SPARTON CORP
Form PREM14A
August 04, 2017
Table of Contents

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.
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:

10,050,661

(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):

$23.50

(4) Proposed maximum aggregate value of transaction:

$236,190,533.50

(5) Total fee paid:

$27,374.48

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:

Table of Contents

PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION, DATED AUGUST 4, 2017

Sparton Corporation

425 North Martingale Road, Suite 1000

Schaumburg, Illinois 60173

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

To our Shareholders:

On July 7, 2017, Sparton Corporation (which we refer to as the Company), Ultra Electronics Holdings plc (which we refer to as Ultra) and Ultra Electronics Aneira Inc., an indirect wholly owned subsidiary of Ultra (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 Ultra 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 an indirect wholly owned subsidiary of Ultra.

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 (except for shares of Company common stock held by (i) the Company, Ultra and their respective subsidiaries 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 $23.50 in cash without interest (which we refer to as the merger consideration). The merger consideration represents a premium of:

- approximately 54.5% over $15.21, the closing price of Company common stock on The New York Stock Exchange (which we refer to as the NYSE) on March 15, 2016, the last full trading day before the Company announced its exploration of strategic alternatives;
- approximately 28.3% over $18.31, the closing price of Company common stock on the NYSE on June 22, 2017, the last full trading day before media reports that the Company was in discussions to be acquired by Ultra; and
- approximately 5.10% over $22.36, the closing price of Company common stock on the NYSE on July 6, 2017, the last full trading day before the public announcement of the merger agreement.

On [ ], 2017, the most recent practicable date before this proxy statement was mailed to our shareholders, the closing price for Company common stock on the NYSE was $[ ] 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 attached 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.

Table of Contents

The special meeting will be held on [ ], 2017, at [ ]:00 [a.m.][p.m.], local time, at the offices of the Company, located at 425 North Martingale Road, Suite 1000, Schaumburg, Illinois 60173.

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 transactions contemplated by the merger agreement, including the merger, and directed that the adoption of the merger agreement be submitted to a vote at a meeting of the Company shareholders. 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 3, 2016, 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,

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 [ ], 2017 and it is first being mailed or otherwise delivered to the Company s shareholders on or about [ ], 2017.

Table of Contents

PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION, DATED AUGUST 4, 2017

Sparton Corporation

425 North Martingale Road, Suite 1000

Schaumburg, Illinois 60173

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To be held on [ ], 2017

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 [ ], 2017, at [ ]:00 [a.m.][p.m.], local 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 July 7, 2017, by and among the Company, Ultra Electronics Holdings plc, a company organized under the laws of England and Wales (which we refer to as Ultra), and Ultra Electronics Aneira Inc., an Ohio corporation and an indirect wholly owned subsidiary of Ultra (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 this 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 an indirect wholly owned subsidiary of Ultra (which we refer to as the merger proposal). 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) the Company, Ultra and their respective subsidiaries and (ii) Company shareholders who have properly exercised dissenters rights) will be converted into the right to receive $23.50 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 Merger Agreement Treatment of Company Equity Awards ;

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 [ ], 2017 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.

Table of Contents

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 transactions contemplated by the merger agreement, including the merger, has directed that the adoption of the merger agreement be submitted to a vote at a meeting of the Company shareholders, 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 and adopt 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@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.

Each copy of the 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.

Under Ohio law, Company shareholders who do not vote in favor of or consent to the adoption of the merger proposal 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 enclosed 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

Secretary

Date: [ ], 2017

Table of Contents

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 [ ], 2017, 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 rd 3 floor

Stamford, CT 06902

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

Stockholders Call Toll Free: (800) 662-5200

Email: 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.

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 [ ], 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 132 for more details.

Table of Contents

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING	1
SUMMARY	8
Parties to the Merger	8
The Special Meeting	8
The Merger	10
The Merger Agreement	12
Dissenters Rights	17
Market Price and Dividends	18
Delisting and Deregistration of Company Common Stock	18
CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS	19
PARTIES TO THE MERGER	20
The Company	20
Ultra	20
Merger Sub	21
THE SPECIAL MEETING	22
Date, Time and Place of the Special Meeting	22
Purpose of the Special Meeting	22
Recommendation of the Company Board of Directors	22
Record Date and Quorum	22
Vote Required	23
Voting, Proxies and Revocation	23
Adjournments and Postponements	25
Solicitation of Proxies	25
Questions and Additional Information	26
THE MERGER	27
Terms of the Merger	27
Background of the Merger	27
Recommendation of the Company Board of Directors; Reasons for the Merger	59
Unaudited Prospective Financial Information	63
Opinion of Raymond James & Associates, Inc.	66
Opinion of Wells Fargo Securities, LLC	73
Financing of the Merger	80
Interests of the Company s Executive Officers and Directors in the Merger	80
Material U.S. Federal Income Tax Consequences of the Merger	89
Regulatory Approvals Required for the Merger	91
THE MERGER AGREEMENT	94
Explanatory Note Regarding the Merger Agreement	94
Effects of the Merger; Directors and Officers	94
Closing and Effective Time of the Merger	95
Merger Consideration	95
Treatment of Company Equity Awards	95
Exchange and Payment Procedures	96
Dissenters Rights	97
Adjustments to Prevent Dilution	97
Representations and Warranties	98
Conduct of the Company s Business Pending the Merger	101

Table of Contents

Non-Solicitation of Acquisition Proposals	104
No Change in Board Recommendation; No Entry into Alternative Transactions	106
Company Shareholders Meeting	108
Ultra Shareholders Meeting; No Change in Ultra Board Recommendation	109
Filings; Other Actions; Notification	110
Financing	112
Employee Matters	113
Shareholder Litigation	114
Indemnification; Directors and Officers Insurance	114
Expenses	115
Government Contracts	115
Notification of Certain Matters	115
Sale of MDS	115
Other Agreements	116
Conditions to the Merger	117
Termination	119
Termination Fee	120
Remedies	121
Amendment and Waiver	122
PROPOSAL 1 VOTE ON ADOPTION OF THE MERGER AGREEMENT	123
PROPOSAL 2 ADVISORY VOTE ON MERGER-RELATED COMPENSATION FOR THE COMPANY S NAMED EXECUTIVE OFFICERS	124
Merger-Related Compensation Proposal	124
PROPOSAL 3 VOTE ON ONE OR MORE ADJOURNMENTS OF THE SPECIAL MEETING, IF NECESSARY OR ADVISABLE	125
DISSENTERS RIGHTS	126
MARKET PRICE AND DIVIDENDS	128
SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT	129
Security Ownership of Certain Beneficial Owners	129
Security Ownership of Management and Directors	130
DELISTING AND DEREGISTRATION OF COMPANY COMMON STOCK	131
OTHER MATTERS	131
IMPORTANT NOTICE REGARDING DELIVERY OF SECURITY HOLDER DOCUMENTS	131
SHAREHOLDER PROPOSALS	131
WHERE YOU CAN FIND MORE INFORMATION	132

Annex A	MERGER AGREEMENT
Annex B-1	OPINION OF RAYMOND JAMES & ASSOCIATES, INC.
Annex B-2	OPINION OF WELLS FARGO SECURITIES, LLC
Annex C	SECTIONS 1701.84 AND 1701.85 OF THE OGCL

Table of Contents

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), Ultra Electronics Holdings plc, a company organized under the Laws of England and Wales (which we refer to as Ultra), and Ultra Electronics Aneira Inc., an Ohio corporation and an indirect wholly owned subsidiary of Ultra (which we refer to as Merger Sub), entered into an Agreement and Plan of Merger, dated July 7, 2017, 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 an indirect wholly owned subsidiary of Ultra. 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: Why am I receiving this proxy statement?

A: We are delivering this document to you because you were a Company shareholder as of [ ], 2017, 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 common shareholders with respect to the following proposals:

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

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

Table of Contents

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: What will the Company shareholders receive in the merger?

A: 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) the Company, Ultra and their respective subsidiaries and (ii) Company shareholders who have properly exercised dissenters rights, which we refer to collectively as excluded shares) will, at the effective time, be converted into the right to receive $23.50 in cash, without interest (which we refer to as the merger consideration).

Q: How will the merger affect Company equity awards?

A: The Company equity awards will be treated as follows:
Restricted Stock. At the effective time, with respect to each 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), such 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 restricted stock unit award in respect of shares of Company common stock granted under the Company stock plans (a Company RSU) will fully vest and will be cancelled and converted into the right to receive the merger consideration in respect of each share of Company common stock underlying such Company RSU. The cash amount will be paid as soon as reasonably practicable (but no later than five business days) after the effective time.

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 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. The cash amount will be paid as soon as reasonably practicable (but no later than five business days) after the effective time. 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.

Q: How does the merger consideration compare to the market price of Company common stock?

A: The merger consideration represents a premium of approximately 54.5% over $15.21, the closing price of Company common stock on The New York Stock Exchange (which we refer to as the NYSE) on March 15, 2016, the last full trading day before the Company announced its exploration of strategic alternatives, a premium of approximately 28.3% over $18.31, the closing price of Company common stock on the NYSE on June 22, 2017, the last full trading day before media reports that the Company was in discussions to be acquired by Ultra, and a premium of approximately 5.10% over $22.36, the closing price of Company common stock on the NYSE on July 6, 2017, the last full trading day before the public announcement of the merger agreement. On [ ], 2017, the most recent practicable date before this proxy statement was mailed to our shareholders, the closing price for Company common stock on the NYSE was $[ ] per share. You are encouraged to obtain current market quotations for Company common stock in connection with voting your shares.

Table of Contents

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 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 Securities and Exchange Commission (which we refer to as the SEC) on account of Company common stock. The Company will cease to be an independent public company and will become an indirect wholly owned subsidiary of Ultra. You will no longer have any ownership interest in the Company.

Q: How does the Company board recommend that I vote at the special meeting?

A: The Company board unanimously recommends that you vote **FOR** the merger proposal, **FOR** the compensation proposal and **FOR** the adjournment proposal. You should read The Merger Recommendation of the Company Board of Directors; Reasons for the Merger for a discussion of the factors that the Company board considered in deciding to recommend the approval of the merger agreement. See also The Merger Interests of the Company s Executive Officers and Directors in the Merger.

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 Ultra. 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: When and where is the special meeting?

A: The special meeting will be held on [ ], 2017, at [ ]:00 [a.m.][p.m.], local time, at the offices of the Company, located at 425 North Martingale Road, Suite 1000, Schaumburg, Illinois 60173.

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. A street name shareholder who wishes to vote in person at the special meeting will need to obtain a legal proxy from the institution that holds its shares.

Q: What constitutes a quorum for the special meeting?

A: 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. The Company cannot hold the meeting unless a quorum is present. Abstentions will be counted as present at the meeting for the purpose of determining whether a quorum is present.

Table of Contents

We urge you to vote promptly by proxy even if you plan to attend the special meeting so that we will know as soon as possible that enough shares will be present for us to hold the special meeting.

Q: What is the vote required to approve each proposal at the special meeting?

A: *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 bank, broker or other holder of record 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 bank, broker or other holder of record 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 bank, broker or other holder of record how to vote with respect to the adjournment proposal, it will have no effect on the proposal.

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 bank, broker or other holder of record 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 bank, broker or other holder of record how to vote or your abstention will have the same effect as a vote **AGAINST** the adoption of the merger agreement.

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

A: No. Your bank or broker cannot vote your shares without instructions from you. If your shares are held in street name through a bank, broker or other holder of record, you must provide the record holder of your shares with instructions on how to vote your shares. Please follow the voting instructions provided by such record holder. 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 the record holder of your shares. Without your specific instruction, banks, brokers or other holders of record who hold shares of Company common stock on your behalf may only vote your shares on

Table of Contents

routine proposals and may not vote your shares on non-routine matters. All proposals to be voted on at the special meeting are non-routine proposals which your bank, broker, or other holder of record cannot vote on your behalf without your specific instruction. Failure to instruct your bank, broker or other holder of record how to vote will have the same effect as a vote **AGAINST** the adoption of the merger agreement.

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

A: Yes. All Company shareholders, including shareholders of record and shareholders who hold their shares through banks, brokers or other holders of record, 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), 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.

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: Can I change my vote or revoke my proxy?

A: Yes. If you are a shareholder of record of shares of Company common stock, you may change your vote at any time before your shares of Company common stock are voted at the special meeting by: (i) signing and returning a proxy card with a later date; (ii) attending the special meeting in person, notifying the secretary, and voting by ballot at the special meeting; (iii) voting by telephone or the Internet at a later time; or (iv) delivering a written revocation letter to the Company s Corporate Secretary at 425 North Martingale Road, Suite 1000, Schaumburg, Illinois 60173.

If you hold your shares in street name through a bank, broker or other holder of record, the above-described options for changing your vote do not apply and, instead, you should follow the instructions received from your bank, broker or other holder of record to change your vote.

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 or modified its recommendation.

Q: Is the merger expected to be taxable to U.S. holders?

A: Yes. 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. If you are a U.S. holder and you exchange your shares of Company common stock in the merger for cash, you 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 cash you receive with respect to such shares and your adjusted tax basis in such shares. 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

5

Table of Contents

backup withholding rules. You 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. You should also consult your tax advisor for a complete analysis of the effect of the merger on your federal, state, local and foreign taxes.

Q: Are the Company shareholders entitled to dissenters rights?

A: Yes. The 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.

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

A: The Company currently expects to consummate the merger no later than January 1, 2018. However, the Company cannot assure you of when or if the merger will be consummated, and 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 Ultra 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 Fee for a complete discussion of the circumstances under which a termination fee would be required to be paid.

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

Table of Contents

common stock after [ ], 2017, 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 rd 3 floor

Stamford, CT 06902

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

Stockholders Call Toll Free: (800) 662-5200

Email: 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.

Table of Contents

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 20)

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 (MDS) and Engineered Components & Products (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.

Ultra Electronics Holdings plc, organized under the laws of England and Wales, is a defense, security, transport and energy company. Ultra applies electronic and software technologies in military applications, safety-critical devices in aircraft, nuclear controls and sensor measurement, among other environments. Ultra has world-leading positions in many of its specialist capabilities and, as an independent partner, is able to support all of the main prime contractors in its sectors. As a result of such positioning, Ultra s systems, equipment or services are often mission or safety-critical to the successful operation of the platform to which they contribute.

Ultra Electronics Aneira Inc. is an Ohio corporation and an indirect wholly owned subsidiary of Ultra. Merger Sub was incorporated on July 3, 2017 for the sole purpose of effecting the merger. As of the date of this proxy statement, Merger Sub has not conducted any activities other than those incidental to its incorporation, the negotiation and execution of the merger agreement and the transactions contemplated by the merger agreement.

The Special Meeting (Page 22)

Date, Time and Place of the Special Meeting (Page 22)

The special meeting to vote upon the merger proposal, in addition to the other matters described in this proxy statement, will be held on [ ], 2017, at [ ]:00 [a.m.][p.m.], local time, at the offices of the Company, located at 425 North Martingale Road, Suite 1000, Schaumburg, Illinois 60173.

Purpose of the Special Meeting (Page 22)

At the special meeting, the Company shareholders will be asked to approve the merger proposal, the compensation proposal and the adjournment proposal.

Table of Contents

Record Date and Quorum (Page 22)

The Company board has fixed the close of business on [ ], 2017 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 [ ] shares of Company common stock outstanding and entitled to vote, held by approximately [ ] 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.

Vote Required (Page 23)

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. Approval 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. 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, whether or not a quorum is present.

If you mark ABSTAIN on your proxy card, it will have the same effect as a vote **AGAINST** the merger proposal, the compensation proposal and the adjournment proposal. If you fail to submit a proxy card or vote in person at the special meeting, or fail to instruct your bank, broker or other holder of record how to vote, it will have the same effect as a vote **AGAINST** the merger proposal, but will have no effect on the compensation proposal or the adjournment proposal.

Voting, Proxies and Revocation (Page 23)

Any Company shareholder 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.

If your Company common stock is held in street name through a bank, broker or other holder of record, you should instruct your bank, broker or other holder of record of your shares on how to vote your shares of Company common stock using the instructions provided by such record holder. Broker non-votes are shares held in street name by banks, brokers and other holders of record 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 that such record holder does not have discretionary voting power on. Banks, brokers and other holders of record holding shares in street name do not have discretionary voting authority with respect to any of the three proposals described in this proxy statement. Therefore, if a beneficial owner of Company common stock held in street name does not give voting instructions to the applicable record holder, 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 bank, broker or other holder of record, it will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement.

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

Table of Contents

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.

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 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. 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.

The Merger (Page 27)

Upon the terms and subject to the conditions set forth in the merger agreement, Merger Sub, an indirect wholly owned subsidiary of Ultra, will merge with and into the Company, so that the Company will be the surviving corporation in the merger and an indirect wholly owned subsidiary of Ultra. 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 59)

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) authorized, declared advisable and approved the execution, delivery and performance of the merger agreement and the transactions contemplated by the merger agreement, including the merger; (iii) directed that the adoption of the merger agreement be submitted to a vote at a meeting of the Company shareholders; 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.

Opinion of Raymond James & Associates, Inc. (Page 66 and Annex B-1)

At the July 6, 2017 meeting of the Company board, representatives of Raymond James & Associates, Inc. (which we refer to as Raymond James) rendered Raymond James opinion, as to the fairness, based upon market, economic, financial and other circumstances and conditions existing and disclosed to Raymond James as of July 5, 2017, from a financial point of view, to the Company shareholders of the merger consideration to be received by such Company shareholders in the merger pursuant to the merger agreement, 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 July 6, 2017, 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

Table of Contents

received by the 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 73 and Annex B-2)

On July 6, 2017, 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) as to, as of July 6, 2017, the fairness, from a financial point of view, to the holders of Company common stock of the merger consideration to be received by such holders in the merger pursuant to the merger agreement.

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 the holders of Company common stock of the merger consideration to be received by such holders 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 80)

The obligations of Ultra and Merger Sub to complete the merger are not contingent upon the receipt of any financing. On July 11, 2017, Ultra completed a placement of its ordinary shares in order to finance a portion of the merger consideration and related expenses. Ultra has stated that it intends to use the net proceeds from the placement of its ordinary shares and drawing down under Ultra s and its subsidiaries existing bank facilities to pay the aggregate merger consideration.

Interests of the Company s Executive Officers and Directors in the Merger (Page 80)

The interests of the Company s directors and executive officers in the merger that are different from, or in addition to, those of the Company s shareholders generally are described below. 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 outstanding in-the-money restricted stock, RSUs and stock options, which will, in each case and 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.

Table of Contents

Material U.S. Federal Income Tax Consequences of the Merger (Page 89)

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 91)

The consummation of the merger is subject to the receipt of all regulatory approvals required to complete the transactions contemplated by the merger agreement and the expiration of any applicable statutory waiting periods. Subject to the terms and conditions of the merger agreement, the parties have agreed to cooperate and use their reasonable best efforts to promptly prepare and file all necessary documentation, 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 94 and Annex A)

Merger Consideration (Page 95)

In the merger, 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 of $23.50 in cash without interest.

Treatment of Company Equity Awards (Page 95)

Restricted Stock. At the effective time, with respect to each outstanding restricted share under 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 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 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 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

Table of Contents

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 104)

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 106)

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;

13

Table of Contents

the Company gives Ultra 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, Ultra 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 Ultra 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 108)

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.

Ultra Shareholders Meeting; No Change in Ultra Board Recommendation (Page 109)

Subject to the fiduciary duties of the board of directors of Ultra (which we refer to as the Ultra board) and the Company s compliance with its obligations under the merger agreement to assist Ultra with completing and filing the Ultra shareholder circular, Ultra has agreed to duly call, give notice of and convene a shareholders meeting (which we refer to as the Ultra shareholders meeting) as promptly as practicable after approval of the Ultra shareholder circular by the UK Listing Authority (UKLA), and in accordance with the requirements of the listing rules of the UKLA, to consider and vote upon a resolution to approve the transactions contemplated by the merger agreement (which we refer to as the Ultra shareholder resolution). The Ultra board has agreed, subject to its fiduciary duties and the terms of the merger agreement, to recommend that the Ultra shareholders vote in favor of the Ultra shareholder resolution and to use its reasonable best efforts to solicit approval of the Ultra shareholder resolution by Ultra shareholders.

If the Ultra board determines in good faith, after consultation with its external legal counsel and/or external financial advisers, 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, where reasonably practicable and not contrary to the duties of the Ultra board, Ultra first provides written notice to the Company of, and sets forth in reasonable detail the reasons for, the determination and intent of the Ultra board to change its recommendation.

Expenses (Page 115)

Subject to certain exceptions, all costs and expenses incurred in connection with the merger agreement and the other transactions contemplated by the merger agreement will be paid by the party incurring each such expense, whether or not the merger is consummated.

Table of Contents

Sale of MDS (Page 115)

The Company, Ultra and Merger Sub have agreed to cooperate with one another, following the date of signing the merger agreement, to arrange for the sale after the effective time, whether by merger, acquisition or otherwise, of MDS and to achieve a tax efficient disposition of MDS.

The Company is not, however, required to enter into any contract in connection with the sale of MDS (other than non-disclosure agreements with a prospective purchaser, to the extent that it does not have one) or to take certain other actions in connection with the sale of MDS.

Conditions to the Merger (Page 117)

The respective obligations of the Company, Ultra 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 and the Ultra 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 receipt of certain regulatory consents, including specified government contract regulatory and licensing approvals.

Neither the Company nor Ultra 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 119)

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 Ultra;

by either the Company or Ultra if:

- the merger is not consummated by January 31, 2018, 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;
- the proposal to approve the transactions contemplated by the merger agreement is not approved by the Ultra shareholders at the Ultra shareholders meeting; or
- 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 Ultra;

Table of Contents

prior to obtaining the approval of the Ultra shareholders of the transactions contemplated by the merger agreement, the Ultra board effected an Ultra adverse recommendation change (as defined in The Merger Agreement Ultra Shareholders Meeting; No Change in Ultra Board Recommendation);

prior to obtaining the approval of the Ultra shareholders of the transactions contemplated by the merger agreement, if, by January 24, 2018, (i) the Ultra shareholders meeting has not been convened or (ii) the Ultra shareholders meeting is convened without a vote on the approval of the transactions contemplated by the merger agreement; or

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 Ultra or Merger Sub, which, in each case, would constitute the failure of certain closing conditions set forth in the merger agreement; or

by Ultra 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); or

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

in its sole discretion if any governmental entity has commenced any proceeding challenging the validity or legality of, or seeking to restrain the consummation of, the transactions contemplated by the merger agreement.

Termination Fee (Page 120)

The Company must pay a termination fee in the amount of $7,500,000 to Ultra 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 Ultra terminates the merger agreement because the merger proposal is not approved at the special meeting and within twelve months of the date of termination of the merger agreement, the Company enters into a definitive agreement and consummates a transaction with respect to such acquisition proposal, or otherwise consummates an acquisition proposal within twelve months after the date of termination of the merger agreement (other than a sale of MDS).

Table of Contents

In the event that:

- after the date of signing the merger agreement and prior to the outside date (as defined in The Merger Agreement Termination), an acquisition proposal has been publicly announced or otherwise disclosed to the Company board and not withdrawn prior to the outside date;
- Ultra could terminate the merger agreement due to the Company s breach of the merger agreement;
- the Company or Ultra terminates the merger agreement due to the passing of the outside date; and
- within twelve months of the date of termination of the merger agreement, the Company enters into a definitive agreement to consummate an acquisition proposal and consummates a transaction with respect to such acquisition proposal, or otherwise consummates an acquisition proposal within twelve months after the date of termination of the merger agreement (other than a sale of MDS).

Ultra must pay a parent termination fee in the amount of $7,500,000 to the Company if the merger agreement is terminated in the following circumstances:

- the Company or Ultra terminate the merger agreement due to the transactions contemplated by the merger agreement not being approved by the Ultra shareholders;
- the Company terminates the merger agreement due to an Ultra adverse recommendation change; or
- after the date of signing and prior to January 24, 2018, the Company terminates the merger agreement because the Ultra shareholders meeting was not convened or was convened but without a vote on the approval of the transactions contemplated by the merger agreement.

Remedies (Page 121)

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. However, if Ultra receives the termination fee from the Company or the Company receives the parent termination fee from Ultra, in each case as discussed above, the payment of the applicable fee will be the sole and exclusive remedy of the receiving party against the paying party, including with respect to any willful breach.

Dissenters Rights (Page 126 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 [ ], 2017, 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 proposal 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 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

Table of Contents

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.

Market Price and Dividends (Page 128)

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. The merger consideration represents a premium of:

- approximately 54.5% over $15.21, the closing price of Company common stock on the NYSE on March 15, 2016, the last full trading day before the Company announced its exploration of strategic alternatives;
- approximately 28.3% over $18.31, the closing price of Company common stock on the NYSE on June 22, 2017, the last full trading day before media reports that the Company was in discussions to be acquired by Ultra; and
- approximately 5.10% over $22.36, the closing price of Company common stock on the NYSE on July 6, 2017, the last full trading day before the public announcement of the merger agreement.

On [ ], 2017, the most recent practicable date before this proxy statement was mailed to our shareholders, the closing price for Company common stock on the NYSE was $[ ] per share. You are encouraged to obtain current market quotations for Company common stock in connection with voting your shares.

Delisting and Deregistration of Company Common Stock (Page 131)

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 an indirect wholly owned subsidiary of Ultra. You will no longer have any ownership interest in the Company.

Table of Contents

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 Ultra 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, sh approximately, predicts, intends, plans, estimates, anticipates, projects, strategy, future, opportunity, will likely result or th 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 or Ultra 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 any 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 3, 2016 and its Quarterly Reports on Form 10-Q for the quarters ended October 2, 2016, January 1, 2017 and April 2, 2017 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.

Table of Contents

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 (MDS) and Engineered Components & Products (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.

Ultra

Ultra Electronics Holdings plc

417 Bridport Road, Greenford

Middlesex, UB6 8UA, UK

Telephone: +44 (0) 20 8813 4567

Ultra Electronics Holdings plc, organized under the laws of England and Wales, is a defense, security, transport and energy company. Ultra applies electronic and software technologies in military applications, safety-critical devices in aircraft, nuclear controls and sensor measurement, among other environments. Ultra has world-leading positions in many of its specialist capabilities and, as an independent partner, is able to support all of the main prime contractors in its sectors. As a result of such positioning, Ultra s systems, equipment or services are often mission or safety-critical to the successful operation of the platform to which they contribute.

Ultra operates in the following eight market segments:

Aerospace

C2ISR

Land

Nuclear

Table of Contents

Communications

Infrastructure

Maritime

Underwater Warfare

Ultra s common shares are listed on the London Stock Exchange under the symbol ULE.

Merger Sub

Ultra Electronics Aneira Inc.

c/o Ultra Electronics Inc.

107 Church Hill Road

Unit GL-2

Sandy Hook, Connecticut 06482

Telephone: (203) 270-3695

Ultra Electronics Aneira Inc. is an Ohio corporation and an indirect wholly owned subsidiary of Ultra. Merger Sub was incorporated on July 3, 2017 for the sole purpose of effecting the merger. As of the date of this proxy statement, Merger Sub has not conducted any activities other than those incidental to its incorporation, the negotiation and execution of the merger agreement and the transactions contemplated by the merger agreement.

Table of Contents

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 [ ], 2017. 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 [ ], 2017, at [ ]:00 [a.m.][p.m.], local 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 approved the merger agreement. 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 [ ], 2017 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 [ ] shares of Company common stock outstanding and entitled to vote, held by approximately [ ] 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, banks, brokers and other holders of record holding shares in street name do not have discretionary voting authority with respect to any of the three proposals described in this proxy

Table of Contents

statement, if a beneficial owner of Company common stock held in street name does not give voting instructions to 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 bank, broker or other holder of record 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 bank, broker or other holder of record 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 bank, broker or other holder of record 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, 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 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.

23

Table of Contents

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, banks, brokers and other holders of record 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 banks, brokers and other holders of record 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. Because, under applicable rules, banks, brokers and other holders of record 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 record holder, 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 bank, broker or other holder of record, it will have the same effect as a vote **AGAINST** the proposal to adopt the merger agreement.

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.

Table of Contents

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 [ ], 2017.

Revocation of Proxy

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 [ ], 2017, 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 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.

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 $17,500 plus reasonable expenses for these services.

Table of Contents

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

Stockholders Call Toll Free: (800) 662-5200

Email: 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.

Table of Contents

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 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, an indirect wholly owned subsidiary of Ultra, will merge with and into the Company, so that the Company will be the surviving corporation in the merger and an indirect wholly owned subsidiary of Ultra. 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 shares of Company common stock held by (i) the Company, Ultra and their respective subsidiaries 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 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 entire proxy statement, including the merger agreement attached as **Annex A** to this proxy statement, for a more complete understanding of the merger.*

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.

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 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

Table of Contents

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.

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

Table of Contents

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 Sparton and USSI to combine their own unique and complementary backgrounds to jointly develop and produce U.S. derivative sonobuoy designs for the U.S. 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.

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.

Table of Contents

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 in 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.

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

Table of Contents

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 U.S. 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, 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.

Table of Contents

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.

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.

Table of Contents

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.

From May 2016 through July 2016, representatives of Wells 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.

Table of Contents

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 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 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

Table of Contents

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 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.

Table of Contents

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 15 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.

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

Table of Contents

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.

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

Table of Contents

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 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

Table of Contents

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 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

Table of Contents

shareholders and (v) the potential buyer would 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 undated 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.

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

Table of Contents

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 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 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

Table of Contents

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 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,

Table of Contents

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 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.

Table of Contents

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 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 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 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

Table of Contents

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.

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 U.S. 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.

Table of Contents

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 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

Table of Contents

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 U.S. 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 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.

Table of Contents

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 U.S. 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 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: (1) Mr. Hartnett would contact a representative of the U.S. Navy that oversees the sonobuoy program to discuss a potential acquisition of the Company by Party B, (2) 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 (3) 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 U.S. 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.

Table of Contents

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.

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

Table of Contents

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 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.

Table of Contents

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 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.

Table of Contents

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 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 U.S. 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 U.S. 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) sent to Wells Fargo Securities its initial due diligence request list.

Table of Contents

On April 26, 2017, the Company board held a meeting at it 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.

Also on April 26, 2017, the Company sent to the U.S. Navy by email its response to the request for information it received from the U.S. 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, financial advisor to Ultra, 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

Table of Contents

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 UKLA listing rules, Ultra s acquisition of the Company would be subject to the approval of Ultra s shareholders.

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.

Table of Contents

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.

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.

Table of Contents

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 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 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.

Table of Contents

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, 2016, 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 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 buyer 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

Table of Contents

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 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 (as defined in The Merger Agreement Termination), 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, including as to the matters discussed in the section titled Recommendation of the Company Board of Directors; Reasons for the Merger; beginning on page 59 of this proxy statement, the Company board unanimously determined to proceed with the merger, assuming satisfactory finalization of definitive transaction documentation.

Table of Contents

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, 2016. 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 (a) 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, (b) authorized, declared advisable and approved the merger agreement and the transactions contemplated by the merger agreement, including the merger, (c) directed that the adoption of the merger agreement be submitted to a vote at a meeting of the Company shareholders and (d) 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 merger agreement and the Company issued a press release announcing entry into the merger agreement prior to the opening of trading on the NYSE that morning.

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

The Company board held 23 meetings, the special committee of the Company board held 8 meetings and the process committee of the Company board held 46 meetings between September 2, 2015 and July 6, 2017 at which the possibility of selling the Company was discussed. The Company s outside legal advisor, Mayer Brown, participated in portions of all but one of these meetings, and one or both of the Company s financial advisors, Wells Fargo Securities and Raymond James, participated in portions of certain of these meetings.

At a meeting held on July 6, 2017, the Company board unanimously (a) 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, (b) authorized, 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, (c) directed that the adoption of the merger agreement be submitted to a vote at a meeting of the Company shareholders and (d) recommended 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.

Table of Contents

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 financial and outside legal 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;

- 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 $23.50 per share merger consideration represented a premium of:

  - approximately 54.5% over the closing price of Company common stock on the NYSE on March 15, 2016, the last full trading day before the Company announced its exploration of strategic alternatives;

  - approximately 28.3% over the closing price of Company common stock on the NYSE on June 22, 2017, the last full trading day before media reports that the Company was in discussions to be acquired by Ultra;

  - approximately 5.10% over the closing price of Company common stock on the NYSE on July 6, 2017, the last full trading day before the public announcement of the merger agreement; and

  - approximately 39.7% over the 52-week low closing trading price of the Company common stock as of July 7, 2017, which occurred on May 31, 2017.

- 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 the Company had engaged in preliminary discussions with a number of parties other than Ultra, none of which resulted in a proposal the Company board deemed as attractive as Ultra s proposal from a value or likelihood of consummation perspective;

- The fact that the Company board had conducted the marketing process and had, after taking into account the results of the marketing process and such preliminary discussion with other parties and the advice of the Company s management and the Company s financial advisors, Wells Fargo Securities and Raymond James, concluded that the sale of the Company to Ultra 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 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

Table of Contents

on July 6, 2017 (which was subsequently confirmed in writing by delivery of Wells Fargo Securities written opinion dated the same date) as to, as of July 6, 2017, the fairness, from a financial point of view, to the holders of Company common stock of the merger consideration to be received by such holders in the merger pursuant to the merger agreement;

The opinion of Raymond James, dated July 6, 2017, 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 paid to the Company shareholders pursuant to the merger agreement was fair, from a financial point of view, to such holders, 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 66 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 Ultra, 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 payment of $7,500,000 to Ultra;

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 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, in the event that (a) Ultra s shareholders do not approve the Ultra shareholders resolution approving the transactions contemplated by the merger agreement, (b) the Ultra board changes or withdraws its recommendation of the merger agreement or (c) Ultra fails to convene an Ultra shareholder meeting at which a vote on the Ultra shareholders resolution takes place, and the merger agreement is terminated as a result of the occurrence of any of the foregoing events, the Company will be entitled to receive a termination fee of $7,500,000 from Ultra;

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 Ultra, and the Company board s assessment that Ultra is willing to devote the resources necessary to close the merger in an expeditious manner;

Table of Contents

Ultra 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 advisor s review of the agreements providing Ultra with equity financing in connection with the merger, and the Ultra parties representation in the merger agreement that they have, through a combination of cash on hand, existing financing sources and equity financing, all funds necessary for the payment of the aggregate merger consideration, the payment of all amounts payable to holders of Company equity awards pursuant to the merger agreement, the repayment or refinancing the Company s indebtedness required in connection with the merger and the transactions contemplated by the merger agreement and the payment of all fees and expenses of Ultra, 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 the Ultra parties and to enforce specifically the terms of the merger agreement; and

the exclusions from the definition of material adverse effect set forth in 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 Ultra 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;

That, under the terms of the merger agreement, Ultra s obligation to hold the Ultra shareholder meeting is subject to the fiduciary duties of the Ultra board and that the Ultra board may change or withdraw its recommendation of the transactions contemplated by the merger agreement if a failure to do so, after consultation with its external financial advisors and external legal counsel, would reasonably be expected to constitute a breach of the Ultra board s fiduciary duties under applicable law;

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;

Table of Contents

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 in indemnification by Ultra 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 80 of this proxy statement);

That the termination payment to be paid to Ultra 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 Fee beginning on page 120 of this proxy statement); and

That the right afforded to Ultra 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, Ultra, 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, Ultra, 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

Table of Contents

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 Fargo Securities and Raymond James reviewed and discussed with the Company board at its meeting on July 6, 2017 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 Annual Report on Form 10-K for the fiscal year ended July 3, 2016, its Quarterly Reports on Form 10-Q for the quarters ended October 2, 2016, January 1, 2017 and April 2, 2017 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

Table of Contents

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, Ultra 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.

The Company board, Ultra, 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 ending July 2, 2017 through July 3, 2022, and calendar years 2017 (CY 2017) and 2018 (CY 2018). The following table summarizes selected unaudited prospective financial data for the fiscal years ending July 2, 2017 through July 3, 2022, and CY 2017 and CY 2018, prepared based on historical data available to the Company as of June 28, 2017, for each of MDS, ECP, and corporate, and on a consolidated basis.

	FY 2017E (1)(2)	FY 2018P	FY 2019P	FY 2020P	FY 2021P	FY 2022P	CY 2017E (1)	CY 2018P
				(in thousands, except per share data)				
EBITDA (3)								
MDS	$ 11,493	$ 11,558	$ 13,209	$ 13,703	$ 14,438	$ 15,242	$ 9,974	$ 14,044
ECP	23,125	27,947	29,043	30,580	32,082	33,614	25,721	29,155
Corporate	(11,803)	(10,831)	(10,885)	(10,951)	(11,031)	(11,122)	(10,672)	(10,858)
Consolidated	22,827	28,674	31,367	33,332	35,490	37,735	25,024	32,342
Adjusted EBITDA (4)								
MDS	12,946	13,014	14,680	15,189	15,939	16,758	11,612	15,507
ECP	23,848	28,417	29,518	31,060	32,567	34,104	26,350	29,628
Corporate	(3,863)	(2,509)	(2,480)	(2,462)	(2,457)	(2,462)	(3,529)	(2,494)
Consolidated	32,942	38,922	41,718	43,786	46,048	48,399	34,433	42,641
Management EBITDA (5)								
MDS	11,816	12,519	14,180	14,684	15,429	16,243	10,693	15,010
ECP	23,204	28,266	29,365	30,905	32,411	33,946	25,960	29,476
Corporate	(8,616)	(6,067)	(6,074)	(6,092)	(6,123)	(6,165)	(6,476)	(6,070)
Consolidated	26,416	34,718	37,471	39,497	41,717	44,024	30,177	38,415
Unlevered, after-tax free cash flow (6)	18,949	10,947	24,731	20,225	21,221	22,348		
Adjusted diluted earnings per share (7)							0.82	

(1) Represents the sum of the Company s actual results through April 3, 2017 and forecasted amounts through July 2, 2017, in the case of FY 2017E, and December 31, 2017, in the case of CY 2017E.

(2) Due to the timing of this transaction and of the analyses and presentations of the Company s financial advisors, the financial information for FY 2017E is the same as the financial information for the last twelve months ended June 30, 2017 (LTM 2017). A separate LTM 2017 column is, therefore, not included in the table above. Raymond James, in its presentation to the Company board, used the terminology trailing twelve months or TTM to refer to the LTM 2017 information.

(3) EBITDA consists of earnings before deduction of interest, taxes, depreciation and amortization.

(4) Adjusted EBITDA consists of EBITDA, plus once-time non-recurring adjustments, restructuring expenses, incremental run-rate adjustments, expenses associated with being a public company and stock-based compensation expenses.

(5) Management EBITDA consists of Adjusted EBITDA, less stock-based compensation expenses and incremental run-rate adjustments for MDS and ECP and, in the case of corporate and consolidated numbers, expenses associated with being a public company.

(6) Unlevered, after-tax free cash flow consists of earnings before interest, after taxes, plus depreciation, plus amortization, less capital expenditures, plus or minus, as applicable, investment in working capital.

Table of Contents

(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.

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. Subsequently, pursuant to that engagement, the Company board requested that Raymond James evaluate the fairness, from a financial point of view, to the Company shareholders of the merger consideration to be received by such shareholders pursuant to the merger agreement.

At the July 6, 2017 meeting of the Company board, representatives of Raymond James rendered its opinion, as to the fairness, based upon market, economic, financial and other circumstances and conditions existing and disclosed to Raymond James as of July 5, 2017, from a financial point of view, to the Company shareholders of the merger consideration to be received by such shareholders in the merger pursuant to the merger agreement, 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.

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 the 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 July 6, 2017 (which we refer to as the draft agreement);

Table of Contents

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 beginning of FY 2018 through the end of FY 2022, 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 to or otherwise reviewed by or discussed with Raymond James, Raymond James, with the Company s consent, assumed that the Projections 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 became inaccurate or was required to be updated during the period of its review. Raymond James expressed no opinion with respect to the Projections or the assumptions on which they were based. Raymond James relied upon and assumed, without independent verification, that the final form of the merger agreement would be substantially similar to the draft agreement reviewed by Raymond James in all respects material to its analysis, and that the merger would be consummated in accordance with the terms of the merger agreement without waiver of or amendment to any of the 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

67

Table of Contents

regulations, and (ii) all governmental, regulatory or 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 July 6, 2017, 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, Ultra or the contemplated merger.

Selected Companies Analysis. Raymond James analyzed the relative valuation multiples of sixteen publicly-traded companies, eight Electronic Manufacturing Services (EMS) companies and eight Defense Electronics (DE) companies, that it deemed relevant, including:

Electronic Manufacturing Services:

Benchmark Electronics, Inc.

Celestica Inc.

Ducommun Inc.

Flex Ltd.

Jabil Inc.

Table of Contents

Plexus Corp.

Sanmina Corp.

TTM Technologies, Inc.

Defense Electronics:

Cobham plc

Comtech Telecommunications Corp.

Cubic Corp.

Harris Corp.

Kratos Defense & Security Solutions, Inc.

Mercury Systems, Inc.

Teledyne Technologies Inc.

Ultra Electronics Holdings plc

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, 2017, 70.8% was weighted to the ECP business and 29.2% was weighed to the MDS business. For the calendar year ending December 31, 2018, 66.3% was weighted to the ECP business and 33.7% 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 restructuring adjustments, 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, using publicly available consensus research EBITDA estimates for the selected companies for calendar years ending December 31, 2017 and 2018, referred to as CY2017E and CY2018P. 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:

	Enterprise Value / EBITDA	
	CY2017E	**CY2018P**
Mean	11.6x	10.3x
Median	11.0x	9.5x
Minimum	8.4x	8.3x
Maximum	17.5x	14.4x
Merger Consideration	10.9x	8.6x

Table of Contents

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 $23.50 per share. The results of this are summarized below:

	Enterprise Value / EBITDA	
	CY2017E	**CY2018P**
Mean	$ 25.48	$ 30.07
Median	$ 23.73	$ 26.89
Minimum	$ 15.80	$ 22.27
Maximum	$ 43.50	$ 45.86
Merger Consideration	$ 23.50	$ 23.50

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 seven 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:

Acquisition of Viasystems Group, Inc. by TTM Technologies, Inc. (May-2015)

Acquisition of CDR Manufacturing, Inc. by Key Tronic Corp. (Sep-2014)

Acquisition of Parvus Corp. by Curtiss-Wright Corp. (Oct-2013)

Acquisition of DDi Corp. by Viasystems Group, Inc. (May-2012)

Acquisition of Remmele Engineering, Inc. by RTI International Metals, Inc. (Feb-2012)

Acquisition of LaBarge, Inc. by Ducommun, Inc. (Jun-2011)

Defense Electronics:

Acquisition of QRC Technologies, Inc. by DC Capital Partners, LLC (May-2016)

Acquisition of API Technologies Corp. by J.F. Lehman & Co. (Apr-2016)

Acquisition of TeleCommunication Systems, Inc. by Comtech Telecommunications Corp. (Feb-2016)

Acquisition of GATR Technologies, Inc. by Cubic Corp. (Feb-2016)

Acquisition of the Electronics Product Division of Kratos Defense & Security Solutions, Inc. by Ultra Electronics Holdings plc (Aug-2015)

Acquisition of Anaren, Inc. by Veritas Capital (Feb-2014)

Acquisition of Six3 Systems, Inc. by CACI International, Inc. (Nov-2013)

Acquisition of Micronetics, Inc. by Mercury Systems, Inc. (Aug-2012)

Acquisition of Composite Engineering, Inc. by Kratos Defense & Security Solutions, Inc. (Jul-2012)

Acquisition of Ticom Geomatics, Inc. by Six3 Systems, Inc. (Apr-2012)