-up of the form of merger agreement.

On May 18, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Mayer Brown described for the members of the Company board the business relationships with Cerberus and Party H that were disclosed by each of Wells Fargo Securities and Raymond James. After consideration of such disclosures, the Company board determined that such relationships would not be likely to impair the ability of Wells Fargo Securities and Raymond James to provide objective advice and concluded that it was appropriate for the Company board to continue to receive advice from such financial advisors. Following such discussion, a representative of Wells Fargo Securities provided a summary of the financial terms of Cerberus' and Party H's proposals received on May 16, 2018. The representative of Wells Fargo Securities also discussed the extent of due diligence performed by each of Cerberus and Party H and noted that Cerberus had performed substantially more due diligence than Party H to date. A representative of Mayer Brown then described the changes made by Cerberus and Party H in their respective mark-ups of the form of merger agreement and noted that Cerberus' mark-up was far more extensive than that of Party H. After further discussion, the Company board determined that it was not the appropriate time to enter into exclusivity with either Cerberus or Party H. The Company board then instructed Wells Fargo Securities to (i) inform Cerberus and Party H that the Company would not provide exclusivity and press them to commit to a timeframe to executing a merger agreement with the Company, (ii) make a counterproposal to Cerberus to increase its price from \$22.00 to \$23.50 per share of Company common stock and (iii) press Party H to increase the pace of its due diligence and commit to a plan with respect to its potential sale of MDS. The Company board also instructed Mayer Brown to engage with counsel for Cerberus to negotiate the terms of the merger agreement.

Later on May 18, 2018, representatives of Wells Fargo Securities contacted representatives of Cerberus by telephone to relay the Company board's counterproposal that Cerberus increase its price from \$22.00 to \$23.50 per share of Company common stock, which the representatives of Cerberus and Wells Fargo Securities discussed and the representatives of Cerberus said they would consider further. The representatives of Wells Fargo Securities also informed Cerberus that the Company board would not grant Cerberus exclusivity at such time and asked Cerberus to confirm whether it was willing to proceed on that basis, and the representatives of Cerberus indicated that they would consider proceeding on that basis.

Also on May 18, 2018, representatives of Wells Fargo Securities and Raymond James contacted representatives of Party H and Party H's financial advisor and discussed the status of Party H's due diligence and Party H's plans with respect to a potential sale of MDS. In the course of their discussion, the representatives of Party H indicated that Party H was prepared to proceed expeditiously with their due diligence and execute a merger agreement within 30 days provided the results of due diligence are satisfactory. The representatives of Party H also indicated that Party H's entering into a merger agreement to acquire the Company would not be contingent on finalizing the terms of a sale of

MDS. The representatives of Wells Fargo Securities and Raymond James also

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informed Party H that the Company board would not grant Party H exclusivity at such time and asked Party H to confirm whether it was willing to proceed on that basis, and the representatives of Party H indicated that they would consider proceeding on that basis.

On May 19, 2018, representatives of Mayer Brown had a conference call with representatives of Lowenstein Sandler to negotiate terms of the merger agreement. During the call, Mayer Brown and Lowenstein Sandler engaged in discussions and negotiations regarding, among other things, (i) the scope of each party's representations and warranties in the merger agreement, including the Company's representations and warranties with respect to government contracting matters and the ERAPSCO JV, (ii) financing matters, (iii) the circumstances in which a termination fee would become payable by the Company to Parent and the size of such fee and (iv) the circumstances in which a termination fee would become payable by Parent to the Company and the size of such fee.

On May 22, 2018, representatives of Cerberus contacted representatives of Wells Fargo Securities by telephone to inform them that Cerberus would not increase its price of \$22.00 per share of Company common stock, but it was willing to proceed without being provided exclusivity.

On May 23, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities provided an update on the status of the marketing process, including an update on the discussions that took place with the representatives of Cerberus, Party H and their respective advisors since the May 18, 2018 meeting of the Company board. In addition, the Company board, with the assistance of representatives of each of Wells Fargo Securities, Raymond James and Mayer Brown, discussed potential paths forward in the marketing process if Party H did not confirm that it was prepared to proceed without exclusivity. After this discussion, the Company board directed Company management to continue pursuing a transaction with Cerberus and Party H, if Party H confirmed that it was willing to proceed without being provided exclusivity.

On May 24, 2018, representatives of Party H's financial advisor contacted representatives of Wells Fargo Securities by telephone to inform them that Party H was willing to proceed without being provided exclusivity.

On May 30, 2018, a representative of Party G contacted a representative of Wells Fargo Securities by telephone and stated that unless Party G were to be immediately permitted to participate in the marketing process, Party G would send to the Company board on June 1, 2018 a letter with a proposal to acquire the Company and would also publicly disclose that letter on that same day. Later that day, Party G and the Company entered into a non-disclosure agreement to which the significant shareholder of Party G, whose employees had acted as representatives of Party G, was also a party and which included standstill provisions substantially similar to the ones contained in the standstill agreement entered into by Party B and the Company on March 15, 2018.

On May 31, 2018, Party G was granted access to the due diligence materials regarding the Company and its businesses via an online virtual data room.

On June 1, 2018, Company management and representatives of Mayer Brown and the Company's regular outside counsel had a conference call with representatives of Cerberus, Lowenstein Sandler and Blank Rome to discuss due diligence matters relating to the ERAPSCO JV.

On June 8, 2018, representatives of Mayer Brown and Lowenstein Sandler had a conference call to discuss possible structures for Cerberus' potential acquisition of the Company.



On June 11, 2018, a representative of Party G contacted a representative of Wells Fargo Securities by telephone to inform him that Party G was not interested in acquiring MDS and that it would need a third party to purchase MDS.

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Also on June 11, 2018, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, representatives of Wells Fargo Securities and Mayer Brown updated the process committee on the status of the marketing process, including the conference call between Mayer Brown and Lowenstein Sandler on June 8, 2018. After discussion, the process committee directed Wells Fargo Securities to request that Cerberus and Party H commit to a definitive time frame for executing a merger agreement with the Company, and authorized Messrs. Swartwout and Hartnett to continue to provide Mayer Brown input and guidance in the preparation of the Company's mark-up of Cerberus' draft of the merger agreement.

On June 12, 2018, at the Company's corporate headquarters, Mr. Hartnett and other members of Company management gave a management presentation to Party G regarding the Company, its business segments and operations and its historical and projected financial performance.

From June 12 through June 18, 2018, representatives of Wells Fargo Securities had a series of calls with representatives of Party H's financial advisor regarding the Company board's desire that Party H commit to a time frame for signing a merger agreement with the Company. On these calls, the representatives of Party H's financial advisor indicated that Party H was willing to commit to a 30-day time frame for executing a merger agreement with the Company if it were to be granted exclusivity for such period. In response, the representatives of Wells Fargo Securities requested that Party H submit an updated indication of interest reaffirming its proposal to acquire the Company for \$23.50 per share of Company common stock.

On June 14, 2018, Mayer Brown sent a mark-up of Cerberus' draft of the merger agreement to Lowenstein Sandler.

On June 15, 2018, Party G sent an updated indication of interest to Wells Fargo Securities to acquire the Company for \$19.50 per share of Company common stock and requested 30 days of exclusivity.

On June 16, 2018, representatives of Mayer Brown and Lowenstein Sandler held a conference call to discuss and negotiate terms of the merger agreement. During the call, Mayer Brown and Lowenstein Sandler engaged in discussions and negotiations regarding, among other things, (i) the scope of representations related to ERAPSCO, FDA matters, intellectual property and government contracting, (ii) the definition of material adverse effect, (iii) the Company's obligation to cooperate in any Cerberus financing, (iv) the circumstances in which a termination fee would become payable by the Company to Parent and the size of such fee, (v) the circumstances in which a termination fee would become payable by Parent to the Company and the size of such fee and (vi) the definition of superior proposal.

On June 18, 2018, representatives of Wells Fargo Securities had a call with representatives of Cerberus regarding the Company board's desire that Cerberus commit to a time frame for signing a merger agreement with the Company. On the call, the representatives of Cerberus indicated that Cerberus anticipated it could complete its due diligence and sign a merger agreement within 14 days.

Later on June 18, 2018, the process committee held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the process committee on the status of the marketing process, including his discussions with representatives Party H between June 12, 2018 and June 18, 2018 and representatives of Cerberus earlier in the day on June 18, 2018. The representative of Wells Fargo Securities also provided a summary of the financial terms of Party G's updated proposal received on June 15, 2018. After discussion, the process committee determined not to proceed with Party G in light of the fact that its price was significantly lower than that of Cerberus and Party H.

Following such process committee meeting, on June 18, 2018, Party H sent an updated indication of interest to Wells Fargo Securities in which it reaffirmed its proposal to acquire the Company for \$23.50 per share of Company common stock and requested 30 days of exclusivity.

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Also on June 18, 2018, the ERAPSCO JV received a notice from the Navy stating that the ERAPSCO JV had been excluded from the competitive range (which we refer to as the range exclusion ) under Navy Solicitation No. N00019-19-R-0002 for the government fiscal years (which we refer to as GFY ) 19-23 AN/SSQ-125A Production Sonobuoy (which we refer to as the Q-125A solicitation ).

On June 20, 2018, Company management requested a debriefing with the Navy regarding the range exclusion (which we refer to as the debriefing ).

Also on June 20, 2018, at the request of the Company, Wells Fargo Securities informed Cerberus and Party H of the range exclusion.

On June 21, 2018, Company management and representatives of Wells Fargo Securities and Raymond James had conference calls with representatives of each of (i) Cerberus, Lowenstein Sandler and Blank Rome and (ii) Party H to discuss with them the range exclusion and the planned debriefing. On such calls, representatives of Cerberus and Party H indicated that they would require additional due diligence information regarding the range exclusion, including, among other things, updated financial projections from Company management taking into account the impact of the range exclusion.

On June 25, 2018, the Navy agreed to schedule the debriefing for June 28, 2018.

On June 27, 2018, Company management made available to Cerberus and Party H updated financial projections from the Company taking into account the impact of the range exclusion.

Also on June 27, 2018, the Company board held a meeting at its corporate headquarters at which Mr. McCormack was present and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present by telephone. During the meeting, Mr. Hartnett and a representative of Wells Fargo Securities updated the Company board on recent discussions with Cerberus and Party H regarding the range exclusion and the upcoming debriefing.

On June 28, 2018, Mr. Hartnett and other members of Company management met with the Navy and attended the debriefing.

On June 29, 2018, Company management and representatives of Wells Fargo Securities and Raymond James had conference calls with representatives of each of Cerberus and Party H to update them on the debriefing.

On June 30, 2018, a representative of Party H s financial advisor contacted a representative of Wells Fargo Securities by telephone. On that call, the representative of Party H s financial advisor confirmed that (i) Party H was still interested in pursuing an acquisition of the Company but at a reduced price of \$17 to \$18 per share of Company common stock, (ii) Party H s interest in acquiring the Company was contingent upon Party H meeting with each of Ultra, the Navy and the Department of Justice regarding the ERAPSCO JV and Party H being afforded three weeks of confirmatory due diligence after such meetings and (iii) Party H s requirement that it be given a period of exclusivity. The representative of Party H s financial advisor also explained that Party H intended to withdraw its proposal if the Company board presented a counterproposal for a price greater than \$18 per share of Company common stock.

On July 2, 2018, a representative of Cerberus informed Wells Fargo Securities that Cerberus had determined that, in light of the range exclusion, its concerns regarding the Navy s view of the Company and the ERAPSCO JV, it would not be moving forward with a potential acquisition of the Company and would be withdrawing from the marketing process.

On July 3, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the Company board on the discussions with Party H on June 30, 2018 and

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Cerberus on July 2, 2018. Representatives of Wells Fargo Securities and Raymond James provided a summary of the financial terms of Party H's proposal. After discussion, the Company board determined to proceed with Party H on the basis of its June 30, 2018 proposal and authorized Mr. Hartnett to negotiate and execute an exclusivity agreement with Party H for an exclusivity period that would expire no later than July 30, 2018.

Later on July 3, 2018, Wells Fargo Securities sent Party H's financial advisor a form of exclusivity agreement prepared by Mayer Brown.

On July 7, 2018, the Company and Party H executed an exclusivity agreement providing for exclusivity through July 30, 2018.

On July 9, 2018, the ERAPSCO JV filed a bid protest (which we refer to as the bid protest) with the United States Government Accountability Office (which we refer to as the GAO) challenging the range exclusion and requested that the GAO restore the ERAPSCO JV's ability to participate in the Q-125A solicitation. Also on that day, the Company issued a press release announcing the filing of the bid protest.

On July 13, 2018, Mayer Brown sent a mark-up of Party H's draft of the merger agreement to counsel to Party H.

On July 17, 2018, at the Company's facility in DeLeon Springs, Florida, Mr. McCormack and other members of Company management met with Party H to discuss the Company, its business segments and operations and its historical and projected financial performance and gave a tour of such facility. Mr. Hartnett attended such meeting by telephone.

On July 20, 2018, Mayer Brown sent to counsel to Party H a draft of the Company disclosure letter to the merger agreement.

On July 25, 2018, a representative of Party H's financial advisor contacted a representative of Wells Fargo Securities by telephone. On that call, the representative of Party H's financial advisor indicated that Party H was in the advanced stages of negotiating a purchase agreement for the sale of MDS with Party I (which we refer to as the MDS purchase agreement) and requested that Company management review the representations and warranties of the MDS purchase agreement and inform Party H if they had any concerns regarding such language. The representative of Wells Fargo Securities indicated that Party H would need to provide a mark-up of the merger agreement before Company management and the Company's legal advisors devote any time to reviewing any terms of the MDS purchase agreement.

On July 26, 2018, Party H's financial advisor sent Wells Fargo Securities a draft of the representations and warranties contained in the MDS purchase agreement.

On July 27, 2018, counsel to Party H sent a mark-up of the merger agreement to Mayer Brown. Such mark-up included a new condition to closing which required that the conditions to closing under the MDS purchase agreement be satisfied in order for the transactions contemplated by the merger agreement to close (which we refer to as the MDS closing condition).

On July 30, 2018, the Company board, by unanimous written consent, authorized the exclusivity period under the exclusivity agreement with Party H to be extended to August 6, 2018, subject to Party H agreeing to delete the MDS closing condition from the merger agreement.

Also on July 30, 2018, a representative of Wells Fargo Securities indicated to Party H's financial advisor that (i) exclusivity would be extended to August 6, 2018 only if Party H agreed to delete the MDS closing condition from the merger agreement and (ii) any extension of exclusivity beyond August 6, 2018 would be conditioned on Party H confirming a price of \$18 per share of Company common stock.

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In addition, on July 30, 2018, representatives of Party H held a meeting with the Department of Justice regarding the DOJ investigation.

On August 1, 2018, a representative of Party H's financial advisor contacted a representative of Wells Fargo Securities by telephone. On that call, the representative of Party H's financial advisor confirmed that Party H was willing to delete the MDS closing condition from the merger agreement and was seeking to sign the merger agreement by August 15, 2018 but would not be in a position to confirm its price until the following week after Company management provided certain addition due diligence information. The representative of Party H's financial advisor also informed Wells Fargo Securities that Party H expected Company management and the Company's legal advisors to take an active role in the negotiation of the representations and warranties of the MDS purchase agreement and the drafting the disclosure schedules thereto.

Later on August 1, 2018, the Company and Party H executed an amendment to the exclusivity agreement, which extended the exclusivity period to August 6, 2018.

On August 2, 2018, Mayer Brown sent a mark-up of the merger agreement to counsel to Party H.

On August 3, 2018, Mr. Hartnett and representatives of Party H and Ultra held a meeting at Ultra's corporate headquarters to discuss the ERAPSCO JV and the future conduct of the ERAPSCO JV in the event Party H were to acquire the Company.

On August 6, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the Company board on the status of discussions with Party H regarding a potential acquisition of the Company, including the discussions which took place on July 30, 2018, and on the status of discussions among Party H, Party I and the Company regarding a potential sale of MDS and the terms of the MDS purchase agreement. The representative of Wells Fargo Securities also discussed the financial terms of Party H's proposal. A representative of Mayer Brown then explained the extent of the assistance requested by Party H from Company management and the Company's legal advisors with respect to the negotiation of the MDS purchase agreement and the disclosure schedules thereto. After discussion, the Company board authorized Company management to extend exclusivity with Party H to August 10, 2018.

Later on August 6, 2018, the Company and Party H executed an amendment to the exclusivity agreement which extended the exclusivity period to August 10, 2018.

Also on August 6, 2018, Mayer Brown sent to counsel to Party H a further updated draft of the Company disclosure letter to the merger agreement.

On August 9, 2018, Company management and representatives of Party H, Party H's financial advisor, Wells Fargo Securities and Mayer Brown had a conference call to discuss the extent to which Company management and the Company's legal advisors would participate in the negotiation of certain terms of the MDS purchase agreement, including the representations and warranties thereof. On that call, Company management and the representatives of Party H determined that each had contemplated a different scope of work for Company management and the Company's legal advisors and determined to clarify Company management's and the Company's legal advisors' role in the MDS purchase agreement process moving forward.

From August 9, 2018 through early September 2018, the Company and Party H came to an agreement on the extent to which Company management and the Company's legal advisors would participate in the negotiation of the MDS



purchase agreement, and Mayer Brown prepared a draft of the disclosure schedules to the MDS purchase agreement and Mayer Brown, counsel for Party H and counsel for Party I reviewed and provided comments to the representations and warranties set forth in the MDS purchase agreement and the disclosure schedules thereto.

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On August 10, 2018, Party H's financial advisor contacted Wells Fargo Securities by telephone to confirm Party H's proposal to acquire the Company for \$18 per share of Company common stock and to indicate that Party H was now seeking to sign the merger agreement by August 24, 2018.

Also on August 10, 2018, Mayer Brown and counsel for Party H had a conference call to discuss the disclosure schedules to the MDS purchase agreement. On that call, counsel for Party H indicated that Party H did not intend to sign the merger agreement unless such signing was concurrent with the signing of the MDS purchase agreement.

Later on August 10, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the Company board on the status of discussions with Party H regarding a potential acquisition of the Company, including the discussions which took place earlier that day. The Company board and the representatives of Wells Fargo Securities and Mayer Brown also discussed the status of Party H's negotiation of the MDS purchase agreement with Party I and the reasons for Party H's continued delay in finalizing and signing the merger agreement, including Party H's intention that it sign the MDS purchase agreement simultaneously with the merger agreement. After discussion, the Company board directed Wells Fargo Securities and Raymond James to inform Party H that the Company would continue to pursue an acquisition of the Company by Party H and assist Party H in connection with negotiating the MDS sale agreement. The Company board also authorized Company management to extend exclusivity with Party H to August 24, 2018.

On August 14, 2018, Mr. Hartnett, Mr. McCormack and representatives of Party H, Party H's financial advisor, Wells Fargo Securities, Raymond James, Party H's counsel and Mayer Brown had a conference call to discuss the timeline and steps necessary to executing the merger agreement and the MDS purchase agreement, including Party H's intent to obtain representation and warranty insurance with respect to the MDS purchase agreement.

On August 15, 2018, the Company and Party H executed an amendment to the exclusivity agreement which extended the exclusivity period to August 24, 2018.

On August 22, 2018, the Company board held a meeting at its corporate headquarters at which Mr. McCormack was present and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present by telephone. During the meeting, a representative of Wells Fargo Securities updated the Company board on the status of Party H's negotiation of the MDS purchase agreement with Party I and Party I's due diligence of MDS, including Party H's intent to obtain representation and warranty insurance with respect to the MDS purchase agreement. The representative of Wells Fargo Securities conveyed Wells Fargo Securities' understanding that a representation and warranty insurer's underwriting process could take a minimum of seven to ten days and that such process had not yet been commenced by Party H. The Company board and a representative of Mayer Brown discussed both transactions, including anticipated timing and open items. After discussion, the Company board also authorized Company management to extend exclusivity with Party H to August 31, 2018.

On August 23, 2018, Wells Fargo Securities sent Party H's financial advisor a form of amendment to the exclusivity agreement prepared by Mayer Brown which extended exclusivity to August 31, 2018. Party H did not sign and return the amendment to Wells Fargo Securities or send any other response to such amendment to Wells Fargo Securities or Mayer Brown.

On August 30, 2018, the Navy issued a notice to the ERAPSCO JV that it had taken corrective action to reopen the competitive range regarding the Q-125A solicitation and allow the ERAPSCO JV in that competitive range, which allowed the ERAPSCO JV to again participate in the Q-125A solicitation.

On August 31, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting,

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a representative of Wells Fargo Securities updated the Company board on the status of discussions with Party H regarding a potential acquisition of the Company and the potential sale of MDS to Party I. The representative of Wells Fargo Securities noted that Party H had indicated that it had not yet started the underwriting process for the representation and warranty insurance for the potential MDS sale transaction but that Party H expected it would be completed within 20 days. After discussion, the Company board authorized Company management to extend exclusivity with Party H to September 14, 2018.

On September 4, 2018, as a result of the Navy's decision to restore the ERAPSCO JV's ability to participate in the Q-125A solicitation, the GAO dismissed the bid protest.

On September 5, 2018, the Company issued a press release announcing that the Navy had taken corrective action with respect to the range exclusion and the GAO had dismissed the bid protest.

On September 13, 2018, the Company filed a restatement (which we refer to as the restatement) of its consolidated financial statements for the quarterly periods ended October 1, 2017, December 31, 2017 and April 1, 2018 under Item 4.02 of Form 8-K. The restatement was made to correct an understatement of inventory and a corresponding overstatement of cost of goods sold which arose as a result of a processing error during the consolidation of the Company's financial results after implementing a new enterprise resource management system.

On September 14, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the Company board on the status of discussions with Party H regarding a potential acquisition of the Company and the potential sale of MDS to Party I. The representative of Wells Fargo Securities also updated the Company board on recent discussions with Party H regarding the restatement and told the Company board that Party H had indicated that it would likely not be in a position to sign a merger agreement for two weeks. After discussion, the Company board authorized Company management, if requested by Party H, to extend exclusivity with Party H up to two weeks following the date of the meeting.

On September 17, 2018, a representative of Cerberus contacted Wells Fargo Securities to indicate that Cerberus had a renewed interest in pursuing an acquisition of the Company.

On September 18, 2018, Party H's financial advisor informed Wells Fargo Securities that, after consideration of the results of its due diligence, Party H would no longer be pursuing a transaction to acquire the Company.

Also on September 18, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities updated the Company board on Party H's decision not to pursue an acquisition of the Company and Cerberus' renewed interest in acquiring the Company. The Company board, with the assistance of the representative of Wells Fargo Securities, also discussed pursuing a sale of MDS by the Company to Party I and terminating the marketing process to pursue a standalone business strategy. The Company board decided to review the revised financial forecasts for the Company that were being prepared by Company management prior to deciding on how to respond to Cerberus' renewed interest in pursuing an acquisition of the Company.

On September 21, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, the Company board, with the assistance of a representative of Wells Fargo Securities, discussed the various options the Company board could pursue with respect to a strategic transaction involving the Company, including reengaging with Cerberus and terminating the marketing process to pursue a standalone business strategy. Messrs. Hartnett and McCormack also

described the changes made in the revised financial forecasts. After discussion, the Company board directed Wells Fargo Securities to inform Cerberus that the Company board

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was willing to consider a proposal from Cerberus subject to Cerberus agreeing to conduct only limited additional due diligence and working to execute a merger agreement with the Company expeditiously.

Later on September 21, 2018, Cerberus submitted an indication of interest which contained a proposal to acquire the entire Company for \$18.50 per share of Company common stock. In its proposal, Cerberus indicated that it had substantially completed its due diligence in June 2018 and it was confident it would be able to complete its due diligence and finalize transaction documents within seven days after the Company engaged with Cerberus.

On September 24, 2018, Cerberus was granted access to due diligence materials regarding the Company and its businesses via an online virtual data room.

On September 26, 2018, members of Company management held a due diligence call with representatives of Cerberus to discuss matters relating to the restatement and Q4 FY19 financial performance of the Company. Representatives of Wells Fargo Securities were also present on the call.

On September 29, 2018, updated financial forecasts for the Company prepared by Company management were provided to Cerberus via an online virtual data room.

On October 2, 2018, members of Company management held a due diligence call with representatives of Cerberus to discuss matters relating to the Company's updated financial forecasts. Representatives of Wells Fargo Securities were also present on the call.

On October 4, 2018, members of Company management held a due diligence call with representatives of Cerberus to discuss matters relating to the Company's bid for the Q-125A solicitation. Representatives of Wells Fargo Securities were also present on the call.

On October 5, 2018, Cerberus submitted an updated indication of interest which confirmed Cerberus' proposal to acquire the entire Company for \$18.50 per share of Company common stock. The proposal contained an extensive list of due diligence requests and requested 14 days of exclusivity. Cerberus also confirmed that it was confident it would be able to complete its due diligence and finalize transaction documents within 7 days of full access to information and management. In subsequent discussions that day between Cerberus and Wells Fargo Securities, Cerberus indicated that \$18.50 was the highest price that Cerberus was willing to propose.

Also on October 5, 2018, Lowenstein Sandler sent a mark-up of the Company's June 14, 2018 draft of the merger agreement to Mayer Brown.

On October 8, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities reviewed the financial terms of Cerberus' proposal from October 5, 2018 and noted the extensive due diligence plan that had been submitted by Cerberus as part of such proposal. The representative of Wells Fargo Securities also reported to the Company board that a representative of Cerberus had told Wells Fargo Securities that \$18.50 per share of Company common stock was the highest price that Cerberus is prepared to offer to acquire the Company. In addition, a representative of Mayer Brown described to the Company board the changes proposed by Cerberus in its extensive mark-up of the merger agreement, including, among other things (i) the addition of a right for Cerberus to terminate the merger agreement in the event that the ERAPSCO agreement is terminated for any reason or upon the occurrence of certain other events relating to the ability of the Company and its subsidiaries to contract with a government entity, (ii) the addition of an expense reimbursement that would become payable by the Company to Parent in the event Company shareholders did not adopt the merger agreement, (iii) an increase in the

size of the termination fee payable by the Company to Parent under certain circumstances and (iv) a decrease in the size of the termination fee payable by Parent to the Company under certain circumstances. After discussion, the Company board determined to proceed to negotiate with Cerberus without granting Cerberus exclusivity on the condition that Cerberus would (i) accept a merger

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agreement that contains terms substantially closer to the form of merger agreement provided by the Company and (ii) proceed quickly to finish its due diligence and execute the merger agreement. The Company board instructed Wells Fargo Securities and Raymond James to communicate such conditions to Cerberus and to clarify that the Company would terminate further discussions if Cerberus did not commit to a target date to execute the merger agreement. The Company board then authorized Company management to enter into an exclusivity agreement with an exclusivity period of seven days only if Cerberus accepted the Company board's conditions but insisted on exclusivity in order to proceed. In addition, the Company board authorized Messrs. Swartwout and Hartnett to negotiate the merger agreement and the other transaction documents and provide Mayer Brown guidance in its preparation of a mark-up of such documents.

Later on October 8, 2018, at the direction of the Company board, representatives of Wells Fargo Securities contacted representatives of Cerberus by telephone to relay the Company board's conditions and position on timing as determined by the Company board at the meeting held earlier that day. The representatives of Cerberus confirmed that Cerberus was willing to proceed on such terms without being provided exclusivity.

On October 9, 2018, representatives of Mayer Brown had a conference call with representatives of Lowenstein Sandler to have a preliminary discussion regarding the terms of Cerberus' proposal, including Cerberus' mark-up of the merger agreement.

On October 11, 2018, representatives of Mayer Brown had a conference call with representatives of Lowenstein Sandler to negotiate terms of the merger agreement. During the call, Mayer Brown and Lowenstein Sandler engaged in discussions and negotiations regarding, among other things, (i) the scope of the Company's representations and warranties with respect to the ERAPSCO JV, (ii) the circumstances in which a termination fee would become payable by the Company to Parent and the size of such fee, (iii) the size of the termination fee payable by Parent to the Company, (iv) the definition of material adverse effect, (v) the circumstances in which Parent can terminate the merger agreement, including for certain types of material adverse effects, (vi) the definition of superior proposal which would trigger the Company's ability to terminate the merger agreement under certain circumstances and (vii) the circumstances in which an expense reimbursement would become payable by the Company to Parent and the maximum amount of such reimbursement.

Also on October 11, 2018, at the Company's corporate headquarters, Mr. Hartnett and other members of Company management met with Cerberus to discuss Cerberus' due diligence.

On October 13, 2018, representatives of Mayer Brown had a conference call with representatives of Lowenstein Sandler to negotiate terms of the merger agreement. During the call, Mayer Brown and Lowenstein Sandler engaged in discussions and negotiations regarding, among other things, Cerberus' proposals for resolving the matters discussed on October 11, 2018.

Later on October 13, 2018, Lowenstein Sandler sent drafts of the equity commitment letter and the limited guarantee to Mayer Brown.

On October 14, 2018, Mayer Brown sent a mark-up of the merger agreement to Lowenstein Sandler.

On October 17, 2018, representatives of Mayer Brown had a conference call with representatives of Lowenstein Sandler to negotiate terms of the merger agreement, the equity commitment letter and the limited guarantee. During the call, Mayer Brown and Lowenstein Sandler engaged in discussions and negotiations regarding, among other things, (i) financing matters, (ii) the scope of the restrictions on the Company's ability to make certain capital and operational expenditures between signing of the merger agreement and closing of the merger, (iii) the definition of



acquisition proposal and superior proposal, (iv) the circumstances in which an expense reimbursement would become payable by the Company to Parent and the maximum amount of such reimbursement, (v) reimbursement for certain expenses in connection with the Company's enforcement of the limited guarantee and (vi) the Company's third party beneficiary right to specific performance under the equity commitment letter.

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Also on October 17, 2018, Mr. Hartnett and representatives of Cerberus and Ultra held a meeting at Ultra's corporate headquarters (with Mr. Hartnett participating by telephone) to discuss the ERAPSCO JV and the future conduct of the ERAPSCO JV in the event Cerberus were to acquire the Company. During that meeting, a representative of Cerberus requested that Ultra waive the ERAPSCO transfer provisions with respect to the merger which the representatives of Ultra said they would consider and requested that Cerberus send its proposed language with respect to such waiver.

On October 18, 2018, a representative of Cerberus contacted a representative of Wells Fargo Securities by telephone to discuss Cerberus' concerns that Ultra could assert rights under the ERAPSCO transfer provisions with respect to the merger and Cerberus' intention of seeking Ultra's consent under the ERAPSCO transfer provisions with respect to the merger (which we refer to as the "Ultra consent"). Later that day, Lowenstein Sandler sent a draft letter agreement with respect to the Ultra consent (which we refer to as the "consent letter") to Mayer Brown.

Later on October 18, 2018, Mayer Brown sent mark-ups of the equity commitment letter and the limited guarantee to Lowenstein Sandler.

On October 19, 2018, representatives of Mayer Brown and Lowenstein Sandler discussed Cerberus' intention to seek the Ultra consent and the proposed form of the consent letter. Later that day, a representative of Mayer Brown noted in an email to representatives of Lowenstein Sandler the Company's position that the Company would not be a party to the consent letter and that no view of the Company or its affiliates or advisors relating to such matter be communicated to Ultra.

On October 22, 2018, Lowenstein Sandler sent mark-ups of the merger agreement, the equity commitment letter and the limited guarantee to Mayer Brown.

On October 24, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, the Company board, with the assistance of Mr. McCormack and representatives of Wells Fargo Securities and Raymond James, discussed a revision to the projections prepared by Company management and shared with Cerberus through the online virtual data room, which revision would reflect financial information relating to additional potential sonobuoy sales in connection the recent increase in the federal budget for sonobuoy purchases and potential Q-125A sonobuoy sales, in light of the Navy's recent corrective action with respect to the range exclusion. The revision to the financial forecasts would result in an increase to the Company's projected revenues, income and other related financial metrics. A representative of Wells Fargo Securities noted that, although not reflected in the projections available to Cerberus in the online virtual data room, the information that underlies the revision to the projections had already been provided to Cerberus prior to its October 5, 2018 proposal and that Cerberus was nearly complete with its financial due diligence. The Company board also discussed requesting that Cerberus increase its price in light of the revision to the projections and the potential delay associated with such a request. Representatives of Mayer Brown also discussed the status of the transaction documents, including the merger agreement, the limited guarantee and the equity commitment letter. After discussion, the Company board authorized Company management to make the revised projections available to Cerberus and determined that it would consider whether to request a higher price from Cerberus after such revised projections had been provided to Cerberus.

On October 29, 2018, representatives of Cerberus, Lowenstein Sandler and Mayer Brown had a conference call to further discuss the Company's views as to the ERAPSCO transfer provisions and the Ultra consent. On such call, a representative of Mayer Brown noted that the Company's position was that the ERAPSCO transfer provisions did not apply to the merger and that the Ultra consent should not be pursued with Ultra.

On October 30, 2018, representatives of Mayer Brown had a conference call with representatives of Lowenstein Sandler to negotiate terms of the merger agreement, the equity commitment letter and the limited guarantee.

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During the call, Mayer Brown and Lowenstein Sandler engaged in discussions and negotiations regarding, among other things, (i) the scope of the Company's representations and warranties with respect to government contracting matters, (ii) limitation of liability and sole recourse, (iii) the scope of the restrictions on the Company's ability to make certain capital and operational expenditures between signing of the merger agreement and closing of the merger, (iv) the circumstances in which an expense reimbursement would become payable by the Company to Parent and the maximum amount of such reimbursement, (v) reimbursement for certain expenses under the limited guarantee in connection with enforcing the limited guarantee and (vi) the Company's third party beneficiary right to specific performance under the equity commitment letter.

On October 31, 2018, the Company board held a meeting at the Company's corporate headquarters at which Mr. McCormack was present and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present by telephone. During the meeting, Mr. Hartnett and a representative of Wells Fargo Securities updated the Company board on the status of discussions with Cerberus regarding the Ultra consent. The Company board and a representative of Mayer Brown then discussed the Company board's position that the ERAPSCO transfer provisions did not apply to the merger and the possible ways that allowing Cerberus to engage with Ultra with respect to the Ultra consent could affect the Company's relationship with Ultra and could delay the signing of the merger agreement. After discussion, the Company board determined that it would permit Cerberus to seek the Ultra consent but would not permit Cerberus to seek any amendment to the ERAPSCO agreement. The Company board, with the assistance of its financial advisors, also considered whether to seek a price increase from Cerberus and determined that, in light of the recent revised projections prepared by Company management, Cerberus' previous awareness of the information that was reflected in the recent revised projections, the Company's recent financial performance, and the risks of a potential delay in signing the merger agreement, it would not seek such an increase from Cerberus.

On November 2, 2018, Lowenstein Sandler sent a mark-up of the merger agreement to Mayer Brown.

On November 3, 2018, Lowenstein Sandler sent mark-ups of the equity commitment letter and the limited guarantee to Mayer Brown.

On November 6, 2018, a representative of Cerberus sent a draft of the consent letter to a representative of Wells Fargo Securities, together with a letter to the Company board stating that Cerberus believed that parties to the ERAPSCO JV should acknowledge that the ERAPSCO transfer provisions do not apply to the merger in order to provide certainty to all parties. Later that day, at the direction and with the input of Messrs. Swartwout and Hartnett, Mayer Brown sent comments to the consent letter to Lowenstein Sandler.

Later on November 6, 2018, Mayer Brown sent a mark-up of the merger agreement to Lowenstein Sandler.

On November 7, 2018, the Company board held a telephonic meeting at which Mr. McCormack and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, Mr. Swartwout, Mr. Hartnett and a representative of Mayer Brown updated the Company board on the status of discussions with Cerberus regarding the Ultra consent. Representatives of Mayer Brown then described the terms of the revised consent letter and the comments made by Mayer Brown thereto. The Company board, with the assistance of the representatives of Wells Fargo Securities, Raymond James and Mayer Brown, then discussed the Company's options with respect to Cerberus' desire to obtain the Ultra consent. After discussion, the Company board determined to permit Cerberus to send the Ultra consent to Ultra and to inform Cerberus that it had until November 14, 2018 to obtain the Ultra consent so long as the consent letter is in a form satisfactory to the Company board and that, if Cerberus failed to obtain the Ultra consent by November 14, 2018, the Company board would consider its options, including potentially terminating the marketing process. The Company board also authorized Messrs. Swartwout and Hartnett to negotiate the terms of the consent letter.

On November 8, 2018, a representative of Cerberus sent a draft of the consent letter to a representative of Ultra.

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Also on November 8, 2018, Mayer Brown sent mark-ups of the equity commitment letter and the limited guarantee to Lowenstein Sandler.

On November 11, 2018, representatives of Mayer Brown had a conference call with representatives of Lowenstein Sandler to negotiate terms of the merger agreement, the equity commitment letter and the limited guarantee. During the call, Mayer Brown and Lowenstein Sandler engaged in discussions and negotiations regarding, among other things, (i) limitation of liability and sole recourse, (ii) the scope of the restrictions on the Company's ability to make certain capital and operational expenditures between signing of the merger agreement and closing of the merger, (iii) reimbursement for certain expenses under the limited guarantee in connection with enforcing the limited guarantee and (iv) the Company's right to specific performance to cause Parent to exercise certain of its rights under the equity commitment letter.

On November 12, 2018, a representative of Ultra sent a mark-up of the consent letter to a representative of Cerberus. The Ultra mark-up of the consent letter was subsequently provided to Mr. Hartnett by a representative of Cerberus, and a revised draft of the consent letter reflecting Cerberus' proposed changes was provided to Mr. Hartnett on November 14, 2018.

On November 15, 2018, Mayer Brown provided comments on the consent letter to Lowenstein Sandler. Later that day, Lowenstein Sandler sent a revised draft of the consent letter to Arnold & Porter.

On November 18, 2018, Lowenstein Sandler sent mark-ups of the merger agreement, the equity commitment letter and the limited guarantee to Mayer Brown.

On November 19, 2018, Arnold & Porter sent comments to the consent letter to Lowenstein Sandler. Later that day, a representative of Cerberus provided the revised consent letter to Mr. Hartnett.

Later on November 19, 2018, the Company board held a meeting at the Company's corporate headquarters at which Mr. McCormack was present and representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present by telephone. During the meeting, Mr. Hartnett and representatives of Mayer Brown updated the Company board on the status of discussions with Cerberus with respect to the Ultra consent and described Ultra's proposed changes to the consent letter. The Company board and the representatives of Mayer Brown then discussed changes to the latest draft of the consent letter. After discussion, the Company board instructed Mr. Hartnett to begin preparing for a possible termination of the marketing process, including the preparation of a press release announcing such termination.

Following such meeting of the Company board, on November 19, 2018, a representative of Mayer Brown had a call with a representative of Lowenstein Sandler to relay the Company board's comments to the consent letter. Later that day, Lowenstein Sandler sent a further revised draft of the consent letter to Mayer Brown. Following approval of the revised draft by Mayer Brown, Lowenstein Sandler transmitted the revised consent letter to Arnold & Porter.

On November 20, 2018, representatives of Mayer Brown had a conference call with representatives of Lowenstein Sandler to negotiate terms of the merger agreement. During the call, Mayer Brown and Lowenstein Sandler engaged in discussions and negotiations regarding, among other things, (i) the scope of the Company's representations and warranties with respect to government contracting matters, (ii) limitation of liability and sole recourse, (iii) the scope of the restrictions on the Company's ability to make certain capital and operational expenditures between signing of the merger agreement and closing of the merger, (iv) the circumstances in which an expense reimbursement would become payable by the Company to Parent and the maximum amount of such reimbursement, (v) reimbursement for certain expenses under the limited guarantee in connection with enforcing the limited guarantee and (vi) the

Company's third party beneficiary right to specific performance under the equity commitment letter.

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On November 21, 2018, Wells Fargo Securities received an unsolicited indication of interest from Party I which contained a proposal to acquire MDS for a price of \$36 million, on a cash-free, debt-free basis.

Also on November 21, 2018, a representative of a potential strategic buyer contacted Wells Fargo Securities and Mr. Hartnett by email to indicate that such strategic buyer may be interested in acquiring the Company.

On November 26, 2018, the Company board held a telephonic meeting at which representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, a representative of Wells Fargo Securities described the communications received from Party I and the potential strategic buyer on November 21, 2018 and updated the Company board on the status of discussions with Cerberus regarding the Ultra consent, including that Cerberus had received a mark-up of the consent letter from Ultra earlier that day which Cerberus was prepared to execute. After discussion, the Company board determined not to pursue the proposals from Party I or the potential strategic buyer because discussions with Cerberus were in advanced stages.

On November 27, 2018, Mayer Brown sent mark-ups of the merger agreement, the equity commitment letter and the limited guarantee to Lowenstein Sandler.

On November 27 and 28, 2018, certain members of Company management and representatives of Cerberus had calls with certain customers of the Company.

On November 29, 2018, Cerberus and Ultra executed the consent letter. A representative of Lowenstein Sandler provided a copy of the consent letter to Mayer Brown later that day.

Later on November 29, 2018, representatives of Mayer Brown had a conference call with representatives of Lowenstein Sandler to negotiate terms of the merger agreement. During the call, Mayer Brown and Lowenstein Sandler engaged in discussions and negotiations regarding, among other things, (i) the scope of the Company's representations and warranties with respect to government contracting matters, (ii) the scope of the restrictions on the Company's ability to make certain capital and operational expenditures between signing of the merger agreement and closing of the merger and (iii) the Company's right to specific performance to cause Parent to exercise certain of its rights under the equity commitment letter.

Also on November 29, 2018, Lowenstein Sandler sent mark-ups of the merger agreement, the equity commitment letter and the limited guarantee to Mayer Brown.

On November 30, 2018, the Company board held a telephonic meeting at which representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present to, among other things, consider the proposed merger with Cerberus at a price of \$18.50 per share of Company common stock. A representative of Mayer Brown reviewed with the members of the Company board their fiduciary duties under applicable law. Representatives of Wells Fargo Securities and Raymond James then joined the meeting. A representative of Mayer Brown then described for the members of the Company board the business relationships with Cerberus that were disclosed by each of Wells Fargo Securities and Raymond James to the Company board in advance of the meeting. After deliberation and consideration of such disclosures, the Company board determined that such relationships disclosed would not likely impair the ability of Wells Fargo Securities and Raymond James to provide objective advice and concluded that it was appropriate for the Company board to continue to receive advice from such financial advisors. Following such discussion, Mr. Hartnett and representatives of Wells Fargo Securities and Raymond James reviewed with the Company board the developments in discussions with Cerberus since the last meeting of the Company board on November 26, 2018. At the request of the Company board, representatives of Wells Fargo Securities and Raymond James then reviewed with the Company board their respective preliminary financial analyses with respect to the



Company and the proposed merger. Mayer Brown provided the Company board with both a written and an oral summary of the key terms of the merger agreement, noting any items in the merger agreement that remained to be resolved. A representative of Mayer Brown also described for the Company board the resolutions that the Company board would consider adopting to approve the merger

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agreement. Following discussion and consideration of the proposed transaction with Cerberus, the Company board determined to proceed with the merger, assuming satisfactory finalization of definitive transaction documentation.

On December 1, 2018, Mayer Brown sent mark-ups of the merger agreement, the equity commitment letter and the limited guarantee to Lowenstein Sandler. In addition, Mayer Brown sent a list of proposed changes to the Company disclosure letter to the merger agreement to Lowenstein Sandler which list included, among other things, a change to exclude the DOJ investigation from certain of the representations and warranties of the Company in the merger agreement (which we refer to as the DOJ investigation carve out). Later that day, Lowenstein Sandler informed Mayer Brown that Cerberus was not able to accept the Company's proposed language regarding the DOJ investigation carve out because the DOJ notice had not been made available to Cerberus.

On December 2, 2018, representatives of Mayer Brown had a conference call with representatives of Lowenstein Sandler to negotiate terms of the merger agreement. During the call, Mayer Brown and Lowenstein Sandler engaged in discussions and negotiations regarding, among other things, (i) the DOJ investigation carve out, (ii) the outside date and (iii) the scope of the restrictions on the Company's ability to make certain capital and operational expenditures between signing of the merger agreement and closing of the merger. Also during the call, Lowenstein Sandler informed Mayer Brown that Cerberus would require additional due diligence regarding the DOJ investigation before agreeing to any form of DOJ investigation carve out.

Also on December 2, 2018, the Company board held a telephonic meeting at which representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present. During the meeting, Mr. Hartnett and the representatives of Mayer Brown and Wells Fargo Securities updated the Company board on the status of finalization of the transaction documents and discussions with Cerberus, including the DOJ investigation carve out.

Later on December 2, 2018, Lowenstein Sandler sent mark-ups of certain terms of the merger agreement to Mayer Brown.

In addition, on December 2, 2018, a representative of Cerberus delivered to Wells Fargo Securities a letter detailing the sources of Cerberus' funding for the merger. Later that day, Cerberus and the Company entered into a non-disclosure agreement covering information and materials, including an audit of CIP VI, to be disclosed by Cerberus to the Company in order for the Company to verify Cerberus' source of funds for the merger and Cerberus provided such information and materials to the Company.

On December 3, 2018, representatives of Mayer Brown had a conference call with representatives of Lowenstein Sandler to discuss certain due diligence matters with respect to the DOJ investigation.

On December 4, 2018, representatives of Cerberus and Lowenstein Sandler had a telephonic meeting with the Department of Justice regarding the DOJ investigation.

On December 5, 2018, representatives of Mayer Brown had a conference call with representatives of Lowenstein Sandler to negotiate terms of the merger agreement, the equity commitment letter and the limited guarantee. During the call, Mayer Brown and Lowenstein Sandler engaged in discussions and negotiations regarding, among other things, (i) the DOJ investigation carve out, (ii) the outside date, (iii) the scope of the restrictions on the Company's ability to make certain capital and operational expenditures between signing of the merger agreement and closing of the merger and (iv) the maximum amount of certain expenses reimbursable to the Company under the limited guarantee.

From December 5, 2018 through December 11, 2018, Mayer Brown and Lowenstein Sandler finalized the terms of the merger agreement, the Company disclosure letter to the merger agreement, the Cerberus disclosure letter to the merger agreement, the equity commitment letter and the limited guarantee.

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On December 11, 2018, the Company board held a telephonic meeting at which representatives of Wells Fargo Securities, Raymond James and Mayer Brown were present to, among other things, consider the proposed merger with Cerberus. A representative of Mayer Brown reviewed with the Company board the resolution of the issues in the merger agreement that had been unresolved as of the time of the meeting of the Company board on December 2, 2018. At the request of the Company board, representatives of Wells Fargo Securities reviewed with the Company board Wells Fargo Securities' financial analyses with respect to the Company and the proposed merger. Thereafter, at the request of the Company board, Wells Fargo Securities rendered its oral opinion to the Company board (which was subsequently confirmed in writing by delivery of Wells Fargo Securities' written opinion dated December 11, 2018) to the effect that, as of December 11, 2018, and based upon and subject to certain assumptions, qualifications, limitations and other matters considered in connection with the preparation of the opinion, the merger consideration to be received by the holders of shares of the Company common stock in the merger pursuant to the merger agreement was fair, from a financial point of view, to such holders. At the request of the Company board, representatives of Raymond James confirmed the methodologies they had presented to the Company board at its meeting on November 30, 2018 and provided an updated financial analysis using such methodologies and reflecting market conditions as of the close of market on December 10, 2018. Thereafter, at the request of the Company board, Raymond James rendered its oral opinion to the Company board (which was subsequently confirmed in writing by delivery of Raymond James' written opinion dated December 11, 2018) that based upon and subject to the factors, limitations and assumptions set forth therein, as of December 11, 2018, the merger consideration to be paid to the holders of shares of the Company common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders. The Company board then unanimously (i) determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are fair to the Company shareholders and are in the best interests of the Company and the Company shareholders, (ii) declared advisable and approved the merger agreement and the execution, delivery and performance of the merger agreement and the transactions contemplated by the merger agreement, including the merger, (iii) directed that a proposal for the adoption of the merger agreement be submitted to the Company shareholders for consideration at the special meeting and (iv) resolved to recommend that the Company shareholders adopt the merger agreement.

Late in the evening on December 11, 2018, the Company, Parent and Merger Sub executed the merger agreement.

Prior to the opening of trading on the NYSE on December 12, 2018, the Company issued a press release announcing entry into the merger agreement.

**Recommendation of the Company Board of Directors; Reasons for the Merger*****Recommendation of the Company Board of Directors***

The Company board recommends that you vote **FOR** the merger proposal.

***Reasons for the Merger***

Following the termination of the Ultra merger agreement on March 4, 2018, the Company board held 25 meetings and the process committee held 7 meetings at which the potential acquisition of the Company was discussed. The Company's outside legal advisor, Mayer Brown, participated in portions of all of these meetings, and the Company's financial advisors, Wells Fargo Securities and Raymond James, participated in portions of certain of these meetings.

At a meeting held on December 11, 2018, the Company board unanimously (i) determined that the merger agreement and the transactions contemplated by the merger agreement, including the merger, are fair to the Company shareholders and are in the best interests of the Company and the Company shareholders, (ii) declared advisable and

approved the merger agreement and the execution, delivery and performance of the merger

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agreement and the transactions contemplated by the merger agreement, including the merger, (iii) directed that a proposal for the adoption of the merger agreement be submitted to the Company shareholders for consideration at the special meeting and (iv) recommended that the Company shareholders adopt the merger agreement.

In reaching its decision to unanimously approve and recommend the adoption of the merger agreement and to recommend that the Company shareholders approve the merger proposal, the Company board consulted with Company management, as well as its legal and financial advisors, and considered numerous factors, including, but not limited to, the following material factors (not in any relative order of importance):

Management's and the Company board's understanding of the business, operations, financial condition, financing needs, earnings, growth plans, strategy and prospects of the Company, as well as the Company's historical and projected financial performance, including the fact that, in order to comply with the desire of the Navy that each of the Company and Ultra enhance its ability to independently develop, produce and sell sonobuoys and over time work toward full and open competition for production sonobuoy contracts, the Company would need to materially increase its internally funded research and development expenses and related expenditures in order to meet such expectations;

That the Navy's most recent solicitation for the AN/SSQ-125A production sonobuoy for government fiscal years (which we refer to as "GFY") 19-23 was subject to a competitive bid process and would not be awarded to the ERAPSCO JV pursuant to a sole source indefinite delivery, indefinite quantity (which we refer to as "IDIQ") contract as the Navy has customarily done in the past with respect to the Company's other sonobuoy products;

That the Navy has decided to limit its award of a sole source contract for the AN/SSQ-36B, AN/SSQ-53G, AN/SSQ-62F, and AN/SSQ-101B sonobuoys to the ERAPSCO JV to a three year IDIQ contract for GFY19-21 (with one base year and two option years), in lieu of a customary five year IDIQ contract, in order to allow the Navy to begin a competitive bidding processes with respect to such sonobuoys as soon as GFY22;

That the Navy has indicated that it intends to take steps to increase the number of and competition among sonobuoy suppliers;

The Company board's consideration of the current state of the economy, debt and equity financing markets and uncertainty surrounding forecasted economic conditions both in the near term and the long term, and both generally and within the Company's industry in particular;

That the \$18.50 per share merger consideration represented a premium of:

41% over the closing price of Company common stock on the NYSE on December 11, 2018, the last full trading day before the public announcement of the merger agreement;

32.3% over the 30-day volume weighted average price of Company common stock on the NYSE as of December 11, 2018; and

36.2% over the 60-day volume weighted average price of Company common stock on the NYSE as of December 11, 2018;

The historic trading ranges of the Company's common stock and the potential trading range of the Company's common stock absent announcement of the merger agreement and the cessation of its previously announced sale process;

The fact that the Company board was well-informed about the Company's strategic alternatives on account of the thorough review of the Company's strategic plan and strategic alternatives conducted by the Company's management;

The fact that, following the termination of the Ultra merger agreement, the Company had engaged in preliminary discussions with a number of parties other than Cerberus, none of which resulted in a

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proposal the Company board deemed as attractive as Cerberus's proposal from a value or likelihood of consummation perspective;

The fact that, following the termination of the Ultra merger agreement, the Company board had conducted the marketing process and had, after taking into account the results of the marketing process and the preliminary discussions with other parties arising from the marketing process and the advice of the Company's management and the Company's financial advisors, Wells Fargo Securities and Raymond James, concluded that the acquisition of the Company by an affiliate of Cerberus provided the most likely path to creating the greatest value for the Company shareholders;

The Company board's belief that the all-cash merger consideration will allow the Company shareholders to realize in the near term a fair value, in cash, for their shares, while avoiding medium and long-term market and business risks and the risks associated with seeking to realize current expectations for the Company's future financial performance;

The Company board's belief that, in light of the Company's financial condition and future prospects, the merger consideration compensates the Company shareholders not only for the value of the Company's current business and results but also for the future growth in earnings and cash flows, even assuming realization of the financial forecasts prepared by the Company management and the successful execution of the Company's growth plans;

The financial analyses reviewed and discussed with the Company board by representatives of Wells Fargo Securities as well as the oral opinion of Wells Fargo Securities rendered to the Company board on December 11, 2018 (which was subsequently confirmed in writing by delivery of Wells Fargo Securities written opinion dated the same date) that, based upon and subject to the procedures followed, qualifications, assumptions and other matters considered in connection with the preparation of its opinion, as of December 11, 2018, the merger consideration to be received by Company shareholders in the merger pursuant to the merger agreement was fair, from a financial point of view, to Company shareholders;

The oral opinion of Raymond James rendered to the Company board on December 11, 2018 (which was subsequently confirmed in writing by delivery of Raymond James's written opinion dated the same date), that, based upon and subject to the factors, limitations and assumptions set forth therein, as of the date of such opinion, the merger consideration to be received by the Company shareholders pursuant to the merger agreement was fair, from a financial point of view, to Company shareholders, including the various analyses undertaken by Raymond James in connection with its opinion, certain of which are described below under Opinion of Raymond James & Associates, Inc. beginning on page 89 of this proxy statement;

The terms and conditions of the merger agreement, including, among other things, the representations, warranties, covenants and agreements of the parties, the conditions to closing of the merger, the form and structure of the merger consideration and the termination rights of the parties;



The belief of the Company board, after negotiations with Cerberus, that the merger consideration provided for in the merger agreement represented the highest consideration reasonably attainable;

That, while the merger agreement contains a covenant prohibiting the Company from soliciting third-party acquisition proposals, the merger agreement permits the Company, prior to the time that the Company shareholders adopt the merger agreement, to discuss and negotiate, under specified circumstances, an unsolicited acquisition proposal should one be made and, if the Company board determines in good faith, after consultation with its legal and financial advisors, that the unsolicited acquisition proposal constitutes a superior proposal within the meaning of the merger agreement, the Company board is permitted, after taking certain steps, to change or withdraw its recommendation of the merger agreement in response to a superior proposal or terminate the merger agreement in order to enter into a definitive agreement for that superior proposal, subject to payment of a termination fee of \$7,500,000 to Cerberus;

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That the standstill provisions contained in the non-disclosure agreements that the Company entered into with parties interested in potentially acquiring the Company (i) automatically terminate (other than such parties restriction from acquiring the Company's securities) if the Company enters into a definitive agreement with respect to (or the Company board has recommended that Company shareholders accept or approve) a transaction involving the acquisition of all or a majority of the Company's outstanding equity securities or all or substantially all of the Company's assets and (ii) permit such parties to make one or more confidential proposals to the Company board for a strategic transaction involving the Company;

That the merger agreement allows the Company board, prior to the time that the Company shareholders adopt the merger agreement, to change or withdraw its recommendation of the merger agreement in response to a material event, circumstance, change, effect, development or condition that was not known to the Company board when the merger agreement was entered into (or if known, the consequences of which were not known to the Company board when the merger agreement was entered into), if the Company board determines in good faith, after consultation with its financial advisors and outside legal counsel, that the failure to change or withdraw its recommendation would be inconsistent with the Company board's fiduciary duties under applicable law;

That Parent is obligated to pay the Company a reverse termination fee of \$9,250,000 to be paid by Parent under the circumstances specified in the merger agreement (see the section entitled "The Merger Agreement Termination Fees" beginning on page 148 of this proxy statement);

The likelihood that the merger would be completed based on, among other things (not in any relative order of importance):

the fact that there is no financing or due diligence condition to the completion of the merger in the merger agreement;

more generally, the fact that the conditions to the closing of the merger are specific and limited in scope;

the business reputation and capabilities of Cerberus, and the Company board's assessment that Cerberus is willing to devote the resources necessary to close the merger in an expeditious manner;

CIP VI's financial condition and the discussions relating thereto among the Company board, management and the Company's financial advisors, the Company's and its legal advisors' review of the equity commitment letter, and Parent's and Merger Sub's representations in the merger agreement that the amount of the equity financing, when funded pursuant to the equity commitment letter, will be sufficient to satisfy all of Parent's, Merger Sub's and the surviving corporation's obligations under the merger agreement (including payment of the aggregate merger consideration and payment of all amounts payable to holders of Company equity awards pursuant to the merger agreement), to repay or refinance the indebtedness of the Company and its subsidiaries required in connection with the

transactions contemplated by the merger agreement, and to pay all fees and expenses of Parent, Merger Sub and the surviving corporation in connection with the merger and the transactions contemplated by the merger agreement;

the Company's ability to seek specific performance to prevent breaches of the merger agreement by Parent and Merger Sub and to enforce specifically the terms of the merger agreement;

the Company's ability to seek specific performance to cause Parent to enforce its right to cause the equity financing to be funded pursuant to the terms of the equity commitment letter; and

the exclusions from the definition of "material adverse effect" set forth in the merger agreement;

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The terms and conditions of (a) the equity commitment letter entered into by CIP VI and Parent and (b) the limited guarantee entered into by CIP VI and the Company, which provide that, among other things (not in any relative order of importance):

under the terms of the equity commitment letter, CIP VI has committed to purchase securities of Parent for \$280 million in cash at or prior to the closing of the transactions contemplated by the merger agreement and, subject to the terms of the equity commitment letter, the Company is a third party beneficiary under the equity commitment letter for the purpose of enforcing Parent's right to cause the commitment thereunder to be funded; and

CIP VI has guaranteed the payment of certain monetary obligations of Parent owed to the Company under the merger agreement;

The dissenters' rights of the Company shareholders to demand fair cash value of their shares pursuant to Sections 1701.84 and 1701.85 of the OGCL if they comply in all respects with Section 1701.85 of the OGCL and the absence of any closing conditions related to the exercise of dissenters' rights; and

The fact that the merger and the merger agreement are subject to approval by holders of two-thirds of the outstanding shares of the Company common stock.

The Company board also considered a variety of potentially negative factors in its deliberations concerning the merger agreement and the merger, including the following (not in any relative order of importance):

The risk that the merger will be delayed or will not be completed, including the risk that the required regulatory approvals may not be obtained, as well as the potential loss of value to the Company shareholders and the potential negative impact on the financial position, operations and prospects of the Company if the merger is delayed or is not completed for any reason;

That the Company shareholders will have no ongoing equity participation in the Company or any equity participation in Cerberus, CIP VI or Parent following the merger and that the Company shareholders will cease to participate in the Company's future earnings or growth, if any, and will not benefit from increases, if any, in the value of the Company common stock in the future;

The risk of incurring substantial expenses related to the merger, including in connection with the pursuit of regulatory approvals, including in the event that the merger is not ultimately consummated;

The significant costs involved in connection with negotiating the merger agreement and completing the merger, the substantial management time and effort required to effectuate the merger and the potential disruptions to the Company's day-to-day operations during the pendency of the merger;

The risk, if the merger is not consummated, that the pendency of the merger could affect adversely the relationship of the Company and its subsidiaries with their respective regulators, customers, employees, suppliers, agents and others with whom they have business dealings;

The restrictions in the merger agreement on the conduct of the Company's business prior to the completion of the merger, which could delay or prevent the Company from undertaking business opportunities that may arise or other action it would otherwise take with respect to the operations of the business absent the pendency of the merger;

That the receipt of cash in exchange for shares of the Company common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes;

That the Company's executive officers and directors may have interests in the merger that are different from, or in addition to, the interests of the Company shareholders, including the accelerated vesting of stock-based awards held by executive officers and directors, the payment of cash severance to certain executives of the Company if a termination of employment were to occur under specified circumstances in connection with the merger, and the interests of the Company's directors and officers

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in indemnification by Parent and the surviving corporation and insurance coverage from the surviving corporation under the terms of the merger agreement (see the section entitled **Interests of the Company's Executive Officers and Directors in the Merger** beginning on page 107 of this proxy statement);

That the termination fee of \$7,500,000 to be paid by the Company to Parent under the circumstances specified in the merger agreement, which, while as a percentage of the equity value of the transaction is within a customary range for similar transactions, may discourage other parties that might otherwise have an interest in a business combination with, or an acquisition of, the Company, or may reduce the price offered by those other parties in a competing bid (see the section entitled **The Merger Agreement Termination Fees** beginning on page 148 of this proxy statement);

That the Company will be obligated to pay the out-of-pocket transaction expenses of Parent, Merger Sub and their affiliates, up to a maximum amount of \$4,750,000 if the merger agreement is terminated under the circumstances specified in the merger agreement (see the section entitled **The Merger Agreement Expenses** beginning on page 143 of this proxy statement); and

That the right afforded to Parent under the merger agreement to match acquisition proposals that the Company board determines in good faith are superior proposals may discourage other parties that might otherwise have an interest in a business combination with, or an acquisition of, the Company.

The foregoing discussion of the information and factors considered by the Company board is not intended to be exhaustive, but includes the material factors considered by the Company board. In view of the variety of factors considered in connection with its evaluation of the merger, the Company board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determination and recommendation. In addition, individual directors may have given different weights to different factors. The Company board did not undertake to make any specific determination as to whether any factor, or any particular aspect of any factor, supported or did not support its ultimate determination.

The Company board based its recommendation on the totality of the information presented.

Portions of this explanation of the reasons for the merger and other information presented in this section are forward-looking in nature and, therefore, should be read in light of the section entitled **Cautionary Statement Regarding Forward-Looking Statements**.

**Unaudited Prospective Financial Information**

**The Company does not as a matter of course make public projections as to future performance, revenues, earnings or other financial results due to, among other reasons, the inherent uncertainty and unpredictability of the underlying assumptions and estimates. However, the Company is including in this proxy statement a summary of certain unaudited prospective financial information that was provided to the Company board for use in connection with its evaluation of the proposed merger and to the Company financial advisors, who were authorized to rely upon such projections, including for Wells Fargo Securities and Raymond James use in providing financial advice to the Company board. The inclusion of this information should not be regarded as an indication that any of the Company, Cerberus, Parent, Merger Sub, Wells Fargo Securities, Raymond James, their respective representatives or any other recipient of this information considered, or now considers, it necessarily to be predictive of actual future results (which may be significantly more or less favorable), or**

**that it should be construed as financial guidance, and it should not be relied on as such. None of the Company, Cerberus, Parent, Merger Sub, Wells Fargo Securities, Raymond James or any other person assumes responsibility if future results are materially different from those discussed in this proxy statement. In addition, analyses relating to the value of the Company's business do not purport to be appraisals or reflect the prices at which the Company's business may actually be sold. Company management directed Wells Fargo Securities and Raymond James to use the unaudited prospective financial information with respect to the Company that was provided by Company management in connection with the preparation of the financial analyses Wells**

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**Table of Contents****Fargo Securities and Raymond James reviewed and discussed with the Company board at its meeting on December 11, 2018 and the preparation of Wells Fargo Securities and Raymond James opinions to the Company board rendered at that meeting.**

While presented with numeric specificity, the unaudited prospective financial information reflects numerous estimates and assumptions made with respect to business, economic, market, competition, regulatory and financial conditions and matters specific to the Company's business, all of which are difficult to predict and many of which are beyond the Company's control. The unaudited prospective financial information reflects both assumptions as to certain business decisions that are subject to change and, in many respects, subjective judgment, and thus is susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. The Company can give no assurance that the unaudited prospective financial information and the underlying estimates and assumptions will be realized. In addition, since the unaudited prospective financial information covers multiple years, such information by its nature becomes less predictive with each successive year. Furthermore, the unaudited prospective financial information should not be construed as commentary by Company management as to how Company management expects the Company's actual results to compare to Wall Street research analysts' estimates, as to which the Company expresses no view.

Actual results may differ materially from those set forth below, and important factors that may affect actual results and cause the unaudited prospective financial information to be inaccurate include, but are not limited to, risks and uncertainties relating to the Company's business, industry performance, general business and economic conditions, customer requirements, competition and adverse changes in applicable laws, regulations or rules. For other factors that could cause actual results to differ, please see the section entitled "Cautionary Statement Concerning Forward-Looking Statements" in this proxy statement and the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 2018 Annual Report, its Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 and the other reports filed by the Company with the SEC.

The unaudited prospective financial information does not take into account any circumstances or events occurring after the date it was prepared. The Company can give no assurance that, had the unaudited prospective financial information been prepared as of the date of this proxy statement, similar estimates and assumptions would be used. **The Company does not intend to, and disclaims any obligation to, make publicly available any update or other revision to the unaudited prospective financial information to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the assumptions underlying the unaudited prospective financial information are shown to be in error, or to reflect changes in general economic or industry conditions.** The unaudited prospective financial information does not take into account the possible financial and other effects on the Company of the merger and does not attempt to predict or suggest future results of the combined company. The unaudited prospective financial information does not give effect to the merger, including the impact of negotiating or executing the merger agreement, the expenses that may be incurred in connection with consummating the merger, the potential synergies that may be achieved by the combined company as a result of the merger or the effect of any business or strategic decisions or actions which would likely have been taken if the merger agreement had not been executed, but which were instead altered, accelerated, postponed or not taken in anticipation of the merger. Further, the unaudited prospective financial information does not take into account the effect on the Company of any possible failure of the merger to occur. None of the Company, Wells Fargo Securities, Raymond James or their respective affiliates, officers, directors, advisors or other representatives has made, makes or is authorized in the future to make any representation to any Company shareholder or other person regarding the Company's ultimate performance compared to the information contained in the unaudited prospective financial information or that the forecasted results will be achieved. The summary of the unaudited prospective financial information included below is being provided solely because it was made available to the Company board, Cerberus, Parent, and Wells Fargo Securities and Raymond James, financial advisors to the



Company, and not to influence your decision as to whether to vote for the merger proposal.

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The Company board, Cerberus, Parent, Wells Fargo Securities and Raymond James were provided with unaudited prospective financial information with respect to the Company prepared by Company management for the fiscal years 2019 through 2023, and calendar years 2018 ( CY 2018E ) and 2019 ( CY 2019P ). The following table summarizes selected unaudited prospective financial data for the fiscal years 2019 through 2023, and CY 2018 and CY 2019, prepared based on historical data available to the Company as of September 30, 2018, for each of MDS, ECP, corporate, and on a consolidated basis.

	FY	FY	FY	FY	FY	CY	CY
	2019E (1)	2020P	2021P	2022P	2023P	2018E (2)	2019P
<b>(in thousands, except per share data)</b>							
<b>EBITDA (3)</b>							
MDS Segment	\$ 10,761	\$ 10,943	\$ 11,598	\$ 12,292	\$ 13,024	\$ 8,357	\$ 11,232
ECP Segment	26,880	27,550	26,511	30,441	33,393	28,796	25,593
Corporate	(10,252)	(11,150)	(11,217)	(11,269)	(11,345)	(13,753)	(10,778)
Consolidated	27,389	27,343	26,892	31,464	35,072	23,400	26,047
<b>Adjusted EBITDA (4)</b>							
MDS Segment	10,761	10,943	11,598	12,292	13,024	9,346	11,232
ECP Segment	26,880	27,550	26,511	30,441	33,393	28,796	25,593
Corporate	(9,380)	(10,878)	(10,945)	(10,997)	(11,073)	(7,800)	(10,506)
Consolidated	28,261	27,615	27,164	31,736	35,344	30,342	26,319
<b>Management EBITDA (5)</b>							
MDS Segment	10,761	10,943	11,598	12,292	13,024	9,346	11,232
ECP Segment	26,880	27,550	26,511	30,441	33,393	28,796	25,593
Corporate	(9,571)	(11,150)	(11,217)	(11,269)	(11,345)	(7,344)	(10,778)
Consolidated	28,070	27,343	26,892	31,464	35,072	30,798	26,047
<b>Unlevered, after-tax free cash flow (6)</b>							
	15,020	10,919	12,396	20,235	16,550		
<b>Adjusted diluted earnings per share (7)</b>							
	0.66	0.85	0.91	1.40	1.81		

(1) Represents the projected results for the fiscal year ended June 30, 2019 consisting of actual results for the first quarter ended September 30, 2018 and projected results for the last three quarters ending June 30, 2019.

(2) Represents the projected results for the calendar year ended December 30, 2018 consisting of actual results for the first three quarters ended September 30, 2018 and projected results for the quarter ended December 30, 2018.

(3) EBITDA consists of earnings before deduction of interest, income taxes, depreciation and amortization.

(4) EBITDA to Adjusted EBITDA is reconciled as follows:

	<b>FY 2019E</b>	<b>FY 2020P</b>	<b>FY 2021P</b>	<b>FY 2022P</b>	<b>FY 2023P</b>	<b>CY 2018E</b>	<b>CY 2019P</b>
MDS Segment	\$	\$	\$	\$	\$	\$ 989 (a)	\$
ECP Segment							
Corporate	872 (b)	272 (c)	276 (c)	272 (c)	272 (c)	5,953 (d)	272 (c)
Consolidated	872	272	276	272	272	6,942	272

- (a) Consists of actual operating costs incurred during the three quarters ended September 30, 2018 that are non-recurring.
- (b) Consists of non-recurring costs of \$681 and \$191 of stock-based compensation expense.
- (c) Consists of stock-based compensation.
- (d) Consists of non-recurring expenses of \$6,404 and stock-based compensation expense (income) of \$(451).

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(5) Adjusted EBITDA to Management EBITDA removes the adjustment for stock-based compensation discussed in footnote (4) above and also removes \$5 from CY 2018E related to interest income.

(6) Unlevered, after-tax free cash flow as follows:

	2019E	2020P	2021P	2022P	2023P
Management EBITDA	\$ 28,070	\$ 27,343	\$ 26,892	\$ 31,464	\$ 35,072
One-time restructuring implementation cost	681				
Income taxes	3,167	3,585	3,666	4,782	5,692
Capital expenditures	5,634	6,731	7,081	7,123	7,239
(Increase)/Decrease changes in working capital	3,568	6,108	3,749	(676)	5,591
Unlevered, after-tax free cash flow	15,020	10,919	12,396	20,235	16,550

(7) For purposes of adjusted diluted earnings per share, adjusted earnings consists of after-tax net income (including forecasted, tax-effected management restructuring adjustments), plus one-time and non-recurring items, treating stock-based compensation as a cash expense. Adjusted net income and diluted shares outstanding as follows:

	2019E	2020P	2021P	2022P	2023P
Adjusted Net Income	\$ 6,532	\$ 8,383	\$ 9,047	\$ 13,903	\$ 17,886
Diluted Shares Outstanding	9,909	9,909	9,909	9,909	9,909

The unaudited prospective financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with accounting principles generally accepted in the United States of America, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither the Company's independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the unaudited prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The independent registered public accountant reports incorporated by reference into this proxy statement relate to the Company's historical financial information. They do not extend to the unaudited prospective financial information and should not be read to do so.

In light of the foregoing, and considering that the special meeting will be held after the unaudited prospective financial information was prepared, as well as the uncertainties inherent in any forecasted information, Company shareholders are cautioned not to place unwarranted reliance on such information, and the Company urges all Company shareholders to review the Company's most recent SEC filings for a description of the Company's reported financial results. See [Where You Can Find More Information](#).

**Opinion of Raymond James & Associates, Inc.**

The Company retained Raymond James as financial advisor on November 18, 2016. Pursuant to that engagement, the Company board requested that Raymond James evaluate the fairness, from a financial point of view, to the Company's shareholders of the merger consideration to be received by such shareholders pursuant to the merger agreement.

At the December 11, 2018 meeting of the Company's board, representatives of Raymond James rendered its oral opinion to the Company board (which was subsequently confirmed in writing by delivery of Raymond James' written opinion dated the same date), that, as of the date of such opinion, the merger consideration to be received by Company shareholders in the merger pursuant to the merger agreement was fair, from a financial point of view, to Company shareholders based upon market, economic, financial and other circumstances and conditions existing and disclosed to Raymond James as of December 10, 2018 and based upon and subject to the qualifications, assumptions and other matters considered in connection with the preparation of its opinion.

The full text of the written opinion of Raymond James is attached as **Annex B-1** to this proxy statement. The summary of the opinion of Raymond James set forth in this proxy statement is qualified in its entirety by reference to the full text of such written opinion. Company shareholders are urged to read this opinion in its entirety.

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Raymond James provided its opinion for the information of the Company board (solely in its capacity as such) in connection with, and for purposes of, its consideration of the merger and its opinion only addresses whether the merger consideration to be received by Company shareholders in the merger pursuant to the merger agreement was fair, from a financial point of view, to such shareholders. The opinion of Raymond James does not address any other term or aspect of the merger agreement or the merger contemplated thereby. The Raymond James opinion does not constitute a recommendation to the Company board or to any Company shareholder as to how the Company board, such Company shareholder or any other person should vote or otherwise act with respect to the merger or any other matter.

In connection with its review of the proposed merger and the preparation of its opinion, Raymond James, among other things:

reviewed the financial terms and conditions as stated in the draft of the merger agreement, dated as of December 11, 2018 (which we refer to as the draft agreement );

reviewed the Company s audited and unaudited financial statements;

reviewed certain information related to the historical, current and future operations, financial condition and prospects of the Company made available to Raymond James by the Company, including, but not limited to, financial projections prepared by the management of the Company relating to the Company for each quarterly period from September 30, 2018 through June 30, 2023, as approved for Raymond James use by the Company (which we refer to in this opinion summary as the Projections );

reviewed the Company s recent public filings and certain other publicly available information regarding the Company;

reviewed financial, operating and other information regarding the Company and the industry in which it operates;

reviewed the financial and operating performance of the Company and those of other selected public companies that Raymond James deemed to be relevant;

considered the publicly available financial terms, and other terms available to Raymond James on a confidential basis, of certain transactions Raymond James deemed to be relevant;

reviewed the current and historical market prices for the Company common stock, and the current market prices of the publicly traded securities of certain other companies that Raymond James deemed to be relevant;

conducted such other financial studies, analyses and inquiries and considered such other information and factors as Raymond James deemed appropriate;

reviewed a certificate addressed to Raymond James from a member of senior management of the Company regarding, among other things, the accuracy of the information, data and other materials (financial or otherwise) provided to, or discussed with, Raymond James by or on behalf of the Company; and

discussed with members of the senior management of the Company certain information relating to the aforementioned and any other matters which Raymond James deemed relevant to its inquiry.

With the Company's consent, Raymond James assumed and relied upon the accuracy and completeness of all information supplied by or on behalf of the Company, or otherwise reviewed by or discussed with Raymond James, and Raymond James did not undertake any duty or responsibility to, nor did Raymond James, independently verify any of such information. Raymond James did not make or obtain an independent appraisal of the assets or liabilities (contingent or otherwise) of the Company. With respect to the Projections and any other information and data provided by the Company to or otherwise reviewed by or discussed between Raymond James and the Company, Raymond James, with the Company's consent, assumed that the Projections

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and such other information and data were reasonably prepared in good faith on bases reflecting the best currently available estimates and judgments of management of the Company and Raymond James relied upon the Company to advise Raymond James promptly if any information previously provided by the Company became inaccurate or was required to be updated during the period of Raymond James' review. Raymond James expressed no opinion with respect to the Projections or the assumptions on which they were based. Raymond James assumed that the final form of the merger agreement would be substantially similar to the draft agreement reviewed by Raymond James, and that the merger would be consummated in accordance with the terms of the merger agreement without waiver or amendment of any conditions thereto. Furthermore, Raymond James assumed, in all respects material to its analysis, that the representations and warranties of each party contained in the merger agreement were true and correct and that each party will perform all of the covenants and agreements required to be performed by it under the merger agreement without being waived. Raymond James also relied upon and assumed, without independent verification, that (i) the merger would be consummated in a manner that complies in all respects with all applicable international, federal and state statutes, rules and regulations, and (ii) all governmental, regulatory, and other consents and approvals necessary for the consummation of the merger would be obtained and that no delay, limitations, restrictions or conditions would be imposed or amendments, modifications or waivers made that would have an effect on the merger or the Company that would be material to its analysis or opinion.

Raymond James expressed no opinion as to the underlying business decision to effect the merger, the structure or tax consequences of the merger, or the availability or advisability of any alternatives to the merger. The Raymond James opinion is limited to the fairness, from a financial point of view, of the merger consideration to be received by the Company shareholders. Raymond James expressed no opinion with respect to any other reasons (legal, business, or otherwise) that may support the decision of the Company board to approve or consummate the merger. Furthermore, no opinion, counsel or interpretation was intended by Raymond James on matters that require legal, accounting or tax advice. Raymond James assumed that such opinions, counsel or interpretations had been or would be obtained from appropriate professional sources. Furthermore, Raymond James relied, with the consent of the Company, on the fact that the Company was assisted by legal, accounting and tax advisors, and, with the consent of the Company relied upon and assumed the accuracy and completeness of the assessments by the Company and its advisors, as to all legal, accounting and tax matters with respect to the Company and the merger.

In formulating its opinion, Raymond James considered only the merger consideration to be received by the Company shareholders, and Raymond James did not consider, and its opinion did not address, the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of the Company, or such class of persons, in connection with the merger whether relative to the merger consideration or otherwise. Raymond James was not requested to opine as to, and its opinion did not express an opinion as to or otherwise address, among other things: (1) the fairness of the merger to the holders of any class of securities, creditors or other constituencies of the Company, or to any other party, except and only to the extent expressly set forth in the last sentence of its opinion or (2) the fairness of the merger to any one class or group of the Company's or any other party's security holders or other constituents vis-à-vis any other class or group of the Company's or such other party's security holders or other constituents (including, without limitation, the allocation of any consideration to be received in the merger amongst or within such classes or groups of security holders or other constituents). Raymond James expressed no opinion as to the impact of the merger on the solvency or viability of the Company or the ability of the Company to pay its obligations when they come due.

***Material Financial Analyses***

The following summarizes the material financial analyses reviewed by Raymond James with the Company board at its meeting on December 11, 2018, which material was considered by Raymond James in rendering its opinion. No company or transaction used in the analyses described below is identical or directly comparable to the Company or the



contemplated merger.

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*Selected Companies Analysis.* Raymond James analyzed the relative valuation multiples of fifteen publicly-traded companies, consisting of eight Electronic Manufacturing Services ( EMS ) companies and seven Defense Electronics ( DE ) companies, that it deemed relevant, including:

Electronic Manufacturing Services:

Company Name	Enterprise Value / EBITDA (1)	
	CY2018E	CY2019P
Benchmark Electronics, Inc.	N/A	N/A
Celestica Inc.	4.6x	4.1x
Ducommun Inc.	N/M	N/M
Flex Ltd.	4.7x	4.5x
Jabil Inc.	3.4x	3.1x
Plexus Corp.	9.2x	8.0x
Sanmina Corp.	6.0x	5.5x
TTM Technologies, Inc.	5.7x	5.3x

(1) Items noted as N/A are not publicly available / determinable. Items noted as N/M are considered not meaningful to the analysis if the multiple falls outside of one and a half (1.5) standard deviations from the mean.

Defense Electronics:

Company Name	Enterprise Value / EBITDA (1)	
	CY2018E	CY2019P
Cobham plc	9.4x	8.7x
Comtech Telecommunications Corp.	8.7x	9.5x
Cubic Corp.	15.4x	11.4x
Kratos Defense & Security Solutions, Inc.	N/M	N/M
Mercury Systems, Inc.	20.2x	17.5x
Teledyne Technologies Inc.	15.6x	14.6x
Ultra Electronics Holdings plc	8.8x	8.1x

(1) Items noted as N/M are considered not meaningful to the analysis if the multiple falls outside of one and a half (1.5) standard deviations from the mean.

The two independent data sets were compiled and applied to each operating segment of the Company. The EMS data set of companies was compiled for the MDS business, while the DE data set of companies was compiled for the ECP business. The EBITDA multiples derived from each data set were weighted based on each segment's respective percentage contribution to its corresponding period's Management EBITDA and applied to the total Management EBITDA for the respective period to reach a weighted conclusion. For the calendar year ending December 31, 2018, 75.5% was weighted to the ECP business and 24.5% was weighted to the MDS business. For the calendar year ending December 31, 2019, 69.5% was weighted to the ECP business and 30.5% was weighted to the MDS business. Given Raymond James' understanding of the Company's business and the relative significance of the two operating businesses, in Raymond James' professional judgment, weighting the respective businesses in this manner was an

appropriate and reasonable way to value the enterprise. Management EBITDA is a term utilized by the Company management and is defined as earnings before interest, taxes, depreciation, and amortization plus adjustments for facilities consolidation, earnouts, goodwill, and other one-time, and non-recurring items provided by the Company management.

Raymond James calculated various financial multiples for each company, including enterprise value (market value plus debt, plus preferred stock, plus minority interests, less cash and equivalents) compared to EBITDA,

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using publicly available consensus research EBITDA estimates for the selected companies for calendar years ending December 31, 2018 and 2019, referred to as CY2018E and CY2019P. The estimates published by research analysts were not prepared in connection with the merger or at the request of Raymond James and may or may not prove to be accurate. Raymond James reviewed the mean, median, minimum and maximum relative valuation multiples of the selected public companies and compared them to corresponding valuation multiples for the Company implied by the merger consideration. The results of the selected public companies analysis are summarized below:

	<b>Enterprise Value / EBITDA</b>	
	<b>CY2018E</b>	<b>CY2019P</b>
Mean	11.2x	9.6x
Median	10.6x	8.8x
Minimum	7.4x	6.6x
Maximum	17.5x	14.6x
<b>Merger Consideration</b>	<b>8.3x</b>	<b>9.8x</b>

Furthermore, Raymond James applied the mean, median, minimum and maximum relative valuation multiples for each of the metrics to the Company's actual and projected financial results and determined the implied equity price per share of Company common stock and then compared those implied equity values per share to the merger consideration of \$18.50 per share. The results of this are summarized below:

	<b>Enterprise Value / EBITDA</b>	
	<b>CY2018E</b>	<b>CY2019P</b>
Mean	\$ 27.59	\$ 18.11
Median	\$ 25.82	\$ 15.79
Minimum	\$ 15.86	\$ 10.01
Maximum	\$ 47.18	\$ 31.09
<b>Merger Consideration</b>	<b>\$ 18.50</b>	<b>\$ 18.50</b>

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*Selected Transaction Analysis.* Raymond James analyzed publicly available information relating to selected acquisitions of companies in the EMS and DE sectors, with transaction enterprise values below one billion dollars that closed during the last eight years and prepared a summary of the relative valuation multiples paid in these transactions. The selected transactions used in the analysis were:

Electronic Manufacturing Services:

<b>Company Name</b>	<b>Enterprise Value / LTM EBITDA</b>
Acquisition of Viasystems Group, Inc. by TTM Technologies, Inc. (May-2015)	7.6x
Acquisition of CDR Manufacturing, Inc. by Key Tronic Corp. (Sep-2014)	7.6x
Acquisition of Parvus Corp. by Curtiss-Wright Corp. (Oct-2013)	7.8x
Acquisition of DDi Corp. by Viasystems Group, Inc. (May-2012)	7.5x
Acquisition of Remmele Engineering, Inc. by RTI International Metals, Inc. (Feb-2012)	8.3x
Acquisition of LaBarge, Inc. by Ducommun, Inc. (Jun-2011)	8.9x

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Defense Electronics:

<b>Company Name</b>	<b>Enterprise Value / LTM EBITDA</b>
Acquisition of Anaren, Inc. by TTM Technologies, Inc. (April-2018)	14.0x
Acquisition of Themis Computer, Inc. by Mercury Systems, Inc. (February-2018)	13.7x
Acquisition of QRC Technologies, Inc. by DC Capital Partners, LLC (May-2016)	N/D
Acquisition of API Technologies Corp. by J.F. Lehman & Co. (Apr-2016)	15.2x
Acquisition of TeleCommunication Systems, Inc. by Comtech Telecommunications Corp. (Feb-2016)	10.7x
Acquisition of GATR Technologies, Inc. by Cubic Corp. (Feb-2016)	N/D
Acquisition of the Electronics Product Division of Kratos Defense & Security Solutions, Inc. by Ultra Electronics Holdings plc (Aug-2015)	12.0x
Acquisition of Anaren, Inc. by Veritas Capital (Feb-2014)	11.4x
Acquisition of Six3 Systems, Inc. by CACI International, Inc. (Nov-2013)	13.4x
Acquisition of Micronetics, Inc. by Mercury Systems, Inc. (Aug-2012)	10.7x
Acquisition of Composite Engineering, Inc. by Kratos Defense & Security Solutions, Inc. (Jul-2012)	9.7x
Acquisition of Ticom Geomatics, Inc. by Six3 Systems, Inc. (Apr-2012)	N/D
Acquisition of EMS Technologies, Inc. by Honeywell International Inc. (Aug-2011)	14.8x
Acquisition of Herley Industries, Inc. by Kratos Defense & Security Solutions, Inc. (Mar-2011)	7.3x
Acquisition of CPI International, Inc. by Veritas Capital (Feb-2011)	9.0x
Acquisition of Applied Signal Technology, Inc. by Raytheon Co. (Jan-2011)	16.0x

(1) Items noted as N/D indicate transactions where proprietary, not publicly disclosed information is included in the summary mean and median statistics, but not disclosed.

The two independent data sets were compiled for each operating segment of the Company. The EMS data set of transactions was compiled for the MDS business, while the DE data set of transactions was compiled for the ECP

business. The EBITDA multiples derived from each data set were weighted based on each segment's respective percentage contribution to the trailing twelve months (TTM) Management EBITDA (MDS TTM as of September 30, 2018 at 21.4% and ECP TTM as of September 30, 2018 at 78.6%) and applied to the total TTM Management EBITDA to reach a weighted conclusion. Given Raymond James' understanding of the Company's business and the relative significance of the two operating businesses, in Raymond James' professional

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judgment, weighting the respective businesses in this manner was an appropriate and reasonable way to value the enterprise.

Raymond James examined valuation multiples of transaction enterprise value compared to the target companies EBITDA, in each case for twelve months ended prior to closing of the transaction, where such information was publicly available. Raymond James reviewed the mean, median, minimum and maximum relative valuation multiples of the selected transactions and compared them to corresponding valuation multiples for the Company implied by the merger consideration. Furthermore, Raymond James applied the mean, median, minimum and maximum relative valuation multiples to the Company's actual TTM EBITDA to determine the implied equity price per share and then compared those implied equity values per share to the merger consideration of \$18.50 per share. The results of the selected transactions analysis are summarized below:

	<b>Enterprise Value /</b>	<b>Implied Per Share</b>
	<b>Trailing Twelve</b>	
	<b>Months EBITDA</b>	<b>Equity Price</b>
Mean	11.2x	\$ 32.89
Median	10.9x	\$ 31.47
Minimum	7.3x	\$ 18.95
Maximum	14.5x	\$ 44.52
<b>Merger Consideration</b>	<b>7.2x</b>	<b>\$ 18.50</b>

*Discounted Cash Flow Analysis.* Raymond James analyzed the discounted present value of the Company's projected free cash flows beginning September 30, 2018 through the end of fiscal year 2019 and continuing through the end of fiscal year 2023 on a standalone basis. Raymond James calculated unlevered free cash flows, defined as earnings before interest, after taxes, plus depreciation, plus amortization, less capital expenditures, less investment in working capital.

The discounted cash flow analysis was based on the Projections. Consistent with the periods included in the Projections, Raymond James used fiscal year 2023 as the final year for the analysis and utilized two methodologies for comparison purposes to calculate a terminal value: (i) applied multiples ranging from 9.0x to 11.0x, selected by Raymond James upon the application of its professional judgment and expertise, to fiscal year 2023 EBITDA in order to derive a range of terminal values for the Company in 2023 and (ii) applied perpetual growth rates ranging from 2.0% to 4.0%, selected by Raymond James upon the application of its professional judgment and expertise, to fiscal year 2023 unlevered free cash flow in order to derive a range of terminal values for the Company in 2023.



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The projected unlevered free cash flows and terminal values were discounted using rates ranging from 11.0% to 13.0%, which range was selected, upon the application of Raymond James' professional judgment and expertise, to reflect the weighted average after-tax cost of debt and equity capital associated with executing the Company's business plan. This range was selected based on Raymond James' experience and judgment and an estimate of the Company's weighted average cost of capital. The resulting range of present enterprise values was adjusted by the Company's net debt (the face amount of total debt and preferred stock and book value of non-controlling interests less the amount of cash and cash equivalents, as reflected on its most recent publicly available balance sheet) and divided by the number of diluted shares outstanding in order to arrive at a range of present values per share of Company common stock. Raymond James reviewed the range of per share prices derived in the discounted cash flow analysis and compared them to the price per share for Company common stock implied by the merger consideration. The results of the discounted cash flow analysis are summarized below:

	<b>Equity Value /</b>
	<b>Per Share</b>
<b><u>Terminal Value EBITDA Multiple Method</u></b>	
Minimum	\$ 16.07
Maximum	\$ 22.19
<b><u>Perpetual Growth Rate Method</u></b>	
Minimum	\$ 7.46
Maximum	\$ 14.40
<b><u>Merger Consideration</u></b>	<b>\$ 18.50</b>

*Additional Considerations.* The preparation of a fairness opinion is a complex process and is not susceptible to a partial analysis or summary description. Raymond James believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering the analyses taken as a whole, would create an incomplete view of the process under