SPECTRUM CONTROL INC
Form PREM14A
April 15, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant þ

Filed by a Party other than the Registrant ¨

Check the appropriate box:

þ 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.

SPECTRUM CONTROL, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

þ 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, no par value per share

(2) Aggregate number of securities to which transaction applies:
As of April 12, 2011: (A) 13,140,511 shares of common stock and (B) 720,772 options to acquire common stock with an exercise price below $20.00 per share.

(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):
Solely for the purpose of calculating the filing fee, the underlying value of the transaction was calculated as the sum of (A) 13,140,511 shares of common stock, multiplied by $20.00 per share and (B) 720,772 options to acquire common stock with an exercise price less than $20.00 per share multiplied by $10.34 per option (which is the difference between $20.00 and $9.66, the weighted-average exercise price of such options).

(4) Proposed maximum aggregate value of transaction:
$270,263,002

(5) Total fee paid:
$31,378, calculated by multiplying $0.0001161 by the proposed maximum aggregate value of the transaction of $270,263,002.

¨ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION

SPECTRUM CONTROL, INC.

8031 Avonia Road

Fairview, Pennsylvania 16415

[ ], 2011

Dear Shareholder:

You are cordially invited to attend a special meeting of shareholders of Spectrum Control, Inc. to be held on **[ ]**, 2011 at **[ ]** Eastern time, at **[ ]**.

On March 28, 2011, the company entered into a merger agreement providing for its acquisition by API Technologies Corp. At the special meeting, you will be asked to consider and vote upon a proposal to adopt the merger agreement.

If the merger contemplated by the merger agreement is completed, you will be entitled to receive $20.00 in cash, without interest, for each share of our common stock owned by you.

Our board of directors has unanimously determined that the merger is advisable, fair and is in the best interests of the company and its shareholders and has unanimously adopted and approved the merger on the terms and subject to the conditions set forth in the merger agreement. Our board of directors made its determination after consideration of a number of factors more fully described in the accompanying proxy statement. The board of directors of the company recommends that you vote FOR approval of the proposal to adopt the merger agreement and FOR approval of the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Approval of the proposal to adopt the merger agreement requires the affirmative vote of a majority of the votes cast by the holders of the outstanding shares of our common stock entitled to vote on the matter (assuming a quorum is present).

Your vote is very important. Whether or not you plan to attend the special meeting, please date, sign and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope, or submit your proxy by telephone or the Internet. If you attend the special meeting and vote in person, your vote by ballot will revoke any proxy previously submitted.

If your shares of our common stock are held in street name by your bank, brokerage firm or other nominee, your bank, brokerage firm or other nominee will be unable to vote your shares of our common stock without instructions from you. You should instruct your bank, brokerage firm or other nominee to vote your shares of our common stock in accordance with the procedures provided by your bank, brokerage firm or other nominee.

The accompanying proxy statement provides you with detailed information about the special meeting, the merger agreement and the merger. A copy of the merger agreement is attached as Annex A to the proxy statement. We encourage you to read the entire proxy statement and its annexes, including the merger agreement, carefully. You may also obtain additional information about the company from documents we have filed with the Securities and Exchange Commission.

If you have any questions about the merger or if you need assistance voting your shares of our common stock, please call John P. Freeman, Senior Vice President and Chief Financial Officer of the company, at (814) 474-4310. You may also contact Georgeson, Inc., our proxy solicitor, at (800) 509-0983.

Thank you in advance for your cooperation and continued support.

Sincerely,

Richard A. Southworth

President and Chief Executive Officer

The proxy statement is dated **[ ]**, 2011 and is first being mailed, with the form of proxy card, to our shareholders on or about **[ ]**, 2011.

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, INCLUDING THE PROPOSED MERGER, OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION

SPECTRUM CONTROL, INC.

8031 Avonia Road

Fairview, Pennsylvania 16415

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

[ ], 2011

SPECTRUM CONTROL, INC.

To Our Shareholders:

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Spectrum Control, Inc., which we refer to as the Company, we or us, will be held on **[ ]**, 2011 at **[ ]** Eastern time, at **[ ],** for the following purposes:

1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated March 28, 2011, as it may be amended from time to time, which we refer to as the merger agreement, by and among, API Technologies Corp., a Delaware corporation, Erie Merger Corp., a Pennsylvania corporation and wholly owned subsidiary of API Technologies Corp., and the Company. A copy of the merger agreement is attached as Annex A to the accompanying proxy statement.

2. To consider and vote on a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement.

3. To transact any other business germane to the items set forth above that may properly come before the special meeting, or any adjournment or postponement of the special meeting.

Accompanying this Notice is a form of proxy card and proxy statement.

Shareholders of the Company of record at the close of business on [ ], 2011 are entitled to notice of and the right to vote at the special meeting. Each holder of shares of Company common stock is entitled to one vote per share.

Your vote is very important. The merger cannot be completed unless the merger agreement is adopted by the affirmative vote of a majority of the votes cast by holders of shares of Company common stock entitled to vote thereon. Whether or not you plan to attend the special meeting in person, please sign, date and return the enclosed proxy card in the envelope provided or submit your proxy by telephone or the Internet prior to the special meeting. If you hold your shares of our common stock in street name through a bank, brokerage firm or other nominee, you are the beneficial owner and should follow the procedures provided by your bank, brokerage firm or other nominee (which is considered the shareholder of record) in order to vote. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account.

By Order of the Board of Directors

James F. Toohey, Secretary

[ ], 2011

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PRELIMINARY PROXY STATEMENT SUBJECT TO COMPLETION

SPECTRUM CONTROL, INC.

8031 Avonia Road

Fairview, Pennsylvania 16415

PROXY STATEMENT FOR SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON [ ], 2011

We are providing these proxy materials to you in connection with the solicitation of proxies by the board of directors of Spectrum Control, Inc. for a special meeting of shareholders to be held on [ ], 2011 and for any adjournment or postponement of that meeting at [ ].

In this proxy statement, we refer to Spectrum Control, Inc. as the Company, we or us, to API Technologies Corp. as API and to Erie Merger Corp. as Merger Sub.

This proxy statement is dated [ ], 2011 and is being first mailed, with the form of proxy card, to our shareholders on or about [ ], 2011.

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SUMMARY

The following summary highlights selected information in this proxy statement and may not contain all the information important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its annexes and the documents 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 more information about the Company without charge by following the instructions under Other Matters Where You Can Find More Information beginning on page **[ ]**.

Parties to the Merger (page [ ])

Spectrum Control, Inc. is a Pennsylvania corporation headquartered in Fairview, Pennsylvania. We design, develop and manufacture high performance, custom electronic components and systems for the defense, aerospace, industrial and medical industries.

API Technologies Corp. is a Delaware corporation headquartered in Orlando, Florida. Through its subsidiaries, API provides secure communications, electronic components and subsystems, and contract manufacturing services to the global defense and aerospace industries. Upon completion of the merger, the Company will be a direct, wholly owned subsidiary of API.

Erie Merger Corp. is a Pennsylvania corporation that was formed by API solely for the purpose of entering into the merger agreement and completing the transactions contemplated by the merger agreement. Upon completion of the merger, Merger Sub will cease to exist.

In this proxy statement, we refer to the Agreement and Plan of Merger, dated as of March 28, 2011, as it may be amended from time to time, among the Company, API and Merger Sub, as the merger agreement, and the merger of Merger Sub with and into the Company, as the merger.

The Special Meeting (page [ ])

Time, Place and Purpose of the Special Meeting (page [ ])

The special meeting of shareholders of the Company, which we refer to as the special meeting, will be held on **[ ]**, 2011 starting at **[ ]** Eastern time, at **[ ]**.

At the special meeting, holders of common stock of the Company, no par value per share, which we refer to as Company common stock, will be asked to approve the proposal to adopt the merger agreement and to approve the proposal to adjourn the special meeting, if necessary or appropriate, for the purpose of soliciting additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement.

Record Date and Quorum (page [ ])

You are entitled to receive notice of, and to vote at, the special meeting if you owned shares of Company common stock at the close of business on **[ ]**, 2011, which we have set as the record date for the special meeting and which we refer to as the record date. You will have one vote for each share of Company common stock that you owned at the close of business on the record date. As of the record date, there were **[ ]** shares of Company common stock outstanding and entitled to vote on the matters to be acted upon at the special meeting. The presence, in person or represented by proxy, of a majority of all of the shares of Company common stock issued and outstanding on the record date that are entitled to vote on the matters to be acted upon at the special meeting will constitute a quorum for the purposes of the special meeting.

At least **[ ]** shares must be present, whether in person or represented by proxy, at the special meeting for a quorum to be present.

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Vote Required (page [ ])

Approval of the proposal to adopt the merger agreement requires the affirmative vote of a majority of the votes cast by the holders of Company common stock entitled to vote on that matter (assuming a quorum is present).

Adjournment of the special meeting, if necessary or appropriate for the purpose of soliciting additional proxies, may be approved by the affirmative vote of a majority of the votes cast by the holders of Company common stock entitled to vote on that matter. The shares that are present at the special meeting, whether in person or by proxy, will be sufficient to constitute a quorum for purposes of this matter.

As of the record date, the directors and executive officers of the Company beneficially owned and were entitled to vote, in the aggregate, approximately **[ ]** shares of Company common stock (excluding any shares of Company common stock deliverable upon exercise or conversion of any options), representing approximately **[ ]**% of the outstanding shares of Company common stock. All of our directors and executive officers have informed the Company that they currently intend to vote all of their shares of Company common stock FOR the proposal to adopt the merger agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Proxies and Revocation (page [ ])

Any shareholder of record entitled to vote at the special meeting may submit a proxy by telephone, over the Internet, by returning the enclosed proxy card in the accompanying prepaid reply envelope, or may vote in person at the special meeting. If your shares of Company common stock are held in street name through a bank, brokerage firm or other nominee (which is considered the shareholder of record), you should instruct your bank, brokerage firm or other nominee on how to vote your shares of Company common stock using the instructions provided by your bank, brokerage firm or other nominee. If you fail to submit a proxy or to vote in person at the special meeting, or do not provide your bank, brokerage firm or other nominee with voting instructions, as applicable, your shares of Company common stock will not be voted at the special meeting.

You have the right to revoke a proxy, whether delivered over the Internet, by telephone or by mail:

- by submitting a proxy again at a later date through any of the methods available to you;
- by giving written notice of revocation to James F. Toohey, Secretary of the Company; or
- by attending the special meeting and voting in person.

Please note that to be effective, your later-dated proxy card, Internet or telephonic voting instructions or written notice of revocation must be received by the Company prior to the special meeting and, in the case of Internet or telephonic voting instructions, must be received before 11:59 p.m. Eastern time on **[ ]**.

The Merger (page [ ])

The merger agreement provides that Merger Sub will merge with and into the Company. The Company will be the surviving corporation in the merger and will continue to do business following the merger. As a result of the merger, Company common stock will cease to be publicly traded. If the merger is completed, you will not own any shares of the surviving corporation.

Merger Consideration (page [ ])

In the merger, each outstanding share of Company common stock (except for shares owned by API, Merger Sub or any of API s other subsidiaries, or shares held in treasury by the Company, which we refer to collectively as the excluded shares) will be converted into the right to receive $20.00 in cash, without interest, which amount

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we refer to as the per share merger consideration. For a discussion of the treatment of Company stock options in the merger, see The Merger Agreement Treatment of Company Common Stock and Stock Options beginning on page [ ].

Recommendation of the Board of Directors; Reasons for the Merger (page [ ])

After consideration of various factors described in the section entitled The Merger Recommendation of the Board of Directors; Reasons for the Merger, the board of directors of the Company, which we refer to as the board of directors, unanimously (i) determined that the merger is advisable, fair and in the best interests of the Company and our shareholders, (ii) adopted and approved the merger upon the terms and subject to the conditions set forth in the merger agreement and (iii) recommended that our shareholders adopt the merger agreement.

The board of directors unanimously recommends that you vote FOR the proposal to adopt the merger agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Opinion of UBS Securities LLC (Page [ ])

On March 27, 2011, at a meeting of the board of directors held to evaluate the proposed merger, UBS Securities LLC, which we refer to as UBS, delivered to the board of directors an oral opinion, which was confirmed by delivery of a written opinion, dated March 27, 2011, to the effect that, as of that date and based on and subject to various assumptions, matters considered and limitations described therein, the $20.00 per share merger consideration to be received in the proposed merger by holders of Company common stock was fair, from a financial point of view, to such holders. The full text of UBS written opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS. This opinion is attached to this proxy statement as Annex B and is incorporated into this document by reference. **Holders of Company common stock are encouraged to read UBS opinion carefully in its entirety. UBS opinion was provided for the benefit of the board of directors (in its capacity as such) in connection with, and for the purpose of, its evaluation of the $20.00 per share merger consideration from a financial point of view and does not address any other aspect of the merger. The opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available to the Company or the Company s underlying business decision to effect the merger. The opinion does not constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to the merger.**

Interests of Certain Persons in the Merger (page [ ])

When considering the recommendation of the board of directors that you vote FOR the proposal to adopt the merger agreement, you should be aware that our directors and executive officers may have interests in the merger that are different from, or in addition to, your interests as a shareholder. The board of directors was aware of and considered these interests, to the extent such interests existed at the time, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending that the merger agreement be adopted by our shareholders. These interests include the following:

- consistent with the treatment of our stock options generally, the accelerated vesting of all stock options (and the lapsing of any restrictions on those options) held by our directors and executive officers, and the cashing-out of those options; and

- severance benefits provided under change in control agreements with our executive officers and an employment and consulting agreement with our President and Chief Executive Officer, in connection with a termination of employment following the merger.

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Material U.S. Federal Income Tax Consequences of the Merger for U.S. Holders (page [ ])

The exchange of shares of Company common stock for cash in the merger will generally be a taxable transaction to U.S. holders of Company common stock for U.S. federal income tax purposes. In general, a U.S. holder whose shares of Company common stock are converted into the right to receive cash in the merger will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received with respect to such shares (determined before the deduction of any applicable withholding taxes) and the U.S. holder s adjusted tax basis in such shares. You should read The Merger Material U.S. Federal Income Tax Consequences of the Merger for U.S. Holders beginning on page [ ] for the definition of U.S. holder and 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 U.S. federal, state, local and/or foreign taxes.

Regulatory Approvals and Notices (page [ ])

Under the terms of the merger agreement, the merger cannot be completed until the waiting period applicable to the consummation of the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or the HSR Act, has expired or been terminated.

Under the HSR Act and the rules promulgated thereunder by the Federal Trade Commission, which we refer to as the FTC, the merger cannot be completed until each of the Company and API files a notification and report form with the FTC and the Antitrust Division of the Department of Justice, which we refer to as the DOJ, under the HSR Act and the applicable waiting period has expired or been terminated. Each of the Company and API filed such a notification and report form on April 8, 2011.

The Merger Agreement (page [ ])

Treatment of Company Common Stock and Stock Options (page [ ])

Common Stock. At the effective time of the merger, each share of Company common stock issued and outstanding (except for the excluded shares) will convert into the right to receive the per share merger consideration of $20.00 in cash, without interest, be automatically cancelled and you will no longer have any rights in those shares (other than the right to receive the per share merger consideration).

Stock Options. As of the effective time of the merger, each then-outstanding option to purchase shares of Company common stock whether or not vested or exercisable, will become fully vested and exercisable (contingent upon the occurrence of the merger) and will be cancelled and converted into the right to receive, and the Company will pay to each option holder as soon as reasonably practicable after the effective time of the merger, an amount in cash, without interest, equal to the product of (i) the excess of the per share merger consideration over the applicable exercise price per share of the stock option and (ii) the number of shares of Company common stock the option holder could have purchased had that holder exercised the option in full immediately prior to the effective time of the merger.

Acquisition Proposals by Third Parties (Page [ ])

The merger agreement provides that during the period beginning on March 28, 2011 and ending at 12:01 a.m. New York time on May 7, 2011, which period we refer to as the go-shop period, the Company may initiate, solicit and encourage acquisition proposals, provide access to our non-public information pursuant to a confidentiality agreement no less favorable to us than our confidentiality agreement with API, and engage in discussions or facilitate inquiries with respect to an acquisition proposal.

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On May 7, 2011, we must immediately cease any on-going solicitation or discussions about an acquisition proposal and we must promptly cause each person (other than an excluded party described below or API and its representatives) to whom we provided confidential information prior to May 7, 2011 to promptly return or destroy all our confidential information. After 12:01 a.m. on May 7, 2011 and until the earlier of the effective time of the merger or the termination of the merger agreement, we have agreed that we will not, directly or indirectly, among other things, solicit, facilitate or encourage any acquisition proposals or enter into any agreements in respect of an acquisition proposal.

However, the restrictions described in the preceding paragraph will not apply during the 20-day period ending on 12:01 a.m. New York time on May 28, 2011 to a party we have identified as an excluded party (the definition of excluded party is more fully described in the section entitled The Merger Agreement Acquisition Proposals by Third Parties).

At any time before the merger agreement is adopted by our shareholders, if the board of directors determines that the acquisition proposal is a superior proposal to the merger proposed in the merger agreement (the required parameters of a superior proposal are more specifically defined in the merger agreement), we may terminate the merger agreement and enter into an agreement providing for the implementation of the superior proposal, so long as we comply with certain terms of the merger agreement, including paying a termination fee to API. See The Merger Agreement Termination Fee and Expenses beginning on page **[ ]**. We have agreed to provide API with notice of certain events related to the foregoing and the opportunity to make changes to the merger agreement proposed by API in determining whether a third party acquisition proposal continues to be a superior proposal, and provide API with an additional notice and opportunity to amend the merger agreement each time any change to the material terms of a superior proposal is made.

Conditions to the Merger (Page* [ ]*)

The respective obligations of the Company, API and Merger Sub to consummate the merger are subject to the satisfaction or waiver of a number of conditions, including:

- the adoption of the merger agreement by our shareholders;
- the expiration or termination of the applicable waiting period under the HSR Act;
- the absence of any law or order rendering the merger illegal in the U.S.;
- the accuracy of the representations and warranties and compliance by the parties with their respective obligations under the merger agreement;
- the absence of a material adverse effect on the Company;
- the absence of certain pending or threatened litigation by a governmental entity; and
- the Company having obtained written consents to the treatment of the Company stock options in the merger from holders of at least 95% of outstanding Company stock options.

Termination (page* [ ]*)

Under certain circumstances, the merger agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger, whether before or after adoption of the merger agreement by our shareholders. If the merger agreement is terminated, under certain circumstances, the Company must pay a termination fee and expenses of API and Merger Sub as described below and in the section entitled The Merger Agreement Termination Fee and Expenses beginning on page **[ ]**.

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Termination Fee and Expenses (page [ ])

Termination Fee. If the Company terminates the merger agreement prior to adoption of the merger agreement by the shareholders to enter into a definitive agreement for a superior proposal during the go-shop period, or to enter into a definitive agreement for a superior proposal with a party we have identified as an excluded party prior to May 28, 2011, and we have complied with the covenants regarding non-solicitation with respect to that proposal, we must pay a termination fee of $5.05 million to API.

Except as set forth above, we are otherwise obligated to pay API a termination fee of $9.15 million if, prior to shareholder approval, we terminate the merger agreement in order to accept a superior proposal or if the merger agreement is terminated by API because, among other things, the board of directors changes its recommendation or fails to affirm its recommendation that the shareholders adopt the merger agreement following API s request or the Company materially breaches its obligations not to solicit, initiate or encourage a third party acquisition proposal under the merger agreement or breaches its obligations under the merger agreement with respect to the conduct of the shareholders vote on the merger agreement. We also are obligated to pay API a termination fee of $9.15 million if any of the following occur and within one year after termination of the merger agreement we consummate a third party acquisition or enter into an agreement with respect to an acquisition by a third party or the board of directors or any committee of the board recommends to our shareholders a third party acquisition:

- the merger agreement is terminated because our shareholders fail to adopt the merger agreement;
- the merger agreement is terminated because the merger has not been consummated prior to October 1, 2011; or
- the merger agreement is terminated by API because there has been a breach of any representation or warranty of the Company, or any such representation or warranty of the Company shall have become untrue and incapable of being cured prior to the effective time of the merger, or any breach of any covenant or agreement of the Company, such that a condition to our obligation to close would not be satisfied, and such breach or condition is not curable or, if curable, shall not have been remedied within 30 days after receipt by the Company of written notice from API.

Expenses. We are obligated to reimburse API for up to $2.75 million of its documented, out-of-pocket expenses (i) in the event the merger agreement is terminated by the Company to enter into an acquisition agreement with respect to a superior proposal, (ii) in the event the merger agreement is terminated by API as a result of, among other things, the board of directors changing its recommendation that shareholders vote to adopt the merger agreement or failing to reaffirm its recommendation that our shareholders vote to adopt the merger agreement following API s request, (iii) in the event that the merger agreement is terminated because our shareholders fail to adopt the merger agreement, (iv) in the event the merger agreement is terminated by the Company or API because the merger has not been consummated prior to October 1, 2011 or (v) the merger agreement is terminated by API because the Company breached any representation or warranty, or any such representation or warranty shall have become untrue and incapable of being cured prior to the effective time of the merger, or any breach of any covenant or agreement of the Company, such that a condition to our obligation to close would not be satisfied, and such breach or condition is not curable or, if curable, shall not have been remedied within 30 days after our receipt of written notice from API. Any reimbursement of expenses pursuant to a termination described in clauses (iii), (iv) or (v) above is not payable unless and until such time as the termination fee related to those events is payable to API. However, on a termination of the merger agreement described in clause (iii) above, $1.0 million of API s documented, out-of-pocket expenses will be paid within two business days of delivery of itemized detail of such expenses to the Company, and this $1.0 million expense reimbursement will be an offset to any termination fee that becomes payable with respect to this event.

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No Dissenters Rights (page [ ])

Dissenters rights are statutory rights that, if available under law, enable shareholders to dissent from an extraordinary transaction, such as a merger, and to demand that the corporation pay the fair value for their shares as determined by a court in a judicial proceeding instead of receiving the consideration offered to shareholders in connection with the extraordinary transaction. Dissenters rights are not available in all circumstances, and exceptions to these rights are provided under the Pennsylvania Business Corporation Law of 1988, as amended. As a result of one of these exceptions, the holders of Company common stock are not entitled to dissenters rights in the merger.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following questions and answers are intended to address briefly some commonly asked questions regarding the merger, the merger agreement and the special meeting. These questions and answers may not address all questions that may be important to you as a shareholder. Please refer to the Summary beginning on page 2 and the more detailed information contained elsewhere in this proxy statement, the annexes to this proxy statement and the documents referred to in this proxy statement. You may obtain more information regarding the Company by following the instructions under Other Matters Where You Can Find More Information beginning on page [ ].

Q. What is the proposed transaction and what effects will it have on the Company?

A. The proposed transaction is the acquisition of the Company by API pursuant to the merger agreement. If the proposal to adopt the merger agreement is approved by our shareholders and the other closing conditions under the merger agreement have been satisfied or waived, Merger Sub will merge with and into the Company, with the Company continuing as the surviving corporation. As a result of the merger, the Company will become a subsidiary of API, Company common stock will no longer be publicly traded, and you will no longer have any interest in our future earnings or growth.

Q. What will I receive if the merger is completed?

A. Upon completion of the merger, you will be entitled to receive the per share merger consideration of $20.00 in cash, without interest, for each share of Company common stock that you own. For example, if you own 100 shares of Company common stock, you will receive $2,000.00 in cash in exchange for your shares of Company common stock. You will not own any shares of the stock in the surviving corporation or API.

Q. When do you expect the merger to be completed?

A. Assuming timely satisfaction of necessary closing conditions, including the approval by our shareholders of the proposal to adopt the merger agreement, we anticipate that the merger will be completed by **[ ]**, 2011.

Q. What happens if the merger is not completed?

A. If the merger agreement is not adopted by our shareholders or if the merger is not completed for any other reason, you will not receive any payment for your shares of Company common stock in connection with the merger. Instead, we will remain an independent public company, Company common stock will continue to be listed and traded on NASDAQ and registered under the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, and we will continue to file periodic reports with the Securities and Exchange Commission, which we refer to as the SEC, on account of Company common stock. Under specified circumstances, we may be required to pay API a fee with respect to the termination of the merger agreement and reimburse API for its expenses related to the merger agreement, as described under The Merger Agreement Termination Fee and Expenses beginning on page **[ ]**.

Q. Is the merger expected to be taxable to me?

A.

Yes. The exchange of shares of Company common stock for cash pursuant to the merger will generally be a taxable transaction to U.S. holders for U.S. federal income tax purposes. If you are a U.S. holder and your shares of Company common stock are converted into the right to receive cash in the merger, you will generally recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received with respect to such shares (determined before deduction of any applicable withholding taxes) and your adjusted tax basis in your shares of Company common stock. You should read The Merger Material U.S. Federal Income Tax Consequences of the Merger for U.S. Holders beginning on page **[ ]** for the definition of U.S. holder and 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 U.S. federal, state, local and/or foreign taxes.

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Q. Do any of the Company s directors or officers have interests in the merger that may differ from or be in addition to my interests as a shareholder?

A. Yes. In considering the recommendation of the board of directors with respect to the proposal to adopt the merger agreement, you should be aware that our directors and executive officers have interests in the merger that are different from, or in addition to, the interests of our shareholders generally. The board of directors was aware of and considered these differing interests, to the extent such interests existed at the time, among other matters, in evaluating and negotiating the merger agreement and the merger, and in unanimously recommending that the merger agreement be adopted by the shareholders of the Company. See The Merger Interests of Certain Persons in the Merger beginning on page **[ ]**.

Q. Why am I receiving this proxy statement and proxy card?

A. You are receiving this proxy statement and proxy card because you own shares of Company common stock. This proxy statement describes matters on which we urge you to vote and is intended to assist you in deciding how to vote your shares of Company common stock with respect to those matters. If your shares are held by a bank, brokerage firm or other nominee, you are considered the beneficial owner of shares held in street name. If your shares are held in street name, your bank, brokerage firm or other nominee (which is the shareholder of record of your shares) forwarded you these proxy materials, along with a voting instruction form.

Q. When and where is the special meeting?

A. The special meeting will be held on **[ ]**, 2011 at **[ ]** Eastern time, at **[ ]**.

Q. What am I being asked to vote on at the special meeting?

A. You are being asked to consider and vote on a proposal to adopt the merger agreement, which provides for the acquisition of the Company by API, and to approve a proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement.

Q. What vote is required for the shareholders to approve the proposal to adopt the merger agreement?

A. The adoption of the merger agreement requires the affirmative vote of a majority of the votes cast by the holders of shares of Company common stock entitled to vote on the matter (assuming a quorum is present).

Because the affirmative vote required to approve the proposal to adopt the merger agreement is based upon the total number of votes cast and not the total number of shares outstanding, assuming a quorum is present, the outcome of the vote on the proposal to adopt the merger agreement will not be affected if you fail to submit a proxy or vote in person at the special meeting, abstain, or fail to provide your bank, brokerage firm or other nominee with voting instructions, as applicable.

Q. What vote of our shareholders is required to approve the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies?

A.

Adjournment of the special meeting, if necessary or appropriate for the purpose of soliciting additional proxies, may be approved by the affirmative vote of a majority of the votes cast by the holders of shares of Company common stock entitled to vote on the matter.

For purposes of this proposal, the holders of shares of Company common stock that are present at the special meeting, whether in person or by proxy, will be sufficient to constitute a quorum.

Q. How does the board of directors recommend that I vote?

A. The board of directors unanimously recommends that you vote FOR the proposal to adopt the merger agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

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Q. Who can vote at the special meeting?

A. All of our holders of Company common stock of record as of the close of business on **[ ]**, 2011, the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting. Each holder of Company common stock is entitled to cast one vote on each matter properly brought before the special meeting for each share of Company common stock owned by that holder as of the record date.

Q. What is a quorum?

A. The presence, in person or represented by proxy, of holders of a majority of all of the shares of Company common stock issued and outstanding on the record date that are entitled to vote on the matters to be acted upon at the special meeting will constitute a quorum for the purposes of the special meeting. Abstentions, if any, and broker non-votes, if any, are counted as present for the purpose of determining whether a quorum is present. On the record date, there were **[ ]** shares of Company common stock outstanding and entitled to vote on the matters to be acted upon at the special meeting. At least **[ ]** shares must be present, whether in person or represented by proxy, at the special meeting for a quorum to be present.

Q. What is the difference between holding shares as a shareholder of record and as a beneficial owner?

A. If your shares of Company common stock are registered directly in your name with our transfer agent, BNY Mellon Shareowner Services, you are considered, with respect to those shares of Company common stock, as the shareholder of record. Accordingly, with respect to such shares, this proxy statement and your proxy card have been sent directly to you by the Company.

If your shares of Company common stock are held through a bank, brokerage firm or other nominee, you are considered the beneficial owner of shares of Company common stock held in street name. In that case, this proxy statement has been forwarded to you by your bank, brokerage firm or other nominee who is considered, with respect to those shares of Company common stock, the shareholder of record. As the beneficial owner, you have the right to direct your bank, brokerage firm or other nominee how to vote your shares of Company common stock by following their instructions for voting. You are also invited to attend the special meeting. However, because you are not the shareholder of record, you may not vote your shares in person at the special meeting unless you request and obtain a valid legal proxy from your broker or other agent.

Q. How do I vote?

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

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

by proxy shareholders of record have a choice of voting by proxy:

over the Internet the website for Internet voting is on your proxy card;

by using a toll-free telephone number noted on your proxy card; or

by signing, dating and returning the enclosed proxy card in the accompanying prepaid reply envelope.

If you are a beneficial owner, please refer to the instructions provided by your bank, brokerage firm or other nominee to see which of the above choices are available to you. Please note that if you are a beneficial owner and wish to vote in person at the special meeting, you must provide a valid legal proxy from your bank, brokerage firm or other nominee at the special meeting.

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Q. If my shares of Company common stock are held in street name by my bank, brokerage firm or other nominee, will my bank, brokerage firm or other nominee vote my shares of Company common stock for me?

A. Your bank, brokerage firm or other nominee will only be permitted to vote your shares of Company common stock if you instruct your bank, brokerage firm or other nominee how to vote. You should follow the procedures provided by your bank, brokerage firm or other nominee regarding the voting of your shares of Company common stock. If you do not instruct your bank, brokerage firm or other nominee to vote your shares of Company common stock, your shares of Company common stock will not be voted.

Q. How can I change or revoke my vote?

A. You have the right to revoke a proxy, whether delivered over the Internet, by telephone or by mail, by voting again at a later date through any of the methods available to you, by giving written notice of revocation to James F. Toohey, Secretary of the Company, at 8031 Avonia Road, Fairview, Pennsylvania 16415, or by attending the special meeting and voting in person. However, attending the special meeting, by itself, will not revoke a previously submitted proxy. Please note that to be effective, your later-dated proxy card, Internet or telephonic voting instructions or written notice of revocation must be received by the Company prior to the special meeting and, in the case of Internet or telephonic voting instructions, must be received before 11:59 p.m. Eastern time on **[ ]**, 2011.

Q. What is a proxy?

A. A proxy is your legal designation of another person to vote your shares of Company common stock. The written document describing the matters to be considered and voted on at the special meeting is called a proxy statement. The document used to designate a proxy to vote your shares of Company common stock is called a proxy card. Our board of directors has designated James F. Toohey and John P. Freeman, and each of them, with full power of substitution, as proxies for the special meeting.

Q. If a shareholder gives a proxy, how are the shares of Company common stock voted?

A. Regardless of the method you choose to vote, the individuals named on the enclosed proxy card, or your proxies, 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 some or all of your shares of Company common stock should be voted for or against or to abstain from voting on all, some or none of the specific items of business to come before the special meeting.

If you properly sign your proxy card but do not mark the boxes showing how your shares should be voted on a matter, the shares represented by your properly signed proxy will be voted FOR the proposal to adopt the merger agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Q. What do I do if I receive more than one proxy or set of voting instructions?

A. If you hold shares of Company common stock in street name and also directly as a record holder or otherwise, you may receive more than one proxy and/or set of voting instructions relating to the special meeting. Each of these should be voted and returned separately in accordance with the instructions provided in this proxy statement or according to your bank, brokerage firm or other nominee, in order to ensure that all of your shares of Company common stock are voted.

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

A. The record date for shareholders entitled to vote at the special meeting is earlier than both the date of the special meeting and the proposed completion date of the merger. If you transfer your shares of Company common stock after the record date but before the special meeting, unless special arrangements (such as

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provision of a proxy) are made between you and the person to whom you transfer your shares and each of you notifies the Company in writing of such special arrangements, you will retain your right to vote such shares at the special meeting but will transfer the right to receive the per share merger consideration to the person to whom you transfer your shares.

Q. What do I need to do now?

A. Even if you plan to attend the special meeting, after carefully reading and considering the information contained in this proxy statement, please vote promptly to ensure that your shares of Company common stock are represented at the special meeting. If you hold your shares of Company common stock in your own name as the shareholder of record, please vote your shares of Company common stock by (i) signing, dating and returning the enclosed proxy card in the accompanying prepaid reply envelope, (ii) using the telephone number printed on your proxy card or (iii) using the Internet voting instructions printed on your proxy card. If you decide to attend the special meeting and vote in person, your vote will revoke any proxy that was previously submitted. If you are a beneficial owner, please refer to the instructions provided by your bank, brokerage firm or other nominee for instructions on how to vote your shares.

Q. Should I send in my stock certificates now?

A. No. If you hold certificates of Company common stock, you will be sent a letter of transmittal promptly after the completion of the merger, describing how you may exchange your shares of Company common stock for the per share merger consideration. Please DO NOT return your stock certificate(s) with your proxy.

Q. What if I oppose the merger?

A. If you are a shareholder who objects to the merger, you may vote against the proposal to adopt the merger agreement. Under Pennsylvania law you will not be entitled to dissenters or appraisal rights. See No Dissenters Rights on page [ ].

Q. Who can help answer my other questions?

A. If you have additional questions about the merger or you need assistance on submitting your proxy or voting your shares of Company common stock, or need additional copies of the proxy statement or proxy card, please contact John P. Freeman, Senior Vice President and Chief Financial Officer of the Company, at (814) 474-4310. You may also call Georgeson, Inc., our proxy solicitor, at (800) 509-0983. If your bank, brokerage firm or other nominee holds your shares, you may call your bank, brokerage firm or other nominee for additional information.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This proxy statement, and the documents to which we refer you in this proxy statement, as well as information included in oral statements or other written statements made or to be made by us or on our behalf, contain statements that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as expect, believe, intend, goal, estimate, project, plan will, should, could, potential, continue, estimate, anticipate, designed to, confident, think, scheduled, outlook, guidanc similar expressions identify these forward-looking statements, which appear in a number of places in this proxy statement (and the documents to which we refer you in this proxy statement). You are that cautioned these forward-looking statements are not assurances for future performance or events and involve risks and uncertainties that could cause actual results to differ materially from those covered in those forward-looking statements. These risks and uncertainties include, but are not limited to, the risks detailed in our filings with the SEC, including the information contained under the headings Risk Factors and Business and the information in our consolidated financial statements and notes thereto included in our most recent filings on Forms 10-Q and 10-K (see Other Matters Where You Can Find More Information beginning on page [ ]), factors and matters contained in this document, and the following factors:

- the inability to complete the merger because of the failure to obtain shareholder approval or the failure to satisfy other conditions to completion of the merger, including required regulatory approvals;

- the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement, including a termination under circumstances that could require us to pay a termination fee of up to $9.15 million to API and/or to reimburse API s transaction expenses in an amount up to $2.75 million if the merger agreement is terminated under certain circumstances;

- the effect of the announcement or pendency of the merger on our business relationships, operating results and business generally, including our ability to retain key employees;

- risks that the merger may not be completed in a timely manner or at all, which may adversely affect our business and the trading price of Company common stock;

- the potential adverse effect on our business, properties and operations because of certain covenants we agreed to in the merger agreement; and

- diversion of management s attention from ongoing business operations.

We are under no obligation to publicly release any revision to any forward-looking statement contained in or incorporated into this proxy statement to reflect any future events or occurrences, except as required by law.

You should carefully consider the cautionary statements contained or referred to in this section in connection with any subsequent written or oral forward-looking statements that may be made by us or persons acting on our behalf.

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PARTIES TO THE MERGER

The Company

Spectrum Control, Inc.

8031 Avonia Road

Fairview, Pennsylvania 16415

(814) 474-2207

Spectrum Control, Inc. is a Pennsylvania corporation headquartered in Fairview, Pennsylvania that develops and manufactures high performance custom electronic components and systems for the defense, aerospace, industrial and medical industries.

For more information about the Company, please visit our website at http://www.spectrumcontrol.com. Our website address is provided as an inactive textual reference only. The information contained on our website is not incorporated into, and does not form a part of, this proxy statement or any other report or document on file with or furnished to the SEC. See also Other Matters Where You Can Find More Information beginning on page **[ ]**. Company common stock is publicly traded on NASDAQ under the symbol SPEC.

API

API Technologies Corp.

4705 S. Apopka Vineland Road, Suite 210

Orlando, Florida 32819

(407) 909-8015

API Technologies Corp. is a Delaware corporation headquartered in Orlando, Florida that, through its subsidiaries, provides secure communications, electronic components and subsystems, and contract manufacturing services to the global defense and aerospace industries.

Merger Sub

Erie Merger Corp.

c/o API Technologies Corp.

4705 S. Apopka Vineland Road, Suite 210

Orlando, Florida 32819

(407) 909-8015

Erie Merger Corp. is a Pennsylvania corporation that was formed solely for the purpose of entering into the merger agreement and completing the transactions contemplated by the merger agreement. Merger Sub is a wholly owned subsidiary of API and has not engaged in any business except for activities incident to its formation and as contemplated by the merger agreement. Upon the completion of the merger, Merger Sub will cease to exist and the Company will continue as the surviving corporation.

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THE SPECIAL MEETING

Time, Place and Purpose of the Special Meeting

This proxy statement is being furnished to our shareholders as part of the solicitation of proxies by the board of directors for use at the special meeting to be held on **[ ]**, 2011 starting at **[ ]**, Eastern time, at **[ ]**, or at any postponement, recess or adjournment thereof. At the special meeting, holders of Company common stock will be asked to approve the proposal to adopt the merger agreement and to approve the proposal to adjourn the special meeting, if necessary or appropriate, for the purpose of soliciting additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement.

Our shareholders must approve the proposal to adopt the merger agreement in order for the merger to occur. If our shareholders fail to approve the proposal to adopt the merger agreement, the merger will not occur. A copy of the merger agreement is attached as Annex A to this proxy statement, which we encourage you to read carefully in its entirety.

Record Date and Quorum

We have fixed the close of business on **[ ]**, 2011 as the record date for the special meeting, and only holders of record of Company common stock as of the record date are entitled to vote at the special meeting. You are entitled to receive notice of, and to vote at, the special meeting if you owned shares of Company common stock on the record date. On the record date, there were **[ ]** shares of Company common stock outstanding and entitled to vote. Each share of Company common stock entitles its holder to one vote on all matters properly coming before the special meeting.

The presence, in person or represented by proxy, of the holders of a majority of all of the shares of Company common stock issued and outstanding on the record date that are entitled to vote on the matters to be acted upon at the special meeting will constitute a quorum for the purposes of the special meeting. A quorum is necessary to transact business at the special meeting. Shares of Company common stock represented at the special meeting but not voted, such as shares of Company common stock for which a shareholder directs an abstention from voting, will be counted as present for purposes of establishing a quorum. Broker non-votes, which are described below under Vote Required, are also considered as being present for purposes of determining the existence of a quorum. Once a share of Company common stock is represented at the special meeting, it will be counted for the purpose of determining a quorum at the special meeting and any adjournment of the special meeting, unless a new record date is required to be established. However, if a new record date is set for the adjourned special meeting, then a new quorum will have to be established. In the event that a quorum is not present at the special meeting, it is expected that the special meeting will be adjourned. At least **[ ]** shares must be represented by proxy or by shareholders present and entitled to vote at the special meeting for a quorum to be present. Solely for purposes of the proposal to adjourn the special meeting, the shares of Company common stock that are present at the special meeting, whether in person or by proxy, will constitute a quorum.

Attendance

Except as set forth below, only shareholders of record or their duly authorized proxies have the right to attend the special meeting or any postponement or adjournment thereof. If your shares of Company common stock are held through a bank, brokerage firm or other nominee, please bring to the special meeting a copy of your brokerage statement evidencing your beneficial ownership of Company common stock. If you are the representative of a corporate or institutional shareholder, you must present valid proof that you are the representative of such shareholder.

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Vote Required

Approval of the proposal to adopt the merger agreement requires the affirmative vote of a majority of the votes cast by the holders of the shares of Company common stock entitled to vote on the matter (assuming a quorum is present). For the proposal to adopt the merger agreement, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not be counted as votes cast in favor of or against the proposal to adopt the merger agreement but they will count for the purpose of determining whether a quorum is present. **If you fail to submit a proxy, fail to vote in person at the special meeting, or abstain, it will not be considered as a vote cast and will not affect the outcome of the vote on the proposals to be voted upon at the special meeting.**

If your shares of Company common stock are registered directly in your name with our transfer agent, BNY Mellon Shareowner Services, you are considered, with respect to those shares of Company common stock, the shareholder of record. Accordingly, with respect to such shares, this proxy statement and proxy card have been sent directly to you by the Company.

If your shares of Company common stock are held through a bank, brokerage firm or other nominee, you are considered the beneficial owner of shares of Company common stock held in street name. In that case, this proxy statement has been forwarded to you by your bank, brokerage firm or other nominee who is considered, with respect to those shares of Company common stock, the shareholder of record. As the beneficial owner, you have the right to direct your bank, brokerage firm or other nominee how to vote your shares by following their instructions for voting. You are also invited to attend the special meeting. However, because you are not the shareholder of record, you may not vote your shares in person at the special meeting unless you request and obtain a valid legal proxy from your broker or other agent.

Under the rules of the New York Stock Exchange, banks, brokerage firms or other nominees who hold shares in street name for customers have the authority to vote on routine proposals when they have not received instructions from beneficial owners. However, under such rules, banks, brokerage firms or other nominees are precluded from exercising their voting discretion with respect to approving non-routine matters, such as the proposal to adopt the merger agreement. As a result, absent specific instructions from the beneficial owner of such shares of Company common stock, banks, brokerage firms or other nominees are not empowered to vote those shares of Company common stock on the proposal to adopt the merger agreement, which we refer to generally as broker non-votes.

Broker non-votes will be considered as being present at the special meeting for purposes of determining the existence of a quorum. However, once a quorum for the meeting has been established, broker non-votes will not be counted in the voting results and will have no effect on the outcome of the proposals to adopt the merger agreement or to approve the adjournment or postponement of the special meeting. Therefore, you should provide your bank, brokerage firm or other nominee with instructions on how to vote your shares, or arrange to attend the special meeting and vote your shares in person to avoid a broker non-vote.

Approval of the adjournment of the special meeting, if necessary or appropriate for the purpose of soliciting additional proxies, requires the affirmative vote of a majority of the votes cast by the holders of the shares of Company common stock entitled to vote on the matter. For the proposal to adjourn the special meeting, you may vote FOR, AGAINST or ABSTAIN. For purposes of this proposal, the shares of common stock of the Company that are present at the special meeting, whether in person or by proxy, will constitute a quorum. If your shares of Company common stock are present at the special meeting but are not voted on this proposal, or if you have given a proxy and abstained on this proposal, this will not be considered a vote cast and will have no effect on the outcome of the vote. Similarly, if you fail to submit a proxy or vote in person at the special meeting, or if there are broker non-votes on the proposal, as applicable, the shares of Company common stock not voted will not be counted in respect of, and will not have an effect on, the proposal to adjourn the special meeting.

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Voting Procedures

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

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

by proxy shareholders of record have a choice of voting by proxy:

over the Internet the website for Internet voting is on your proxy card;

by using a toll-free telephone number noted on your proxy card; or

by signing, dating and returning the enclosed proxy card in the accompanying prepaid reply envelope.

If you are a beneficial owner, you will receive instructions from your bank, brokerage firm or other nominee that you must follow in order to have your shares of Company common stock voted. Those instructions will identify which of the above choices are available to you in order to have your shares voted. Please note that if you are a beneficial owner and wish to vote in person at the special meeting, you must provide a valid legal proxy from your bank, brokerage firm or other nominee.

Please refer to the instructions on your proxy or voting instruction card to determine the deadlines for submitting a proxy over the Internet or by telephone. If you choose to submit your proxy by mailing a proxy card, your proxy card must be filed at the address indicated on the proxy card by the time the special meeting begins. Please DO NOT send in your stock certificates with your proxy card. If you are a holder of stock certificates, when the merger is completed, a separate letter of transmittal will be mailed to you that will enable you to receive the per share merger consideration in exchange for your stock certificates.

If you vote by proxy, regardless of the method you choose to vote, the individuals named on the enclosed proxy card, and each of them, with full power of substitution, referred to as your proxies, 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 some or all of your shares of Company common stock should be voted for or against or to abstain from voting on all, some or none of the specific items of business to come before the special meeting.

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 properly signed proxy will be voted FOR the proposal to adopt the merger agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

IT IS IMPORTANT THAT YOU VOTE YOUR SHARES OF COMPANY COMMON STOCK PROMPTLY. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE DATE, SIGN AND RETURN, AS PROMPTLY AS POSSIBLE, THE ENCLOSED PROXY CARD IN THE ACCOMPANYING PREPAID REPLY ENVELOPE, OR SUBMIT YOUR PROXY BY TELEPHONE OR THE INTERNET. SHAREHOLDERS WHO ATTEND THE SPECIAL MEETING MAY REVOKE THEIR PROXIES BY VOTING IN PERSON.

As of the record date, the directors and executive officers of the Company beneficially owned and were entitled to vote, in the aggregate, approximately [ ] shares of Company common stock (but excluding any shares of Company common stock deliverable upon exercise of any stock options), representing [ ]% of the outstanding shares of Company common stock on the record date. All of the directors and executive officers have informed the Company that they currently intend to vote all of their shares of Company common stock FOR the proposal to adopt the merger agreement and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Proxies and Revocation

Any shareholder of record entitled to vote at the special meeting may submit a proxy by telephone, over the Internet, by returning the enclosed proxy card in the accompanying prepaid reply envelope, or may vote in person

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at the special meeting. If your shares of Company common stock are held in street name by your bank, brokerage firm or other nominee, you should instruct your bank, brokerage firm or other nominee on how to vote your shares of Company common stock using the instructions provided by your bank, brokerage firm or other nominee. If you fail to submit a proxy or vote in person at the special meeting, or abstain, or do not provide your bank, brokerage firm or other nominee with voting instructions, as applicable, your shares of Company common stock will not be voted on the proposal to adopt the merger agreement or the proposal to adjourn the meeting to solicit additional votes, if necessary or appropriate. Only votes cast will have an effect on the outcome of the proposals to adopt the merger agreement and approve the adjournment of the special meeting.

You have the right to revoke a proxy, whether delivered over the Internet, by telephone or by mail, by submitting a proxy at a later date through any of the methods available to you, by giving written notice of revocation to James F. Toohey, Secretary of the Company, which must be filed with the Secretary at 8031 Avonia Road, Fairview, Pennsylvania 16415, or by attending the special meeting and voting in person. Please note that to be effective, your later-dated proxy card, Internet or telephonic voting instructions or written notice of revocation must be received by the Company prior to the special meeting and, in the case of Internet or telephonic voting instructions, must be received before 11:59 p.m. Eastern time on **[ ]**, 2011. If you have submitted a proxy, your appearance at the special meeting, in the absence of voting in person or submitting an additional proxy or revocation, will not have the effect of revoking your prior proxy.

Adjournments and Postponements

Although it is not currently expected, we may ask our shareholders to vote on a proposal to adjourn the special meeting for the purpose of soliciting additional proxies, if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement or if a quorum is not present at the special meeting. See Adjournment of the Special Meeting on page **[ ]**. We may also postpone the special meeting under certain circumstances. Any adjournment, recess or postponement of the special meeting for the purpose of soliciting additional proxies will allow the Company s shareholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned, recessed or postponed.

Anticipated Date of Completion of the Merger

Assuming timely satisfaction of necessary closing conditions, including the approval by our shareholders of the proposal to adopt the merger agreement, we anticipate that the merger will be completed by **[ ]**, 2011.

Solicitation of Proxies; Payment of Solicitation Expenses

The Company has engaged Georgeson, Inc. to assist in the solicitation of proxies for the special meeting. The Company estimates that it will pay Georgeson, Inc. a fee not to exceed $7,500. The Company will reimburse Georgeson, Inc. for reasonable out-of-pocket expenses and will indemnify Georgeson, Inc. and its affiliates against certain claims, liabilities, losses, damages and expenses. The Company may also reimburse brokers, banks and other custodians, nominees and fiduciaries representing beneficial owners of shares of Company common stock for their expenses in forwarding soliciting materials to beneficial owners of Company common stock and in obtaining voting instructions from those owners. Our directors, officers and employees may also solicit proxies by telephone, by facsimile, by mail, on the Internet or in person. They will not be paid any additional amounts for soliciting proxies.

Questions and Additional Information

If you have more questions about the merger or have questions about how to submit your proxy, need additional copies of this proxy statement or the enclosed proxy card, please contact John P. Freeman, Senior Vice President and Chief Financial Officer of the Company, at (814) 474-4310. You may also contact Georgeson, Inc., our proxy solicitor, at (800) 509-0983. If your bank, brokerage firm or nominee holds your shares, you may call your bank, brokerage firm or nominee for additional information.

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THE MERGER

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

The merger agreement provides that Merger Sub will merge with and into the Company. The Company will be the surviving corporation in the merger and will continue to do business following the merger. As a result of the merger, Company common stock will cease to be publicly traded. You will not own any shares of the capital stock of the surviving corporation or API.

Merger Consideration

In the merger, each outstanding share of Company common stock (except for the excluded shares) will be converted into the right to receive the per share merger consideration.

Background of the Merger

As part of their ongoing activities, the board of directors and management have regularly discussed the Company s business strategies and opportunities, including continued operation as an independent public company and the possible expansion of the Company s business through significant product development initiatives or mergers and acquisitions. In addition, the Company has held discussions from time to time with third parties that expressed preliminary interest in a potential acquisition of the Company.

In August 2010, the board of directors determined to conduct a review of the Company s strategic alternatives and directed management to interview investment banking firms to assist in that review. In early September 2010, management met with and received presentations from five investment banking firms, including UBS. In late September 2010, before the board of directors had decided on which investment bank to retain, representatives of one of those banks advised management that a large company in the electronic components industry had expressed to them serious interest in acquiring the Company. In October 2010, the board of directors authorized management to retain that investment bank for the limited purpose of engaging in discussions with the potential acquirer to ascertain its level of interest and, if serious, to obtain a written indication of interest, and to advise the board of directors in connection with any subsequent transaction. In December 2010, Richard Southworth, the Company s President and Chief Executive Officer, subsequently met with representatives of this potential acquirer, who shortly following this meeting, and prior to the exchange of due diligence information, telephoned Mr. Southworth and told him that it no longer had interest in an acquisition of the Company as it was not a strategic fit. The Company then terminated its engagement with the investment bank that same month.

On November 10, 2010, management met with representatives of a different potential strategic buyer, or Party A, that had, from time to time, previously expressed to management an interest in acquiring the Company. In that meeting, held at the request of Mr. Southworth specifically to discuss a possible acquisition of the Company, the Chief Executive Officer of Party A indicated that it would be interested in acquiring the Company at a valuation of $16.00-18.00 per share. Both sides agreed that they were significantly apart in valuation, and no plans were made to continue any discussions.

On January 17, 2011, the board of directors held a regular meeting at which it discussed the ongoing review of the Company s strategic alternatives begun in August 2010. At this meeting, the board of directors received, reviewed and discussed financial projections of the Company for the 2011-2015 fiscal years that had been prepared by management in late 2010. As a result of management s interviews with the five investment banking firms described above, management invited UBS to the meeting to review for the board of directors UBS experience and capabilities as a financial advisor. A second investment banking firm, not previously interviewed by management, was invited to the meeting on recommendation of one of the Company s directors and reviewed

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its experience and capabilities as well. Following the presentations, the board of directors directed management to continue discussions with UBS and the second firm and to provide the board with a recommendation on which firm should be retained to assist the Company in its review of strategic alternatives.

In late January 2011, a representative of Party A left a message for John P. Freeman, the Company s Senior Vice President and Chief Financial Officer, that it may be able to offer $20.00 per share in cash for the Company, assuming the accuracy of consensus analysts estimates of the Company s 2011 financial performance. Messrs. Southworth and Freeman discussed the proposal, concluded it was unlikely to lead to a credible offer given that the Company s prior efforts to follow-up on Party A s expressions of interest had been unproductive, and determined not to respond.

On January 28, 2011, Brian Kahn, in his capacity as the Chairman and Chief Executive Officer of API, contacted Mr. Southworth via telephone. From time to time in the past, Mr. Southworth had engaged in preliminary discussions with Mr. Kahn in Mr. Kahn s capacity as a principal of both Kahn Capital Management and Vintage Capital Management regarding a possible transaction involving the Company, although no transaction terms were previously discussed. At the time of Mr. Kahn s January 28 call, affiliates of Vintage Capital Management had recently acquired control of API. During the conversation, Mr. Kahn reiterated his prior interest in an acquisition of the Company. Mr. Southworth stated that although the Company was not for sale, he believed that the board of directors would be willing to listen to acquisition proposals. Mr. Kahn then discussed the broad parameters of an acquisition of the Company by API at a share price in the high teens. Mr. Southworth stated that he did not believe that the board of directors would be receptive to a transaction at that valuation and stated his belief that the board of directors would only be interested in exploring a transaction with a minimum price per share of $20.00. In response, Mr. Kahn stated that API would only be interested in exploring a transaction at that valuation if the Company were to agree to negotiate exclusively with API. Mr. Southworth stated that he would convey Mr. Kahn s position to the board of directors. Mr. Kahn and Mr. Southworth also discussed, but did not agree on, the scope and length of a potential go-shop period following the signing of a merger agreement during which the Company could solicit competing offers, as well as Mr. Kahn s belief that API could be in a position to sign a definitive merger agreement by the end of March. Mr. Kahn further advised Mr. Southworth that any transaction with API would not be subject to a financing contingency, as he expected API to have obtained or to have binding commitments for all necessary acquisition financing prior to signing the merger agreement.

Following the telephone call with Mr. Kahn, Mr. Southworth communicated the substance of the call to Gerald T. Ryan, the Company s Chairman. Mr. Ryan subsequently informed each of the directors regarding the substance of the call.

On February 11, 2011, the board of directors held a special telephonic meeting at which all of the directors were present to discuss the API proposal. Among other matters, the board of directors discussed the substantial premium to the Company s recent and historical trading prices represented by the API proposal and the Company s preference to sign and announce a transaction, if possible, prior to the release of first quarter earnings, which the Company believed were likely to be lower than prior Company guidance and consensus analysts estimates. At the meeting, representatives of Hodgson Russ LLP, or Hodgson Russ, the Company s outside counsel, reviewed with the board of directors its fiduciary duties and responded to questions from the board. The board of directors authorized management to pursue the API proposal and to engage UBS as the Company s financial advisor. The late January 2011 approach from Party A was not discussed by the board of directors at this meeting.

From February 14 to February 23, 2011, UBS, Hodgson Russ and management discussed and prepared a form of confidentiality agreement to be presented to API and other prospective bidders for the Company. Also during this period, management worked to update its financial projections for the 2011-2015 fiscal years and management and UBS worked to prepare for diligence by API.

On February 22, 2011, representatives of UBS, at the direction of the Company, engaged in discussions with representatives of API, including Mr. Kahn, regarding the API proposal and API s diligence requirements, the timing of a proposed transaction and API s ability to finance the transaction.

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On February 23, 2011, the board of directors held a special telephonic meeting at which all of the directors were present. The board of directors reviewed and discussed the updated financial projections for the 2011-2015 fiscal years that had been prepared and presented by management. Mr. Southworth and Mr. Freeman described the assumptions and bases underlying the projections, including a general slowdown in the Company s markets and a delay in orders on several military programs. The projections reflected a significant downward revision from management s prior projections for revenue, EBITDA, operating income and net income, starting in fiscal 2011 and in each successive year of the five year period. Management also advised the board of directors that the fiscal 2011 first quarter and second quarter results were likely to be lower than prior Company guidance and consensus analysts estimates on both revenues and earnings per share. After discussion, the board of directors approved the updated projections and authorized their use by management in connection with the review of the Company s strategic alternatives, including the API proposal.

On February 24, 2011, the Company established a virtual data site and began posting materials to the data site to facilitate the due diligence investigation of API and, if applicable, other prospective bidders who may execute confidentiality agreements.

On March 1, 2011, the Company signed an engagement letter with UBS effective as of January 16, 2011.

Also, on March 1, 2011, the board of directors held a special telephonic meeting which all directors and representatives of UBS and Hodgson Russ attended. Representatives of UBS described for the board of directors the current status of the Company s discussions with API and reported on API s continued interest in signing and announcing a definitive merger agreement to acquire the Company for $20.00 per share in cash prior to release of the Company s 2011 first quarter results at the end of March, as well as API s willingness to agree to a post-signing go-shop period. UBS reported that API had confirmed that the transaction would not be subject to a financing condition and that API expected to finance the transaction with proceeds of a $100.0 million equity private placement, expected to close by mid-March 2011, and a $200.0 million committed debt facility. UBS also reported that API had provided the Company with a list of due diligence items that would need to be reviewed prior to signing a definitive merger agreement and UBS had provided this list to management. Discussion next turned to Party A s late January 2011 expression of interest in a cash acquisition of the Company at $20.00 per share. The board of directors discussed Party A s willingness to follow through on this expression of interest, especially given that the meeting with Party A s Chief Executive Officer in late 2010 had not resulted in an offer. After discussion regarding the likelihood of the Company receiving a credible proposal from Party A, representatives of UBS reviewed alternatives for the board of directors to consider in determining the process for moving forward with a potential sale transaction, including, among other things, information regarding potential strategic and financial buyers of the Company. Extensive discussion ensued during which, among other things, representatives of Hodgson Russ reviewed with the board its fiduciary duties and the board of directors weighed the advisability of entering into exclusive negotiations with API against conducting a sale process that would involve solicitations of interest from a broader set of potential strategic and financial buyers. It was the consensus of the board of directors that the potential benefits associated with the pursuit of alternative offers would be outweighed by the effect that a sale process would have on API s offer and on the Company s ability to achieve a $20.00 per share sale price generally. In reaching this conclusion the board of directors considered a number of factors including, among others, (1) API s professed willingness to pay $20.00 per share for the Company despite having been advised orally of the Company s weaker than expected first quarter results, (2) API s repeated insistence on exclusivity as a condition to proceed with the proposed transaction and timetable, (3) API s willingness to conduct its due diligence on an expedited basis and to sign and announce a transaction prior to the Company s release of 2011 first quarter results, (4) API s stated willingness to agree to a post-signing go-shop period in the definitive merger agreement, and (5) API s credible plans for obtaining necessary financing for the transaction thus eliminating any need for a financing condition. The board of directors authorized management, UBS and Hodgson Russ to continue discussions with API, including discussions regarding a proposed exclusivity agreement, without entering into an exclusivity agreement yet, and to contact Party A to determine if it would be willing to acquire the Company for $20.00 per share.

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Later that day, Mr. Southworth, Mr. Freeman and a representative of UBS contacted Party A regarding its interest in an acquisition of the Company at a valuation of at least $20.00 per share and the Company s desire to announce a transaction by the end of March. On March 2, 2011, Party A responded to Mr. Southworth that it had no interest in an acquisition of the Company at that price. Also on March 2, 2011, Mr. Southworth, Mr. Freeman and a representative of UBS spoke with Mr. Kahn who indicated that API was unwilling to proceed with the transaction without exclusivity.

On March 2 and 3, 2011, representatives of UBS, Hodgson Russ and Wilson Sonsini Goodrich & Rosati, Professional Corporation, or Wilson Sonsini, counsel for API, discussed (i) a confidentiality agreement, which would include an 18-month standstill provision prohibiting API from, among other things, making a tender offer for Company common stock or otherwise attempting to acquire control of the Company except on a negotiated basis, and (ii) a proposed exclusivity agreement.

On March 3, 2011, the board of directors reconvened its special telephonic meeting of March 1 to receive Mr. Southworth s report on his conversations with Party A. Representatives of UBS and Hodgson Russ attended the reconvened meeting. Following Mr. Southworth s report, representatives of UBS confirmed their understanding that API would not move forward with its $20.00 per share offer unless it obtained exclusivity. Discussion ensued regarding the appropriate length of the exclusivity period and the exact nature and timing of the milestones that API would be required to meet to maintain exclusivity. Based on discussions with API, UBS communicated that API should be able to conclude sufficient business diligence to confirm its $20.00 per share price by March 15, 2011, and that it was UBS understanding that API expected to close $100.0 million of equity financing by March 15, 2011, and that API expected to have debt commitments for the remaining amounts necessary to finance the transaction by March 25, 2011. The board of directors authorized management to enter into an exclusivity agreement with API providing for exclusivity through the end of March 2011, subject to API meeting these milestones.

On March 4, 2011, (i) the Company, API and UBS entered into a confidentiality agreement and (ii) the Company and API entered into an exclusivity agreement. The exclusivity agreement (a) reaffirmed API s interest in an acquisition at $20.00 per share, (b) provided for an exclusive negotiating period beginning March 4, 2011, and subject to API meeting the due diligence and financing milestones described above, continuing until March 31, 2011 and (c) included provisions allowing the Company to respond to unsolicited acquisition proposals, negotiate such acquisition proposals and for the board of directors to approve a superior acquisition proposal with a third party during the exclusivity period, subject to notice and matching rights in favor of API.

On March 4, 2011, the Company granted API and its representatives, including Wilson Sonsini, access to the Company s virtual data site.

On March 7 and 8, 2011, representatives of API visited the Company s executive offices to conduct due diligence.

During the week of March 7, 2011, at the direction of the Company, representatives of UBS had several discussions with API regarding its progress toward satisfaction of the milestones in the exclusivity agreement, and API continued to conduct its due diligence investigation of the Company.

On March 16, 2011, API delivered a letter to the Company confirming, in satisfaction of a milestone in the exclusivity agreement, the substantial completion of its business due diligence and reaffirming its interest in an acquisition at $20.00 per share. This letter was accompanied by a copy of a letter to API from API s lender, an affiliate of Morgan Stanley & Co. Incorporated, or Morgan Stanley, dated March 15, 2011, indicating that Morgan Stanley was highly confident that it would be able to provide debt financing of $200.0 million to API for a transaction with the Company. The Company also received evidence from API that it had received approximately one-half of the proceeds of the $100.0 million equity financing that was to have been completed by March 15.

Also, on March 16, 2011, the board of directors held a special telephonic meeting attended by all directors and representatives of UBS and Hodgson Russ. Management and UBS reported to the board of directors on the status of API s satisfaction of the required milestones under the exclusivity agreement and the status and results

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of API s due diligence investigation to date. Management and UBS reported that API had advised that its equity financing would be completed by March 18, 2011, and acceptable debt commitments for the proposed transaction would be received by March 25, 2011. The board of directors authorized and directed management, UBS and Hodgson Russ to begin negotiations with API and its representatives toward a definitive merger agreement, such authorization subject to API filing by March 18, 2011 a Form 8-K reporting the completion of an equity financing of at least $100.0 million. At this meeting, the board of directors designated Messrs. Ryan, Southworth, Freeman and J. Thomas Gruenwald as an ad hoc transaction committee of the board to receive updates and provide input regarding the negotiations with API in between meetings of the full board.

On March 18, 2011, Wilson Sonsini provided an initial draft of a merger agreement to Hodgson Russ, which draft did not provide for a go-shop period. Later that day, representatives of UBS contacted Mr. Kahn to advise him that the inclusion of a go-shop provision in the merger agreement was a requirement for the Company to proceed with discussions regarding a potential transaction. Also on March 18, 2011, representatives of Hodgson Russ advised representatives of Wilson Sonsini of the need for a go-shop provision in the merger agreement as a condition to obtaining the board of directors approval of the transaction. Representatives of Hodgson Russ and Wilson Sonsini also engaged in discussions and negotiations concerning the merger agreement and the related disclosure schedules. These discussions included, among other things, (i) details of the scope of the representations and warranties to be included in the merger agreement, (ii) the Company s ability to consider other acquisition proposals and to terminate the merger agreement to pursue such acquisition proposals, (iii) the respective termination rights of the parties, (iv) the amount and circumstances under which the Company would be obligated to pay API a termination fee or reimburse API s expenses, (v) the inclusion of a remedy of specific performance for a breach by API or Merger Sub of their respective obligations under the merger agreement, and (vi) the scope of the restrictions on the activities of the Company prior to the closing of the merger.

On March 18, 2011, API filed a Form 8-K with the SEC reporting that it had entered into a common stock purchase agreement pursuant to which it issued 17,095,102 shares in a private placement at a purchase price of $6.00 per share, which resulted in aggregate proceeds of approximately $102.6 million.

From March 18, 2011 through March 22, 2011, management and representatives of Hodgson Russ and UBS had extensive discussions regarding the draft merger agreement and management and representatives of Hodgson Russ provided updates to the transaction committee. On March 22, 2011, Hodgson Russ returned a revised merger agreement to Wilson Sonsini. The material changes reflected in that revised merger agreement related to, among other things: (i) enhancing the certainty that the merger be consummated, including (a) changes to the definition of material adverse effect and (b) the addition of covenants with respect to API s proposed acquisition financing; (ii) the addition of a 45-day go-shop provision and other provisions to enhance the board of directors ability to satisfy its fiduciary duties during and after the go-shop period; (iii) the definition of a superior proposal; and (iv) the amount of the termination fees and expense reimbursement.

From March 18, 2011 through March 25, 2011, representatives of the Company, API, Hodgson Russ, Wilson Sonsini, Morgan Stanley, Morgan Stanley s counsel and UBS had a series of telephone conversations regarding API s due diligence requests and findings. From March 18, 2011 through March 27, 2011, management and Hodgson Russ continued to discuss due diligence matters with API and Wilson Sonsini and answer questions from and provide due diligence materials to API, Wilson Sonsini and Morgan Stanley.

On March 22, 2011, Mr. Southworth received an unsolicited telephone call from representatives of one of the investment banks that the Company had interviewed in 2010, but not hired. This bank advised that it had been in contact with a potential strategic buyer for the Company regarding the buyer s acquisition program and that the Company had been among the targets discussed. The bank asked whether the Company was interested in talking to this potential buyer. In light of the status and timing of the discussions with API, the exclusivity agreement between the Company and API, and because the investment bank did not represent the potential buyer, management, after consultation with the board of directors, determined not to respond to this inquiry. The Company had no further contact with this bank prior to announcement of the merger agreement. Also on

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March 22, 2011, the compensation committee of the board of directors met to discuss, approve and recommend to the board of directors an amendment to Mr. Southworth s existing employment and consulting agreement. The purpose of the amendment was to correct an oversight in Mr. Southworth s employment and consulting agreement by clarifying Mr. Southworth s rights on a change in control of the Company. See Interests of Certain Persons in the Merger.

On March 24, 2011, Wilson Sonsini delivered a further revised draft merger agreement to Hodgson Russ. The material changes reflected in such revised merger agreement related to: (i) the length of the go-shop period and certain other terms and conditions related to the go-shop period, including, but not limited to, API s rights to match an acquisition proposal received by the Company during this period, (ii) the amount of the termination fees and expense reimbursement, (iii) the conditions to closing; and (iv) the parties remedies in the event of a breach of the merger agreement.

On March 25, 2011, Hodgson Russ prepared and transmitted to the transaction committee of the board and UBS a summary of material open issues in the merger agreement for their review and consideration.

On March 24, 2011 and March 25, 2011, Mr. Southworth and Mr. Freeman received unsolicited inquiries from representatives of several investment banks reporting that those representatives had heard rumors that the Company was for sale. One such inquiry specifically referred to API as a potential acquirer. On Friday, March 25, 2011, Mr. Kahn advised representatives of UBS that API had received a telephone call and email from a financial reporter asking for comment regarding API s plans to acquire the Company. Mr. Kahn expressed his concern that news of the proposed acquisition would shortly be made public and that, if the Company was willing, API and its advisors would work over the weekend to be able to execute and announce a definitive merger agreement before the stock market opened on Monday, March 28, 2011.

On Saturday morning, March 26, 2011, the transaction committee of the board, together with representatives of Hodgson Russ and UBS, discussed the possible ramifications of the leak on the transaction with API. A decision was then made by Messrs. Southworth, Freeman, Ryan and Gruenwald, subsequently confirmed with all other directors, to move with all deliberate speed over the weekend to see if a transaction could be negotiated with API and announced before the stock market opened on Monday, March 28, 2011.

On the afternoon of March 26, 2011, in a series of telephone conversations, management, UBS, API, Wilson Sonsini and Hodgson Russ discussed the status of open matters and the Company and API agreed to proceed as diligently as possible to attempt to negotiate, finalize and sign the merger agreement before the stock market opened on Monday, March 28, 2011.

Throughout the day and evening of March 26, 2011, representatives of Hodgson Russ and Wilson Sonsini held multiple telephone conversations during which the merger agreement was discussed. The material merger agreement issues discussed on the calls related to: (i) enhancing the certainty that the merger be consummated; (ii) enhancing the board of directors ability to satisfy its fiduciary duties; (iii) the terms of the go-shop provision, including the length and scope of the go-shop period, and the no-shop provision; and (iv) the amount of the termination fees and expense reimbursement.

On March 27, 2011, Wilson Sonsini delivered a further revised draft merger agreement to Hodgson Russ reflecting the terms negotiated by Hodgson Russ and Wilson Sonsini the previous day. Hodgson Russ and Wilson Sonsini held additional telephone conversations throughout the day on March 27, 2011 to negotiate the remaining open terms of the merger agreement, including the amount of the termination fees and expense reimbursement. Over the course of the day on March 27, 2011, the merger agreement was negotiated and finalized.

On March 26, 2011, UBS and Hodgson Russ received drafts of API s debt commitment letter. On March 26, 2011 and March 27, 2011, representatives of Hodgson Russ, after discussion with management and representatives of UBS, provided comments to the debt commitment letter primarily focused on removing

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conditions that were inconsistent with the conditions to closing expected to be contained in the final merger agreement. The debt commitment letter was subsequently revised during the afternoon of March 27 and a final form was presented to the Company at approximately 5:30 p.m.

At approximately 7:00 p.m. on March 27, 2011, the board of directors held a special telephonic meeting attended by all directors and by representatives of Hodgson Russ to consider the final form of merger agreement and the transactions contemplated by the merger agreement. As a first item of business, the board, acting on recommendation of the compensation committee, approved the amendment to Mr. Southworth s existing employment and consulting agreement. The amendment was approved with Mr. Southworth and Mr. Freeman abstaining. Representatives of Hodgson Russ next provided the board of directors with an update regarding the final negotiation of the merger agreement, including the status of the open issues previously identified to the board, reviewed with the board its fiduciary duties, and responded to questions from the board. Representatives of UBS then joined the meeting to discuss the financial aspects of the proposed merger and its financial analysis of the consideration proposed to be received in the transaction, and responded to questions from the board of directors. At the conclusion of its presentation, UBS orally rendered its opinion to the board of directors, subsequently confirmed in writing, that as of March 27, 2011, and based upon various assumptions, matters considered and limitations described in the written opinion, the $20.00 per share to be received by holders of the shares of Company common stock pursuant to the merger agreement was fair from a financial point of view to such holders. See Opinion of UBS Securities LLC. Following a discussion of a number of issues related to the merger agreement, the process that management, with the assistance of UBS, would undertake during the go-shop period and the positive and negative factors bearing on whether the merger should be approved, the Board unanimously (i) determined that the merger was advisable and that the terms of the merger and the merger agreement were fair to, and in the best interests of, the Company s shareholders, (ii) recommended that the Company s shareholders vote in favor of the adoption of the merger agreement, and (iii) authorized management to execute the merger agreement and take all actions necessary or advisable in connection with consummation of the transactions contemplated by the merger agreement.

On the morning of March 28, 2011, the Company, API and Merger Sub executed the merger agreement and the Company and API publicly announced the merger through the issuance of a joint press release.

Later in the day on March 28, 2011, UBS, at the direction of the Company, began soliciting potential acquisition proposals as permitted pursuant to the go-shop provision of the merger agreement. To date, UBS has contacted a total of 57 potential strategic and financial buyers to solicit interest in an acquisition of the Company. Under the merger agreement, the go-shop period ends on May 7, 2011. See The Merger Agreement Acquisition Proposals by Third Parties for more information.

Recommendation of the Board of Directors; Reasons for the Merger

The board of directors has unanimously determined that the merger is advisable, fair and in the best interests of the Company and our shareholders, adopted and approved the merger upon the terms and subject to the conditions set forth in the merger agreement, and recommends to our shareholders that our shareholders adopt the merger agreement.

The board of directors considered a number of factors in determining to recommend that our shareholders adopt the merger agreement, as more fully described below. **The board of directors unanimously recommends that you vote FOR the proposal to adopt the merger agreement.**

In reaching its decision to approve and recommend the adoption of the merger agreement to our shareholders, the board of directors considered the following factors, each of which the board of directors believes supported its decision, but which are not listed in any relative order of importance:

- the board of directors review of historical and projected information concerning the Company s business, financial performance and condition, results of operations, and technological and competitive position;

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current financial market conditions and historical market prices, volatility and trading information regarding Company common stock;

the fact that the $20.00 per share to be paid pursuant to the merger agreement constitutes a significant premium over the market price of Company common stock, including:

- a premium of approximately 45% and 40%, respectively, over the average closing price of Company common stock for the 90 and 180 calendar days prior to announcement of the merger;
- a premium of approximately 23% over the high closing price of Company common stock for the 52 weeks prior to announcement of the merger, and approximately 79% over the low closing price of Company common stock for the 52 weeks prior to announcement of the merger; and
- a premium of 43% over the closing price of Company common stock on the trading day immediately prior to the announcement of the merger;

the board of directors belief that the merger will result in greater value to our shareholders than the value that could be generated from other strategic alternatives available to us, including the option of remaining independent and pursuing our current business plan, taking into account the potential risks and uncertainties associated with these alternatives as compared to the liquidity and certainty of value provided by the $20.00 per share in cash to be paid to our shareholders pursuant to the merger agreement;

the terms of the merger agreement, which were the product of arms-length negotiations between the board of directors, the Company s management and our advisors, on the one hand, and API and its advisors, on the other hand, including, without limitation:

- the representations and warranties of the Company, API and Merger Sub;
- that the merger is not subject to a financing condition and that API obtained equity proceeds and a debt commitment letter for the full amount of the aggregate merger consideration;
- that the merger agreement permits us to seek specific performance by API and Merger Sub of their obligations under the merger agreement;
- that the merger agreement (i) provides for a post-signing go-shop period, during which the Company may, subject to certain requirements, solicit alternative proposals, (ii) allows the Company to respond to solicitations from third parties, subject to certain requirements, after the go-shop period, and (iii) at any time prior to the adoption of the merger agreement by our shareholders, allows the Company to terminate the merger agreement to accept a superior proposal upon payment of a termination fee and reimbursement of API s expenses; see The Merger Agreement Acquisition Proposals by Third Parties beginning on page [ ]; and
- the board of directors belief that the termination fees and expense reimbursement provisions in the merger agreement (described below under the section The Merger Agreement Acquisition Proposals by Third Parties beginning on page [ ]) (i) are reasonable in light of the overall terms of the merger agreement and the benefits of the merger, (ii) are within the range of similar precedent transactions and (iii) would not prevent a competing proposal;

the fact that the merger is subject to the adoption of the merger agreement by the affirmative vote of a majority of the votes cast by holders of shares of Company common stock entitled to vote on the merger; and

the oral opinion of UBS rendered to the board of directors on March 27, 2011, subsequently confirmed in writing, to the effect that, as of that date, and based upon various assumptions, matters considered and limitations described in the written opinion, the $20.00 per share to be received by holders of shares of Company common stock pursuant to the merger agreement was fair from a financial point of view to those holders. The summary of UBS opinion in this proxy statement is qualified in its entirety

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by reference to the full text of its written opinion, which is included as Annex B to this proxy statement and sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by UBS in rendering its opinion.

The board of directors also considered a variety of potentially negative factors concerning the merger agreement and the merger, including the following factors, which are not listed in any relative order of importance:

the fact that the merger agreement contains a number of provisions that may discourage a third-party from making a superior proposal to acquire the Company, including:

restrictions on our ability to solicit third party acquisition proposals after the go-shop period; and

the requirement that we pay a termination fee to API of $5.05 million or $9.15 million (and in each case up to $2.75 million in documented, out of pocket expenses) if the merger agreement is terminated under specified circumstances;

the fact that the merger consideration will generally be taxable to our shareholders for U.S. federal income tax purposes;

the time and effort involved in seeking to consummate the merger, including the risk of diverting our management s attention from other strategic priorities;

the fact that our officers and directors have interests in the merger that may be different from, or in addition to, those of our shareholders; see Interests of Certain Persons in the Merger beginning on page [ ];

the potential attrition of customers, vendors and employees following announcement of the merger agreement;

the fact that, following the merger, our shareholders will not participate in any future growth or increase in the value of the Company;

the fact that, although we expect the merger will be consummated, there can be no assurances that all conditions to the parties obligations to complete the merger agreement will be satisfied, and, as a result, the merger may not be consummated;

the fact that, under Pennsylvania law, the Company s shareholders who are opposed to the merger will not have dissenters rights of appraisal or similar rights;

the restrictions on the conduct of our business contained in the merger agreement, which may limit our ability to undertake business initiatives pending completion of the merger; and

the substantial costs to be incurred in seeking to consummate the merger.

The foregoing discussion addresses the material factors considered by the board of directors in its consideration of the merger agreement and the merger, but is not exhaustive and does not present all of the factors considered by the board of directors. In light of the number and variety of factors and the amount of information considered, the board of directors did not find it practicable to quantify, rank, or otherwise assign relative

weights to the specific factors considered in reaching its determination. Individual members of the board of directors may have given different weights to different factors. The determination to approve the merger agreement was made after consideration of all of the relevant factors as a whole, and the board of directors based its ultimate decision to approve the merger agreement and the merger on its business judgment that the potential risks and other negative aspects of the merger did not outweigh the benefits of the merger to our shareholders.

Opinion of UBS Securities LLC

On March 27, 2011, at a meeting of the board of directors held to evaluate the proposed merger, UBS delivered to the board of directors an oral opinion, which was confirmed by delivery of a written opinion, dated

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March 27, 2011, to the effect that, as of that date and based on and subject to various assumptions, matters considered and limitations described therein, the $20.00 per share merger consideration to be received in the proposed merger by holders of Company common stock was fair, from a financial point of view, to such holders.

The full text of UBS opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS. This opinion is attached to this proxy statement as Annex B and is incorporated into this document by reference. **Holders of Company common stock are encouraged to read UBS opinion carefully in its entirety. UBS opinion was provided for the benefit of the board of directors (in its capacity as such) in connection with, and for the purpose of, its evaluation of the $20.00 per share merger consideration from a financial point of view and does not address any other aspect of the merger. The opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available to the Company or the Company s underlying business decision to effect the merger. The opinion does not constitute a recommendation to any shareholder as to how such shareholder should vote or act with respect to the merger. The following summary of UBS opinion is qualified in its entirety by reference to the full text of UBS opinion.**

In arriving at its opinion, UBS, among other things:

- reviewed certain publicly available business and financial information relating to the Company;
- reviewed certain internal financial information and other data relating to the Company s business and financial prospects that were not publicly available, including financial forecasts and estimates prepared by the Company s management that the board of directors directed UBS to utilize for purposes of its analysis;
- conducted discussions with members of the Company s senior management concerning the Company s businesses and financial prospects;
- reviewed publicly available financial and stock market data with respect to certain other companies UBS believed to be generally relevant;
- compared the financial terms of the merger with the publicly available financial terms of certain other transactions UBS believed to be generally relevant;
- reviewed current and historical market prices of Company common stock;
- reviewed a draft, dated March 27, 2011, of the merger agreement; and
- conducted such other financial studies, analyses and investigations, and considered such other information, as UBS deemed necessary or appropriate.

In connection with its review, with the consent of the board of directors, UBS assumed and relied upon, without independent verification, the accuracy and completeness in all material respects of the information provided to or reviewed by UBS for the purpose of its opinion. In addition, with the consent of the board of directors, UBS did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of the Company, and was not furnished with any such evaluation or appraisal. With respect to the financial forecasts and estimates referred to above, UBS assumed, at the direction of the board of directors, that such forecasts and estimates had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the Company s management as to the Company s future financial performance. UBS opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information available to UBS as of, the date of its opinion.

At the direction of the board of directors, UBS was not asked to, and it did not, offer any opinion as to the terms, other than the $20.00 per share merger consideration to the extent expressly specified in UBS opinion, of the merger agreement or the form of the merger. In addition, UBS expressed no opinion as to the fairness of the amount or nature of any compensation to be received by any officers, directors or employees of any parties to the

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merger, or any class of such persons, relative to the $20.00 per share merger consideration. In rendering its opinion, UBS assumed, with the consent of the board of directors, that (i) the final executed form of the merger agreement would not differ in any material respect from the draft that UBS reviewed, (ii) the parties to the merger agreement would comply with all material terms of the merger agreement, and (iii) the merger would be consummated in accordance with the terms of the merger agreement without any adverse waiver or amendment of any material term or condition of the merger agreement. UBS also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the merger would be obtained without any material adverse effect on the Company or the merger. UBS was not authorized to solicit and did not solicit indications of interest in a transaction with the Company from any party other than API and one other party; however, the merger agreement permits the Company and its representatives to solicit and enter into negotiations with respect to other proposals for a specified period following execution of the merger agreement. Except as described above, the Company imposed no other instructions or limitations on UBS with respect to the investigations made or the procedures followed by UBS in rendering its opinion. The issuance of UBS opinion was approved by an authorized committee of UBS.

In connection with rendering its opinion to the board of directors, UBS performed a variety of financial and comparative analyses which are summarized below. The following summary is not a complete description of all analyses performed and factors considered by UBS in connection with its opinion. The preparation of a fairness opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. With respect to the selected companies analysis and the selected transactions analysis summarized below, no company or transaction used as a comparison was identical to the Company or the merger. These analyses necessarily involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or acquisition values of the companies concerned.

UBS believes that its analyses and the summary below must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying UBS analyses and opinion. UBS did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion, but rather arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole.

The estimates of the future performance of the Company provided by the Company or derived from public sources in or underlying UBS analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than those estimates. In performing its analyses, UBS considered industry performance, general business and economic conditions and other matters, many of which were beyond the control of the Company. Estimates of the financial value of companies do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold or acquired.

The $20.00 per share merger consideration to be received pursuant to the merger was determined through negotiation between the Company and API and the decision by the Company to enter into the merger was solely that of the board of directors. UBS opinion and financial analyses were only one of many factors considered by the board of directors in its evaluation of the merger and should not be viewed as determinative of the views of the board of directors or the Company s management with respect to the merger or the $20.00 per share merger consideration.

The following is a summary of the material financial analyses performed by UBS and reviewed with the board of directors on March 27, 2011 in connection with its opinion relating to the proposed merger. **The financial analyses summarized below include information presented in tabular format. In order for UBS financial analyses to be fully understood, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of UBS financial analyses.**

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Selected Companies Analysis

UBS compared selected financial and stock market data of the Company with corresponding data of the following four selected publicly traded defense electronics and radio frequency / microwave companies:

Anaren, Inc.

Comtech Telecommunications Corp.

e2v technologies PLC

Teledyne Technologies Incorporated

UBS reviewed, among other things, the enterprise values of the selected companies, calculated as diluted equity market value based on closing stock prices on March 25, 2011, plus debt at book value, preferred stock at liquidation value and minority interests at book value, less cash and cash equivalents, as multiples of (1) calendar year 2010 and estimated calendar year 2011 sales and (2) calendar year 2010 and estimated calendar year 2011 estimated earnings before interest, taxes, depreciation and amortization, which we refer to as EBITDA. UBS also reviewed closing stock prices of the selected companies on March 25, 2011 as a multiple of calendar year 2011 estimated earnings per share, referred to as P/E multiples. UBS then compared these multiples derived for the selected companies with corresponding multiples implied for the Company based both on the closing price of Company common stock on March 25, 2011 and the $20.00 per share merger consideration. Financial data for the selected companies were based on publicly available information, and consensus estimates of the Institutional Brokers Estimate System (IBES). Financial data for the Company were based on publicly available financial information and internal estimates of the Company s management, which we refer to as Company management estimates. See Certain Financial Projections and Other Information beginning on page [ ]. This analysis indicated the following implied high, mean, median and low multiples for the selected companies, as compared to corresponding multiples implied for the Company (sales and EBITDA multiples for Comtech Telecommunications Corp. are presented below as the Low statistic in each instance and were excluded for purposes of calculating the mean and median result because such multiples were significantly lower than the corresponding multiples of the other selected companies):

	Enterprise Value as a Multiple of:	
	2010 EBITDA[(1)]	Estimated 2011 EBITDA
Multiples for Selected Companies		
High	8.9x	8.3x
Mean	7.8x	6.7x
Median	7.9x	6.5x
Low	2.0x	3.0x
Multiples for Company		
Closing Price on March 25, 2011 of $14.01	6.7x	5.6x
Per Share Merger Consideration of $20.00	9.7x	8.1x

	Enterprise Value as a Multiple of:	
	2010 Sales[(1)]	Estimated 2011 Sales
Multiples for Selected Companies		
High	1.5x	1.4x
Mean	1.4x	1.2x
Median	1.3x	1.2x
Low	0.4x	0.6x

Multiples for Company		
Closing Price on March 25, 2011 of $14.01	1.1x	1.0x
Per Share Merger Consideration of $20.00	1.6x	1.5x

(1) Financial data for the Company s fiscal year ended November 30, 2010 and fiscal year ending November 30, 2011 used to represent calendar years 2010 and 2011, respectively; financial data for e2v technologies PLC based on $^{9}/_{12}$ths of the last twelve months ended September 30, 2010 and $^{3}/_{12}$ths of the IBES fiscal year 2011 estimates; financial data for Comtech Telecommunications Corp. s twelve months ended January 31, 2011 used to represent calendar year 2010.

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	P/E: Estimated 2011[1]
Multiples for Selected Companies (Closing Prices on March 25, 2011)	
High	16.2x
Mean	13.7x
Median	14.2x
Low	10.0x
Multiples for Company	
Closing Price on March 25, 2011 of $14.01	11.3x
Per Share Merger Consideration of $20.00	16.3x

(1) Financial data for the Company s fiscal year ending November 30, 2011 used to represent calendar year 2011.

Selected Transactions Analysis

UBS reviewed transaction multiples in the following eleven selected transactions involving defense electronics and radio frequency / microwave companies:

Announcement Date	Acquiror	Target
2/25/2011	Kratos Defense and Security Solutions, Inc.	Herley Industries Inc.
11/26/2010	Veritas Capital	CPI International, Inc.
5/10/2010	Comtech Telecommunications Corp.	CPI International, Inc.
12/23/2009	Crane Co.	Merrimac Industries Inc.
5/13/2008	Cobham plc	M/A-COM
5/12/2008	Comtech Telecommunications Corp.	Radyne
12/19/2007	Cobham plc	BAE Systems Surveillance & Attack
12/21/2004	Cobham plc	Remec Defence & Space
11/17/2003	Cypress Group	CPI International, Inc.
4/16/2003	Crane Co.	Signal Technology Corp.

UBS reviewed, among other things, enterprise values in the selected transactions, calculated as the purchase price paid for the target company s equity, plus debt at book value, preferred stock at liquidation value and minority interests at book value, less cash and cash equivalents, as multiples of both sales and EBITDA for the latest 12 months in relation to the time of announcement of the relevant transaction. UBS then compared these multiples derived for the selected transactions with corresponding multiples implied for the Company based on the $20.00 per share merger consideration. Multiples for the selected transactions were based on publicly available information, including analysts research, at the time of announcement of the relevant transaction. Financial data for the Company were based on Company management estimates. This analysis indicated the following implied high, mean, median and low multiples for the selected transactions, as compared to corresponding multiples implied for the Company:

	Enterprise Value as a Multiple of Latest 12 Months Sales	Enterprise Value as a Multiple of Latest 12 Months EBITDA
Multiples for Selected Transactions		
High	2.7x	11.1x
Mean	1.7x	8.9x
Median	1.5x	8.7x
Low	0.9x	6.8x
Multiples for Company		
Per Share Merger Consideration of $20.00	1.6x	9.2x

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Discounted Cash Flow Analysis

UBS performed a discounted cash flow analysis of the Company using financial forecasts and estimates relating to the Company prepared by Company management. UBS calculated a range of implied present values (as of February 28, 2011) of the standalone unlevered, after-tax free cash flows that the Company was forecasted to generate from March 1, 2011 until November 30, 2015 and of terminal values for the Company based on the Company s fiscal year 2015 estimated unlevered free cash flow. Implied terminal values were derived by applying to the Company s fiscal year 2015 estimated free cash flow a range of perpetuity growth rates of 2.5% to 4.0%. Present values of unlevered, after-tax free cash flows and terminal values were calculated using discount rates ranging from 12.5% to 14.5%. The discounted cash flow analysis resulted in a range of implied present values of approximately $15.90 to approximately $21.60 per share, as compared to the $20.00 per share merger consideration.

Miscellaneous

Under the terms of UBS engagement, the Company agreed to pay UBS for its financial advisory services in connection with the merger an aggregate fee currently estimated to be approximately $4.4 million, a portion of which was payable in connection with UBS opinion and a significant portion of which is contingent upon consummation of the merger. In addition, the Company agreed to reimburse UBS for its reasonable expenses, including fees, disbursements and other charges of counsel, and to indemnify UBS and related parties against liabilities, including liabilities under federal securities laws, relating to, or arising out of, its engagement. In the ordinary course of business, UBS and its affiliates may hold or trade, for their own accounts and the accounts of their customers, securities of the Company and API, and, accordingly, may at any time hold a long or short position in such securities. The Company selected UBS as its financial advisor in connection with the merger because UBS is an internationally recognized investment banking firm with substantial experience in similar transactions and because of UBS familiarity with the Company and its business. UBS is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, leveraged buyouts, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities and private placements.

Certain Financial Projections and Other Information

In the course of the process that resulted in the merger agreement, our management prepared and provided to API and will provide to other interested parties during the go-shop period, non-public financial projections in connection with their due diligence review of the Company. We also provided these internal financial projections to the board of directors and our financial and legal advisors. Set forth below is a summary of these projections. These projections reflect certain assumptions regarding our future operations and were prepared on a basis consistent with the accounting principles used in our historical financial statements.

	Financial Projections for the Years Ending November 30,				
($millions)	**2011**	**2012**	**2013**	**2014**	**2015**
Revenue	$ 182	$ 202	$ 221	$ 248	$ 270
EBITDA	33	39	45	53	60
Operating income	25	31	37	45	51
Net income	17	20	24	29	33

As used above, EBITDA represents net earnings before interest, income taxes, depreciation and amortization. EBITDA is a non-GAAP performance measure that is frequently used by securities analysts, investors and other interested parties in their evaluation of companies. EBITDA has limitations, including that it is not necessarily comparable to other similarly titled financial measures of other companies due to the potential inconsistencies in the method of calculation.

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The projections set forth above were prepared for internal use and not prepared with a view to public disclosure and are being included in this proxy statement only because the projections were provided to and relied upon by UBS in performing its financial analysis for the board of directors, and because the projections were provided to API and will be provided to other potential buyers during the go-shop period. The projections were not prepared with a view to compliance with the 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. The projections do not purport to present operations in accordance with U.S. generally accepted accounting principles, and our registered public accounting firm has not examined, compiled or otherwise applied procedures to the projections and accordingly assumes no responsibility for them. The projections have been prepared by, and are solely the responsibility of, our management. The inclusion of the projections in this proxy statement should not be regarded as an indication that these projections will be predictive of actual future results, and the projections should not be relied upon as such. Neither we nor any other person makes any representation to any of our shareholders regarding our ultimate performance compared to the information contained in the projections set forth above. Although presented with numerical specificity, the projections are not fact and reflect numerous assumptions and estimates as to future events made by our management that our management believed were reasonable at the time the projections were prepared and other factors such as industry performance and general business, economic, regulatory, market and financial conditions, as well as factors specific to our business, all of which are difficult to predict and many of which are beyond the control of our management. In addition, the projections do not take into account any circumstances or events occurring after the date that they were prepared and, accordingly, do not give effect to the merger or any changes to our operations or strategy that may be implemented after the consummation of the merger. Further, the projections do not take into account the effect of any failure of the merger to occur and should not be viewed as accurate or applicable in that context. There can be no assurance that the projections will be realized, and actual results may be materially greater or less than those reflected in the projections. We do not intend to update or otherwise revise the projections to reflect circumstances existing after the date when made or to reflect the occurrence of future events even if any or all of the assumptions underlying the projections are shown to be in error. The projections are forward-looking statements. These statements involve certain risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements.

Closing and Effective Time of Merger

The closing of the merger will take place on the second business day following the satisfaction or waiver in accordance with the merger agreement of all of the conditions to closing of the merger other than the conditions that by their terms cannot be satisfied until the closing of the merger, but subject to satisfaction or waiver of those conditions. See The Merger Agreement Conditions to the Merger.

Assuming timely satisfaction of the necessary closing conditions, we anticipate that the merger will be completed by **[ ]**, 2011. The effective time of the merger will occur upon the filing of articles of merger with the Department of State of the Commonwealth of Pennsylvania (or at such later date as we and API may agree and specify in the articles of merger).

Payment of Merger Consideration and Surrender of Stock Certificates

As soon as practicable after the effective time of the merger, each record holder of certificates evidencing shares of Company common stock (other than with respect to excluded shares) will be sent a letter of transmittal describing how such holder may exchange its shares of Company common stock for the per share merger consideration.

You should not return your stock certificates with the enclosed proxy card, and you should not forward your stock certificates to the paying agent without a letter of transmittal.

If you are the record holder of certificated shares of Company common stock, you will not be entitled to receive the per share merger consideration until you deliver a duly completed and executed letter of transmittal to the paying agent and surrender your stock certificate or certificates to the paying agent. If you are the record

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holder of uncertificated shares of Company common stock represented by book-entry (sometimes referred to as Direct Registration System, or DRS), you will receive the per share merger consideration promptly after the effective time of the merger. If ownership of your shares is not registered in the transfer records of the Company, a check for any cash to be delivered will only be issued if the applicable letter of transmittal is accompanied by all documents reasonably required by the Company or the paying agent to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid or are not applicable. If you are a beneficial owner of Company common stock holding your shares in street name through your bank, broker or other nominee, you will receive the per share merger consideration in accordance with the procedures of your bank, broker or other nominee.

Interests of Certain Persons in the Merger

When considering the recommendation of the board of directors that you vote to approve the proposal to adopt the merger agreement, you should be aware that our directors and executive officers may have interests in the merger that are different from, or in addition to, your interests as a shareholder. The board of directors was aware of and considered these interests, to the extent such interests existed at the time, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending that the merger agreement be adopted by our shareholders. In the discussion below, we have quantified payments and benefits to our executive officers and to our non-employee directors. For the purposes of all of the agreements and plans described below, the completion of the transactions contemplated by the merger agreement will constitute a change in control.

Interests in Company Stock Options

If the merger is completed, immediately prior to the effective time of the merger, each then-outstanding option to purchase shares of Company common stock whether or not vested or exercisable, will become fully vested and exercisable, and will be cancelled and converted into the right to receive a cash payment equal to the excess, if any, of $20.00 over the exercise price per share of such option, multiplied by the number of shares of Company common stock the holder could have purchased, had such holder exercised the option in full, without interest, less any applicable withholding taxes.

Executive Officers. In addition to proceeds related to outstanding shares of Company common stock held by our executive officers, the approximate proceeds related to outstanding and unexercised stock options with respect to our executive officers are as follows:

Name	Aggregate Shares Subject to Company Stock Options	Aggregate Cash-Out Value of Company Stock Options
Richard A. Southworth President and Chief Executive Officer	100,000	$ 1,075,200
John P. Freeman Senior Vice President and Chief Financial Officer	34,467	$ 315,687
Lawrence G. Howanitz Senior Vice President, Advanced Specialty Products	48,500	$ 525,100
Brian F. Ward Senior Vice President, Sensors and Controls	43,500	$ 488,700
Robert J. McKenna Senior Vice President, New Business and Resource Development	48,500	$ 525,100

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Non-employee Directors. In addition to proceeds related to outstanding shares of Company common stock held by our non-employee directors, the approximate proceeds related to outstanding and unexercised stock options with respect to our non-employee directors are as follows:

Name	Aggregate Shares Subject to Company Stock Options	Aggregate Cash-out Value of Company Stock Options
Bernard C. Bailey[1]	30,000	$ 338,820
George J. Behringer	36,000	$ 340,560
J. Thomas Gruenwald	36,000	$ 340,560
Charles S. Mahan, Jr.	24,000	$ 201,120
Gerald A. Ryan	36,000	$ 340,560
James F. Toohey	36,000	$ 340,560

(1) Mr. Bailey s term as a director expired on April 4, 2011.

Employment and Consulting Agreement with Richard A. Southworth

The Company has entered into an employment and consulting agreement with Mr. Southworth. Mr. Southworth s employment and consulting agreement provides for severance benefits in the case of certain termination scenarios, including in the case of a change in control. If Mr. Southworth is terminated by the Company prior to the expiration of the agreement on November 30, 2011, other than a termination for just cause, he will receive (i) an amount equal to the salary due him and any vacation pay which is accrued but unpaid as of the date of termination and (ii) a severance payment of an amount equal to twelve months of his then current salary plus the amount he received under the Company s At-Risk Compensation Plan for the prior fiscal year. The severance payment will be made in twelve equal monthly payments. See Estimated Possible Payouts Under Executive Agreements beginning on page **[ ]**. On March 27, 2011, the Company entered into an amendment to the employment and consulting agreement with Mr. Southworth. Prior to such amendment, the agreement, which was entered into in 2009, provided that if, as anticipated by the board of directors, Mr. Southworth was President of the Company as of November 30, 2011, then he would automatically be retained as a consultant for a six-year term at an annual compensation of $100,000. The amendment provides that, in the event there is a change in control of the Company and Mr. Southworth is terminated as President or Chief Executive Officer before November 30, 2011, the six year consulting term will begin on the date of his termination. While engaged as a consultant, if eligible, Mr. Southworth will receive reasonable customary medical benefits as provided to other employees of the Company.

Change in Control Agreements

The Company entered into change in control agreements with each of Lawrence G. Howanitz, Brian F. Ward and Robert J. McKenna effective as of January 18, 2010 and with John P. Freeman effective as of March 4, 2011. The change in control agreements for these executives have an initial two-year term and are considered for renewal on an annual basis after the initial term.

Under the change in control agreements for the above-named executives, if an executive s employment is terminated by the Company without cause or by the executive for good reason, in either case within 24 months of a change in control, the Company shall pay or provide the executive:

- a lump sum amount which is equal to the executive s monthly base salary, at the rate in effect immediately prior to termination, multiplied by 12; and

- employee medical and dental benefit continuation as if the executive had remained an employee for an additional 12 months with respect to Messrs. Howanitz, Ward and McKenna, and to age 65 with respect to Mr. Freeman, or, if the Company is unable to provide any such benefits to the executive,

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benefits substantially similar to those which the executive would have been entitled to receive if he had participated for the period described above with respect to the executive. Additionally, the Company will continue coverage for 12 months under any existing life and AD&D insurance plans to the extent possible and, if not, plans that provide substantially similar benefits.

See Estimated Possible Payouts Under Executive Officer Agreements below.

However, if any payment due to any of the above-named executives results in an excise tax being imposed on him pursuant to Section 4999 of the Code, the Company will reduce the total amounts payable to the executive to the maximum amount payable without incurring the excise tax.

Estimated Possible Payouts Under Executive Officer Agreements

The following table summarizes the estimated amount of the change in control and severance payments and other benefits that would be received by our executive officers if, immediately following completion of the merger, each executive officer s employment were terminated by the surviving corporation of the merger other than due to a termination for just cause or without cause, as applicable, or by the executive for good reason immediately following completion of the merger:

Name	Severance Payment	Benefits Continuation	Other	Total
Richard A. Southworth	$ 470,000	$ 100,000[1]	$ 904,258[2]	$ 1,474,258
John P. Freeman	248,000	51,500[3]		299,500
Lawrence G. Howanitz	246,000	15,750[4]		261,750
Brian F. Ward	244,000	15,750[4]		259,750
Robert J. McKenna	242,300	15,750[4]		258,050

(1) Represents estimated benefit payments pursuant to Mr. Southworth s employment and consulting agreement.

(2) Represents severance payment of $304,258 based on the amount received in fiscal year 2010 under the Company s At-Risk Compensation Plan and aggregate consulting payments of $600,000 under Mr. Southworth s employment and consulting agreement.

(3) Represents estimated benefit payments to age 65 pursuant to Mr. Freeman s change in control agreement.

(4) Represents estimated benefit payments for 12 months pursuant to the applicable executive officer s change in control agreement.

Under Mr. Southworth s employment and consulting agreement, termination for just cause means the termination of Mr. Southworth for or as a result of (i) an act or acts by Mr. Southworth, or any omission by him, constituting a felony, (ii) any act of fraud, or (iii) any breach by him of the terms of the employment agreement.

Under the change in control agreements with the other executives discussed above, cause means (i) the willful and continued failure by the executive to substantially perform his duties with the Company and/or, if applicable, one or more of its subsidiaries (other than any such failure resulting from his incapacity due to physical or mental illness) after a demand for substantial performance is delivered to him by the board of directors which specifically identifies the manner in which the board of directors believes the executive has not substantially performed his duties, which the executive does not timely cure, (ii) the willful engaging by the executive in gross misconduct materially and demonstrably injurious to the property or business of the Company or any of its subsidiaries, or (iii) fraud, misappropriation or commission of a felony. Furthermore, the term good reason in the change of control agreements means (i) a significant reduction in the nature or scope of the executive s authority or duties from those immediately prior to the date of the change in control, (ii) a reduction in annual base salary or reduction in aggregate compensation, (iii) the Company moves the executive s primary work site to a location which, in the executive s reasonable judgment, requires his relocation from his current residence, which relocation the executive chooses not to accept, (iv) the Company s breach of any material

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provision of the change in control agreement that the Company does not timely cure, or (v) a reasonable determination by the executive that, following a change in control and a change in circumstances thereafter significantly affecting his position, he is unable to exercise the authorities, powers, functions or duties attached to his position.

Other Employee-related Interests

In addition to the other rights and interests in the merger described in this section, the Company s executive officers are entitled to receive the same benefits under the merger agreement as all other employees of the Company. Among other matters, API has agreed to give the Company s employees full credit for their prior service with the Company or its subsidiaries for purposes of determining eligibility to participate in, vesting and entitlement to, benefits where length of service is relevant under any employee benefit plan or arrangement maintained or sponsored by API to the same extent recognized by the Company.

Arrangements with API

Following the announcement of the merger, John P. Freeman, the Company s Senior Vice President and Chief Financial Officer, and Robert J. McKenna, the Company s Senior Vice President, New Business and Resource Development, were contacted by API regarding the possibility of accepting employment with API or the surviving corporation following the merger. Mr. Freeman and Mr. McKenna have expressed interest in such an opportunity, but specific terms of employment have not been discussed and no agreements have been reached. Other of our executive officers may discuss or enter into agreements, arrangements or understandings with API regarding post-closing employment with API or the surviving corporation prior to completion of the merger.

Indemnification and Directors and Officers Insurance

The merger agreement provides that API and the surviving corporation will indemnify and hold harmless all persons who served as directors or officers of the Company or its subsidiaries prior to the effective time of the merger as well as advancing expenses incurred by such persons in defending against any threatened or pending claim. API will also cause the surviving corporation s articles and bylaws to contain indemnification rights no less favorable to each of our present and former directors and officers as are provided in the Company s articles or bylaws in effect prior to the date of the merger agreement. The merger agreement also requires API, the surviving corporation or the Company to purchase a tail insurance policy or policies that provide individuals covered by the Company s current directors and officers liability insurance with coverage for a period of six years after completion of the merger. A more complete description of the indemnification and insurance rights provided to the Company s directors and officers under the merger agreement is under the heading The Merger Agreement Indemnification and Directors and Officers Insurance.

Material U.S. Federal Income Tax Consequences of the Merger for U.S. Holders

The following is a summary of the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) whose shares of Company common stock are converted into the right to receive cash in the merger. This summary does not purport to consider all aspects of U.S. federal income taxation that might be relevant to our shareholders. For purposes of this discussion, we use the term U.S. holder to mean a beneficial owner of shares of Company common stock that is, for U.S. federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof or the District of Columbia;
- a trust (i) if a U.S. court can exercise primary supervision of the trust s administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or

an estate, the income of which is subject to U.S. federal income tax regardless of its source.

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If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) is a beneficial owner of shares of Company common stock, the tax treatment of a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. A partner in a partnership holding shares of Company common stock should consult its own tax advisor regarding the U.S. federal income tax consequences of the merger to such partner.

This discussion is based upon the provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, Treasury regulations promulgated thereunder, and currently effective administrative rulings and judicial decisions. Any of these authorities may be changed, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those described below. This discussion applies only to beneficial owners who hold shares of Company common stock as capital assets (within the meaning of Section 1221 of the Code), and does not apply to shares of Company common stock received in connection with the exercise of employee stock options or otherwise as compensation, or to certain types of beneficial owners that may be subject to special rules (such as insurance companies, banks or other financial institutions, tax-exempt organizations, broker-dealers, partnerships, S corporations or other pass-through entities, mutual funds, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, shareholders subject to the alternative minimum tax, U.S. holders that have a functional currency other than the U.S. dollar, shareholders that hold Company common stock as part of a hedge, straddle or conversion transaction, regulated investment companies, real estate investment trusts or shareholders deemed to sell Company common stock under the constructive sale provisions of the Code). This discussion also does not address the U.S. tax consequences to any shareholder that is, for U.S. federal income tax purposes, a non-resident alien individual, foreign corporation, foreign partnership or foreign estate or trust, and does not address any matters relating to equity compensation or benefit plans. This discussion does not address any U.S. federal non-income, state, local or foreign tax consequences of the merger.

Exchange of Shares of Common Stock for Cash Pursuant to the Merger Agreement

The exchange of shares of Company common stock for cash in the merger will generally be a taxable transaction to U.S. holders for U.S. federal income tax purposes. In general, a U.S. holder whose shares of Company common stock are converted into the right to receive cash in the merger will recognize capital gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received with respect to such shares (determined before the deduction of any applicable withholding taxes) and the U.S. holder s adjusted tax basis in such shares. A U.S. holder s adjusted tax basis will generally equal the price the U.S. holder paid for such shares. Gain or loss will be determined separately for each block of shares of Company common stock (that is, shares of Company common stock acquired at the same cost in a single transaction). Such gain or loss will generally be treated as long-term capital gain or loss if the U.S. holder s holding period in the shares of Company common stock exceeds one year at the time of the completion of the merger. Long-term capital gains of non-corporate U.S. holders are generally subject to reduced rates of taxation. The deductibility of capital losses is subject to limitations. The gain or loss will generally be income or loss from sources within the U.S. for foreign tax credit limitation purposes.

Backup Withholding and Information Reporting

U.S. federal backup withholding tax may apply to cash payments to a U.S. holder under the merger agreement, unless the U.S. holder or other payee provides a taxpayer identification number, certifies that such number is correct, and otherwise complies with the backup withholding rules or otherwise establishes an exemption from backup withholding.

The backup withholding tax is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a credit against a U.S. holder s U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

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Cash payments made pursuant to the merger will also be subject to information reporting unless an exemption applies.

The U.S. federal income tax consequences described above are not intended to constitute a complete description of all tax consequences relating to the merger. Because individual circumstances may differ, each shareholder should consult its own tax advisor regarding the applicability of the rules discussed above to such shareholder and the particular U.S. federal income and other tax consequences to such shareholder of the merger in light of such shareholder s particular circumstances and the application of state, local and foreign tax laws.

Regulatory Approvals and Notices

Under the terms of the merger agreement, the merger cannot be completed until the waiting period applicable to the consummation of the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, or the HSR Act, has expired or been terminated.

Under the HSR Act and the rules promulgated thereunder by the FTC, the merger cannot be completed until each of the Company and API files a notification and report form with the FTC and the Antitrust Division of the DOJ under the HSR Act and the applicable waiting period has expired or been terminated. Each of the Company and API filed such a notification and report form on April 8, 2011.

At any time before or after consummation of the merger, notwithstanding the termination of the waiting period under the HSR Act, the Antitrust Division of the DOJ or the FTC could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the completion of the merger, or part of it, seeking divestiture of substantial assets of the Company or API, requiring the Company or API to license, or hold separate, assets or terminate existing relationships and contractual rights. At any time before or after the completion of the merger, and notwithstanding the termination of the waiting period under the HSR Act, any state could take such action under state law or the antitrust laws of the U.S. as it deems necessary or desirable in the public interest. Such action could include seeking to enjoin the completion of the merger or seeking divestiture of substantial assets of the Company or API. Private parties may also seek to take legal action pursuant to the antitrust laws under certain circumstances.

There can be no assurance that the DOJ, the FTC or any other governmental entity or any private party will not take action or otherwise attempt to challenge the merger on antitrust grounds and, if such a challenge is made, there can be no assurance as to its impact on the timing of the merger or its ultimate result.

Accounting Treatment of the Merger

We expect the merger to be accounted for as a business combination for financial accounting purposes, whereby the purchase would be allocated to our assets and liabilities based on their relative fair values as of the date of the merger in accordance with Accounting Standards Codification 805, Business Combinations.

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THE MERGER AGREEMENT

This section describes the material terms of the merger agreement. This summary does not purport to be complete and may not contain all of the information about the merger or the merger agreement that is important to you. The description in this section and elsewhere in this proxy statement is qualified in its entirety by reference to the complete text of the merger agreement, a copy of which is attached as Annex A and is incorporated by reference into this proxy statement. We encourage you to read the merger agreement carefully and in its entirety. This section is not intended to provide you with any factual information about us. Such information can be found elsewhere in this proxy statement and in the public filings we make with the SEC, as described in, Other Matters Where You Can Find More Information, beginning on page **[ ]**.

Explanatory Note Concerning the Merger Agreement

The merger agreement is included to provide you with information regarding its terms. Factual disclosures about the Company contained in this proxy statement or in the Company s public reports filed with the SEC may supplement, update or modify the factual disclosures about the Company contained in the merger agreement. The representations, warranties and covenants made in the merger agreement by the Company, API and Merger Sub were qualified and subject to important limitations agreed to by the Company, API and Merger Sub in connection with negotiating the terms of the merger agreement. In particular, in your review of the representations and warranties contained in the merger agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purposes of establishing the circumstances in which a party to the merger agreement may have the right not to consummate the merger if the representations and warranties of the other party prove to be untrue because of a change in circumstance or otherwise, and allocating risk between the parties to the merger agreement, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to shareholders and reports and documents filed with the SEC and in some cases were qualified by the matters contained in the confidential disclosure schedule that the Company delivered in connection with the merger agreement, which disclosures were not reflected in the merger agreement. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this proxy statement, may have changed since the date of the merger agreement and subsequent developments or new information qualifying a representation or warranty may have been included in this proxy statement.

Effective Time

The effective time of the merger will occur at the time that we file the articles of merger with the Department of State of the Commonwealth of Pennsylvania on the closing date of the merger or on such later date as may be mutually agreed to by API, Merger Sub and us and provided in the articles of merger. The closing date will occur on the second business day after all of the conditions to the consummation of the merger set forth in the merger agreement have been satisfied or waived (other than those conditions that by their nature are to be satisfied on the closing date), or on such other date as we, Merger Sub and API may agree.

Structure of the Merger

Subject to the terms and conditions of the merger agreement and in accordance with Pennsylvania law, at the effective time of the merger, Merger Sub, a wholly owned subsidiary of API, will merge with and into the Company. The separate corporate existence of Merger Sub will cease, and the Company will continue as the surviving corporation and a wholly owned subsidiary of API. The surviving corporation will be a privately held corporation and our current shareholders will cease to have any ownership interest in the surviving corporation or rights as shareholders. As a result of the merger, our current shareholders will not participate in the opportunity for future earnings or growth of the surviving corporation and will not benefit from any appreciation in value of the surviving corporation.

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Treatment of Company Common Stock and Stock Options

Company Common Stock

At the effective time of the merger, each share of Company common stock outstanding immediately prior to the effective time of the merger will automatically be cancelled and will cease to exist and will be converted into the right to receive $20.00 in cash, without interest and less applicable withholding taxes, other than:

- shares of Company common stock held in our treasury immediately prior to the effective time of the merger, which shares will be cancelled without conversion or consideration; and
- shares of Company common stock owned by API, Merger Sub, or any other subsidiary of API immediately prior to the effective time of the merger, which shares will be cancelled without conversion or consideration.

After the effective time of the merger, each stock certificate representing shares of Company common stock will be cancelled and each holder of record of uncertificated shares of Company common stock will cease to have any rights with respect to those shares, and the holder of such certificate or uncertificated shares will have only the right to receive the per share merger consideration, without any interest and less applicable withholding taxes.

Stock Options

Each outstanding unvested Company stock option will be accelerated in full so that it becomes fully vested immediately prior to the effective time of the merger. At the effective time of the merger, each outstanding the Company stock option not exercised prior to the merger will be cancelled and converted into the right to receive, as soon as reasonably practicable following the effective time of the merger, an amount in cash (less any applicable withholding taxes) equal to (i) the number of shares subject to such option multiplied by (ii) the excess (if any) of $20.00 over the exercise price per share of such option.

Exchange and Payment Procedures

A paying agent designated by API, who we refer to as the paying agent, will act as the agent for payment of the merger consideration to the holders of Company common stock. At or after the effective time of the merger, API will cause to be deposited with the paying agent for the benefit of Company shareholders an amount in cash equal to the aggregate merger consideration.

Instructions with regard to the surrender of certificates formerly representing shares of Company common stock or uncertificated shares of Company common stock, together with the letter of transmittal to be used for that purpose, will be mailed to our shareholders by the paying agent as soon as reasonably practicable after the effective time of the merger. Promptly after receipt from the shareholder of a duly executed letter of transmittal, and any other items specified by the letter of transmittal, the paying agent will pay in cash to such shareholder an amount equal to the product of the number of shares of Company common stock represented by the certificates remitted by the shareholder and the per share merger consideration, without interest and less any applicable withholding tax.

API, the surviving corporation and the paying agent may deduct and withhold from the merger consideration otherwise payable to any holder of Company common stock or stock options that amount as API, the surviving corporation or the paying agent are required to deduct and withhold under the Code or U.S. federal, state or local or non-U.S. tax law. API, the surviving corporation or the paying agent will promptly pay any withheld amounts to the appropriate taxing authority.

No transfer of shares of Company common stock will be made on the stock transfer books of the surviving corporation after the effective time of the merger. After the effective time of the merger, previous shareholders will have no rights with respect to shares of Company common stock except to receive the merger consideration.

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Six months after the effective time of the merger, any amount remaining in the payment fund may be paid to API, and any previous holders of Company common stock who have not complied with the applicable provisions for payment summarized above will be entitled to payment of the merger consideration only from the surviving corporation, without interest.

You should not return your stock certificates with the enclosed proxy card, and you should not forward your stock certificates to the paying agent without a letter of transmittal.

Representations and Warranties

We make various representations and warranties in the merger agreement with respect to the Company and our subsidiaries. These include representations and warranties regarding:

- organization, good standing and qualification to do business;
- capitalization, including in particular the number of shares of Company common stock and stock options;
- corporate power and authority to enter into the merger agreement and to consummate the transactions contemplated by the merger agreement;
- the absence of violations of or conflicts with governing documents, applicable laws or certain agreements as a result of entering into the merger agreement and consummating the merger;
- the required consents and approvals of governmental entities and third parties in connection with the transactions contemplated by the merger agreement;
- our SEC filings since December 1, 2007, including the financial statements contained therein, and compliance of such reports and documents with applicable requirements of federal securities laws, rules and regulations;
- the Company s consolidated financial statements, internal control over financial reporting, disclosure of material transactions on the Company s financial statements and absence of any knowledge of the commission or violation of any law described in Section 806 of the Sarbannes-Oxley Act;
- the absence of undisclosed broker s fees;
- the conduct of our business, and absence of certain changes or events, since November 30, 2010;
- litigation, investigations and administrative proceedings and absence of orders, judgments or regulatory restrictions from governmental entities;
- tax matters;

matters relating to employee benefit plans, and enforceability, legal compliance, performance and lack of defaults with respect thereto;

compliance will certain laws and permits;

matters related to major customers and suppliers;

matters relating to material contracts;

the absence of undisclosed liabilities;

the inapplicability of anti-takeover statutes to the merger and the other transactions contemplated by the merger agreement;

real property, personal property and leased property;

insurance;

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environmental laws and regulations;

intellectual property;

employment and labor matters;

compliance with anti-bribery and anti-corruption laws;

the receipt by the Company of a fairness opinion from UBS;

the sufficiency of our computer, information technology and data processing systems;

compliance with export and import control laws;

matters relating to government contracts; and

absence of transactions with affiliates since December 1, 2007.

Many of our representations and warranties are qualified by the absence of a material adverse effect on the Company, which means, for purposes of the merger agreement, any event, occurrence, condition, circumstance, development, state of facts, change or effect that is or would reasonably be expected to be, individually or in the aggregate, materially adverse to, or has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on (i) the business, assets, properties, financial condition or results of operations of the Company and our subsidiaries, taken as a whole, or (ii) our ability to timely consummate the merger, subject to a number of exceptions.

API and Merger Sub make various representations and warranties in the merger agreement with respect to API and Merger Sub. These include representations and warranties regarding:

organization, good standing and qualification to do business;

corporate power and authority to enter into the merger agreement and to consummate the transactions contemplated by the merger agreement;

the absence of third party consents, subject to a number of exceptions, and any violation of or conflict with their governing documents, applicable law or certain agreements as a result of entering into the merger agreement and consummating the merger;

litigation and administrative proceedings and absence of orders, judgments or regulatory restrictions from governmental entities;

the lack of operations of Merger Sub;

the solvency of the surviving corporation upon the consummation of the merger and the transactions contemplated by the merger agreement;

financing of the merger; and

the absence of a requirement for approval by API s shareholders of the merger agreement or the merger.

The representations and warranties of each of the parties to the merger agreement will expire upon the effective time of the merger.

Conduct of Our Business Pending the Merger

We have agreed to certain customary covenants that restrict us and our subsidiaries until the effective time of the merger. Until the effective time of the merger, we have agreed to (and to cause our subsidiaries to) conduct our business in the ordinary course of business consistent with past practices and to use all reasonable efforts to maintain our current business organization and goodwill, retain the services of our present officers, employees, consultants and independent contractors, and preserve our goodwill and relationship with vendors, suppliers, dealers, distributors, customers, and other third parties having business dealings with us.

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In addition, we have agreed, with certain limited exceptions, not to do (and not to permit our subsidiaries to do) any of the following, except as expressly contemplated by the merger agreement or agreed to in writing by API:

take any action to amend our articles of incorporation or bylaws or other governing instruments;

issue, deliver, grant, pledge, transfer, dispose of, encumber, sell, or accelerate rights under or authorize or propose any of the preceding relating to, any shares of our capital stock of any class, any indebtedness having the right to vote, any stock appreciation rights, or any securities convertible into or exercisable or exchangeable for, or any rights, warrants or options to acquire, any such shares or indebtedness having the right to vote, or enter into any agreement with respect to the foregoing;

acquire, redeem or amend our capital stock, except to the extent pursuant to the terms of our existing benefit plans or agreements subject to our benefit plans;

declare or pay any dividend, split, combine or reclassify any shares of capital stock, or make any other distribution in cash or property on any capital stock other than among the Company and our subsidiaries;

propose or adopt a plan of liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization of the Company or any of our subsidiaries;

sell or otherwise dispose of or encumber any of our properties or assets other than in the ordinary course of business;

acquire or agree to acquire or otherwise make an investment in or acquire an interest in, any business or other entity;

create any subsidiary, acquire any capital stock or other equity securities of any third party or acquire any equity or ownership interest in any business or entity;

create, incur or assume any indebtedness for borrowed money or secured by real or personal property, except for trade payables incurred in the ordinary course of business, or grant or incur any liens on any real or personal property except in the ordinary course of business;

write-off any guaranteed checks, notes or accounts receivable other than in the ordinary course of business, or write-down the value of any asset or investment on our books or records except for depreciation and amortization in the ordinary course of business;

enter into any contract or agreement, except those that are purchase orders entered into in the ordinary course of business or any other contract entered into in the ordinary course of business and that involves an expenditure of less than $250,000 for any such contract or agreement or that are cancelable without premium or penalty on not more than 30 days notice;

increase in any manner the compensation of or change the metrics for determining the compensation of (including bonus), or fringe benefits of, or enter into any new, or terminate or modify any existing, bonus, severance or incentive agreement or arrangement with, any of our current or former officers, directors, management-level employees, or hire or fire any officers or management-level

employees;

increase the benefits provided under any employee benefit plan or establish, adopt, enter into, materially amend, or terminate any employee benefit plan or any similar arrangement that would constitute a benefit plan if in existence as of the date of the merger agreement, except as required by law, or agree to do any of the foregoing in the future;

violate or fail to perform our obligations under, or default or suffer to exist any event or condition which with notice or lapse of time or both would constitute a material default under, certain contracts or waive any material term of certain contracts;

enter into, renew, extend, assume or terminate certain contracts or make any amendment to certain contracts;

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fail to maintain in full force and effect policies of insurance comparable in amount and scope to those we maintained as of the date of the merger agreement;

make or change any material tax election, settle or compromise any material tax claim or assessment, change an annual tax accounting period, adopt or change any material tax accounting method, file any material amended tax return, waive or extend the limitation period applicable to any material tax liability or assessment (other than pursuant to extensions or time to file tax returns obtained in the ordinary course of business), enter into any closing agreement with respect to a material amount of taxes or surrender any right to claim a refund of a material amount of taxes;

enter into, amend, or extend any collective bargaining agreement or similar contract with any labor union or guild;

except as may be required as a result of a change in applicable law or in generally accepted accounting principles, make any change in any accounting principles or practices;

grant any exclusive rights with respect to any of our intellectual property, divest any of our intellectual property, except if such divestiture or divestures, individually or in the aggregate, are not material to the Company, or materially modify our standard warranty terms for our products or amend or modify any product or service warranty in any manner that is likely to be materially adverse to the Company or any of our subsidiaries;

settle or compromise any pending or threatened litigation, suit, claim or action (including any litigation, suit, claim or action by a shareholder related to the transactions contemplated by the merger agreement) or pay, discharge or satisfy or agree to pay, discharge or satisfy any claim, liability or obligation (absolute or accrued, asserted or unasserted, contingent or otherwise), other than the settlement, compromise, payment, discharge or satisfaction of claims, liabilities or obligations that (i) are reflected or reserved against in full on our balance sheet, (ii) are covered by existing insurance policies, or (iii) otherwise do not involve the payment of money in excess of $100,000 in the aggregate, in each case where the settlement, compromise, discharge or satisfaction of which does not include any obligation (other than the payment of money not in excess of $100,000 in the aggregate above the amounts reflected or reserved on our balance sheet in respect of such claim, liability or obligation) to be performed by the Company or any of our subsidiaries following the effective time of the merger;

except as required by applicable law or generally accepted accounting principles, revalue in any material respect any properties or assets, including writing-off accounts receivable;

convene any regular or special meeting (or any adjournment or postponement thereof) of shareholders other than the special meeting called to approve the merger;

fail to timely file any reports, proxy statements, forms, schedules and documents required to be filed with the SEC after the date of the merger agreement and prior to the effective time of the merger, or amend any reports, proxy statements, forms, schedules and documents required to be filed with the SEC whenever filed;

extend (other than in connection with a good faith dispute) or change any policy with respect to the payment of accounts payable or accelerate or change any policy with respect to the collection of accounts receivable;

incur or commit to any capital expenditures, except capital expenditures up to an agreed upon aggregate amount;

enter into any agreement to purchase or sell any interest in real property, grant any security interest in any real property, enter into any lease, sublease, license or other occupancy agreement with respect to any real property or alter, amend, modify, violate or terminate any of the terms of any subleases of real property that we lease or liens secured by real property that we own or lease;

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take any action or fail to take any action that is intended to, or would reasonably be expected to, either individually of in the aggregate, prevent, materially delay or materially impede the ability of the Company or any of our subsidiaries to consummate the merger or the transactions contemplated by the merger agreement; or

enter into any contract, agreement or commitment with respect to, or propose or authorize, any of the actions described above.

Acquisition Proposals by Third Parties

During the go-shop period starting on March 28, 2011 and ending at 12:01 a.m., New York time on May 7, 2011, the Company may:

initiate, solicit and encourage acquisition proposals;

provide access to non-public information pursuant to a confidentiality agreement no less favorable to us than our confidentiality agreement with API, provided that the Company (i) concurrently provides to API any non-public information concerning the Company or any subsidiary that is provided to any person if that information was not previously provided to API or its representatives and (ii) withholds those portions of documents or information, or provides it pursuant to customary clean room or other procedures, to the extent relating to pricing or other highly sensitive or competitive matters if the exchange of that information could be reasonably likely to be harmful to the operation of the Company in any material respect; and

enter into, engage in and maintain discussions or negotiations with respect to an acquisition proposal or otherwise cooperate with, assist or participate in or facilitate any such inquiries, proposals, discussions or negotiations.

After 12:01 a.m., New York time on May 7, 2011, the Company is required, and is required to cause its subsidiaries and the Company s and its subsidiaries officers, directors, employees, investment bankers, attorneys, accountants and other advisors and representatives, to:

immediately cease any solicitation, encouragement, discussions or negotiations with any person or group (except with an excluded party as described below) that may be ongoing with respect to an acquisition proposal; and

promptly (and in any event within two business days) cause each person (other than an excluded party or API and its representatives) to whom it provided confidential information prior to May 7, 2011 to promptly return or destroy all confidential information concerning the Company and its subsidiaries.

No later than 12:01 a.m. on May 8, 2011, the Company is required to notify API in writing of the identity of all parties that were contacted by the Company or its representatives during the go-shop period described above.

After 12:01 a.m. on May 7, 2011 and until the earlier of the effective time of the merger or the termination of the merger agreement, the Company has agreed that it will not, and will cause its subsidiaries and its subsidiaries officers, directors, employees, investment bankers, attorneys, accountants and other advisors or representatives not to, directly or indirectly:

solicit, initiate, facilitate or encourage any acquisition proposals;

engage in, continue, or otherwise participate in discussions or negotiations with any third party regarding, or furnish to any other person information in connection with or for the purpose of encouraging or facilitating, an acquisition proposal;

enter into any letter of intent, term sheet, agreement or agreement in principle (whether or not binding) with respect to an acquisition proposal;

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furnish to any person or group (other than to API and its representatives) any non-public information or afford to any person or group (other than API and its representatives) access to the business, properties, assets, books, records or other non-public information, or to any personnel, of the Company or its subsidiaries;

take any action to make the provisions of any anti-takeover law, or any restrictive provision of any applicable anti-takeover provision in the Company s charter or bylaws, inapplicable to any transactions contemplated by an acquisition proposal;

grant any waiver or release under any standstill agreement respecting the Company s equity securities (including by providing any consent or authorization to make an acquisition proposal to the board of directors or a board committee pursuant to any confidentiality or standstill agreement); or

resolve, propose or agree to do any of the foregoing or otherwise facilitate any effort or attempt by any person to make an acquisition proposal.

However, notwithstanding the foregoing, (i) the restrictions described in the preceding paragraph will not apply during the 20-day period ending at 12:01 a.m. New York time on May 28, 2011 to a party we have identified as an excluded party and (ii) at any time after 12:01 a.m., New York time on May 7, 2011 and prior to the adoption of the merger agreement by our shareholders, we may, in response to a bona fide written acquisition proposal that was not a result of a violation of the restrictions described in the preceding paragraph, furnish non-public information (pursuant to a confidentiality agreement no less favorable to us than our confidentiality agreement with API, subject, however, to the proviso described above) and engage in or otherwise participate in discussions and negotiations with, a third party in connection with an acquisition proposal if:

the board of directors determines in good faith (after consultation with its financial and legal advisors) that the acquisition proposal constitutes, or is reasonably likely to lead to, a superior proposal ; and

failure to take such action is inconsistent with the directors fiduciary duties under applicable law;

provided that the Company must promptly (and in any event within 24 hours) provide API (i) an unredacted copy of any acquisition proposal made in writing provided to the Company or its representatives (including any materials relating to any proposed financing commitments (and a written summary of all material terms of any financing commitments that, pursuant to the terms of the engagement letter with the financing source, cannot be provided in unredacted form)) and the identity of the person or group making the acquisition proposal or (ii) a written summary of the material terms of any acquisition proposal not made in writing. The Company must also provide API with 48 hours prior notice (or such lesser notice as is provided to the board of directors) of any board of directors or board committee meeting at which the board or the committee is expected to consider any acquisition proposal or any request for non-public information concerning the Company or its subsidiaries relating to or from any person or group who would reasonably be expected to make an acquisition proposal or any request for discussions or negotiations related to an acquisition proposal. The Company must provide prior notice to API orally and in writing that it proposes to furnish non-public information or engage in discussions or negotiations as described in this paragraph.

The merger agreement generally defines an acquisition proposal as any inquiry, proposal or offer relating to (i) the acquisition, in any single transaction or series of related transactions, of shares of Company common stock, that, together with any other shares of Company common stock beneficially owned by the person or group making the proposal, would equal 20% or more of the outstanding shares of Company common stock or any other equity securities of the Company, (ii) any tender or exchange offer that, if consummated, would result in any person or group beneficially owning, directly or indirectly (a) shares of Company common stock that together with any other shares of Company common stock beneficially owned by that person or group, would equal 20% or more of the outstanding shares of Company common stock or (b) any other equity securities of the Company or any subsidiary, (iii) a merger, consolidation, business combination, reorganization, share exchange, sale of assets, recapitalization, liquidation, dissolution or similar transaction which would result in any person

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acquiring 20% or more of the fair market value of the assets of the Company and its subsidiaries, taken as a whole (including capital stock of the Company s subsidiaries), or (iv) any other transaction that would result in a person or group acquiring 20% or more of the fair market value of the assets of the Company and its subsidiaries, taken as a whole (including capital stock of the Company s subsidiaries), immediately prior to such transaction (whether by purchase of assets, acquisition of stock of a subsidiary or otherwise) or (v) any combination of the foregoing.

The Company has agreed to keep API reasonably informed on a current basis (and in any event within 24 hours) of (i) any in-bound, unsolicited initial request for non-public information concerning the Company or any subsidiary related to or from any person or group who would reasonably be expected to make an acquisition proposal, (ii) any in-bound, unsolicited initial request for discussions or negotiations related to an acquisition proposal, (iii) receipt of any acquisition proposal, and (iv) any material developments, changes, discussions or negotiations regarding any acquisition proposal. In connection with the foregoing obligations, the Company has agreed to (A) provide API with the identity of the person or group making a request or acquisition proposal and the material terms of that request or proposal and related written correspondence provided in connection with the request or proposal (including unredacted copies of any written requests, proposals, offers or proposed agreements, and any materials relating to proposed financing commitments (or in certain circumstances written summaries of those commitments)) and (B) thereafter keep API reasonably informed on a current basis (and in any event within 24 hours) of any material changes to the terms of the foregoing.

The merger agreement generally defines a superior proposal as a written acquisition proposal (with all of the percentages included in the definition of acquisition proposal increased to 50%) which proposal (i) was not the result of a violation of the restrictions in the merger agreement regarding third party acquisition proposals, and (ii) (A) the definitive agreement for which is not subject to a financing contingency and (B) that the board of directors determines in good faith (after consultation with its financial and legal advisors, and taking into consideration all financial, regulatory, legal and other aspects of the proposal (including the person or group making the proposal) as well as the impact of the proposal on the Company s employees, suppliers, customers, creditors and the communities in which the Company is located), (a) is more favorable to the Company and the shareholders than the merger (taking into consideration any adjustment to the terms and conditions, and the conditionality, timing and likelihood of consummation of, the proposal, and any changes to the terms of the merger agreement proposed by API in response to the proposal or otherwise) and (b) if consummated, would result in a transaction that is more favorable to our shareholders from a financial point of view than the transaction contemplated by the merger agreement.

The merger agreement defines an excluded party as any person or group from whom the board of directors has received a written acquisition proposal prior to 12:01 a.m. New York time, on May 7, 2011, that the board of directors has determined in good faith (after consultation with its financial and legal advisors) constitutes, or would be reasonably likely to lead to, a superior proposal and which has not been rejected or withdrawn prior to 12:01 a.m., New York time, on May 7, 2011. An excluded party ceases to be an excluded party under the merger agreement on the earlier of 12:01 a.m., New York time, on May 28, 2011 or such time as such excluded party s acquisition proposal is withdrawn, terminated, expires or no longer constitutes, or would reasonably be expected to lead to, a superior proposal.

The board of directors may (i) prior to adoption of the merger agreement by the shareholders, make a company recommendation change in order to enter into an acquisition agreement with respect to an acquisition proposal, (ii) authorize, cause or permit the Company or any subsidiary to enter into any letter of intent, term sheet, agreement or agreement in principle (whether binding or non-binding) with respect to an acquisition proposal (other than a confidentiality agreement no less favorable to the Company than its confidentiality agreement with API), only if:

- the board of directors determines in good faith (after consultation with its financial and legal advisors) that the acquisition proposal constitutes a superior proposal and that the failure to make a company recommendation change and enter into an acquisition agreement with respect to the superior proposal would be inconsistent with the directors fiduciary duties under applicable law;

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the acquisition proposal did not result from a violation of restrictions in the merger agreement regarding third party acquisition proposals;

the board of directors provides API with at least four business days advance written notice of its intention to make a company recommendation change and to terminate the merger agreement to enter into a definitive agreement with respect to a superior proposal;

the Company provides API with a written summary of the material terms and conditions of the superior proposal, the identity of the person or group making the proposal and an unredacted copy of the relevant transaction documents with that person or group (including any materials relating to any proposed financing commitments or written summaries of the material terms of those commitments if those commitments, pursuant to their terms, may not be provided in unredacted form);

the Company and its representatives discuss and negotiate in good faith with API and its representatives (at API s option), any proposed changes by API to the merger agreement so as to permit the board of directors not to effect a company recommendation change or to terminate the merger agreement (including providing API and its representatives an opportunity to make a presentation to the board of directors); and

the board of directors, following the four business day notice period, and taking into account any revised proposal made by API since the start of that notice period, determines in good faith, after consultation with its financial and legal advisors, that (i) the acquisition proposal continues to constitute a superior proposal and (ii) the failure to effect a company recommendation change and enter into an acquisition agreement with respect to that superior proposal would be inconsistent with its fiduciary duties to our shareholders under applicable law.

A company recommendation change, as defined in the merger agreement, occurs if the board of directors or any board committee:

fails to recommend that the shareholders adopt the merger agreement, or fails to include that recommendation in the proxy statement for the shareholder meeting to vote on adoption of the merger agreement;

changes, qualifies, rescinds, withholds, withdraws or modifies, or proposes to do any of those things, in a manner adverse to API, the recommendation that our shareholders adopt the merger agreement;

takes any other action or makes any recommendation or public statement in connection with a tender or exchange offer or otherwise takes any action inconsistent with the recommendation that our shareholders adopt the merger agreement, other than a recommendation against the offer or a stop, look and listen communication by the board of directors pursuant to SEC tender offer rules;

adopts, approves or recommends to our shareholders an acquisition proposal, or proposes to do so; or

grants any waiver or release under, or fails to enforce, any standstill agreement covering the Company s equity securities, except that prior to shareholder adoption of the merger agreement, the board of directors may grant such a waiver or release if it determines in good faith, after consultation with its financial and legal advisors, that the failure to do so would be inconsistent with its fiduciary duties under applicable law.

If any change to any material terms of a superior proposal is made, the Company is required to provide API with a new notice and opportunity to amend the merger agreement. Moreover, if we terminate the merger agreement to enter into an agreement with respect to a superior proposal, we must pay the termination fee described below under Termination Fee and Expenses.

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Shareholders Meeting

The merger agreement requires us to establish a record date for, duly call, give notice of, convene and hold a meeting of our shareholders for the purpose of voting upon the adoption of the merger agreement as promptly as practical following confirmation from the SEC that it will not review, or has no further comments on, this proxy statement, provided that the Company is not required to convene the shareholder meeting prior to May 7, 2011, or May 28, 2011, if an excluded party exists on May 7, 2011. Subject to its fiduciary obligations described above, the board of directors is required to recommend that our shareholders vote in favor of the adoption of the merger agreement at the shareholders meeting. Unless the board of directors withdraws or modifies its recommendation in favor of the adoption of the merger agreement, the Company is required to use all reasonable efforts to solicit proxies for the votes needed for adoption of the merger agreement.

Indemnification and Directors and Officers Insurance

The merger agreement provides that API and the surviving corporation will indemnify and hold harmless to the fullest extent permitted under Pennsylvania law all who persons served as directors or officers of the Company or its subsidiaries prior to the effective time of the merger in connection with any threatened or pending claim and all judgments, fines, penalties, or amounts paid in settlement resulting from such claim. In addition, API will advance expenses incurred in connection with the defense of such claim. The merger agreement further provides that API will cause the Company s articles of incorporation and bylaws to contain provisions no less favorable to each of our present and former directors and officers with respect to indemnification and limitation from liability than those existing in favor of those present or former directors or officers in the Company s articles or bylaws as in effect on the date of the merger agreement.

The merger agreement also requires API, the surviving corporation or us to purchase tail insurance policy or policies that provide each individual currently covered by the Company s directors and officers liability insurance with coverage for events occurring at or prior to the effective time of the merger for a period of six years after the consummation of the merger and that is no less favorable than our existing directors and officers liability insurance policies.

The present and former directors and officers of the Company will have the right to enforce these obligations.

Financing

The Company has agreed to cooperate with API in obtaining one or more debt financings to finance its obligations under the merger agreement. This includes using all reasonable efforts to cooperate with API, including:

- participating in meetings, drafting sessions, presentations, road shows, due diligence sessions and rating agency presentations;
- assisting API in its preparation of materials for lender meetings, rating agency presentations, offering documents, private placement and bank information memoranda, prospectuses, business projections and similar documents;
- delivering to API information reasonably requested by API, including financial information;
- facilitating the pledge of collateral and perfections of liens and providing guarantees to support the financing;
- obtaining accountant consent letters, appraisals, surveys, engineering reports, environmental and other inspections, title insurance and other documentation, and waivers, consents, estoppels and appraisals from third parties;
- providing assistance to API to obtain a solvency opinion;

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obtaining payoff letters, redemption notices, lien releases and other instruments to discharge debt;

permitting any cash that can be made available to pay a portion of the purchase price to be made so available; and

cooperating in the preparation of and entering into underwriting or placement agreements and definitive financing documents.

API s obligation to consummate the merger is not conditioned on the receipt of any financing.

Specific Performance

The Company, API and Merger Sub are each entitled to seek an injunction to prevent breaches of the merger agreement and to enforce specifically the terms and provisions of the merger agreement, in addition to any other legal or equitable remedy to which they are entitled, subject to the limitations and requirements set forth in the merger agreement.

Additional Agreements

Mutual Agreements

In addition to the other agreements described elsewhere in this section of the proxy statement, the Company, API and Merger Sub have agreed to take the following actions:

to consult with the other parties to the merger agreement in the preparation and dissemination of any public announcements relating to the merger, and not issue any such public announcement without the prior consent of those other parties (such consent not to be unreasonably withheld or delayed); and

to use all reasonable efforts to take, or cause to be taken, all actions reasonably requested to comply promptly with all legal requirements and to consummate the transactions contemplated by the merger agreement.

Agreements Regarding Regulatory Compliance

In addition to the mutual agreements set forth above, the Company, API and Merger Sub have agreed to take certain actions in order to obtain, and to cooperate with the other party to obtain, any consent, authorization, order or approval of, or any exemption by, any governmental entity or other third party which is required to be obtained in order to consummate the transactions contemplated by the merger agreement. In particular, the parties have agreed that:

no later than April 11, 2011, each party will file all necessary documentation required to obtain requisite approvals or termination of applicable waiting periods for the transactions contemplated by the merger agreement under the HSR Act (these filings were made by the parties on April 8, 2011);

each party will use all reasonable efforts to substantially comply as promptly as practicable with any request received for additional information under the HSR Act; and

neither party will enter into any agreement with any governmental entity that extends or tolls the waiting period under the HSR Act.

Agreements of the Company

In addition to the other agreements described elsewhere in this section of the proxy statement, the Company has agreed to take the following actions:

to file a preliminary proxy statement within 20 days of signing the merger agreement;

to provide API and its agents and representatives access to certain Company information and personnel; and

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to use all reasonable efforts to obtain or make any consents, novations, waivers, registrations or filings with respect to any transfer or assumption of the export and import approvals and permits held by the Company or its subsidiaries.

Agreements of API and Merger Sub

In addition to the other agreements described elsewhere in this section of the proxy statement, API and Merger Sub have agreed to provide Company employees who continue as employees following the merger and who become eligible to participate in welfare plans and other employee benefit plans with credit for prior service, a waiver of exclusions for pre-existing conditions, a waiver of any waiting period, and credit for any prior co-payments, deductibles and out-of-pocket expenses for the remainder of the coverage period during which any transfer of coverage occurs

Conditions to the Merger

Conditions of the Company, API and Merger Sub

The obligations of each party to effect the merger are subject to the fulfillment or waiver, to the extent permitted by law, at or before the effective time of the merger of the following conditions:

adoption of the merger agreement by the affirmative vote of the holders of a majority of the outstanding shares of Company common stock;

expiration or termination of applicable waiting periods under the HSR Act and other regulatory clearances in other relevant jurisdictions shall have been obtained; and

absence of any law rendering the merger illegal in the U.S. or in any state or an injunction by a governmental entity in the U.S. prohibiting the merger.

Conditions of the Company

The obligations of the Company to effect the merger are subject to the fulfillment or waiver, to the extent permitted by law, at or before the effective time of the merger of the following conditions:

the representations and warranties of API and Merger Sub set forth in the merger agreement being true and correct as of the date of the merger agreement and as of the closing date of the merger, subject to the material adverse effect standard contained in the merger agreement and the Company having received a certificate from API to this effect; and

API and Merger Sub must have performed in all material respects all of their obligations required to be performed by them under the merger agreement at or prior to the closing date of the merger and the Company having received a certificate from API to this effect.

Conditions of API and Merger Sub

The obligations of API and Merger Sub to effect the merger are subject to the fulfillment or waiver, to the extent permitted by law, at or before the effective time of the merger of the following conditions:

the Company s representations and warranties set forth in the merger agreement regarding corporate organization, authority to consummate the transactions contemplated by the merger agreement, absence of undisclosed broker s fees, absence of a material adverse effect since November 30, 2010, operation of anti-takeover statutes on the transaction and the opinion of UBS being true and correct as of the date of the merger agreement and as of the closing date of the merger, and our other representations and warranties

set forth in the merger agreement being true and correct (other than a failure of our capitalization representation and warranty to be true and correct in all material respects) as of the date of the merger agreement and as of the closing date of the merger, subject to the material adverse effect standard contained in the merger agreement and the Company having provided a certificate to API to this effect;

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we must have performed in all material respects all of our obligations required to be performed by us under the merger agreement at or prior to the closing date of the merger and the Company having provided a certificate to API to this effect;

since November 30, 2010, there must be no change, effect, event, condition, circumstance, development or occurrence or state of facts that has had or would be reasonably likely to have a material adverse effect on the Company;

no litigation, claim or proceeding shall have been threatened or commenced by any governmental entity (i) seeking to restrain or prohibit the merger, (ii) seeking to prohibit or limit the ownership or operation by API or the Company of any material portion of the Company s business or assets, or to compel API or the Company to dispose or hold separate any such portion, as a result of the merger, (iii) seeking to impose limitations on API s ability to acquire, hold or exercise rights over Company common stock or to control the business or operation of the Company after the effective date of the merger, or (iv) that would reasonably be expected to result in a material adverse effect as set forth in the merger agreement;

the Company delivering a properly executed certificate as to its ownership of interests in foreign real property; and

the Company having obtained written consents from holders holding at least 95% of outstanding Company stock options to the treatment of those options in the merger.

Termination

Termination by Mutual Consent

The merger agreement may be terminated at any time prior to the effective time of the merger, whether before or after adoption of the merger agreement by the shareholders, by the mutual written consent of the Company and API.

Termination by the Company or API

The Company or API may terminate the merger agreement, without the consent of the other, in the event of any of the following:

any governmental entity shall have enacted a law making the merger illegal in the U.S. or in any state or formally issued a permanent, final and non-appealable injunction, ruling or decree that prohibits the merger in the U.S. or in any state, as long as the terminating party has not initiated any proceeding or taken any action in support of such proceeding;

the shareholders fail to adopt the merger agreement at the special meeting; or

the merger has not been consummated prior to October 1, 2011, provided that this right to terminate is not available to a party whose breach of the merger agreement is the cause of, or resulted in, the failure of the merger to have been consummated on or before that date.

Termination by the Company

The Company may terminate the merger agreement if there shall have been any breach of any representation or warranty of API or Merger Sub, or any such representation or warranty of API or Merger Sub shall have become untrue and incapable of being cured prior to the effective time of the merger, or any breach of any covenant or agreement of API or the Merger Sub, such that a condition to our obligation to close would not be satisfied, and such breach or condition is not curable or, if curable, shall not have been remedied within 30 days after receipt by API of written notice from us. In addition, the Company may terminate the merger agreement at any time prior to shareholder adoption of the merger agreement to accept a superior proposal so long as we have

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complied with the requirements in the merger agreement relating to the conduct of the shareholders vote on the merger agreement and relating to third party acquisition proposals as described above under Acquisition Proposals by Third Parties, and have paid the termination fee described below.

Termination by API

API may terminate the merger agreement, without our consent, in the event of any of the following:

- the board of directors or any committee of the board, among other things, makes a company recommendation change as described above or fails to reaffirm the recommendation to shareholders to vote to adopt the merger agreement within three business days after API so requests;
- the Company materially breaches its non-solicitation covenants with respect to alternative acquisition proposals or the covenants related to the conduct of the shareholders vote; or
- if there shall have been any breach of any representation or warranty, or any such representation or warranty of the Company shall have become untrue and incapable of being cured prior to the effective time of the merger, or any breach of any covenant or agreement of the Company, such that a condition to our obligation to close would not be satisfied, and such breach or condition is not curable or, if curable, shall not have been remedied within 30 days after receipt by the Company of written notice from API.

Effect of Termination

If the merger agreement is terminated as described above, no party to the merger agreement will have any liability or further obligation under the agreement except with respect to:

- any fraud or intentional breach of the merger agreement;
- the requirement to comply with the separate confidentiality agreement between the Company and API and certain other provisions of the merger agreement; and
- the obligation, if applicable, to pay the termination fee and expense reimbursement described below.

Termination Fee and Expenses

If the Company terminates the merger agreement prior to adoption of the merger agreement by the shareholders to enter into a definitive agreement for a superior proposal prior to May 7, 2011, or enters into a definitive agreement for a superior proposal with a party we have identified as an excluded party prior to May 28, 2011, and we have complied with the covenants regarding non-solicitation with respect to that proposal, we must pay a termination fee of $5.05 million to API.

Except as set forth above, we are otherwise obligated to pay API a termination fee of $9.15 million if, prior to shareholder approval, we terminate the merger agreement in order to accept a superior proposal or if the merger agreement is terminated by API because (i) the board of directors, among other things, makes a Company recommendation change or fails to affirm the recommendation that the shareholders adopt the merger agreement following API s request as described above or (ii) the Company materially breaches its obligations not to solicit, initiate or encourage a third party acquisition proposal under the merger agreement or breaches its obligations under the merger agreement with respect to the conduct of the shareholders vote on the merger agreement. We also are obligated to pay API a termination fee of $9.15 million if any of the following occur and within one year after termination of the merger agreement we consummate a third party acquisition or enter into an agreement with respect to an acquisition by a third party or the board of directors or any committee of the board recommends to our shareholders a third party acquisition:

the merger agreement is terminated because our shareholders fail to adopt the merger agreement;

the merger agreement is terminated because the merger has not been consummated prior to October 1, 2011; or

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the merger agreement is terminated by API because there has been a breach of any representation or warranty of the Company, or any such representation or warranty of the Company shall have become untrue and incapable of being cured prior to the effective time of the merger, or any breach of any covenant or agreement of the Company, such that a condition to our obligation to close would not be satisfied, and such breach or condition is not curable or, if curable, shall not have been remedied within 30 days after receipt by the Company of written notice from API.

We are obligated to reimburse API for up to $2.75 million of its documented, out-of-pocket expenses (i) in the event the merger agreement is terminated by the Company to enter into an acquisition agreement with respect to a superior proposal, (ii) in the event the merger agreement is terminated by API as a result of a company recommendation change or the board of directors failing to reaffirm its recommendation that our shareholders vote to adopt the merger agreement following API s request, (iii) in the event that the merger agreement is terminated because our shareholders fail to adopt the merger agreement, (iv) in the event the merger agreement is terminated by the Company or API because the merger has not been consummated prior to October 1, 2011 or (v) the merger agreement is terminated by API because the Company breached any representation or warranty, or any such representation or warranty shall have become untrue and incapable of being cured prior to the effective time of the merger, or any breach of any covenant or agreement of the Company, such that a condition to our obligation to close would not be satisfied, and such breach or condition is not curable or, if curable, shall not have been remedied within 30 days after our receipt of written notice from API. Any reimbursement of expenses pursuant to a termination described in clauses (iii), (iv) or (v) above is not payable unless and until such time as the termination fee related to those events is payable to API. However, on a termination of the merger agreement described in clause (iii) above, $1.0 million of API s documented, out-of-pocket expenses will be paid within two business days of delivery of itemized detail of such expenses to the Company, and this $1.0 million expense reimbursement will be an offset to any termination fee that becomes payable with respect to this event.

Amendment

The merger agreement may be amended by the parties at any time before or after adoption by the shareholders of the merger agreement by written agreement of the Company, API and Merger Sub. However, after approval by the shareholders of the merger, no amendment may be made without the approval of the shareholders if such approval would be required by law.

MARKET PRICE OF COMPANY COMMON STOCK

Company common stock is listed for trading on the NASDAQ under the symbol SPEC. The table below shows, for the periods indicated, the high and low prices for Company common stock, as reported by NASDAQ.

	Common Stock Price	
	High	**Low**
Fiscal Year Ended November 30, 2009		
First Quarter ended February 28, 2009	$ 7.78	$ 4.02
Second Quarter ended May 30, 2009	$ 8.54	$ 4.81
Third Quarter ended August 31, 2009	$ 10.33	$ 7.20
Fourth Quarter ended November 30, 2009	$ 9.94	$ 8.01
Fiscal Year Ended November 30, 2010		
First Quarter ended February 28, 2010	$ 11.77	$ 8.51
Second Quarter ended May 30, 2010	$ 14.80	$ 11.32
Third Quarter ended August 31, 2010	$ 16.23	$ 11.16
Fourth Quarter ended November 30, 2010	$ 16.18	$ 11.98
Fiscal Year Ended November 30, 2011		
First Quarter ended February 28, 2011	$ 16.30	$ 11.55
Second Quarter ended May 30, 2011 (through [ ], 2011)	$ [ ]	$ [ ]

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The closing price of Company common stock on the NASDAQ on March 25, 2011, the last trading day prior to the Company s press release announcing the execution of the merger agreement, was $14.01 per share. On [ ], the most recent practicable date before this proxy statement was mailed to our shareholders, the closing price for Company common stock on the NASDAQ was $[ ] per share. You are encouraged to obtain current market quotations for Company common stock in connection with voting your shares of Company common stock.

While we have paid dividends on our capital stock in the past, we have not done so in over twenty years. We currently intend to retain future earnings to fund the operation, development and expansion of our business and we do not expect to pay any dividends in the foreseeable future. Under the terms of the merger agreement, we are not permitted to declare or pay dividends without API s prior consent.

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BENEFICIAL OWNERSHIP OF COMPANY COMMON STOCK

The following table sets forth certain information as to the beneficial ownership of Company common stock as of April 12, 2011, for (i) each director; (ii) each of the named executive officers named in the Summary Compensation Table set forth in our Proxy Statement on Schedule 14A for the 2011 Annual Meeting of Shareholders of the Company filed with the SEC on March 3, 2011; (iii) each other person who is known by us to beneficially own 5% or more of Company common stock; and (iv) all directors and executive officers as a group. The information in the table concerning beneficial ownership is based upon information furnished to the Company by or on behalf of the persons named in the table, or in the case of the persons identified in the foregoing clause (iii), in filings with the SEC.

Beneficial Owner	Shares of Common Stock Owned	Common Stock Options Owned[1]	Total Beneficial Ownership of Common Stock Outstanding[1]	Approximate Percentage of Common Stock Outstanding[1]
RBC Global Asset Management (US)[2]	1,201,684		1,201,684	9.06%
Dimensional Fund Advisors LP[3]	965,609		965,609	7.28%
Bernard C. Bailey	6,000	12,000	18,000	0.13%
George J. Behringer	10,000	12,000	22,000	0.17%
John P. Freeman[4]	94,987		94,987	0.72%
J. Thomas Gruenwald	59,206	12,000	71,206	0.54%
Lawrence G. Howanitz[4][5]	8,160	12,000	20,160	0.15%
Charles S. Mahan, Jr.	500	4,000	4,500	0.03%
Robert J. McKenna[4]	78,392	12,000	90,392	0.68%
Gerald A. Ryan[6]	36,740	12,000	48,740	0.37%
Richard A. Southworth[4][7]	165,882	26,665	192,547	1.45%
James F. Toohey[8]	203,815	12,000	215,815	1.63%
Brian F. Ward[4]	7,981	12,000	19,981	0.15%
All Officers and Directors as a Group (11 persons)	671,663	126,665	798,328	6.02%

(1) Based on 13,140,511 shares of Company common stock issued and outstanding as of April 12, 2011, which includes Company stock options exercisable within 60 days of the date of this proxy statement. The shares underlying these options are deemed to be outstanding for purposes of determining the percent of class with respect to each holder and all directors and officers as a group.

(2) Based upon information set forth in Schedule 13G filed by RBC Global Asset Management (US), Inc., 100 South Fifth Street, Suite 2300, Minneapolis, Minnesota 55402.

(3) Based upon information set forth in Schedule 13G filed by Dimensional Fund Advisors LP, Palisades West, Building One, 6300 Bee Cave Road, Austin, Texas 78746.

(4) Includes the following shares held in the Company s 401(k) profit sharing plan for the benefit of the named individual: 12,604 shares for Mr. Freeman; 7,760 shares for Mr. Howanitz; 3,657 shares for Mr. McKenna; 11,245 shares for Mr. Southworth; and 7,981 shares for Mr. Ward.

(5) Includes 400 shares of Company common stock held by Mr. Howantiz s spouse and child.

(6) Includes 23,006 shares of Company common stock held in Individual Retirement Accounts for the benefit of Mr. Ryan and his spouse and 2,500 shares owned by the Ryan Children s Trust of 1993, of which Mr. Ryan is sole trustee.

(7) Includes 2,400 shares of Company common stock held by Mr. Southworth s grandchildren.

(8) Mr. Toohey is a member of the law firm of Quinn, Buseck, Leemhuis, Toohey and Kroto, Inc. which holds 169,885 shares of Company common stock in its profit sharing plan. All of these shares are included in the table above for Mr. Toohey.

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NO DISSENTERS RIGHTS

Under Pennsylvania law, shareholders of a corporation are not entitled to exercise dissenters rights if shares of the corporation are registered on a national securities exchange, designated as a national market system security on an interdealer quotation system by the Financial Industry Regulatory Authority or held beneficially or of record by more than 2,000 persons. Consequently, because our common stock is currently listed on NASDAQ, our shareholders will not have the right to exercise dissenters rights. If the merger agreement is adopted and the merger is completed, shareholders who voted against the adoption of the merger agreement will be treated the same as shareholders who voted for the adoption of the merger agreement and their shares will automatically be converted into the right to receive the merger consideration.

DELISTING AND DEREGISTRATION OF COMPANY COMMON STOCK

If the merger is completed, Company common stock will be delisted from NASDAQ and deregistered under the Exchange Act and therefore we will no longer file periodic reports with the SEC on account of Company common stock.

ADJOURNMENT OF THE SPECIAL MEETING

We may ask our shareholders to vote on a proposal to adjourn the special meeting to a later date to solicit additional proxies if there are insufficient votes at the time of the special meeting to adopt the merger agreement and approve the merger. We currently do not intend to propose adjournment at our special meeting if there are sufficient votes to adopt the merger agreement and approve the merger. If the proposal to adjourn our special meeting for the purpose of soliciting additional proxies is submitted to our shareholders for approval, such approval requires the affirmative vote of a majority of the votes cast by the holders of the outstanding shares of Company common stock entitled to vote on the matter. For purposes of this proposal, the shares of Company common stock that are present at the special meeting, whether in person or by proxy, will be sufficient to constitute a quorum.

Our board of directors unanimously recommends that you vote FOR the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

OTHER MATTERS

Other Matters for Action at the Special Meeting

As of the date of this proxy statement, the Company knows of no other matter to be brought before the special meeting. If any other matter requiring a vote of the shareholders should properly come before the special meeting, it is the intention of the persons named in the proxy to vote with respect to any such matter in accordance with their best judgment.

Deadline for Shareholder Proposals to be Presented at Next Annual Meeting

If the merger is consummated, we will not have public shareholders and there will be no public participation in any future meeting of shareholders. However, if for some reason the merger is not completed, we expect to hold a 2012 annual meeting of shareholders. Any shareholder nominations or proposals for other business intended to be presented at our 2012 annual meeting of shareholders must be submitted to us as set forth below.

For shareholder proposals submitted pursuant to Rule 14a-8 under the Exchange Act to be presented at our 2012 annual meeting of shareholders and included in our proxy statement, such proposals must be submitted and received by John P. Freeman, Senior Vice President and Chief Financial Officer of the Company at our principal offices, Spectrum Control, Inc., 8031 Avonia Road, Fairview, Pennsylvania 16415, no later than November 4, 2011.

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If a shareholder wishes to submit a proposal outside of Rule 14a-8 under the Exchange Act, in order for such proposal to be considered timely for the purposes of Rule 14a-4(c) under the Exchange Act, the proposal must be received at the above address not later than January 13, 2012.

Shareholders Sharing the Same Address

A number of brokers with account holders who are our shareholders will be householding our proxy materials. A single proxy statement will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, you may:

- if you are a shareholder of record, direct your written request to John P. Freeman, Senior Vice President and Chief Financial Officer, Spectrum Control, Inc. 8031 Avonia Road, Fairview, Pennsylvania 16415, or by phone at (814) 474-4310; or

- if you are not a shareholder of record, notify your broker.

The Company will promptly deliver, upon request to the Company address or telephone number listed above, a separate copy of the proxy statement to a shareholder at a shared address to which a single copy of the documents was delivered. If you currently receive multiple copies of the proxy statement at your address and would like to request householding of these communications, please contact your broker if you are not a shareholder of record; or contact Mr. Freeman if you are a shareholder of record, using the contact information provided above.

Where You Can Find More Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy these reports, proxy statements and other information at the SEC s Public Reference Section at 100 F Street, N.E., Washington, D.C. 20549. Our SEC filings are also available to the public on the SEC s Internet website at http://www.sec.gov.

You may also request a copy of our SEC filings, at no cost, by writing to or telephoning us at the following address:

Attention: John P. Freeman

Spectrum Control, Inc.

8031 Avonia Road

Fairview, Pennsylvania 16415

(814) 474-4310

THIS PROXY STATEMENT DOES NOT CONSTITUTE THE SOLICITATION OF A PROXY IN ANY JURISDICTION TO OR FROM ANY PERSON TO WHOM OR FROM WHOM IT IS UNLAWFUL TO MAKE SUCH PROXY SOLICITATION IN THAT JURISDICTION. YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT TO VOTE YOUR SHARES OF COMPANY COMMON STOCK AT THE SPECIAL MEETING. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM WHAT IS CONTAINED IN THIS PROXY STATEMENT. THIS PROXY STATEMENT IS DATED [ ]. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN THIS PROXY STATEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND THE MAILING OF THIS PROXY STATEMENT TO SHAREHOLDERS DOES NOT CREATE ANY IMPLICATION TO THE CONTRARY.

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ANNEX A

EXECUTION VERSION

AGREEMENT AND PLAN OF MERGER

by and among

API TECHNOLOGIES CORP.,

ERIE MERGER CORP.

and

SPECTRUM CONTROL, INC.

March 28, 2011

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AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of March 28, 2011, is by and among API Technologies Corp., a Delaware corporation ("Parent"), Erie Merger Corp., a Pennsylvania corporation and a wholly owned subsidiary of Parent ("Merger Sub"), and Spectrum Control, Inc., a Pennsylvania corporation (the "Company").

W I T N E S S E T H:

WHEREAS, the parties intend that Merger Sub be merged with and into the Company, with the Company surviving that merger upon the terms and subject to the conditions set forth herein;

WHEREAS, the Company Board has unanimously (a) determined that the Merger is advisable, fair and in the best interests of the Company and the Shareholders, (b) adopted and approved the Merger upon the terms and subject to the conditions set forth in this Agreement, and (c) recommended that the Shareholders adopt this Agreement;

WHEREAS, the Boards of Directors of Parent and Merger Sub and the sole shareholder of Merger Sub have each adopted and approved this Agreement, the Merger and the transactions contemplated by this Agreement; and

WHEREAS, the parties desire to make certain representations, warranties, covenants and agreements in connection with the Merger and the transactions contemplated by this Agreement and also to prescribe certain conditions to the Merger.

NOW THEREFORE, in consideration of the promises and the mutual agreements, covenants, representations and warranties herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Defined Terms. The following terms used in this Agreement shall have the following meanings or the meanings set forth in the corresponding Sections or subsections of this Agreement:

"401(k) Plan" shall have the meaning set forth in Section 6.08(d).

"Acceptable Confidentiality Agreement" means any confidentiality and standstill agreement that contains provisions that (a) are no less favorable to the Company than those contained in the Confidentiality Agreement and (b) allow for the disclosure of the identity of any Excluded Party as set forth in Section 6.10(b).

"Acquisition Proposal" means any inquiry, proposal or offer (including any proposal from or to the Shareholders from any Person or group (other than Parent or its Affiliates) relating to (a) the direct or indirect acquisition by any Person or group in any single transaction or series of related transactions of (x) shares of Company Common Stock that, together with any other shares of Company Common Stock beneficially owned by such Person or group, would equal 20% or more of the outstanding shares of Company Common Stock, or (y) any other equity securities of the Company or any Company Subsidiary; (b) any tender offer or exchange offer that, if consummated, would result in any Person or group beneficially owning, directly or indirectly, (i) shares of Company Common Stock that, together with any other shares of Company Common Stock beneficially owned by such Person or group, would equal 20% or more of the outstanding shares of Company Common Stock or (ii) any other equity securities of the Company or any Company Subsidiary; (c) a merger, consolidation, business combination, reorganization, share exchange, sale of assets, recapitalization, liquidation,

dissolution or similar transaction that would result in any Person acquiring 20% or more of the fair market value of the assets of the Company and the Company Subsidiaries, taken as a whole (including capital stock of the Company Subsidiaries) by any Person or group; (d) any other transaction that would result in a Person or group acquiring 20% or more of the fair market value of the assets of the Company and the Company Subsidiaries, taken as a whole (including capital stock of the Company Subsidiaries), immediately prior to such transaction (whether by purchase of assets, acquisition of stock of a Company Subsidiary or otherwise); or (e) any combination of the foregoing.

Action means any litigation, suit, claim, charge, action, hearing, proceeding, arbitration or mediation.

Affiliate means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such Person, where control (including the terms controlled by and under common control with) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by contract or otherwise.

Anti-Corruption and Anti-Bribery Laws shall mean the Foreign Corrupt Practices Act of 1977, as amended, any rules or regulations thereunder, or any other applicable United States or foreign anti-corruption or anti-bribery laws or regulations.

Articles of Merger shall have the meaning set forth in Section 2.03.

Balance Sheet has the meaning set forth in Section 4.15.

Business Day means each day other than a Saturday, Sunday or any other day when commercial banks in New York, New York are authorized or required by Law to close

Capitalization Date shall have the meaning set forth in Section 4.02(a).

Certificate shall have the meaning set forth in Section 3.02(a).

Claim means any threatened, asserted, pending or completed Action, or any inquiry or investigation, whether instituted by the Company, any Governmental Entity or any other party, that any Indemnified Party in good faith believes might lead to the institution of any such Action, inquiry or investigation arising out of or pertaining to matters that relate to such Indemnified Party s duties or service as a director, officer, trustee, employee, agent, or fiduciary of the Company, any of the Company Subsidiaries, any employee benefit plan maintained by any of the foregoing at or prior to the Effective Time and any other Person at the request of the Company or any Company Subsidiary.

Closing shall have the meaning set forth in Section 2.02.

Closing Date shall have the meaning set forth in Section 2.02.

Code means the Internal Revenue Code of 1986, as amended.

Company shall have the meaning set forth in Preamble.

Company Acquisition Agreement shall have the meaning set forth in Section 6.10(e).

Company Articles shall have the meaning set forth in Section 4.01(d).

Company Benefit Plans shall have the meaning set forth in Section 4.11(a).

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Company Board shall have the meaning set forth in Section 3.01(d)(ii).

Company Bylaws shall have the meaning set forth in Section 4.01(d).

Company Common Stock means the common stock, no par value, of the Company.

Company Contracts shall have the meaning set forth in Section 4.14(a).

Company Disclosure Schedule shall have the meaning set forth in Article IV.

Company Intellectual Property Agreements shall have the meaning set forth in Section 4.20(m)(iii).

Company Leased Facilities shall have the meaning set forth in Section 4.17(c).

Company Leases shall have the meaning set forth in Section 4.17(d).

Company Material Adverse Effect means any event, occurrence, condition, circumstance, development, state of facts, change or effect (each, an Effect) that is or would reasonably be expected to be, individually or in the aggregate, materially adverse to, or has had or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on (a) the business, assets, properties, financial condition or results of operations of the Company and the Company Subsidiaries, taken as a whole, or (b) the Company s ability to timely consummate the Merger; *provided*, that with respect to clause (a) above, Company Material Adverse Effect shall not include any Effect to the extent arising or resulting from (i) any change, in and of itself, in the market price or trading volume of the Company Common Stock (but not, in each case, the underlying cause of such change); (ii) any failure, in and of itself, by the Company to meet any projections or forecasts for any period ending (or for which revenues or earnings are released) on or after the date hereof (but not, in each case, the underlying cause of such failure); (iii) any change in federal, state, non-U.S. or local Law, regulations, policies or procedures, or interpretations thereof; (iv) any change in GAAP or regulatory accounting requirements applicable or potentially applicable to the industries in which the Company or the Company Subsidiaries operate; (v) changes generally affecting the industries in which the Company or the Company Subsidiaries operate; (vi) changes in economic conditions (including changes in the prevailing interest rates) in the United States, in any region thereof, or in any non-U.S. or global economy; (vii) any attack on, or by, outbreak or escalation of hostilities or acts of terrorism involving, the United States, or any declaration of war by the United States Congress or any hurricane, earthquake or other natural disaster; (viii) any litigation brought by any Shareholder arising from allegations of a breach of fiduciary duty or similar obligations in connection with the transactions contemplated hereby; or (ix) the announcement or pendency of this Agreement or any action expressly required to be taken in compliance with this Agreement or otherwise with the written consent of Parent, except to the extent that such Effects relate to or arise in connection with the matters described in (A) clauses (iii) and (v) above disproportionately affect the electronic components and systems manufacturing industry as compared to other companies that conduct business in the electronics or manufacturing industries and (B) clauses (iv), (vi) and (vii) above disproportionately affect the Company and the Company Subsidiaries, taken as a whole, as compared to other companies that conduct business in the industries in which the Company and the Company Subsidiaries conduct business.

Company Owned Facilities shall have the meaning set forth in Section 4.17(a).

Company Products means all products and services of the Company and the Company Subsidiaries that are currently offered commercially.

Company Recommendation shall have the meaning set forth in Section 6.06.

Company Recommendation Change shall have the meaning set forth in Section 6.10(e).

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Company Representatives shall have the meaning set forth in Section 6.10(a).

Company Required Vote shall have the meaning set forth in Section 4.03(a).

Company SEC Reports shall have the meaning set forth in Section 4.05(a).

Company Shareholder Meeting shall have the meaning set forth in Section 6.06.

Company Software Product shall have the meaning set forth in Section 4.20(o).

Company Stock Option means each option to purchase a share of Company Common Stock that is issued and outstanding immediately prior to the Effective Time.

Company Stock Plans shall have the meaning set forth in Section 4.02(a).

Company Subsidiary shall have the meaning set forth in Section 4.01(b).

Company Termination Fee shall have the meaning set forth in Section 8.02(b).

Confidentiality Agreement shall have the meaning set forth in Section 6.01(a).

Contaminants shall have the meaning set for in Section 4.20(q).

Continuing Employees shall have the meaning set forth in Section 6.08(a).

Contract means any contract, subcontract, agreement, indenture, deed of trust, license, sublicense, note, bond, loan instrument, mortgage, lease, purchase or sales order, permit, concession, franchise, option, warranty, insurance policy, benefits plan, guarantee and any similar undertaking, commitment, pledge or binding understanding, in each case, whether written, oral, express or implied, together with all amendments, supplements and modifications thereto.

Copyleft Open Source means Software that is generally available in source code form and that is distributed under a license that, by its terms, (a) does not prohibit licensees of such Software from licensing or otherwise distributing such Software in source code form, (b) does not prohibit licensees of such Software from making modifications thereof, (c) does not require a royalty or other payment for the licensing or other distribution, or the modification, of such Software (other than a reasonable charge to compensate the provider for the cost of providing a copy thereof), and (d) purports to require a licensee to make one s modifications, derivatives, and enhancements of such licensed Software available to distributees or others in designated circumstances under the terms of such copyleft open source license.

Copyrights means any and all U.S. and foreign copyrights, mask works and all rights with respect to Works of Authorship and all registrations thereof and applications therefor.

Credit Agreement means that certain Credit Agreement, dated December 12, 2005, by and among the Company, the guarantors party thereto, the banks party thereto, PNC Bank, National Association, as agent, and PNC Capital Markets, Inc., as lead arranger, as amended on September 21, 2010.

Databases means databases, data compilations and collections and technical data, including data as defined in the Federal Acquisition Regulations and Defense Federal Acquisition Regulation Supplement.

Deal Expenses shall have the meaning set forth in Section 8.02(c).

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Debt Financing means the debt financing contemplated by the Debt Financing Commitments, including any alternative debt financing from alternative sources that is procured, obtained or otherwise arranged or facilitated by Parent or Merger Sub for any reason (whether such alternative debt financing is subject to any commitment letter or other agreement, or otherwise) in order to consummate the transactions contemplated by this Agreement.

Debt Financing Commitments means (a) the executed commitment letters, dated as of the date hereof, by and among Parent, Merger Sub and the other parties party thereto (as the same may be modified, amended or replaced) pursuant to which the lender parties thereto have agreed, subject to the terms and conditions thereof, to provide or cause to be provided the debt financing set forth therein, and (b) any executed commitment letter or other agreement (as the same may be modified, amended or replaced) with respect to any alternative debt financing from alternative sources that is procured, obtained or otherwise arranged or facilitated by Parent or Merger Sub for any reason in order to consummate the transactions contemplated by this Agreement.

Domain Names means domain names, uniform resource locators and other locators associated with the Internet.

DOS means the Pennsylvania Department of State.

Effect shall have the meaning set forth in this Section 1.01.

Effective Time shall have the meaning set forth in Section 2.03.

Electronic Delivery shall have the meaning set forth in Section 9.12.

Employee IP Agreement shall have the meaning set forth in Section 4.20(g).

Employee Retained IP shall have the meaning set forth in Section 4.20(g).

Environmental Law means any Law or other legal requirement, as now or hereafter in effect, regulating Hazardous Substances or any activity involving a Hazardous Substance, protecting or relating in any way to the protection of human health or safety, the environment or natural resources, including the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. App. § 1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Clean Water Act (33 U.S.C. § 1251 et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. § 136 et seq.), the Occupational Safety and Health Act (29 U.S.C. § 651 et seq.), the European Union s Directives on the Restriction of Hazardous Substances (RoHS), Waste Electrical and Electronic Equipment (WEEE) and similar product stewardship Laws, as each has been or may be amended, and the regulations promulgated pursuant thereto.

Environmental Permits shall have the meaning set forth in Section 4.19(a).

Excluded Party End Date shall have the meaning set forth in Section 6.10(b).

ERISA shall have the meaning set forth in Section 4.11(a).

ERISA Affiliate means any other Person under common control with the Company or that, together with the Company, could be deemed a single employer within the meaning of Section 4001(b) of ERISA or Section 414(b), (c), (m) or (o) of the Code, and the regulations issued thereunder.

Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

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Exchange Fund shall have the meaning set forth in Section 3.02(a).

Excluded Party shall mean any Person (other than Parent and its Affiliates) or group (so long as such Person and the other members of such group, if any, who were members of such group immediately prior to the No-Shop Period Start Date constitute at least 90% of the equity financing of such group at all times following the No-Shop Period Start Date and prior to the termination of this Agreement) from whom the Company Board has received a written Acquisition Proposal after the execution of this Agreement and prior to the No-Shop Period Start Date that, on or before the No-Shop Period Start Date, the Company Board determines in good faith, after consultation with its independent financial advisor and outside legal counsel, constitutes a Superior Proposal or would be reasonably likely to lead to a Superior Proposal, and which Acquisition Proposal has not been rejected or withdrawn as of the No-Shop Period Start Date.

Expenses means attorneys fees and all other costs, expenses and obligations (including experts fees, travel expenses, court costs, retainers, transcript fees, duplicating, printing and binding costs, as well as telecommunications, postage and courier charges) paid or incurred in connection with investigating, defending, being a witness in or participating in (including on appeal), or preparing to investigate, defend, be a witness in or participate in, any Claim for which indemnification is authorized pursuant to Section 6.09(a), including any action relating to a claim for indemnification or advancement brought by an Indemnified Party.

Export and Import Approvals means all export licenses, license exceptions, consents, notices, waivers, approvals, orders, authorizations, registrations, declarations and filings, from or with any Governmental Entity that are required for compliance with Export and Import Control Laws.

Export and Import Control Laws means any U.S. or applicable non-U.S. law, regulation or order governing (a) imports, exports, re-exports or transfers of products, services, software or technologies from or to the United States or another country; (b) any release of technology or software in any foreign country or to any foreign Person (anyone other than a citizen or lawful permanent resident of the United States, or a protected individual as defined by 8 U.S.C. § 1324b(a)(3)) located in the United States or abroad; (c) economic sanctions or embargoes; or (d) compliance with unsanctioned foreign boycotts.

Financing Sources means the entities that have committed to provide or otherwise entered into agreements in connection with the Debt Financing or other financings in connection with the transactions contemplated by this Agreement.

Financing Sources Related Parties shall have the meaning set forth in Section 6.16(f).

Foreign Merger Control Laws shall have the meaning set forth in Section 4.04.

Foreign Officials shall have the meaning set forth in Section 4.22.

Foreign Plans shall have the meaning set forth in Section 4.11(l).

GAAP means United States generally accepted accounting principles, consistently applied.

Government Contract means (a) any Contract bidded on, solicited or entered into by or on behalf of the Company or any Company Subsidiary with a Governmental Entity, or (b) any Contract or subcontract bidded on, solicited or entered into by or on behalf of the Company or any Company Subsidiary that, by its terms, relates to a Contract to which a Governmental Entity is a party.

Governmental Entity shall mean any U.S. federal, state, municipal or local or any foreign government, or political subdivision thereof, or any authority, entity or body (including public universities and hospitals), department, board, instrumentality, agency or commission, or any court, tribunal or judicial body entitled to

exercise any administrative, executive, judicial, legislative, police, regulatory or Taxing Authority or power, any court or tribunal (or any department, bureau or division thereof), any arbitrator or arbitral body or self regulatory organization of competent jurisdiction.

Governmental Official shall mean (a) any person, elected to a position in, appointed to a position with, or otherwise employed by any Governmental Entity; (b) any person acting for or on behalf of a Governmental Entity; (c) any candidate for political office; or (d) any political party or official thereof.

Hazardous Substance means (a) any hazardous, toxic, radioactive or dangerous waste, substance, material, or waste defined as such in (or for the purposes of) any Environmental Law, and (b) any other substance, material or waste regulated as a danger to life, the environment, or reproduction, including PCBs, asbestos, petroleum, radon, and urea formaldehyde and all substances listed as a hazardous substances or a hazardous waste pursuant to the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 6901 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 *et seq.*), as the same have been or will be amended, and the regulations promulgated pursuant to such Laws, but excluding office and janitorial supplies properly and safely maintained.

HSR Act means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Indebtedness of any Person means, without duplication, (a) the principal of, accrued interest of, premium (if any) in respect of and prepayment and other penalties, charges, expenses and fees associated with (i) indebtedness of such Person for money borrowed and (ii) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (b) all obligations of such Person under derivatives Contracts; (c) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable and other accrued current liabilities arising in the Ordinary Course of Business); (d) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker s acceptance or similar credit transaction; (e) for all net obligations under interest rate swap agreements, all obligations of such Person for any interest rate cap agreement, any interest rate collar agreement or other similar agreement or arrangement designed to protect any Person against fluctuations in interest rates; (f) all obligations of such Person under capital leases, (g) all obligations of the type referred to in clauses (a) through (f) of other Persons for the payment of which such Person is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, including guarantees of such obligations; and (h) all obligations of the type referred to in clauses (a) through (f) of other Persons secured by any Lien on any property or asset of such Person (whether or not such obligation is assumed by such Person).

Indemnified Parties shall have the meaning set forth in Section 6.09(a).

Intellectual Property means any and all (a) formulae, algorithms, procedures, processes, methods, techniques, know-how, ideas, creations, inventions, discoveries and improvements (whether patentable or unpatentable and whether or not reduced to practice); (b) technical, engineering, manufacturing, product, marketing, servicing, financial, supplier and other information and materials; (c) customer, vendor, and distributor lists, contact and registration information, and correspondence; (d) specifications, designs, models, devices, prototypes, schematics and development tools; (e) Works of Authorship; (f) Databases; (g) Trademarks; (h) Domain Names; and (i) Trade Secrets.

Intellectual Property Rights means any and all rights (anywhere in the world, whether statutory, common law or otherwise) relating to, arising from, or associated with Intellectual Property, including (a) Patents; (b) Copyrights; (c) industrial design rights and registrations thereof and applications therefor; (d) rights with respect to Trademarks and all registrations thereof and applications therefor; (e) rights with respect to Domain Names, including registrations thereof and applications therefor; (f) rights with respect to Trade Secrets, including rights to limit the use or disclosure thereof by any person; and (g) rights with respect to Databases, including registrations thereof and applications therefor.

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IRS means the Internal Revenue Service.

Knowledge means (a) with respect to the Company, the actual knowledge of the persons set forth on Section 1.01 of the Company Disclosure Schedule and (b), with respect to Parent, the actual knowledge of Parent s executive officers.

Law means any law, statute, ordinance, rule, regulation, code, order, judgment, injunction, treaty, or decree of any country, union of nations, territory, domestic or foreign state, prefecture, province, commonwealth, city, county, municipality, court, or any other Governmental Entity.

Liability means any liability, Indebtedness, obligation or commitment of any kind, nature, or character (whether accrued, absolute, contingent, matured, unmatured or otherwise and whether or not required to be recorded or reflected on a balance sheet prepared in accordance with GAAP).

Liens means any lien, encumbrance, security interest, charge, pledge, mortgage, deed of trust, claim, lease, option, right of first refusal, easement, servitude or transfer restriction.

Merger shall have the meaning set forth in Section 2.01.

Merger Consideration shall have the meaning set forth in Section 3.01(b).

Merger Sub shall have the meaning set forth in the Preamble.

Mississippi Loan means the Loan Agreement among the Mississippi Business Finance Corporation, BancorpSouth Bank and the Company dated December 1, 2000 and the loan documents related thereto, including that certain Irrevocable Direct Pay Letter of Credit No. S235352NWP dated December 13, 2000 by PNC Bank, National Association in favor of BancorpSouth Bank, as amended.

No-Shop Period Start Date shall have the meaning set forth in Section 6.10(a).

Notice Period shall have the meaning set forth in Section 6.10(f).

Open Source means Software and similar subject matter that is generally available in source code form and that is distributed under a license that, by its terms, (a) does not prohibit licensees of such Software from licensing or otherwise distributing such Software in source code form, (b) does not prohibit licensees of such Software from making modifications thereof, and (c) does not require a royalty or other payment for the licensing or other distribution, or the modification, of such Software (other than a reasonable charge to compensate the provider for the cost of providing a copy thereof). Open Source Software includes Software and similar subject matter distributed under such licenses as the GNU General Public License, GNU Lesser General Public License, New BSD License, MIT License, Common Public License and other licenses approved as open source licenses under the Open Source Definition of the Open Source Initiative.

Option Consideration shall have the meaning set forth in Section 3.01(d)(i).

Optionholder shall have the meaning set forth in Section 3.01(d)(i).

Ordinary Course of Business means, with respect to any Person, the ordinary and usual course of business of such Person consistent with past practice.

OSHA means the Occupational Safety and Health Administration.

Other Filings shall have the meaning set forth in Section 6.05(a).

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Outside Termination Date shall have the meaning set forth in Section 8.01(b)(iii).

Owned Company Intellectual Property means any and all Intellectual Property and Intellectual Property Rights that the Company or any Company Subsidiary owns or purports to own.

Owned Copyrights means any and all Copyrights in the Owned Company Intellectual Property.

Parent shall have the meaning set forth in the Preamble.

Parent Material Adverse Effect means a material adverse effect on the ability of Parent or Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement in a timely manner or otherwise prevent or materially delay Parent or Merger Sub from performing any of its obligations under this Agreement.

Parent Plans shall have the meaning set forth in Section 6.08(a).

Patents means any and all U.S. and foreign patent rights, including all (a) patents, (b) pending patent applications, including all provisional applications, substitutions, continuations, continuations-in-part, divisions, renewals, and all patents granted thereon, (c) all patents-of-addition, reissues, reexaminations, confirmations, re-registrations, and extensions or restorations by existing or future extension or restoration mechanisms, including supplementary protection certificates or the equivalent thereof, and (d) all foreign counterparts of any of the foregoing.

Paying Agent shall have the meaning set forth in Section 3.02(a).

PBCL means the Pennsylvania Business Corporation Law of 1988, as amended.

Permits shall have the meaning set forth in Section 4.12(b).

Permitted Liens means (a) Liens disclosed in Section 4.17 of the Company Disclosure Schedule; (b) Liens for current Taxes not yet due and payable, or Liens for Taxes that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established on the Balance Sheet, and other standard exceptions commonly found in title policies in the jurisdiction where the property is located; (c) such encumbrances and imperfections of title, if any, as do not materially detract from the value of the properties and do not materially interfere with the present or proposed use of such properties or otherwise materially impair such operations; (d) Liens imposed by Laws with respect to real property and improvements, including zoning regulations; or (e) mechanics , carriers , workmen s, repairmen s and similar Liens incurred in the Ordinary Course of Business for payments that are not yet delinquent.

Person means any individual, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Entity or other entity.

Proxy Statement shall have the meaning set forth in Section 4.04.

Registered Company Intellectual Property means (a) all Patents, registered Trademarks, applications to register Trademarks, registered Copyrights, applications to register Copyrights, and Domain Names included in the Owned Company Intellectual Property that are registered, recorded, or filed by, for, or in the name of Company or any Company Subsidiary; and (b) any other applications and registrations by Company or any Company Subsidiary (or otherwise by or in the name of Company or any Company Subsidiary) with respect to any Owned Company Intellectual Property.

Required Information shall have the meaning set forth in Section 6.16(a)(iii).

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Sarbanes-Oxley Act shall have the meaning set forth in Section 4.05(a).

SEC means the Securities and Exchange Commission.

Securities Act means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

Shareholder means the holders of Company Common Stock.

Software means both object code and source code.

Superior Proposal means a written Acquisition Proposal (with all of the percentages included in the definition of Acquisition Proposal increased to 50%), which proposal (A) was not the result of a breach of Section 6.10 and (B) (1) the definitive agreement for which is not subject to a financing contingency and (2) that the Company Board determines in good faith (after consultation with its independent financial advisors and outside legal counsel, and taking into consideration all financial, regulatory, legal and other aspects of such Acquisition Proposal (including the Person or group making the Acquisition Proposal)), as well as the impact of the Acquisition Proposal on the Company s employees, suppliers, customers and creditors and the communities in which the Company is located, that (a) is more favorable to the Company and the Shareholders than the Merger (taking into consideration (i) any adjustment to the terms and conditions of such Acquisition Proposal and the conditionality and the timing and likelihood of consummation of such Acquisition Proposal, and (ii) any changes to the terms of this Agreement proposed by Parent in response to such Acquisition Proposal or otherwise), and (b) if consummated, would result in a transaction that is more favorable to the Shareholders from a financial point of view than the transaction contemplated by this Agreement.

Surviving Corporation shall have the meaning set forth in Section 2.01.

Systems shall have the meaning set forth in Section 4.24(a).

Takeover Statute means any restrictive provision of any applicable fair price, moratorium, control share acquisition, interested shareholder o other similar anti-takeover Law.

Taxes means (a) any and all U.S. federal, state, local, and non-U.S. taxes, assessments and other governmental charges, duties, impositions and liabilities, including taxes based upon or measured by gross receipts, income, profits, sales, use and occupation, and value added, ad valorem, transfer, franchise, withholding, payroll, recapture, employment, escheat, excise and property taxes, together with all interest, penalties and additions imposed with respect to such amounts; (b) any liability for the payment of any amounts of the type described in clause (a) as a result of being a member of an affiliated, consolidated, combined, unitary or similar group for any period (including any arrangement for group or consortium relief or similar arrangement); and (c) any liability for the payment of any amounts of the type described in clauses (a) or (b) as a result of any express or implied obligation to indemnify any other person or as a result of any obligations under any agreements or arrangements with any other person with respect to such amounts and including any liability for taxes of a predecessor or transferor or otherwise by operation of law.

Tax Return shall mean any return, report, estimate, information return or other document (including any related or supporting information) filed or required to be filed with any taxing authority with respect to Taxes, including all information returns relating to Taxes of third parties, any claims for refunds of Taxes and any amendments or supplements to any of the foregoing.

Trade Secrets means confidential and proprietary information and materials not generally known to the public that are trade secrets under applicable Law.

Trademarks means trademarks, service marks, logos and design marks, and trade dress, together with all goodwill associated with any of the foregoing.

UBS shall have the meaning set forth in Section 4.07.

Undesignated Stock shall have the meaning set forth in Section 4.02(a).

Voting Debt shall have the meaning set forth in Section 4.02(d).

Works of Authorship means Software, websites, images, graphics, text, photographs, artwork, audiovisual works, sound recordings, graphs, drawings, reports, writings, designs, mask works, and other copyrightable subject matter.

ARTICLE II

THE MERGER

Section 2.01 The Merger. Upon the terms and subject to the conditions set forth in this Agreement, and in accordance with the PBCL, at the Effective Time, Merger Sub shall be merged with and into the Company (the Merger). The separate corporate existence of Merger Sub shall cease and the Company shall continue as the surviving corporation (the Surviving Corporation) and a wholly owned subsidiary of Parent and shall succeed to and assume all the rights and obligations of Merger Sub in accordance with the PBCL.

Section 2.02 Closing. The closing of the Merger (the Closing) will take place at 10:00 a.m., Pacific time, on the date (the Closing Date) that is the second Business Day after the satisfaction or waiver (subject to applicable Law) of the conditions set forth in Article VII (excluding conditions that, by their terms, are to be satisfied on the Closing Date but subject to the satisfaction or waiver of such conditions on the Closing Date), unless this Agreement has been previously terminated in accordance with its terms or another time or date is agreed to in writing by the parties hereto. The Closing shall be held at the offices of Wilson Sonsini Goodrich & Rosati, Professional Corporation, 650 Page Mill Road, Palo Alto, California, 94304, unless another place is agreed to in writing by the parties hereto.

Section 2.03 Effective Time. Subject to the provisions of this Agreement, as soon as practicable on the Closing Date, the parties shall (a) file the articles of merger in such form as required by, and executed and acknowledged in accordance with, the applicable provisions of the PBCL (the Articles of Merger), with the DOS and (b) duly make all other filings and recordings required by the PBCL to effectuate the Merger. The Merger shall become effective upon the filing of the Articles of Merger with the DOS or at such subsequent time or date as Parent and the Company shall agree and specify in the Articles of Merger (the Effective Time).

Section 2.04 Effects of the Merger. At the Effective Time, the Merger shall have the effects set forth in Section 1929 of the PBCL. Without limiting the generality of the foregoing, at the Effective Time, all the property, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation, all as provided under the applicable provisions of the PBCL. If at any time after the Effective Time any further action is necessary to vest in the Surviving Corporation the title to all property or rights of Merger Sub or the Company, the authorized officers and directors of the Surviving Corporation are fully authorized in the name of Merger Sub or the Company, as the case may be, to take, and shall take, any and all such lawful action.

Section 2.05 Articles of Incorporation and Bylaws.

(a) Except as otherwise determined by Parent prior to the Effective Time (but subject to the requirements of Section 6.09), at the Effective Time, the articles of incorporation of Merger Sub as in effect immediately prior to the Effective Time shall be the articles of incorporation of the Surviving Corporation (until

thereafter amended or as provided by applicable Law), except that Article I of the articles of incorporation of the Surviving Corporation will be amended to read as follows: The name of the corporation is Spectrum Control, Inc.

(b) Except as otherwise determined by Parent prior to the Effective Time (but subject to the requirements of Section 6.09), at the Effective Time, the bylaws of Merger Sub as in effect immediately prior to the Effective Time shall be the bylaws of the Surviving Corporation (until thereafter amended or as provided by applicable Law), except that the name of the corporation reflected therein shall be changed to Spectrum Control, Inc.

Section 2.06 Directors. The directors of Merger Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation until their respective successors are duly elected or appointed and qualified.

Section 2.07 Officers. The officers of Merger Sub immediately prior to the Effective Time shall be the officers of the Surviving Corporation and such officers shall serve in accordance with the bylaws of the Surviving Corporation until their respective successors are duly elected or appointed and qualified.

ARTICLE III

CONVERSION OF SECURITIES; MERGER CONSIDERATION

Section 3.01 Effect on Capital Stock. At the Effective Time, by virtue of the Merger and without any action on the part of the holder of any shares of capital stock of the Company, Parent or Merger Sub:

(a) Cancellation of Parent and Merger Sub Owned Company Common Stock; Treasury Stock. Each share of Company Common Stock that, immediately prior to the Effective time, is owned by (i) Parent, Merger Sub or any other subsidiary of Parent or (ii) by the Company as treasury stock shall automatically be cancelled and retired and shall cease to exist and no consideration shall be delivered in exchange therefor.

(b) Conversion of Company Common Stock. Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (not including, however, those shares of Company Common Stock cancelled pursuant to Section 3.01(a)) shall be converted into and become the right to receive an amount in cash, without interest, equal to $20.00 (the Merger Consideration). All shares of Company Common Stock that have been converted in the Merger into the right to receive the Merger Consideration shall be automatically cancelled and shall cease to exist, and the holders of Certificates that immediately prior to the Effective Time represented shares of Company Common Stock shall cease to have any rights with respect to such shares other than the right to receive the Merger Consideration in accordance with Section 3.02 of this Agreement.

(c) Capital Stock of Merger Sub. Each share of capital stock of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into and become one validly issued, fully paid and non-assessable share of common stock, no par value, of the Surviving Corporation, and such shares shall constitute the only outstanding shares of capital stock of the Surviving Corporation as of the Effective Time. From and after the Effective Time, all certificates representing the common shares of Merger Sub shall be deemed for all purposes to represent the number of common shares of the Surviving Corporation into which they were converted in accordance with the immediately preceding sentence.

(d) Stock Options.

(i) Parent shall not assume any Company Stock Options in connection with the Merger. As of the Effective Time, each Company Stock Option shall be accelerated in full so that it becomes fully vested as of the

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Effective Time and shall without any action on the part of any holder of any Company Stock Option (each, an Optionholder) be cancelled and the Optionholder will receive from the Surviving Corporation as soon as reasonably practicable (but in any event not less than two Business Days) following the Effective Time a cash payment (without interest) with respect thereto equal to the product of (A) the excess, if any, of the Merger Consideration over the exercise price per share of such Company Stock Option and (B) the number of shares of Company Common Stock issuable upon exercise of such Company Stock Option (such payment, the Option Consideration). For the avoidance of doubt, each Company Stock Option with an exercise price at or above the Merger Consideration shall be cancelled without any right to receive any consideration therefor.

(ii) The Board of Directors of the Company (the Company Board) or a committee thereof shall make such amendments and adjustments to, make such determinations with respect to, and cause to be taken such actions with respect to, the Company Stock Options as are necessary to implement the provisions of this Section 3.01. Prior to the Closing Date, the Company shall obtain written consent to the treatment of the Company Stock Options as provided by this Section 3.01(d) from each Optionholder.

Section 3.02 Payment Procedures.

(a) Payment of Merger Consideration. At or after the Effective Time, Parent shall (i) deposit, or shall cause to be deposited, with a bank or trust company designated by Parent and reasonably acceptable to the Company (the Paying Agent) in a separate fund (the Exchange Fund), for the benefit of the holders of certificates or evidence of shares in book-entry form that immediately prior to the Effective Time evidenced shares of Company Common Stock (each, a Certificate), an amount in cash sufficient to pay the aggregate Merger Consideration, and (ii) instruct the Paying Agent to pay the Merger Consideration in accordance with this Agreement. The Merger Consideration deposited with the Paying Agent pursuant to this Section 3.02 shall be invested by the Paying Agent as directed by Parent; *provided*, *however*, that any such investment or any payment of earnings from any such investment shall not modify Parent s obligation to pay the Merger Consideration pursuant to this Section 3.02(a). Any interest or income produced by such investments shall not be deemed part of the Exchange Fund and shall be payable as directed by Parent. In the event that the funds in the Exchange Fund shall be insufficient to make the payments contemplated by Section 3.01, Parent shall promptly deposit, or cause to be deposited, additional funds with the Paying Agent in an amount that is equal to the deficiency in the amount required to make such payments. The Paying Agent shall cause the Exchange Fund to be (A) held for the benefit of the holders of shares of Company Common Stock and (B) applied promptly to making the payments provided for in Section 3.01(b). The Exchange Fund shall not be used for any purpose that is not expressly provided for in this Agreement.

(b) No Further Ownership Rights in Company Common Stock; Transfer Books. The Merger Consideration paid by the Paying Agent in accordance with the terms of this Section 3.02 upon conversion of any shares of Company Common Stock shall be deemed to have been paid in full satisfaction of all rights pertaining to such shares of Company Common Stock and after the Effective Time there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of shares of Company Common Stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation or the Paying Agent for any reason, they shall be cancelled and exchanged as provided in Section 3.03.

(c) Payment of Option Consideration. Promptly following (but in no event less than two Business Days after) the Effective Time, Parent shall deposit, or cause to be deposited with the Surviving Corporation cash in an aggregate amount, together with any cash in the Company s bank accounts immediately prior to the Closing, equal to the aggregate Option Consideration payable to all Optionholders pursuant to Section 3.01(d). The Option Consideration shall be paid by the Company through its payroll system (to the extent practicable), or if not practicable checks for such payment shall be drawn by the Surviving Corporation and sent by overnight courier to the holder s last address on the Company s records, in each case, as soon as reasonably practicable after the Effective Time.

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Section 3.03 Exchange of Shares.

(a) As soon as reasonably practicable after the Effective Time, Parent shall cause the Paying Agent to mail to each holder of a Certificate (i) a letter of transmittal in customary form (which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon delivery of the Certificates to the Paying Agent), and (ii) instructions for use in effecting the surrender of Certificates in exchange for the Merger Consideration issuable and payable in respect thereof (in accordance with Section 3.01(b)).

(b) If payment of the Merger Consideration is to be made to any Person other than the registered holder of the Certificate surrendered in exchange therefor, it shall be a condition of the payment thereof that the Certificate so surrendered shall be properly endorsed (or accompanied by an appropriate instrument of transfer) and otherwise in proper form for transfer, and that the Person requesting such exchange shall pay to the Paying Agent in advance of any transfer or other similar Taxes required by reason of the payment of the Merger Consideration to any Person other than the registered holder of the Certificate surrendered or required for any other reason relating to such holder or requesting Person, or shall establish to the reasonable satisfaction of Parent and the Paying Agent that such Tax has been paid or is not payable.

(c) Any portion of the Exchange Fund that remains unclaimed by the Shareholders for six months after the Effective Time shall be paid, at the request of Parent, to Parent. Any Shareholder who has not theretofore complied with this Section 3.03 shall thereafter look only to the Surviving Corporation for payment of the Merger Consideration payable in respect of each share of Company Common Stock held by such Person at the Effective Time as determined pursuant to this Agreement, without interest thereon. Notwithstanding anything to the contrary contained herein, none of Parent, the Company, the Surviving Corporation, the Paying Agent, Merger Sub or any other Person shall be liable to any former Shareholder for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar Laws. Any amounts remaining unclaimed by former holders of Certificates five years after the Effective Time (or such earlier date immediately prior to such time when the amounts would otherwise escheat to or become property of any Governmental Entity) shall become, to the extent permitted by applicable Law, the property of Parent free and clear of any claims or interest of any person previously entitled thereto.

(d) In the event that any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by Parent or the Paying Agent, the posting by such Person of a bond in such amount as Parent may determine is reasonably necessary as indemnity against any claim that may be made with respect to such Certificate, the Paying Agent will issue in exchange for such lost, stolen or destroyed Certificate the Merger Consideration deliverable in respect thereof pursuant to this Agreement.

Section 3.04 Withholding Rights. Parent, the Surviving Corporation and the Paying Agent will be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement or the transactions contemplated hereby to any holder of Company Common Stock or Company Stock Options such amounts as Parent, the Surviving Corporation or the Paying Agent are required to deduct and withhold with respect to the making of such payment under the Code or any applicable provision of U.S. federal, state, local or non-U.S. Tax Law. To the extent that such amounts are properly withheld by Parent, the Surviving Corporation or the Paying Agent, (a) Parent, the Surviving Corporation or the Paying Agent will promptly pay such withheld amounts to the appropriate taxing authority, and (b) such withheld amounts will be treated for all purposes of this Agreement as having been paid to the Shareholder or Optionholder in respect of whom such deduction and withholding were made by Parent, the Surviving Corporation or the Paying Agent.

Section 3.05 Adjustments to Prevent Dilution. Without limiting the other provisions of this Agreement, in the event that the Company changes the number of shares of Company Common Stock issued and outstanding prior to the Effective Time as a result of a reclassification, stock split (including a reverse stock split), stock dividend or distribution, recapitalization, merger, subdivision, issuer tender or exchange offer, or other similar transaction, the Merger Consideration shall be equitably adjusted to reflect such change.

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ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth (a) in reasonable detail in (and reasonably apparent from) any Company SEC Report filed with the SEC between December 1, 2009 and the date of this Agreement (without giving effect to any amendment to any such Company SEC Report filed on or after the date of this Agreement and excluding any disclosure set forth therein under the heading Risk Factors (other than factual information contained therein), any disclosures in any section related to forward-looking statements to the extent that they are primarily predictive, cautionary or forward looking in nature (other than factual information contained therein), or any statements in Management s Discussion and Analysis) or (b) in the disclosure schedule of the Company delivered to Parent concurrently herewith (the Company Disclosure Schedule) (with specific reference to the section of this Agreement to which the information stated in such Company Disclosure Schedule relates, *provided* that (i) disclosure in any section of such Company Disclosure Schedule shall be deemed to be disclosed with respect to any other Section of this Agreement to the extent that it is reasonably apparent from the face of such disclosure that such disclosure is applicable or relevant to such other Section, and (ii) the mere inclusion of an item in such Company Disclosure Schedule as an exception to a representation or warranty shall not be deemed an admission that such item represents a material exception or material fact, event or circumstance or that such item has had or would have a Company Material Adverse Effect), the Company hereby represents and warrants to Parent and Merger Sub as follows:

Section 4.01 Corporate Organization.

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has the requisite corporate power and authority to own, lease and operate all of its properties and assets and to carry on its business as it is now being conducted. The Company is duly qualified or licensed as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of the properties owned, leased or operated by it or the nature of its business makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not have a Company Material Adverse Effect.

(b) Section 4.01(b) of the Company Disclosure Schedule contains a true, complete and correct list of the name and jurisdiction of organization of each subsidiary of the Company (each a Company Subsidiary). Each Company Subsidiary is duly organized, validly existing and in good standing (with respect to jurisdictions that recognize the concept of good standing) under the laws of the jurisdiction of its organization and has the requisite power and authority to own, lease and operate all of its properties and assets and to carry on its business as it is now being conducted, except where the failure to be so duly organized, validly existing and in good standing would not have a Company Material Adverse Effect.

(c) The minute books of the Company and each Company Subsidiary contain true, complete and correct records in all material respects (except as redacted therein) of all meetings and other material corporate actions held or taken since December 1, 2007 of their respective shareholders, members, partners or other equity holders and boards of directors or other governing bodies (including committees of their respective boards of directors or other governing bodies) through the date hereof. All such minute books of the Company have been made available to Parent.

(d) The Company has made available to Parent true, complete and correct copies of the articles of incorporation, as amended to the date hereof (the Company Articles), and the bylaws, as amended to the date hereof (the Company Bylaws), of the Company and the equivalent organizational documents, each as amended the date hereof, of each Company Subsidiary. The Company Articles, the Company Bylaws, and such organizational documents of the Company Subsidiaries are in full force and effect and no dissolution, revocation or forfeiture proceedings regarding the Company or any Company Subsidiary have been commenced. The Company is not in violation of any provision of the Company Articles or the Company Bylaws, and no Company Subsidiary is in violation of any of the provisions of its organizational documents.

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Section 4.02 Capitalization.

(a) The authorized capital stock of the Company consists of 25,000,000 shares of Company Common Stock and 1,000,000 undesignated shares (the Undesignated Stock). As of the close of business on March 23, 2011 (the Capitalization Date), there were (i) 13,139,845 shares of Company Common Stock outstanding, (ii) 691,438 shares of Company Common Stock subject to Company Stock Options, and (iii) no shares of Undesignated Stock outstanding. All of the issued and outstanding shares of Company Common Stock have been (and all shares reserved for issuance will be, upon issuance in accordance with the terms specified in the instruments or agreements pursuant to which they are issuable) duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. As of the date of this Agreement, except pursuant to any cashless exercise provisions of any Company Stock Options or pursuant to the surrender of shares to the Company or the withholding of shares by the Company to cover Tax withholding obligations under the Company s stock plans and arrangements set forth in Section 4.02(a) of the Company Disclosure Schedule (collectively, and in each case as the same may be amended to the date hereof, the Company Stock Plans), the Company does not have and is not bound by any outstanding subscriptions, options, warrants, calls, commitments, conversion rights, stock appreciation rights, phantom stock, stock units, claims, rights of first refusal, rights (including preemptive rights) arrangements or agreements of any character relating to the Company Common Stock or any other issued or unissued equity securities of the Company or any securities representing the right to purchase or otherwise receive any shares of the Company Common Stock or any other issued or unissued equity securities of the Company (including any rights plan or agreement). Since the Capitalization Date through the date of this Agreement, the Company has not (A) issued or repurchased any shares of its capital stock or any securities convertible into or exercisable for any shares of its capital stock, other than upon the exercise of Company Stock Options granted prior to the Capitalization Date or pursuant to the surrender of shares to the Company or the withholding of shares by the Company to cover Tax withholding obligations under the Company Stock Plans, or (B) issued or awarded any Company Stock Options, restricted shares, restricted units or other equity-based awards under the Company Stock Plans or otherwise.

(b) Section 4.02(b) of the Company Disclosure Schedule sets forth a true, complete and correct list of the name of each holder of a Company Stock Option, the vesting schedule of each such Company Stock Option, together with the grant date, exercise price and the aggregate number of shares of Company Common Stock issuable upon the exercise of each such Company Stock Option, in