COMPUGEN LTD
Form 20-F
March 14, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

¨ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

OR

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

OR

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

DATE OF EVENT REQUIRING THIS SHELL COMPANY REPORT __________

COMMISSION FILE NO. 005-60609

Compugen Ltd.
(Exact name of registrant as specified in its charter and translation of registrant's name into English)

Israel
(Jurisdiction of incorporation or organization)

72 Pinchas Rosen Street, Tel Aviv, 69512 Israel
(Address of principal executive offices)

Dikla Czaczkes Axselbrad, Chief Financial Officer
Phone: 972-3-765-8585, Fax: 972-3-765-8555
72 Pinchas Rosen Street, Tel Aviv, 69512 Israel

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:
Ordinary Shares, par value New Israeli Shekels 0.01 per share
(Class of Securities)

NASDAQ
Capital Market
(Name of Exchange)

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

34,707,622 Ordinary Shares

Indicate by check mark if the registrant is a well known seasoned issuer, as defined in Rule 405 of the Securities Act.

¨ Yes x No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

o Yes x No

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

x Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer x Non-accelerated filer o

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP x

International Financial Reporting Standards as issued by the International Accounting Standards Board ¨

Other ¨

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

¨ Yes x No

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CAUTIONARY STATEMENT REGARDING
FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F includes “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. These statements include words such as “may”, “expect”, “anticipate” “could”, “project”, “estimate”, “believe”, and “intend”, and describe opinions abo events. We have based these forward-looking statements on information available to us on the date hereof, and on our current intentions, beliefs, expectations and projections about future events. We assume no obligation to update any such forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties that may cause the actual results, performance or achievements of Compugen to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that could cause our actual results to differ materially from those projected in the forward-looking statements include, without limitation, the risk factors set forth under “Item 3. Key Information. Risk Factors”, the information about us set forth under “Item 4. Information about the Company”, and information related to our financial condition under “Item 5. Operating and Financial Review and Prospects.”

Compugen Ltd. is referred to in this annual report as “Compugen”, “we”, “our”, “our company”, “the Company” or “us”.

We have prepared our consolidated financial statements in United States dollars and in accordance with accounting principles generally accepted in the United States. All references herein to “dollars” or “$” are to United States dollars, and all references to “Shekels” or “NIS” are to New Israeli Shekels.

PART I.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data for and as of the five years ended December 31, 2011, are derived from our audited consolidated financial statements which have been prepared in accordance with U.S. GAAP. The selected consolidated financial data as of December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 have been derived from our audited consolidated financial statements and notes thereto included elsewhere in this annual report. The selected consolidated financial data as of December 31, 2009, 2008 and 2007 and for the years ended December 31, 2008 and 2007 have been derived from audited consolidated financial statements not included in this annual report. The selected consolidated financial data set forth below should be read in conjunction with and are qualified by reference to Item 5. "Operating and Financial Review and Prospects" and our consolidated financial statements and notes thereto included elsewhere in this annual report.

Selected Financial Data

	Year ended December 31,				
	2007	2008	2009	2010	2011
Consolidated Statement of Operations Data					
Revenues	$180	$338	$250	$1,115	$-
Total operating expenses (1)	12,640	13,243	7,879	8,769	11,979
Operating loss	(12,460)	(12,912)	(7,629)	(7,878)	(11,979)
Financial and other income (expenses), net	1,002	401	3,786	675	(25)
Losses from continuing operations	(11,490)	(12,511)	(3,843)	(7,203)	(12,004)
Gain (loss) from discontinued operations	(624)	(16)	12	-	-
Net loss	(12,114)	(12,527)	(3,831)	(7,203)	(12,004)
Basic and diluted net loss per share from continuing operations	$(0.41)	$(0.44)	$(0.13)	$(0.22)	$(0.35)
Basic and diluted net loss per share	$(0.43)	$(0.44)	$(0.13)	$(0.22)	$(0.35)
Weighted average number of ordinary shares used in computing basic and diluted net loss per share	28,266,273	28,434,946	28,608,317	33,284,017	34,276,697

	Year ended December 31, (US$ in thousands, except share and per share data)				
	2007	2008	2009	2010	2011
Consolidated Balance Sheet Data					
Cash and cash equivalents, short-term bank deposits, marketable securities and restricted cash	$ 15,200	$ 7,481	$ 15,800	$ 22,508	$ 22,463
Receivables on account of shares and from funding arrangement (2)	-	-	7,790	5,000	-
Investment in Evogene	510	3,858	3,898	6,227	4,093
Long-term bank deposits and marketable securities	2,080	-	-	-	-
Total assets	21,666	14,244	30,185	36,458	29,081
Research and development funding arrangements	-	-	-	4,037	6,150
Accumulated deficit	(144,926)	(157,453)	(161,284)	(168,487)	(180,491)
Total shareholders' equity	$17,285	$10,003	$27,398	$28,285	$19,581

(1) Includes stock based compensation – see Note 13 of our 2011 consolidated financial statements.
(2) Includes for 2009, receivables from “at-the-market” sales of ordinary shares during such year, and for 2010, receivables with respect to a research and development funding arrangement entered into during such year.

For additional financial information, please see “Item 5. Operating and Financial Review and Prospects - Results of Operations”.

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

Many factors could affect our financial condition, cash flows and results of operations. We are subject to various risks resulting from changing economic, political, social, industry, business and financial conditions. If we do not successfully address the risks to which we are subject, we could experience a material adverse effect on our business, results of operations and financial condition, which could include the need to limit or even discontinue our business operations, and our share price may decline. We can give no assurance that we will successfully address any of these risks. The principal risks are described below.

Risk Factors Related to our Financial Results and Financing Needs

We cannot provide assurance that our business model will succeed in generating substantial revenues.

Our business model is primarily based on receiving revenues in the form of fees and research revenues, milestones and royalties and other revenue sharing payments from the commercialization of drug and diagnostic products by third parties based on product candidates (i) discovered by us and then licensed to such third parties, and/or (ii) discovered pursuant to various forms of collaborations with such third parties whereby our discovery platforms or other discovery capabilities target areas of their interest. To date, third party arrangements with respect to product candidates discovered by us have only been entered into at the early, proof of concept stage. Furthermore, these initial collaborations were based on product candidate discoveries, both therapeutics and diagnostics, that were made during the process of establishing our predictive discovery capabilities prior to having a sufficient integrated and broadly applicable infrastructure of such capabilities to allow a “therapeutic needs” driven discovery process. Consistent with this new discovery process, during 2010, a program was initiated to take certain oncology and immunology therapeutic product candidates forward in the preclinical stage prior to licensing or other collaborations for such product candidates (our “Pipeline Program”). To date, revenues related to our initial collaborations have been minimal, and we have no revenues from our new Pipeline Program and no revenue at all during 2011. We cannot be certain this business model will generate a stable or significant revenue stream. The inability to derive adequate revenues from our business model would significantly impede improvement in our operating results and liquidity or even result in the need to limit or even discontinue our business operations.

We have a history of losses, we expect to incur future losses and we may never achieve or sustain profitability.

As of December 31, 2011, we had an accumulated deficit of approximately $180 million and had incurred net losses of approximately $4 million in 2009, approximately $7 million in 2010 and approximately $12 million in 2011. The accumulated deficit results in large part from our primary focus from 1997 to 2004 on research and infrastructure building activities and then, beginning in 2005 to 2010, on the development, validation and integration of discovery platforms incorporating predictive modeling of various biological phenomena, with each such platform designed to identify novel biologic molecules of a specific type or for a specific purpose. To date, we have received only minimal current revenues from our commercialization efforts with respect to molecules discovered during this infrastructure building period, and we may continue to incur net losses in the future due to the costs and expenses associated with our research and discovery activities, including our more recently initiated “therapeutic needs” focused product candidate discovery, our increasing Pipeline Program activities, and the development, validation and integration of additional discovery platforms. Commercial arrangements with respect to Pipeline Program molecules are projected at the preclinical stage of such product candidates, and therefore, to date no such arrangements have been established. We cannot be certain that we will ever enter into such arrangements, or that such arrangements will provide sufficient revenues to achieve profitability, and even if we do achieve profitability, we may not be able to sustain or increase profitability.

We operate in a rapidly developing field and will be required to allocate substantial additional funds in the future to our research activities.

Our drug and diagnostic product candidate discovery capabilities rely on a proprietary infrastructure of predictive models, algorithms and other computational tools incorporating proprietary knowledge of key biological phenomena. Life science today is a rapidly changing field with substantial research being undertaken on a worldwide basis both by academia and industry. In order to maintain our competitive position in predictive discovery, we must continue to allocate a significant portion of our R&D expenditures to broadening and deepening our scientific infrastructure. We intend to continue to do so, although such allocation was less during 2011 than in previous years due to emphasis during 2011 on furthering our Pipeline Program, as further described herein. If for any reason in the future we are unable to continue to allocate sufficient funding to discovery infrastructure building, our discovery ability relative to others would likely be lessened, with a negative impact on our operating results or even with a need to limit or discontinue our business operations.

Our Pipeline Program will require additional resources that may not be available, as a result of which we may attempt to license out certain molecules at a very early stage, or not be able to license out such molecules at all.

In 2010 we initiated our Pipeline Program pursuant to which we intend to both (i) substantially increase the number of predicted and selected therapeutic candidates being evaluated by us, and (ii) take selected therapeutic candidates beyond their validation stage (of either disease animal model for protein therapeutics or drug target expression profile for monoclonal antibody (“mAb”) targets) into preclinical activities for protein therapeutics or to disease animal model for a therapeutic mAb to the targets. Assuming a similar level of success in the initial validation stages as we experienced in the past, this may result in multiple product candidates reaching more costly stages of development in parallel. If we are not able to secure the funding required for these more advanced activities, we may be required to abandon, postpone, or attempt to license out certain molecules at an earlier than anticipated stage, which may result in a substantial reduction in the potential returns from the Pipeline Program, or even result in the inability to have some or all of such successful “proof of concept” therapeutic candidates further developed and commercialized.

We may need to raise additional funds in the future. If we do and are unable to raise such needed additional funds, we may need to curtail or cease operations, and if we do raise additional funds, to the extent such funding is based on the sale of equity, our existing shareholders are likely to experience dilution of their shareholdings.

As of December 31, 2011, we had total cash and cash equivalents and short-term bank deposits of approximately $22.4 million, compared with approximately $21.8 million as of December 31, 2010; the amount for December 31, 2011 does not include an amount of $6 million, that we expect to receive from Baize pursuant to the Baize mAb Funding Agreement (each as defined below), and in both cases, the amount does not include the market value of the Evogene Ltd. ordinary shares that we hold. We cannot predict with any degree of certainty when, or even if, we will achieve profitability and therefore may need additional funds to continue financing our discovery, validation, development and commercialization activities.

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On January 11, 2011 we filed a shelf registration with the SEC covering the offering and sale of up to $40 million of our securities, which became effective on January 21, 2011. On September 1, 2011 we filed a prospectus supplement in relation to a sales agreement with Cantor Fitzgerald & Co. (the “Cantor Sales Agreement”). In accordance with the terms of the Cantor Sales Agreement, we may offer and sell an aggregate of up to 6,000,000 of our ordinary shares, from time to time through Cantor Fitzgerald & Co., as our sales agent, provided that gross proceeds from the offering do not exceed $40 million. Under the terms of the Cantor Sales Agreement, we may also sell our ordinary shares to Cantor Fitzgerald & Co., as principal for its own account, at a price agreed upon at the time of sale. If we sell shares to Cantor Fitzgerald & Co. as principal, we will enter into a separate agreement setting forth the terms of such transaction, and we will describe the agreement in a separate prospectus supplement or pricing supplement.

As of March 12, 2012 we sold through the Cantor Sales Agreement an aggregate of 551,000 of our ordinary shares, and received gross proceeds of approximately $3.3 million, before deducting issuance expenses.

There is no assurance that we will be able to sell additional shares covered under the Cantor Sales Agreement or raise other capital under this shelf registration. If we raise additional funds by issuing equity securities or convertible securities, we expect that our shareholders will experience dilution of their shareholdings. If we are unable to obtain additional financing on commercially reasonable terms, pursuant to these or other arrangements, we may have to curtail or cease our discovery and validation activities, or restrict or even cease operations.

We cannot provide any assurance that additional funding, if needed, will be available on terms that are favorable to us, if at all. Our ability to obtain additional funding will be subject to a number of factors, including market conditions, our business progress and investor sentiment

Under the Funding Agreements with Baize Investments (Israel) Ltd. (“Baize”) entered in December 2010 and December 2011, we may have to share any future economic success of certain product candidates, and may dilute the holdings of our current shareholders.

On December 29, 2010, we entered into a funding agreement with Baize under which Baize provided us with $5 million in support of our Pipeline Program (the “Pipeline Funding Agreement”). In exchange, Baize received (i) the right to receive ten percent (which amount may be reduced under certain circumstances) (the “Pipeline Program Participation Rights”) of certain cash consideration received by us pursuant to any licenses for the development and commercialization of products developed from five designated product candidates currently in our Pipeline Program, and (ii) warrants for 500,000 of our ordinary shares, exercisable at $6 per share through June 30, 2013. In addition, at any time through June 30, 2013, Baize may waive in its entirety its right to receive the Pipeline Program Participation Rights in exchange for 833,333 of our ordinary shares.

On December 20, 2011, we entered into a second funding agreement with Baize, under which Baize agreed to provide us with $8 million (the “mAb Investment Amount”) in partial support of the monoclonal antibody portion of our Pipeline Program (the “mAb Funding Agreement”, and with the Pipeline Funding Agreement, the “Funding Agreements”). In exchange, Baize received the right to receive a financial interest (the “mAb Participation Interest”) in certain product candidates that achieve specific milestones or have been licensed out, prior to December 31, 2014. The mAb Investment Amount is to be paid in three installments: $2 million was paid on December 21, 2011, $3 million is to be paid on or before June 30, 2012 and $3 million is to be paid on or before September 30, 2012. In the event such payments are not made, we have the right to cancel in its entirety the mAb Participation Interest by issuing to Baize our ordinary shares, at a value of $6 per share, equivalent to the funds actually invested, to such point. Notwithstanding anything in the second funding agreement, Baize has the right, during the first quarter of 2014, to waive its rights to the mAb Participation Interest in exchange for 1,455,000 of our ordinary shares.

If Baize does not complete its payment obligations by making the two additional installments of the mAb Investment Amount as described above, we will either (a) have to utilize other cash resources to make up the shortfall, thus negatively impacting the financial strength of the Company and/or increasing the probability that the Company will need to raise additional capital or (b) slow down or discontinue certain planned activities for the Pipeline Program or otherwise.

If any one or all five pipeline product candidates designated under the Pipeline Funding Agreement, or any or all of the relevant mAb product candidates under the mAb Funding Agreement are successfully licensed, developed or commercialized, and Baize has not elected to waive its Pipeline Program Participation Rights under the related respective agreement as set forth above, we will need to provide Baize with a percentage of certain related cash consideration received by us, thus reducing the amount of revenues from such transactions remaining for the benefit of our shareholders. On the other hand, in the event that, prior to June 30, 2013, Baize chooses to exchange its Participation Rights for 833,333 ordinary shares according to the Pipeline Funding Agreement and/or in the event that during the first quarter of 2014, Baize chooses to waive its rights to the mAb Participation Interest in exchange for 1,455,000 of our ordinary shares in accordance with the mAb Funding Agreement, our then existing shareholders will be diluted by any such shares issued to Baize.

If we are unable to continue to receive research and development grants, our financial results may be negatively impacted and we may need to restrict certain research activities.

We have received research and development grants from the Office of the Chief Scientist of the Israeli Ministry of Industry, Trade and Labor (the “OCS”), and from the European Community, under the European Union’s 6th Framework Program. In 2011, the grants we received totaled approximately $424,000 compared with approximately $1 million in 2010 and approximately $944,000 in 2009. Our entitlement to receive these grants is dependent on, among other things, our compliance with the various grants’ respective terms and conditions. In addition, the Office of the Chief Scientist may reduce or eliminate these benefits in the future. Our contingent liability to repay these grants out of future revenues totaled approximately $11.2 million at December 31, 2011. If we do not comply with the terms and conditions of the grants or if we do not succeed in obtaining these or similar grants in the future, we may have to restrict certain research activities.

Risk Factors Related to our Discovery and Development Activities and to the Commercialization of our Discoveries

We are focusing our discovery activities on therapeutic protein and monoclonal antibody drug targets for use in oncology and immunology, including both auto-immune and inflammatory disease. If we fail to create product candidates of industry interest in these fields, or to focus on the most promising discoveries, our business will likely be materially harmed.

In spite of the broad applicability of our discovery infrastructure, we have chosen to focus our discovery activities on therapeutic protein and monoclonal antibody drug targets for use in oncology and immunology, including both auto-immune and inflammatory conditions. By making this decision we have elected not to continue any internal development of diagnostic products and peptide based drugs, and to pursue such opportunities only in collaboration with third parties. In order to successfully focus our discovery efforts on unmet market needs in these fields, we will need to integrate our proprietary discovery platforms, tools and systems towards this end, and will likely need to create in many cases additional infrastructure components that relate to these specific fields. There are many risks associated with this decision of focusing in these areas that include, among others:

- the risk of not using all of our capabilities;
- choosing fields with a very high degree of competition;
- a lack of certain relevant knowledge in the fields of immunology or oncology, in selecting the right unmet needs or candidates, or in integrating our platforms and tools in order to discover novel product candidates in these fields;
- we may not be able to make the necessary enhancements of our capabilities and related technologies in order to compete successfully within the pharmaceutical and biotechnology industries; and
- any or all of our focus decisions may prove to be incorrect and if so, cause us to be unsuccessful in our discovery and development activities, and limit our chances of success have we chosen otherwise.

In each case, our failure could be due to lack of experience or applying the wrong criteria, with the possible result that no selected candidates result in licensed or marketable products in these fields. Additionally, if any of these risks materialize, our business, financial condition and results of operations may be materially harmed.

Our predictive discovery capabilities remain unproven with respect to yielding marketable products. If we fail to continue to develop and enhance our discovery capabilities, or we fail to make novel discoveries, or focus on the most promising discoveries, our business will likely be materially harmed.

Our proprietary predictive discovery capabilities are designed to predict and select potential product candidates in many different therapeutic and diagnostic areas of interest. To date, the validation of our initial predicted and selected product candidates has been limited to in-vitro and in-vivo (including animal disease models) testing and no human testing has yet been undertaken. Furthermore, the discovery capabilities utilized to predict and select these product candidates, including the individual discovery platforms, rely on the modeling, by our scientists, of complex biological processes, both physiological and pathological. This modeling is partial and might not be sufficient to result in true predictions to the biological processes as they occur naturally. Even if we make true or partially true predictions, we might be able only to repeat discoveries already made by others and not be able to make novel discoveries. This may result either from relying on data already used by others or by developing capabilities already developed, wholly or partially by others, or from inherent incapacity of such capabilities. In addition, since our research and discovery resources are limited we might be able to progress with only a fraction of our discoveries. During the initial validation activities of our Pipeline Program, we assess on an on-going basis which discoveries to validate based on various scientific and business criteria. If we or our partners fail to select the right candidates to validate and/or progress with, due to either lack of experience or applying the wrong criteria, the selected candidates may never result in a marketable product. Additionally, we may not be able to make the necessary new developments and enhancements to our discovery capabilities in order to compete successfully within the pharmaceutical and biotechnology industries. If any of these risks materialize, our business, financial condition and results of operations may be materially harmed.

If either the predictive discovery approach in general, or our therapeutic needs (market) driven approach, does not prove to be successful, our business will be significantly harmed.

Our method of discovering novel product candidates involves first selecting – either on our own or with a partner company - an unmet therapeutic need where we believe our predictive capabilities would be relevant, or could be modified to be relevant. In this therapeutic needs (market) driven approach, our goal is to harness all of our relevant capabilities in order to address the specific unmet need, rather than obtaining product candidates resulting from the development, validation or initial runs of a single discovery platform as was the case previously. After selection of the unmet need we wish to address, we then focus all of our discovery platforms, algorithms and other computational biology capabilities to predict in silico (i.e. by computer) sequences for a typically large number of possible product candidates. Next we utilize proprietary algorithms and tools and other methodologies to select, from this large number of possibilities, those novel molecules that we believe have the highest probability of success. Selected molecules are then produced and undergo in-vitro and/or in-vivo validation testing. Each of these platforms incorporates the predictive modeling of various biological phenomena, with each such platform designed to identify novel biologic molecules of a specific type, or for a specific purpose.

Although our therapeutic needs (market) driven approach resulted in the discovery of a number of novel molecules in an area of high industry interest, we have limited experience with this approach for our discovery efforts. Therefore, we cannot predict whether this therapeutic needs (market) driven approach will continue to yield product candidates or that any of our existing discoveries or future discoveries will be suitable for development into therapeutic products. If either the predictive discovery approach in general does not prove to be successful, or this therapeutic needs (market) driven approach does not lead to successful product candidates, our business will be significantly harmed.

Our focus on the Pipeline Program has resulted in a substantial increase in activities, certain of which we will undertake for the first time and may result in product candidate failures, or fewer molecules being available for early stage licensing.

Prior to 2010, Compugen's in-vitro and in-vivo validation studies concluded with disease animal model or drug target expression profile analysis. At the completion of such activities, or earlier, Compugen initiated its efforts to enter into collaborations for such molecules. This is at an earlier stage than is typical for licensing in the pharmaceutical industry. Under the Pipeline Program, the Company has undertaken a substantial increase in the number of molecules being validated, with more than 30 such molecules currently in the pipeline. In addition, certain molecules are now being advanced further towards pre-clinical activities. During 2010, we decided that for the next few years we would emphasize our Pipeline Program and allocate a substantial portion of our R&D activities to this activity. This decision to advance further with certain molecules will require us to undertake certain activities for the first time and may result in product candidate failures during such additional activities, either due to our lack of expertise or due to unsupportive findings, or fewer molecules being available for early stage licensing, due to our available resources being insufficient to advance all programs. If any of these risks materialize, our business, financial condition and results of operations may be materially harmed.

We rely on access to public and commercial databases to feed our discovery capabilities, including our individual discovery platforms. If we are denied access to these databases or if the quality of available information is poor, or if the quantity of the available information is insufficient, as has occurred in the past, our operations and business may be harmed.

In the development and validation of our discovery platforms and other tools, as well as in connection with the resulting therapeutic and diagnostic product candidates, we rely on our ability to access and use public and commercially available databases. The quality of our platforms, tools and discoveries is in part dependent on the quality and quantity of the data in these databases. If we are denied access to these databases, or if we are granted access to such databases on terms which are not commercially reasonable, or if the quality of data available from those databases is poor, or if the quantity of the available information is insufficient, each of which has occurred in the past, our business and our results of operations may be materially harmed.

We rely on access to high-quality biological samples supported by detailed clinical records to conduct parts of our discovery and validation activities. If we will fail to identify and purchase or otherwise obtain such samples for any reason, or if the quality of available biological samples is poor, or if the quantity of the available biological samples is insufficient, which has occurred in the past, our discovery and validation capabilities may be harmed.

In carrying out our discovery and validation of therapeutic and diagnostic product candidates, we rely on our ability to access and use commercially available biological samples. The quality of our discoveries is in part dependent on the quality and quantity of available biological samples. If we will fail to identify and purchase or otherwise obtain such samples for any reason or if the quality of available biological samples is poor, or if the quantity of the available biological samples is insufficient, which has occurred in the past, our discovery and validation capabilities may be harmed.

We rely on the services of various third party service providers, contract research organizations (CRO's), contract manufacturing organizations (CMOs) and academia. If we will fail to identify and obtain quality services from such third parties, our discovery and validation capabilities may be harmed.

In carrying out our discovery and validation of therapeutic and diagnostic product candidates, we rely on the services of various third party service providers, CRO's and academia for production of certain biological reagents and performance of certain in-vitro or animal model validation of our discoveries. In advancing our candidates through certain required preclinical studies towards the generation of an IND-enabling package, we rely on the services of various third party service providers, such as CRO's, CMOs and various regulatory consultants. If we will fail to identify and obtain quality services from such third parties, or if the contractual demands of such third parties become unreasonable and we are not be able to reach satisfactory agreements with such third parties, we may not be able to obtain the required services, in which event our discovery and validation capabilities may be harmed.

We have no experience in conducting, managing, or sponsoring preclinical work for purposes of generating an IND enabling submission package.

During 2010, we began to focus our discovery efforts primarily in the fields of immunology and oncology, and initiated the Pipeline Program to both substantially increase the number of molecules in our validation pipeline and to increase the value of certain of our candidates by advancing selected molecules beyond proof of concept experimental validation towards the generation of an IND enabling package. We have no experience in conducting, managing, or sponsoring the work and efforts required beyond the proof of concept experimental validation stage towards the generation of an IND enabling package, and by doing so we will need to rely on our consultants, and other third party service providers. If we fail to identify the right consultants or service providers, or fail to take the necessary steps towards generating an IND enabling submission package our business may be harmed.

If we are unable to attract and retain qualified scientists, staff consultants and advisors, our ability to implement our research and development capabilities and business plan may be adversely affected.

We are highly dependent upon certain of our scientific and business consultants and advisors. The loss of the service of these persons may significantly delay or prevent our achievement of product development and other business objectives. We may be unable to attract and retain suitably qualified individuals, and our failure to do so could have an adverse effect on our ability to implement our research and development capabilities and business plan.

We have limited experience in the development of therapeutic product candidates.

Our experience in the development of therapeutic product candidates is limited. In order to successfully develop and commercialize therapeutic product candidates, we must either access such expertise via collaborations or service providers or improve our internal expertise, capabilities and facilities. We may not be able to maintain and/or engage any or all of the experts that we need in order to do so.

If we fail to have available at the appropriate times all of the required experience and expertise in the development and commercialization of therapeutic product candidates, we may be unsuccessful in our discovery and development activities, and as a result our business may be materially harmed.

A number of the mAb targets we discovered are now approaching the point where further advancement will require the development of mAbs against them. Therefore, we plan to establish our own therapeutic mAbs development capabilities. If we fail to do so our business may be harmed.

In late 2011, we announced that we plan to establish our own therapeutic mAb development capabilities, in order to further develop and validate the mAb targets candidates that we discovered. The establishment of such in-house capabilities contains a number of risks, including, without limitation, our lack of experience in the field of therapeutic mAbs development, the need for additional resources and funding in order to maintain such capabilities and the need to identify qualified and suitable employees and consultants in order to establish and advance these capabilities. If we fail to establish such therapeutic mAb development capabilities, or even if we are successful is establishing these capabilities but are not successful in choosing the right product candidates to be developed, our business is likely to be harmed.

Our business model consists of three commercialization pathways, each of which is at an early stage of implementation and none of which has to date provided significant revenues.

The success of our business model relies on providing, through licensing agreements and other forms of collaboration, drug product candidates to third parties, principally pharmaceutical and biotechnology companies. In all cases, our objective is that these collaborations will be “product oriented”, with us having the right to receive advance payments or research revenues, milestone payments and revenue-sharing amounts from all products developed and commercialized by third parties based on our product candidates. We currently employ three different commercialization approaches. The first commercial pathway involves seeking third parties interested in the development and commercialization of certain product candidates in our Pipeline Program. The second pathway relates to the discovery of future product candidates at the request of third parties in areas of interest to them. The third pathway involves seeking third parties interested in the development and commercialization of product candidates identified by us that are not part of our Pipeline Program. During 2011, we entered into three of such agreements with respect to our platform validation stage discoveries; however, there can be no assurance that these three agreements will be successful or that we will be able to enter into additional arrangements with respect to other platform validation stage discoveries. In addition, each of these commercialization pathways is at an early stage of implementation and none of which has to date provided significant revenues. If we are unable to achieve success with these three pathways or to enter into agreements with sufficient future returns, our business will be materially harmed.

We depend significantly on third parties to carry out the development and commercialization of our therapeutic and diagnostic product candidates, and if we are unable to maintain our existing agreements or to enter into additional agreements with such third parties in the future, our business will likely be materially harmed.

Our strategy for the development and commercialization of therapeutic and diagnostic products based on our product candidates depends on the formation of relationships with third parties that have the necessary capabilities to carry out these tasks. We depend on others to carry out and/or finance development and commercialization of therapeutic and diagnostic products based on our product candidates, principally, pharmaceutical, biotechnology and diagnostic companies and other healthcare related organizations.

To date, we have entered into a small number of agreements covering discovery to be performed by us, and development and commercialization rights granted to others with respect to certain of our validation stage product candidates. None of the product candidates covered by such agreements have, advanced beyond the validation stage of our product candidates. We cannot assure you that any of these agreements will result in the successful development or commercialization of any products based on our discoveries. Further, we cannot assure you that we will succeed in identifying additional suitable parties or entering into any other additional agreements for the development and/or commercialization of our product candidates. If we are unable to identify such additional suitable parties or enter into new agreements, our business will likely be materially harmed.

Our dependence on collaboration agreements, such as licensing-out or co-development, with third parties presents a number of risks, and if one or more of these risks materialize, our business may be materially harmed.

The risks that we face in connection with our existing collaborations, licenses and other business alliances as well as those that we may enter into in the future include, among others, the following:

- we may be unable to comply or fully comply with our obligations under collaboration agreements into which we enter, and as a result, we may not generate royalties or milestone payments from such agreements, and our ability to enter into additional agreements may be harmed;
- our collaborators have significant discretion in electing whether to pursue any of the planned activities and the manner in which it will be done;
- our collaborators may fail to design and implement appropriate preclinical and/or clinical trials;
- our collaborators may fail to manufacture our product candidates needed for either clinical trials or for commercial purposes on a sufficiently large scale and/or in a cost effective manner;
- our collaborators may fail to develop and market products based on our discoveries due to various regulatory restrictions;

- our collaborators may fail to develop and market products based on our discoveries prior to the successful marketing of competing products by others or prior to expiry of the patents protecting such products;

- we may not be able to control our collaborators' willingness to pursue development of our product candidates, or the amount of resources that our collaborators will devote to the collaboration;

- changes in a collaborator's business strategy may negatively affect its willingness or ability to complete its obligations under its arrangement or to continue with its collaboration with us;

- ownership of the intellectual property generated under our collaborations may be disputed;

- our ownership of rights in any intellectual property or products that may result from our collaborations may depend on additional investment of money that we may not be able or willing to make;

- prospective collaborators may pursue alternative products or technologies, by internally developing them or by preferring those of our competitors;

- disagreements between us and our collaborators may lead to delays in, or termination of, the collaboration; and

- our collaborators may fail to develop or commercialize successfully any products based on product candidates to which they have obtained rights from us.

If any of these risks materialize, our business, financial condition and results of operations may be materially harmed.

The agreement cycle for potential collaborations is complex and lengthy and as a result, we may expend substantial funds and management resources with no assurance of success.

We are required to negotiate agreements containing terms unique to each licensee and collaborator and which suit each collaborator's specific discovery, development and business strategies. The accommodation of these requirements mandates a thorough consideration of both the scientific and business aspects of each transaction. The diversity and wide applicability of our discovery capabilities in therapeutics and diagnostics, together with the fact that we are located in Israel, adds a high level of complexity to our business development efforts. As a result, the process of preparing and negotiating our licensing and other agreements may take 12 months or longer, and even then may end in failure to reach a final agreement. These business development and related commercial activities require the input and substantial time and effort of our key scientific and management personnel.

As a result, we believe that we will need to continue to expend substantial funds and substantial management time and effort into these business development activities with no assurance of successfully entering into agreements with potential collaborators and this could harm our business.

There are risks that are inherent in the development and commercialization of therapeutic and diagnostic products, and if these risks materialize, our business and financial results may be materially harmed.

We face a number of risks of failure that are inherent in the process of developing and commercializing therapeutic and diagnostic products. These risks include, among others, the possibility that:

- our therapeutic product candidates will be found to be pharmacologically ineffective;

- our therapeutic product candidates will be found to be toxic or to have other detrimental side effects;

- our diagnostic product candidates will prove to be ineffective in distinguishing between healthy and disease samples or in providing information relating to a patient's response to a drug;
- Our mAb targets will prove to be inappropriate targets for mAb therapeutics;
- we or our collaborators will fail to receive applicable regulatory approvals;
- we or our collaborators will fail to manufacture our product candidates in the quantity or quality needed for preclinical or clinical trials on a large scale in a cost effective manner;
- the commercialization of our product candidates may infringe third party intellectual property rights;
- the development, marketing or sale of our product candidates will fail because of our inability or failure to protect or maintain our own intellectual property rights; and/or

- once a product is launched in the market, there will be little or no demand for it as a result of its exclusion from health funds' reimbursement schemes or as a result of there being alternative products available for sale.

If one or more of these risks or any similar risks materialize, our business and financial results may be materially harmed.

We have no experience in conducting or managing clinical trials for potential therapeutic products.

We have no experience in conducting and managing the clinical trials necessary to obtain regulatory approvals for any product, and we intend to rely on our collaborators or third parties such as CROs, medical institutions and clinical investigators to perform these functions. Our reliance on third parties for clinical development activities reduces our control over these activities. Third-party contractors may not complete activities on schedule, or may not conduct clinical trials in accordance with regulatory requirements or our trial design. If these third parties do not successfully carry out their contractual duties or meet required performance standards or expected deadlines, we might be required to replace them or the data that they provide could be rejected, all of which may result in a delay of the affected trial.

We or our collaborators may be unable to obtain regulatory approval for any product that we or a collaborator may develop.

Any therapeutic product that we or our collaborators may develop will be subject to extensive governmental regulations, including those relating to development, clinical trials, manufacturing and commercialization. Rigorous preclinical testing and clinical trials and an extensive regulatory review process must be successfully completed in the United States and in many foreign jurisdictions before a new therapeutic product can be sold. Satisfaction of these and other regulatory requirements is costly, time consuming, uncertain and subject to unanticipated delays. The time required to obtain United States Food and Drug Administration (“FDA”) and other approvals for therapeutic products is unpredictable but typically exceeds several years. It is possible that none of the therapeutic products we or our collaborators may develop will obtain the appropriate regulatory approvals necessary for us or our collaborators to begin selling them.

Furthermore, any regulatory approval to market a therapeutic product may be subject to limitations on the indicated uses. These limitations may limit the size of the market for the therapeutic product. Any therapeutic product that we or our collaborators may develop will also be subject to numerous foreign regulatory requirements governing the conduct of clinical trials, manufacturing and marketing authorization, pricing and third-party reimbursement among other things. The foreign regulatory approval process includes all of the risks associated with FDA approval described above as well as risks attributable to the satisfaction of local regulations in foreign jurisdictions. Therefore, approval by the FDA of a therapeutic product does not assure approval by regulatory authorities outside the United States or vice versa.

If we or our collaborators, or any third-party manufacturers with which we may enter into agreements in the future, fail to comply with regulatory requirements, we or they could be subject to enforcement actions, which could affect our ability to market and sell diagnostics and therapeutics and may harm our reputation.

If we or our collaborators or any third-party manufacturers with which we may enter into agreements in the future fail to comply with applicable federal, state or foreign laws or regulations, we could be subject to enforcement actions, which could affect the ability to successfully develop, market and sell diagnostic or therapeutic products and could harm our reputation and lead to reduced acceptance of such products by the market. These enforcement actions may include:

- warning letters;

- recalls, public notification or medical product safety alerts;
- restrictions on, or prohibitions against, marketing such tests or products;
- restrictions on importation of such tests or products;
- suspension of review or refusal to approve new or pending applications;
- withdrawal of product approvals;
- product seizures;
- injunctions;
- civil and criminal penalties and fines; and
- debarment or other exclusions from government programs.

If we do not comply with laws regulating the use of human tissues or the conduct of experiments involving animals, our business could be adversely affected.

We use human tissue samples and conduct experiments involving animals for the purpose of development and validation of our technologies. Our access to and use of human tissue samples and the conduct of experiments involving animals are subject to government regulation in the United States, Israel and elsewhere and may become subject to further regulation. For example, the Israeli Ministry of Health requires compliance with the principles of the Helsinki Declaration, the Public Health Regulations (Clinical Trials in Human Subjects) 1980, the provisions of the Guidelines for Clinical Trials in Human Subjects and the provisions of the current Harmonized Tripartite Guideline for Good Clinical Practice. Our failure to comply with these or similar regulations could impact our business and results of operations.

The biotechnology and pharmaceutical industries are highly competitive, and we may be unable to compete effectively.

The biotechnology and pharmaceutical industries are highly competitive. Numerous entities in the United States, Europe and elsewhere compete with our efforts to discover, validate and partner with licensees and/or collaborators to commercialize therapeutic and diagnostic products or product candidates. Our competitors include pharmaceutical, biotechnology companies, academic and research institutions and governmental and other publicly funded agencies. We face, and expect to continue to face, competition from these entities to the extent that they develop products that have a function similar or identical to the function of our therapeutic product candidates in the fields of oncology and immunology. We also face, and expect to continue to face, competition from entities that seek to develop technologies that enable the discovery of novel therapeutic proteins and antibodies in the fields of oncology and immunology. Many of our competitors have:

- much greater financial, technical and human resources than we have at every stage of the discovery, development, manufacture and commercialization process;
- more extensive experience in preclinical testing, conducting clinical trials, obtaining regulatory approvals, and in manufacturing and marketing diagnostics and therapeutics;
- more extensive experience in oncology and immunology and in the fields of mAb therapy and proteins therapeutics;
- products that have been approved or are in late stages of development; and
- collaborative arrangements in our target markets with leading companies and research institutions.

Since we are a small company with limited human and financial resources, we are not able to work with a large number of collaborators in parallel and/or advance a large number of molecules in parallel. Our competitors may develop or commercialize products with significant advantages over any therapeutic products we, our collaborators or third-party licensees may develop. They may also obtain patents and other intellectual property rights before us and thereby prevent us from pursuing the development and commercialization of our discoveries. Our competitors may therefore be more successful in developing and/or commercializing their tests and products than we, our collaborators, or third party licensees are, which could adversely affect our competitive position and business. For information about the specific competitors with whom we compete, see “Competition” under “Item 4. Information on the Company.”

If we are unable to compete successfully against existing or potential competitors, our financial results and business may be materially harmed.

Changes in healthcare policy could increase our expenses, decrease our revenues and impact sales of and reimbursement for our Products.

Our ability to commercialize our future product candidates successfully, will depend in part on the extent to which coverage and reimbursement for the products based on our product candidates will be available from government and health administration authorities, private health insurers and other third-party payors. Changes in healthcare policy, in particular the continuing efforts of the U.S. and foreign governments, insurance companies, managed care organizations and other payors of health care services to contain or reduce health care costs may adversely affect our ability to set consideration for our services which we believe are fair, and our ability to generate revenues and achieve and maintain profitability.

In March 2010, the President of the United States signed the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or the Healthcare Reform Act. This law substantially changes the way health care is financed by both governmental and private insurers, and significantly impacts our industry. The Healthcare Reform Act contains a number of provisions that are expected to impact our business and operations, including those governing enrollment in federal healthcare programs, reimbursement changes and fraud and abuse, which will impact existing government healthcare programs and will result in the development of new programs.

In addition, other legislative changes have been proposed and adopted since the Healthcare Reform Act was enacted. Most recently, on August 2, 2011, the President of the United States signed into law the Budget Control Act of 2011, which, among other things, creates the Joint Select Committee on Deficit Reduction to recommend proposals in spending reductions to the United States Congress. The Joint Select Committee did not achieve a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering the United States' legislation's automatic reduction to several government programs, including aggregate reductions to Medicare payments to providers, starting in 2013.

In addition to the Healthcare Reform Act and the Budget Control Act of 2011, there will continue to be proposals by legislators at both the federal and state levels, regulators and third-party payors to keep these costs down while expanding individual healthcare benefits. While in general it is too early to predict specifically what effect these acts and their implementation or any future healthcare reform legislation or policies will have on our business, current and future healthcare reform legislation and policies could have a material adverse effect on our business and financial condition.

The trend towards consolidation in the pharmaceutical, diagnostic and biotechnology industries may adversely affect us.

There is a trend towards consolidation in the pharmaceutical, diagnostic and biotechnology industries. This consolidation trend may result in the remaining companies having greater financial resources and discovery technological capabilities, thus intensifying competition in these industries. This trend may also result in fewer potential collaborators or licensees for our therapeutic and diagnostic product candidates. Also, if a consolidating company is already doing business with our competitors, we may lose existing licensees or collaborators as a result of such consolidation. In addition, if a consolidating company is already doing business with us, we may lose the interest of the consolidating parties in our discovery capabilities or individual discoveries as a result of a modified strategy and new priorities of such consolidated entity.

This trend may adversely affect our ability to enter into agreements for the development and commercialization of our product candidates, and as a result may harm our business.

Risk Factors Related to our Operations

We may be unable to hire or retain key personnel or sufficiently qualified employees, in which case our business may be harmed.

Our business is highly dependent upon the continued services of our senior management and key scientific and technical personnel. While members of our senior management and other key personnel have entered into employment or consulting agreements and non-competition and non-disclosure agreements, we cannot assure you that these key personnel and others will not leave us or compete with us, which could harm our business activities and operations. It is difficult to find suitable and highly qualified personnel in certain aspects of our industry.

It can be difficult for us to find employees with appropriate experience for our business. We require a multidisciplinary approach and our researchers require experience in both exact and biological sciences. On average, our employees have been employed by Compugen eight years. Our business may be harmed if we are unable to retain our key personnel, or to attract, integrate or retain other highly qualified personnel in the future.

We may be unable to safeguard the integrity, security and confidentiality of our data or third parties' data, and if we are unable to do so, our business may be harmed.

We rely heavily on the use and manipulation of large amounts of data and on the secure and continuous use of our internal computers, communication networks and software and hardware systems. We have implemented and maintain physical and software security measures to preserve and protect our computers, communication, and hardware and software systems as well as our data and third parties' data. However, these methods may not protect us against fire, storm, flood, power loss, earthquakes, telecommunications failures, physical or software break-ins or similar events. In addition, these measures may not be sufficient to prevent unauthorized access, use or publication of such proprietary data. A party who is able to circumvent our security measures could misappropriate or destroy proprietary information or cause interruptions in our operations. A party who has access to our proprietary data could misappropriate such data, make unauthorized use of or unintentionally destroy all or part of such proprietary data. In addition, a party, including an employee, who obtains unauthorized access to our proprietary data or breaches a confidentiality agreement with us could publish or transfer large portions or all of our proprietary data. Such publication of proprietary data could materially harm our intellectual property position, thereby seriously harming our competitive position. Such security breaches, if significant, could harm our operations and even cause our business to cease.

If we do not comply with laws regulating the protection of the environment and health and human safety, our business could be adversely affected.

Our research and development activities involve the use of hazardous materials and chemicals, and we maintain quantities of various flammable and toxic chemicals in our facilities. We believe our procedures for storing, handling and disposing these materials in our facilities comply with the relevant guidelines of the State of Israel, and since the amounts of hazardous materials that we store and hold are small, we do not believe there is an environmental risk associated with this storing and handling of hazardous materials but rather a risk related to the safety of our employees. Although we believe that our safety procedures for handling and disposing of these materials comply with the standards mandated by applicable regulations, the risk of accidental contamination or injury from these materials cannot be eliminated. If an accident occurs, we could be held liable for resulting damages, which could be substantial. We are also subject to numerous environmental, health and workplace safety laws and regulations, including those governing laboratory procedures, exposure to blood-borne pathogens and the handling of biohazardous materials. We may incur substantial costs to comply with, and substantial fines or penalties if we violate any of these laws or regulations.

Risk Factors Related to Intellectual Property

We may not be able to obtain or maintain patent protection for our inventions and if we fail to do so, our business will likely be materially harmed.

We have applied for patents covering our therapeutic and diagnostic product candidates as well as aspects of some of our technologies, and the success of our business depends, to a large extent, on our ability to obtain and maintain such patents and any additional patents covering our future product candidates. As of January 1, 2012 we had a total of 29 issued patents, of which 26 are U.S. patents. We also have pending patent applications which as of January 1, 2012 include 31 patent applications that have been filed in the United States and four applications that have been filed under the Patent Cooperation Treaty for which we have not yet designated the countries of filing. We plan to continue to apply for patent protection for our therapeutic and diagnostic inventions, including for related inventions such as antibodies and peptides, but we cannot assure you that any of our patent applications will be accepted, or that they will be accepted to the extent that we seek. Additionally, we file for patent protection in selected countries and not in all countries of the world. Therefore, we are exposed to competition in those countries in which we have no patent protection. Also, due to our early stage business model, we may be required to seek patent protection at a very early stage. This may cause issuance of a patent at an earlier stage creating a shorter commercialization period under patent protection, possibly enabling others to compete with us.

The process of obtaining patents for inventions that cover our products is uncertain for a number of reasons, including but not limited to:

- the patenting of our inventions involves complex legal issues, many of which have not yet been settled;
- legislative and judicial changes, or changes in the examination guidelines of governmental patent offices may negatively affect our ability to obtain molecule-based patents;
- in view of the finite number of human genes, we face intense competition from other biotechnology and pharmaceutical companies who have already sought patent protection relating to gene-based discoveries that we may intend to develop and commercialize;
- publication of large amounts of genomic data by non-commercial and commercial entities may hinder our ability to obtain sufficiently broad patent claims for our inventions;

- even if we succeed in obtaining patent protection, such protection may not be sufficient to prevent third parties from using our patented inventions; early stage filing may lead to a shorter commercialization period under patent protection and increased competition;

- even if we succeed in obtaining patent protection, our patents could be partially or wholly invalidated, including by our competitors; and

- there are significant costs that may need to be incurred in registering and filing patents.

If we do not succeed in obtaining patent protection for our inventions to the fullest extent for which we seek protection, our business and financial results will likely be materially harmed.

We may not be able to protect our non-patented proprietary data, technologies or discoveries, and that may materially harm our business.

Aside from our patented information, we also rely on our proprietary know-how and trade secrets that we develop and that are not protectable or protected by patents. The protective measures that we employ may not provide adequate protection for our trade secrets and know-how. Our business collaborators, licensees, employees, advisers and consultants may disclose our proprietary know-how or trade secrets in violation of their obligations to us. We may not be able to meaningfully protect our rights in our proprietary know-how or trade secrets against such unauthorized disclosure and any consequent unauthorized publication.

If we are not able to adequately protect our proprietary know-how and trade secrets, competitors may be able to develop technologies and resulting discoveries and inventions that are the same or similar to our own discoveries and inventions. That could erode our competitive advantage and materially harm our business.

The existence of third party intellectual property rights may prevent us from developing our discoveries or require us to expend financial and other resources to be able to continue to do so.

In selecting a therapeutic or diagnostic product candidate for development, we take into account, among other considerations, the existence of third party intellectual property rights that may hinder our right to develop and commercialize that product candidate. The human genomic pool is finite. To our knowledge, third parties, including our competitors, have been filing wide patent applications covering an increasing portion of the human genomic pool and the proteins and peptides expressed therefrom.

As a result of the existence of such third party intellectual property rights, we have been and may be further required to:

- forgo the research, development and commercialization of certain therapeutic and diagnostic product candidates that we discover, notwithstanding their promising scientific and commercial merits; or

- invest substantial management and financial resources to either challenge or in-license such third party intellectual property, and we cannot assure you that we will succeed in doing so on commercially reasonable terms, if at all.

We do not always have available to us, in a timely manner, information of the existence of third party intellectual property rights related to our own discoveries. The content of U.S. and other patent applications remains unavailable to the public for a period of approximately 18 months from the filing date. In some instances, the content of U.S. patent applications remains unavailable to the public until the patents are issued. As a result, we can never be certain that development projects that we commence will be free of third party intellectual property rights. If we become aware of the existence of third party intellectual property rights only after we have commenced a particular development project, we may have to forgo such project after having invested substantial resources in it.

We may infringe third party rights and may become involved in litigation, which may materially harm our business.

If a third party accuses us of infringing its intellectual property rights or if a third party commences litigation against us for the infringement of patent or other intellectual property rights, we may incur significant costs in defending such action, whether or not we ultimately prevail. Typically, patent litigation in the pharmaceutical and biotechnology industry is expensive and prolonged. Costs that we incur in defending third party infringement actions would also result in the diversion of management's and technical personnel's time. In addition, parties making claims against us may be able to obtain injunctive or other equitable relief that could prevent us or our collaborators and licensees from further developing our discoveries or commercializing our products. In the event of a successful claim of infringement against us, we may be required to pay damages or obtain one or more licenses from the prevailing third party. If we are not able to obtain such a license at a reasonable cost, if at all, we could encounter delays in product introductions and loss of substantial resources while we attempt to develop alternative products. Defense of any lawsuit or failure to obtain any such license could prevent us or our partners from commercializing available products and could cause us to incur substantial expenditures.

Patent reform and other legislative changes in the US and other countries may affect our ability to obtain and enforce our patents.

Recently, the US passed comprehensive patent reform laws, in the "America Invents Act," or the "Act." These changes may affect our ability to obtain and enforce patents in a number of ways. First, the Act provides for a period of ex parte post-grant review with expanded grounds for challenging validity of a patent for 9 months after grant of a patent. If the validity of one of our US patents is successfully challenged, some or all of the claims may be invalidated, such that we could not enforce the patent and hence could not protect one or more of our therapeutic product candidates. Other countries may also pass legislative changes to their patent laws which could materially affect – and even invalidate – one or more of our already filed patent applications, or even granted patents.

Increased progress in our technological environment may reduce our chances of obtaining a patent

In order to obtain a patent to protect one of our therapeutic product candidates, we must show that the underlying invention (that is, the candidate itself or its use) is inventive. As an increasing amount of knowledge is available for genes, proteins and biological mechanisms, the bar is increasingly raised to show sufficient inventiveness, as inventiveness is judged against all publicly available information available prior to filing of the patent application (the exact date may vary by country or due to other circumstances). We were initially pioneers in a largely unknown field, but now there are many others working in our area. We may not be able to obtain patents for our product candidates due to the increased information published in this area. Collective patent applications, in which a large number of candidates are included in one patent application, are also challenged due to the raised bar for information that must be included in a patent application, as well as due to the availability of other publications. Our own published patent applications and other publications also serve as prior art against our new inventions and patent applications, and may also prevent us from obtaining new patents.

Timing of filing of our patent applications may result in reduced patent rights.

Filing of a first patent application, or priority application, for a given therapeutic product candidate, controls the life span of any resultant patents. If we file a patent application too early, the resultant patent may expire before the given therapeutic or diagnostic product candidate reaches the market. We may also be unable to obtain a patent due to the inclusion of too little experimental data or we may fail to describe an important feature of the given therapeutic or diagnostic product candidate. If we file a patent application too late, other prior publications may prevent us from obtaining a patent or obtaining a patent of sufficient breadth to protect a given therapeutic or diagnostic product candidate.

Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.

We also rely on trade secrets, know-how and technology, which are not protected by patents, to maintain our competitive position. In order to protect our proprietary technology and processes, we also rely in part on confidentiality agreements with our collaborators, employees, consultants, outside scientific collaborators and sponsored researchers and other advisors. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such party. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Risk Factors Related to our Ordinary Shares

Holders of our ordinary shares who are U.S. residents may be required to pay additional U.S. income taxes if we are classified as a PFIC for U.S. federal income tax purposes.

There is a risk that we may be classified as a passive foreign investment company, or PFIC. Our treatment as a PFIC could result in a reduction in the after-tax return of U.S. holders of our ordinary shares and may cause a reduction in the value of our shares. For U.S. federal income tax purposes, we will generally be classified as a PFIC for any taxable year in which either: (i) 75% or more of our gross income is passive income or (ii) at least 50% of the average value (determined on a quarterly basis) of our total assets for the taxable year produce or are held for the production of passive income. Based on our analysis of our income, assets, activities and market capitalization, we do not believe that we were a PFIC for the taxable year ended December 31, 2011. However, there can be no assurances that the

United States Internal Revenue Service ("IRS") will not challenge our analysis or our conclusion regarding our PFIC status. There is also a risk that we were a PFIC for one or more prior taxable years. If we were a PFIC during any prior years, U.S. holders who acquired or held our ordinary shares during such years generally will be subject to the PFIC rules regardless of whether we were a PFIC for 2011. However, if we were not a PFIC for 2011, U.S. holders who acquired our ordinary shares in 2011 will not be subject to the PFIC rules unless we are classified as a PFIC in future years. The tests for determining PFIC status are applied annually and it is difficult to make accurate predictions of our future income, assets, activities and market capitalization, which are relevant to this determination. If we were determined to be a PFIC for U.S. federal income tax purposes, highly complex rules would apply to U.S. holders owning our ordinary shares and such U.S. holders could suffer adverse U.S. tax consequences. For more details on our PFIC status see "Item 10. United States Federal Income Tax Considerations – Tax Consequences if We Are a Passive Foreign Investment Company."

We have a limited operating history with respect to the commercialization aspects of our business model upon which investors can base an investment decision or predict our revenues.

Our ability to generate revenues from collaboration and licensing activities for current and future product candidate discoveries, primarily in the form of fees, milestones, research revenues and revenue sharing payments remains untested to date and we have received only minimal revenues from our initial collaborations, having recognized $250,000 of such revenue in 2009, $1.1 million of such revenue in 2010 and none in 2011. Furthermore, only in 2010 did we implement our Pipeline Program pursuant to which we intend to advance certain therapeutic product candidates past disease animal model proof of concept or other validation studies further towards pre-IND activities, and have no experience with respect to the financial terms that may be available at this stage of development. Therefore, our operating history with respect to the commercialization aspects of our business model provides an extremely limited basis for you to assess our ability to generate significant fee, milestone, research revenue and revenue sharing payments from the licensing and commercialization of our product candidate discoveries, or from research and discovery collaborations, and therefore on the advisability of investing in our securities.

Our share price and trading volume have been volatile and may be volatile in the future and that could limit investors' ability to sell stock at a profit and could limit our ability to successfully raise funds.

During the calendar years 2010 and 2011, our stock price on NASDAQ has traded from a low of $3.04 to a high of $5.80 and trading volume has been volatile from time to time. The volatile price of our stock and periodic volatile trading volume may make it difficult for investors to predict the value of their investment, to sell shares at a profit at any given time, or to plan purchases and sales in advance. A variety of factors may affect the market price of our ordinary shares including:

- negative global macroeconomic developments;
- our success (or lack thereof) in entering into collaboration agreements and achieving certain developmental milestones thereunder;
- our need to raise additional capital and our success or failure in doing so;
- achievement or denial of regulatory approvals by our competitors or us;
- announcements of technological innovations or new commercial products by our competitors;
- developments concerning proprietary rights, including patents;
- developments concerning our existing or new collaborations;
- regulatory developments in the United States, Israel and other countries;
- delay or failure by us or our partners in initiating, completing or analyzing pre-clinical or clinical trials or the unsatisfactory design or results of such trials;
- period to period fluctuations in our revenues and other results of operations;
- changes in financial estimates by securities analysts;
- our inability to disclose the commercial terms of, or progress under, our collaborations;

- our ability (or lack thereof) to show and accurately predict revenues; and
- sales of our ordinary shares.

We are not and will not be able to control many of these factors, and we believe that period-to-period comparisons of our financial results will not necessarily be indicative of our future performance.

In addition, the stock market in general, and the market for biotechnology companies in particular, has been experiencing extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of individual companies. These broad market and industry factors may seriously harm the market price of our ordinary shares, regardless of our operating performance.

Furthermore, the market prices of equity securities of companies that have a significant presence in Israel may also be affected by the changing security situation in the Middle East and particularly in Israel. As a result, these companies may experience volatility in their stock prices and/or difficulties in raising additional financing required to effectively operate and grow their businesses. Thus, market industry-wide fluctuations and political, economic and military conditions in the Middle East may adversely affect the trading price of our ordinary shares, regardless of our actual operating performance.

Risk Factors Relating to Operations in Israel

Conditions in the Middle East and in Israel may harm our operations.

Our offices and research and development facilities are located in Israel. Accordingly, political, economic and military conditions in Israel may directly affect our operations. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors, as well as incidents of civil unrest, military conflicts and terrorist actions. In addition, Israel and companies doing business with Israel, have in the past, been the subject of an economic boycott. Any future armed conflicts or political instability in the region, as we have recently seen in Egypt, Syria and other neighboring Arab countries, may negatively affect business conditions and adversely affect our results of operations. In addition, Iran has threatened to attack Israel and is widely believed to be developing nuclear weapons. Iran is also believed to have a strong influence among extremist groups in the region. These situations may potentially escalate in the future and turn violent which could affect Israel and us. Parties with whom we do business have sometimes declined to travel to Israel during periods of heightened unrest or tension, forcing us to make alternative arrangements when necessary. In addition, the political and security situation in Israel may result in parties with whom we have agreements involving performance in Israel claiming that they are not obligated to perform their commitments under those agreements pursuant to force majeure provisions in the agreements. We cannot give you any assurance that this will not continue to be the case. Additionally, if there were to be emergency conditions, some of our key employees may be called to active army duty for extended periods of time and that could adversely affect our operations.

Our insurance does not cover losses that may occur as a result of events associated with the security situation in the Middle East. Although the Israeli government currently covers the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that such government coverage will be maintained. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflicts or political instability in the region would likely negatively affect business conditions and could harm our results of operations.

Our results of operations may be adversely affected by the devaluation of the dollar against the New Israeli Shekel.

We hold most of our cash, cash equivalents and short-term bank deposits in U.S. dollars but incur a significant portion of our expenses, principally salaries and related personnel expenses and administrative expenses, in New Israeli Shekels (“NIS”). As a result, we are exposed to the risk that if the U.S. dollar devaluates against the NIS, our NIS denominated expenses will be greater than anticipated when reported in U.S. dollars. In 2009 and 2010 the dollar devaluated against the NIS (by 0.7% and 6.0%, respectively), however in 2011 the dollar appreciated against the NIS (by 7.7%), and as a result our NIS denominated expenses were lower than anticipated. Inflation in Israel compounds the adverse impact of any devaluation by further increasing the amount of our Israeli expenses. Israeli inflation may also (in the future) outweigh the positive effect of any appreciation of the U.S. dollar relative to the NIS, if, and to the extent that, it outpaces such appreciation or precedes such appreciation. The Israeli rate of inflation (3.9%, 2.7% and 2.2% in 2009, 2010 and 2011, respectively) has not had a material adverse effect on our financial condition during 2009, 2010 or 2011. For more information, see Note 2 of our 2011 consolidated financial statements.

We may not continue to be entitled to certain tax benefits.

Our operation has been granted an “Approved Enterprise” and “Privileged Enterprise” status by the Investment Center in the Israeli Ministry of Industry, Trade and Labor that resulted in our currently being eligible for tax benefits under the Israeli Law for Encouragement of Capital Investments, 1959, as amended. The availability of these tax benefits, however, is subject to certain requirements, including, among other things, making specified investments in fixed assets and equipment, financing a percentage of those investments with our capital contributions, compliance with our marketing program which was submitted to the Investment Center, filing of certain reports with the Investment Center and compliance with Israeli intellectual property laws. If we do not meet these requirements in the future, these tax benefits may be cancelled and we may be required to refund the amount of the benefits already received, in whole or in part, with the addition of linkage differentials to the Israeli Consumer Price Index and interest, or other monetary penalty. The tax benefits that we anticipate receiving under our current “Approved Enterprise” and “Privileged Enterprise” programs may not be continued in the future at their current levels or at all.

For more information, see “Item 5. Operating and Financial Review and Prospects; Operating Results; Governmental Economic, Fiscal, Monetary or Political Policies that Materially Affected or Could Materially Affect Our Operations”. To date we have not received any such tax benefits because we have not yet generated any taxable income.

It may be difficult to enforce a U.S. judgment against us, or our officers and directors or to assert U.S. securities law claims in Israel.

It may be difficult to obtain, within the United States, service of process upon us, since we are incorporated in Israel, and upon our directors and officers and our Israeli auditors, almost all of whom reside outside the United States. In addition, because substantially all of our assets and all of our directors and officers are located outside the United States, it may be difficult to enforce a judgment obtained in the United States against us or any of our directors and officers in United States or Israeli courts based on the civil liability provisions of the U.S. federal securities laws and it may be difficult to enforce civil liabilities under United States federal securities laws in original actions instituted in Israel.

Provisions of Israeli law may delay, prevent or affect a potential acquisition of all or a significant portion of our shares or assets and therefore depress the price of our shares.

Israeli corporate law regulates mergers, requires that acquisitions of shares above specified thresholds be conducted through special tender offers, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to these types of transactions. For example, a merger may not be consummated unless at least 50 days have passed from the date that a merger proposal was filed by each merging company with the Israeli Registrar of Companies and at least 30 days have passed from the date that the shareholders of both merging companies approved the merger. In addition, a majority of each class of securities of the target company must approve a merger. Moreover, a full tender offer can only be completed if (i) the (X) shareholders who decline or do not respond to the offer hold less than 5% of the company’s outstanding share capital or of the relevant class of shares offered to be purchased and (Y) the majority of offerees who do not have a personal interest in the acceptance of the offer accept the offer, or (ii) the shareholders who decline or do not respond to the offer hold less than 2% of the company’s outstanding share capital or of the relevant class of shares. Generally the shareholders who had their shares so purchased including those who indicated their acceptance of the tender offer, may, at any time within six months following the acceptance of the tender offer, petition the court to alter the consideration for the acquisition.

Israeli tax considerations may also make potential transactions unappealing to us or to our shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax or who are not exempt under the provisions of the Israeli Income Tax Ordinance from Israeli capital gains tax on the sale of our shares. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of various conditions, including a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies are restricted. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no actual disposition of the shares has occurred.

Furthermore, under the Israeli Encouragement of Research and Development in the Industry Law, 1984 as amended (“R&D Law”), to which we are subject due to our receipt of OCS grants (as described above), a recipient of OCS grants such as us must report to the applicable authority of the OCS any change in the holding of the means of control of our company which transforms any non-Israeli citizen or resident into a direct interested party in our company.

These and other similar provisions could delay, prevent or impede an acquisition of us or our merger with another company, even if such an acquisition or merger would be beneficial to us or to our shareholders, and it may therefore limit the price that investors may be willing to pay in the future for our ordinary shares.

For information about these limitations, see “Anti-Takeover Provisions under Israeli Law” under “Item 10. Additional Information.”

We receive grants from the OCS that may restrict the transfer of know-how that we develop.

We have received research and development grants from the OCS. The transfer of know-how developed under the programs submitted to the OCS and as to which we received the grants, or rights to manufacture based on and/or incorporating such know-how to third parties, might require the consent of the OCS, and payment of certain percentages to the OCS out of the amounts we receive as a result of the transfer of such rights

Being a foreign private issuer exempts us from certain SEC and NASDAQ requirements.

We are a “foreign private issuer” within the meaning of rules promulgated by the SEC. As such, we are exempt from certain provisions applicable to U.S. public companies including:

- the rules under the Securities Exchange Act of 1934, as amended, or Exchange Act, requiring the filing with the SEC of quarterly reports on Form 10-Q and current reports on Form 8-K;

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;

- the provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material information; and

- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any "short-swing" trading transaction (a purchase and sale, or sale and purchase, of the issuer's equity securities within less than six months).

In addition, under the rules and regulations of The NASDAQ Stock Market, a foreign private issuer may follow its home country practice in lieu of certain NASDAQ listing requirements. For example, under NASDAQ's rules a company traded on the NASDAQ market is required to select director nominees either by independent directors constituting a majority of the board of directors or by a nominations committee comprised solely of independent directors. Similarly, NASDAQ's rules require that compensation of the chief executive officer and other executive officers must be determined either by independent directors constituting a majority of the board of directors or by a compensation committee comprised solely of independent directors. However, we have opted to follow our home country practice with respect to certain approvals (See Item 16G. "Corporate Governance"). Because of these SEC and NASDAQ exemptions, investors are not afforded the same protections or information generally available to investors holding shares in public companies organized in the United States.

ITEM 4. INFORMATION ON THE COMPANY

A. HISTORY AND DEVELOPMENT OF THE COMPANY

History

We were incorporated under the laws of the State of Israel on February 10, 1993 as Compugen Ltd., an Israeli company. Our legal and commercial name is Compugen Ltd. We were established as a corporation and have operated under the laws of the State of Israel since 1993 and in particular the Israeli Companies Law, 5759-1999, as amended (the "Companies Law"). Our principal offices are located at 72 Pinchas Rosen Street, Tel Aviv 69512, Israel, and our telephone number is +972-3-765-8585. Our primary Internet address is www.cgen.com. None of the information on our website is incorporated by reference into this annual report.

We have two wholly owned subsidiaries: Compugen Inc. which was incorporated in Delaware in March 1997 and is qualified to do business in New Jersey and California, and Keddem Ltd. which was established in August 2004.

In 1999, we established a division to utilize our in silico predictive discovery capabilities in the agricultural biotechnology field. On January 1, 2002, we transferred this business to Evogene Ltd. ("Evogene"), a newly formed corporation in exchange for 1,640,000 ordinary shares of Evogene, representing 82% of such company's initial capital. Since 2002, Evogene has had several financing transactions whereby our shareholdings were diluted, and we extended certain licenses for which we were compensated in Evogene ordinary shares. Since June 2009, we sold a total of 1,106,603 of our Evogene ordinary shares for approximately $4.2 million. As of December 31, 2011, we held 1,043,397 Evogene ordinary shares representing approximately 2.9% of Evogene's then outstanding ordinary shares.

Also in 1999, we established a chemistry division to carry out a research program in which we integrated the disciplines of organic chemistry with physics and advanced computational technologies for the development of a method to substantially increase the predictability and success rates of small molecule drug discovery. These operations were subsequently transferred to our wholly owned subsidiary Keddem Ltd. and were then suspended in

2007.

Recent Funding Agreements

Pipeline Funding Baize Agreement

On December 29, 2010, we entered into the Pipeline Funding Agreement with Baize under which Baize provided us with $5 million in support of our Pipeline Program. In exchange, Baize received (i) with respect to five designated product candidates that are currently in the Pipeline Program, the right to receive ten percent (which amount may be reduced under certain circumstances) of certain cash consideration (including both development and post-marketing fees) that may be received by Compugen in the future pursuant to any licenses covering the development and commercialization of products developed from these five designated product candidates, provided that, in all cases, any such Pipeline Program Participation Rights are to be reduced by certain pass-through amounts; and (ii) warrants for 500,000 of our ordinary shares, exercisable at $6 per share through June 30, 2013. Currently, all five designated product candidates are either in active research in the Pipeline Program, or in third party'1s commercial arrangements with their current status ranging from in silico selection to post animal model proof of concept validation. In addition, Baize has the right, until June 30, 2013, to waive its right to receive Pipeline Participation Rights, in exchange for 833,334 of our ordinary shares.

Cantor Sales Agreement

On August 30, 2011, we entered into a sales agreement with Cantor Fitzgerald & Co. The sales agreement with Cantor (the "Cantor Sales Agreement") enables us to offer and sell an aggregate of up to 6,000,000 of our ordinary shares, from time to time through Cantor Fitzgerald & Co., as our sales agent. The gross proceeds from all sales made pursuant to the Cantor Sales Agreement may not exceed $40 million in the aggregate as per our effective shelf registration filed with the Securities and Exchange Commission on Form F-3 (File No. 333-171655). Sales of our ordinary shares under the registration statement and the accompanying prospectus are made in sales deemed to be "at-the-market" equity offerings as defined in Rule 415 promulgated under the Securities Act of 1933, as amended. Cantor Fitzgerald & Co. is entitled to receive a commission rate of 3.0% of gross sales in connection with the sale of our ordinary shares on our behalf.

As of March 12, 2012 we sold through the Cantor Sales Agreement an aggregate of 551,000 of our ordinary shares, and received gross proceeds of approximately $3.3 million, before deducting issuance expenses.

mAb Development Funding Baize Agreement

On December 20, 2011, we entered into the mAb Funding Agreement with Baize, pursuant to which Baize agreed to invest $8 million in Compugen in connection with certain research funding in exchange for the mAb Participation Interest in certain mAb product candidates that achieve specific milestones or have been licensed out by December 31, 2014, as further described below (the "Compugen Goldman Program"). The mAb Investment Amount is to be paid in three installments: $2 million has been paid on December 21, 2011, $3 million is to be paid on or before June 30, 2012 and $3 million to be paid on or before September 30, 2012. In the event such payments are not made, we have the right to cancel in its entirety the mAb Participation Interest by issuing to Baize Compugen ordinary shares at a value of $6 per share, equivalent to the cash actually invested, to such point.

As part of the Compugen Goldman Program, the mAb product candidates are to be developed against 12 specified Compugen-discovered targets in the field of oncology.

Baize is entitled to receive the mAb Participation Interest if such mAb product candidate either achieves a successful animal disease model during the next three years and/or is licensed out to third parties for further development and commercialization prior to such time. In each such case, the mAb Participation Interest will consist of the right to receive from Compugen a percentage of certain future payments received by Compugen from third parties from any out-licensing for further development and/or commercialization. The percentage for each such qualifying mAb product candidate will be calculated on the date of out-licensing in accordance with a sliding scale, which takes into account the total mAb Investment amount spent for the development of therapeutic mAbs against the specified 12 Compugen targets to such date, relative to the total amount spent by both Baize and Compugen on such mAbs, provided that Baize will be entitled to no less than ten percent of such future payments related to any qualifying mAb product candidates. Notwithstanding anything in the agreement, Baize has the right, during the first quarter of 2014, to waive its rights to the Participation Interest in exchange for 1,455,000 Compugen ordinary shares.

Recent Operating Developments

During 2010 we began planning and initiating our Pipeline Program to both substantially increase the number of product candidates in our validation pipeline and to advance selected molecules beyond their proof of concept stage. The Pipeline Program is focused in the field of protein therapeutics and mAb therapy in oncology and immunology and consists of more than 30 product candidates in different stages of validation. Under the Pipeline Program, newly discovered molecules enter the program when they begin experimental evaluation following their in silico prediction and selection. The Pipeline Program consists of in-vitro and in-vivo experimental validation, followed by various preclinical activities for selected molecules towards the pre-IND stage. As part of our decision to focus our discovery efforts on therapeutic proteins and drug targets for mAb therapy in immunology and oncology, during 2011 we decided to cease such efforts with respect to peptide therapeutics other than to the extent potentially useful in our focus areas.

It is our intent, in general, to license out - or enter into other collaborations with our product candidates - towards the end of these product candidates' Pipeline Program activities, although in specific cases we may choose to further develop some molecules, or enter into collaborations at an earlier stage, as we have done in the past.

Principal Capital Expenditures

In the years ended December 31, 2011, 2010 and 2009, our capital expenditures were $96,000, $46,000 and $48,000, respectively, and were spent primarily on laboratory equipment, computer software and hardware and leasehold improvements. We have no current significant commitments for capital expenditures.

B. BUSINESS OVERVIEW

Overview

We are a leading therapeutic product discovery company focused on therapeutic proteins and monoclonal antibodies to address important unmet needs in the fields of immunology and oncology. Our business model primarily involves collaborations covering the further development and commercialization of our discovered product candidates and various forms of research and discovery agreements, in both cases providing us with potential milestone payments and royalties on product sales or other forms of revenue sharing. Oncology and immunology are both areas of complex and challenging diseases with significant unmet medical needs. Therefore, these are areas of high industry interest with numerous efforts to identify novel therapeutic solutions. Our science-driven predictive capabilities are well suited for the identification of novel therapeutic candidates for these complex, multi-factorial and challenging therapeutic fields. Unlike traditional high throughput trial and error experimental based drug candidate discovery, our discovery efforts are based on systematic and continuously improving in silico (by computer) product candidate prediction and selection followed by experimental validation, with selected product candidates being advanced in our Pipeline Program to the pre-IND stage. Our in silico predictive models utilize a broad and continuously growing infrastructure of proprietary scientific understandings and predictive platforms, algorithms, machine learning systems and other computational biology capabilities.

Our Pipeline Program, which was initiated in late 2010, consists of more than 30 therapeutic product candidates at various stages, ranging from validation to pre-clinical studies. The aim of the Pipeline Program is to substantially increase the number of in house discovered protein therapeutics and mAb targets in the fields of immunology and oncology in our validation pipeline and to advance selected molecules beyond their proof of concept stage. The newly discovered molecules enter the Pipeline Program when they begin experimental evaluation following their in silico prediction and selection. These molecules then undergo in-vitro and in-vivo experimental validation, eventually with selected molecules being advanced toward pre-IND activities. The experimental validation studies are conducted at the Company's facilities, or at leading expert laboratories, selected specifically for each relevant field. With respect to therapeutic protein product candidates that have either been or will be successfully validated in-vitro, these molecules are further advanced to in vivo proof of concept studies in disease animal models followed by the selection of the final therapeutic form of the molecule to be used at later development stages. In the case of drug targets for mAbs, additional target characterization and validation studies confirming the target's therapeutic potential will be undertaken followed by the generation of a therapeutic mAb for in vivo proof of concept studies in disease animal models. mAb molecules, either humanized or fully-human, selected to be advanced to Pre-IND activities, will then enter the stage of lead candidate selection and optimization. It is our intent, in general, to license out - or enter into other collaborations with our product candidates - towards the end of these product candidates' Pipeline Program activities, although in specific cases we may choose to either take some molecules for further development, or enter into collaborations at an earlier stage.

Our Discovery Infrastructure

Our proprietary underlying and growing predictive discovery infrastructure has been shown to be applicable for the discovery of product candidates in many different therapeutic and diagnostic areas. This infrastructure incorporates predictive understandings of numerous biological phenomena at the molecular level, including how genes express transcripts, how transcripts become proteins, and how proteins are cleaved to create peptides. These predictive understandings were accomplished during a decade long and on-going research effort at Compugen and are based on sophisticated analyses of huge amounts of data of various types, such as genetic, molecular, structural, clinical, biological pathways and others. This effort is performed on an on-going basis by an experienced multidisciplinary research team of scientists who on average have been employed by Compugen for eight years, and over time have generated more than 70 peer reviewed publications of certain of our findings and capabilities in scientific journals.

A key aspect of our capabilities is the increasing set of building block algorithms and other proprietary technologies for the accurate integration of the enormous amount of data from different sources which form the basis for our infrastructures, such as our key discovery infrastructure platforms, LEADS and MED, as described below. This has resulted in the ability to utilize this discovery infrastructure to provide output in the form of meaningful biological information, in addition to continuing the development and enhancement of the infrastructure itself. A further requirement of our discovery capabilities is the development of a set of query algorithms specifically designed for the prediction and selection of molecules that should address specific areas or needs. Such query algorithms are different for each of our growing list of individual discovery capabilities.

Following the prediction and selection of potential product candidates through use of this infrastructure, which is accomplished entirely by computer, the resulting predicted candidates are validated utilizing well-accepted laboratory experimental procedures, which in addition to providing validation of the candidates, also provides key information for further refining the query algorithms and other aspects of the infrastructure.

Infrastructure Platforms

An important aspect of our infrastructure development efforts was the creation of our two key infrastructure platforms, LEADS and MED, which integrate our scientific understandings and predictive models. LEADS provides a comprehensive predictive view of the human transcriptome and proteome and enables the discovery of novel genes and proteins, while MED provides a broad analysis of the expression levels of genes across a wide variety of tissues and disease states. These infrastructure platforms serve as key components first in the creation of our individual discovery platforms described below, and then in allowing us to approach unmet clinical needs through the integrated use of these infrastructure platforms with the discovery platforms, systems and tools developed by us during the last decade.

LEADS provides a comprehensive view of the human transcriptome, proteome, and peptidome and serves as a rich infrastructure for the discovery of novel genes, transcripts and proteins. This is the first infrastructure platform developed by us and it has been enhanced and improved for over a decade. LEADS provides precise gene, transcript, protein and peptide prediction through modeling of various biological phenomena such as alternative splicing, antisense, fusion gene, RNA editing and polymorphisms. LEADS serves as a rich and accurate database of thousands of proprietary and novel genes and proteins. The infrastructure is based on mapping of mRNAs and expressed sequence tags (ESTs) to the genome, followed by clustering of the sequences and assembly of the gene structure and all possible mRNA transcripts and resulting proteins, through a multistep predictive analysis process. LEADS includes proprietary algorithms developed at Compugen and public and proprietary input data. This combination of proprietary algorithm tools and data, public and proprietary, allows us to identify previously unknown proteins and transcripts.

MED is an in silico disease expression database integrating more than 70,000 microarray experiments which are grouped into approximately 1,400 sets. Each set is a unification of different experiments of tissues with the same clinical relevance (i.e. normal tissues, malignant tissues, tissues from drug treated patients). In contrast to a commonly used single experiments analysis approach, through MED the results from all 70,000 microarray experiments are integrated via a sophisticated procedure that we developed and are then unified into a "virtual" or in silico chip. The “virtual” chip allows us to analyze the expression of genes across all 1,400 conditions and tissues based on the results from the 70,000 experiments simultaneously. This integrated analysis allows a broad view of the expression profile of a single gene over thousands of experiments and multiple tissue types. It also allows the identification and elimination of exceptional expression results obtained from various data sources, resulting in a system with an improved signal-to-noise ratio and thus superior accuracy. The fact that the platform integrates data from many sources and experiments gives robust results. MED’s in silico discoveries have been experimentally validated repeatedly over the years with expression data obtained in house by a quantitative expression assay system, qRT-PCR, on established controlled and independent mRNA tissue panels.

Discovery Platforms

EV/EBITDA Multiple to March 31,	Implied Undiscounted Value Per

2016 Estimated Adjusted EBITDA		Share
11.0	x	$ 77.00
12.5	x	$ 89.00
14.9	x*	$ 107.00

* Multiple represents the Company’s EV/EBITDA multiple based on the Company’s fiscal year ending March 31, 2015 estimated Adjusted EBITDA as of June 17, 2014.

In addition, Barclays applied the range of EV/EBITDA multiples set forth in the table below to the Company’s fiscal year ending March 31, 2017 estimated Adjusted EBITDA based on the Updated Base Case Projections to calculate the implied enterprise value of the Company. Barclays deducted the Company’s estimated net debt as of March 31, 2016 to determine the estimated undiscounted future equity values per share of the Company common stock two years later. Barclays then discounted these future equity values per share by two years to present value using a discount rate of 13%, which was based on the Company’s estimated cost of equity. This analysis yielded the following implied undiscounted and discounted values per share of Company common stock (per share values were rounded to the nearest $1.00 increment), compared to the merger consideration of $86.00 per share of Company common stock:

EV/EBITDA Multiple to March 31, 2017 Adjusted Estimated EBITDA		Implied Undiscounted Value Per Share	Implied Discounted Value Per Share
9.5	x*	$ 86.00	$ 68.00
11.0	x	$ 100.00	$ 78.00
14.9	x**	$ 136.00	$ 107.00

* Multiple based on the Company's historical 3-year average EV/EBITDA multiple based on the Company's next twelve months estimated Adjusted EBITDA as of June 17, 2014 of 9.4x.

** Multiple represents the Company's EV/EBITDA multiple based on the Company's fiscal year ending March 31, 2015 estimated Adjusted EBITDA as of June 17, 2014.

General

Barclays is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. The Board selected Barclays because of its familiarity with the Company and its qualifications, reputation and experience in the valuation of businesses and securities in connection with mergers and acquisitions generally, as well as substantial experience in transactions comparable to the merger.

Barclays is acting as financial advisor to the Company in connection with the merger. As compensation for its services in connection with the merger, the Company agreed to pay Barclays a fee of $1.5 million upon the delivery of Barclays' opinion. The Company has also agreed to pay Barclays a fee of $12.5 million upon consummation of the merger, against which the $1.5 million paid to Barclays in connection with its opinion will be credited. In addition, the Company has agreed to reimburse Barclays for its expenses under certain circumstances and to indemnify Barclays for certain liabilities that may arise out of its engagement. Barclays has performed various investment banking and financial services for the Company and TE, and its affiliates, in the past and has received customary compensation for a portion of such services. Specifically, since January 1, 2012, Barclays has performed the following investment banking and financial services for TE, and its affiliates, for which Barclays has received aggregate fees of approximately $1.5 million: (i) acted as an underwriter on the senior notes offering for Tyco Electronics Group S.A., which was fully and unconditionally guaranteed by TE, and (ii) provided certain risk management and derivatives services for TE and its affiliates. In addition, Barclays may perform various investment banking and financial services for TE and its affiliates in the future for which Barclays would expect to receive customary compensation for such services. Since January 1, 2012, Barclays has not received any fees from the Company or its affiliates in connection with any investment banking or financial services.

Barclays and its affiliates engage in a wide range of businesses from investment and commercial banking, lending, asset management and other financial and non-financial services. In the ordinary course of its business, Barclays and affiliates may actively trade and effect transactions in the equity, debt and/or other securities (and any derivatives thereof) and financial instruments (including loans and other obligations) of the Company and TE and their respective affiliates for its own account and for the accounts of its customers and, accordingly, may at any time hold long or short positions and investments in such securities and financial instruments.

Interests of Company Directors and Executive Officers in the Merger

In considering the recommendation of the Board that you vote to approve and adopt the merger agreement, you should be aware that aside from their interests as shareholders of the Company, the Board and executive officers have interests in the merger that may be different from, or in addition to, those of other shareholders of the Company generally. The members of the Board were aware of and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to the shareholders of the Company that they approve and adopt the merger agreement.

See the sections entitled “The Merger — Background of the Merger” beginning on page 21 and “The Merger — Reasons for the Merger” beginning on page 26. Shareholders of the Company should take these interests into account in deciding whether to vote “**FOR**” the adoption of the merger agreement. These interests are described and quantified below.

Equity-Based Awards

The Company’s directors and executive officers hold stock options and RSUs that, pursuant to the terms of the applicable award agreements as in effect on the date of the merger agreement, will be vested at the effective time of the merger (either because the awards will have already vested prior to the effective time of the merger or because the vesting of the awards will accelerate at such time). Joseph Gleeson, the Company’s Chief Operating Officer, also holds certain RSUs that will be unvested at the effective time of the merger (because the awards will not yet have vested prior to the effective time of the merger, and the vesting of the awards will not accelerate at such time).

Each equity award held by the Company’s directors and executive officers as of immediately prior to the effective time of the merger will be canceled at the effective time of the merger in consideration of a cash payment in an aggregate amount equal to the product of (i) the merger consideration of $86.00 per share of Company common stock (less the applicable exercise price, in the case of a stock option) multiplied by (ii) the total number of shares of Company common stock subject to such award. Each of these amounts (other than the amounts for Mr. Gleeson’s unvested RSUs that do not vest as a result of the merger) will be paid in a lump sum at or promptly after the effective time of the merger.

The amounts for Mr. Gleeson’s unvested RSUs that do not vest as a result of the merger will be paid on or within 30 days after the date(s) on which such awards were scheduled to become vested pursuant to the terms of the applicable award agreement as in effect as of the date of the merger agreement, subject to Mr. Gleeson’s continued employment with the Company or any of its affiliates through the scheduled vesting dates. Mr. Gleeson holds certain RSUs that will be unvested at the effective time of the merger, but the vesting of such awards will, pursuant to the terms of Mr. Gleeson’s employment agreement, fully accelerate upon the termination of his employment within two years after a “change in control” by the Company without “cause” or by the executive with “good reason.” The closing of the merger would constitute a “change in control” for purposes of these agreements. See the section entitled “Potential Termination Payments and Benefits to Executive Officers” below for the definitions of “cause” and “good reason” for purposes of these executives’ employment agreements, including Mr. Gleeson’s employment agreement.

The following table sets forth the number of stock options and RSUs held by each of the Company’s directors and executive officers that, pursuant to the terms of the applicable award agreements as in effect on the date of the merger agreement, will be vested at the effective time of the merger (either because the awards will have already vested prior to the effective time of the merger or because the vesting of the awards will accelerate at such time or upon a qualifying termination of employment following the merger), assuming that the effective time of the merger occurs on October 1, 2014, as well as values of such awards based on the $86.00 per share merger consideration (minus the applicable exercise price for the options). This table assumes that our directors and executive officers will not sell or acquire any shares of Company common stock and will not exercise any stock options before October 1, 2014.

Name	Options (#) (1)	Options ($)	RSUs (#)	RSUs ($)
Directors				
Satish Rishi	28,000	1,704,855	1,500	129,000
Kenneth E. Thompson	28,000	1,704,855	1,500	129,000
Morton L. Topfer	—	—	1,500	129,000

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Name	Options (#) (1)	Options ($)	RSUs (#)	RSUs ($)
R. Barry Uber	18,000	923,805	1,500	129,000
Executive Officers				
Frank Guidone	401,744	25,357,558	61,500	5,289,000
Mark Thomson	76,791	5,229,421	35,000	3,010,000
Glen MacGibbon	95,266	6,825,805	21,250	1,827,500
Mitch Thompson	43,334	2,935,299	26,500	2,279,000
Joseph Gleeson	—	—	13,651	1,173,986
Jeffrey Kostelni	13,000	923,620	4,250	365,500

(1) All outstanding stock options are already fully vested as of the date of this proxy statement other than options to purchase 6,000 shares held by Mr. Kostelni that will become vested upon the effective time of the merger.

Potential Termination Payments and Benefits to Executive Officers

Pursuant to the terms of their employment agreements with the Company, Frank Guidone, President and Chief Executive Officer; Mark Thomson, Chief Financial Officer; Mitchell Thompson, Chief Technology Officer; Glen MacGibbon, Executive Vice President; and Mr. Gleeson is entitled to the payments and benefits described below on termination of his employment within two years after a "change in control" by the Company without "cause" or by the executive with "good reason." The closing of the merger would constitute a "change in control" for purposes of these agreements. See below for the definitions of "cause" and "good reason" applicable under these agreements.

On such termination, each executive would receive the following payments and benefits (subject to the executive's execution and non-revocation of a release of claims in favor of the Company):

- an amount equal to 150% (200% for Mr. Guidone) of the sum of (i) his base salary in effect as of the date of such termination and (ii) his target annual bonus for the fiscal year in which such termination occurs, payable in equal installments over 18 months (or for Mr. Guidone, in a lump sum within 20 days) following the effective date of the release;
- a pro rata portion of his target annual bonus for the fiscal year in which such termination occurs;
- reimbursement of the employer portion of the applicable premium for 18 months of continued health and dental coverage (except for Mr. Gleeson); and
- full vesting of all outstanding unvested equity awards.

If such payments and benefits would result in the executive's being subject to the 20% excise tax imposed on "excess" transaction-related payments and benefits under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the total amount of such payments and benefits will be reduced if and to the extent that such reduction would result in a greater after-tax payment to the executive.

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Pursuant to the terms of the employment agreement between Jeffrey Kostelni, Vice President, and the Company, if his employment is terminated by the Company without “cause” or by him for “good reason”, he is entitled to (1) an amount equal to four months of his base salary in effect as of the date of such termination, payable in equal monthly installments; and (2) continued health benefits at no cost to him for the four month severance period.

For estimates of the amounts of such payments and benefits for each named executive officer, see below under “Quantification of Payments and Benefits to Company Named Executive Officers.” Assuming the effective time of the merger occurs on October 1, 2014 and Mr. Gleeson (who is not one of our named executive officers under the applicable SEC rules) experiences a qualifying termination of employment in connection with the closing of the merger, he would be entitled to $322,472 in cash severance and $1,173,986 in value associated with accelerated vesting of RSUs under the terms of his employment agreement. If Mr. Kostelni (who is not one of our named executive officers under the applicable SEC rules) experiences a qualifying termination of employment on October 1, 2014, he would be entitled to $60,296 under the terms of his employment agreement, which includes the cash severance and an estimate of the cost of continued health benefits.

“Cause” is defined as follows in each executive’s employment agreement:

- any act or omission that constitutes a material breach by the executive of any of his obligations under the agreement or any material written policy of the Company or any of its affiliates, assuming such obligations are lawful;
- the failure by the executive to follow any lawful reasonable direction of the Board (or the Chief Executive Officer, for each executive other than Mr. Guidone) that is material and is consistent with the executive’s obligations under his employment agreement;
- except for Mr. Kostelni, the executive’s refusal to discharge his duties pursuant to the agreement, assuming such duties are lawful;
- the conviction of the executive of a felony or a crime involving fraud, moral turpitude (except for Mr. Kostelni), misappropriation or dishonesty (or, for Mr. Gleeson, the conviction of any criminal offense other than a traffic offense); or
- for Mr. Gleeson, any conduct that in the reasonable opinion of the Board may affect his position in, or the reputation of, the Company, or his becoming subject to the disqualification or restriction provisions contained in Part VII of Ireland’s Companies Act, 1990 or similar legislation.

In each case (other than in the case of conviction of a felony or a crime described above), the executive has the right to cure the event alleged to constitute cause for 30 days (20 days for Mr. Kostelni) after he receives written notice from the Board (or the Chief Executive Officer, in the case of each executive other than Mr. Guidone).

“Good Reason” is defined as follows in each executive’s employment agreement:

- the Company is in default of any material obligations under the agreement (for Mr. Kostelni, any obligations under the agreement);
- any material diminution in title, job responsibilities, power, authority, or duties of the executive (other than a change in the executive's reporting structure);
- without the executive's consent, the executive's principal place of employment is relocated beyond 40 miles (50 miles for Mr. Gleeson or 25 miles for Mr. Kostelni) from his current office location; or
- any reduction of the executive's target annual bonus percentage (for Mr. Kostelni, any material reduction thereof).

In each case other than Mr. Kostelni (i) the executive must provide written notice to the Company of such action, (ii) such action must exist for 30 days after the executive provides notice, (iii) the executive must provide the Company at least ten days to cure such action after the Company's receipt of notice and (iv) the executive must resign within 30 days following the occurrence of such action.

Indemnification Insurance

Pursuant to the terms of the merger agreement, directors and executive officers of the Company will be entitled to certain ongoing indemnification and coverage under directors and officers liability insurance policies from the Surviving Corporation. Such indemnification is further described in the section entitled "The Merger Agreement — Indemnification and Insurance" beginning on page 65.

Non-Qualified Deferred Compensation Plan

Amounts deferred under our Non-Qualified Deferred Compensation Plan may be distributable to participants under the plan upon a change in control if the participant elected a distribution upon such an event. As of the date of this proxy statement, of the executive officers, only Mr. Kostelni had a balance under the plan that would be distributable upon the consummation of this merger. The amount of his distribution is approximately $3,218, subject to adjustment for investment earnings and losses.

New Management Arrangements

As of the date of this proxy statement, the Company has not entered into or amended any agreements with the Company's executive officers in connection with the merger. However, Mr. Thompson and Mr. Gleeson have each entered into a retention incentive agreement with TE that is conditioned upon the closing of the merger and that provides for a retention incentive bonus, a sign-on equity grant and, for Mr. Thompson, a sign-on cash bonus as follows:

- *Retention incentive bonus*: Mr. Thompson and Mr. Gleeson will receive a lump sum cash payment ($200,000 for Mr. Thompson and €150,000 for Mr. Gleeson) on or within 30 days after the second anniversary of the closing date of the merger, if the executive remains employed with the Company or another TE entity through such second anniversary date. However, if the executive's employment is terminated by Company or another TE entity without "cause" (as defined in his current employment agreement with the Company and summarized above), he will receive the payment on or within 30 days after such termination.
- *Sign-on equity grant*: Mr. Thompson and Mr. Gleeson will receive a special one-time award of restricted share units with respect to TE common stock shortly after the closing of the merger with a specified grant date value ($350,000 for Mr. Thompson and $300,000 for Mr. Gleeson). The award will vest annually over a four-year period, subject to the executive's continued employment with the Company or another TE entity through each vesting date.
- *Sign-on cash bonus*: Mr. Thompson will receive a sign-on cash bonus of $465,000 (minus applicable withholdings). If Mr. Thompson voluntarily terminates his employment (other than due to his death or "permanent disability" (as defined in his current employment agreement with the Company)), or if the Company terminates his employment for

"cause" (as defined in his current employment agreement with the Company), in either case before the second anniversary of the closing date of the merger, he will be required to repay a pro rata portion of the sign-on cash bonus based on the portion of such two-year period that he was not employed.

In addition, TE discussed with Mr. Guidone the potential terms of a one-year consulting agreement to be executed in connection with the anticipated termination of his existing employment agreement following the consummation of the merger. TE also discussed retention incentive agreements with each of Messrs. Thomson and MacGibbon. No such agreements have been entered into as of the date of this proxy statement, and there can be no certainty that agreement on the terms of any such agreements will be reached with any of these executives in the future.

Quantification of Payments and Benefits to Company Named Executive Officers

The table below sets forth for each of the Company's named executive officers estimates of the amounts of compensation that are based on or otherwise relate to the merger and that may become payable to the named executive officer upon the closing of the merger, either with or without a qualifying termination of employment. The estimates in the table assume that the merger will become effective on October 1, 2014 and, if applicable, a qualifying termination of employment will occur immediately thereafter. These payments and benefits payable by the Company to the Company's named executive officers (other than payments included in the "Other" column below because they relate to an arrangement between TE and one of our named executive officers) are subject to an advisory vote of the Company's shareholders as described in the section entitled "Advisory Vote on Named Executive Officer Merger Related Compensation" beginning on page 72.

Name	Cash ($)(2)	Equity ($)(3)	Perquisites/ Benefits ($)(4)	Other ($)(5)	Total ($)(6)
Frank Guidone (President and Chief Executive Officer)	2,475,753	5,289,000	38,854	—	7,803,607
Mark Thomson (Chief Financial Officer)	832,241	3,010,000	38,707	—	3,880,948
Steve Smith (Former Chief Operating Officer) (1)	28,846	666,500	—	—	695,346
Glen MacGibbon (Executive Vice President)	676,196	1,827,500	38,707	—	2,542,403
Mitch Thompson (Chief Technology Officer)	625,171	2,279,000	38,854	1,015,000	3,958,025

(1) Mr. Smith announced his retirement as our Chief Operating Officer, effective as of April 1, 2014, and therefore, ceased to be an executive officer of the Company as of that date and his employment agreement with the Company terminated as of that date. The Company entered into an employment agreement with Joseph Gleeson for his services as Chief Operating Officer on April 3, 2014, and he became an executive officer of the Company. Mr. Gleeson is not, therefore, a "named executive officer" for purposes of the disclosure required under SEC rules.

(2) For each named executive officer (other than Mr. Smith, whose employment agreement with us terminated as of April 1, 2014), the amounts in this column reflect the cash severance due under the named executive officer's employment agreement if his employment is terminated by us for any reason other than for "cause" or by him for "good reason" (as those terms are defined in the applicable agreement and summarized above) in either case within two years after a change in control of the Company (which will occur upon the closing of the merger) and subject to the named executive officer's execution and non-revocation of a release of claims in favor of the Company. The table below provides a breakdown of cash severance for each named executive officer (other than Mr. Smith):

Name	Base Salary x Applicable Percentage ($)(a)	Target Annual Bonus x Applicable Percentage ($)(a)	Pro-rata Portion of the Target Bonus ($)(b)
Frank Guidone	1,100,000	1,100,000	275,753
Mark Thomson	480,000	264,000	88,241
Glen MacGibbon	390,000	214,500	71,696
Mitch Thompson	375,000	187,500	62,671

(a) These amounts are payable in equal installments over 18 months (or for Mr. Guidone, in a lump sum within 20 days) following the effective date of the release.

(b) These amounts are payable in a lump sum within 20 days following the effective date of the release.

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For additional details, see “The Merger — Interests of Company Directors and Executive Officers in the Merger— Potential Termination Payments and Benefits to Executive Officers” beginning on page 41.

Because Mr. Smith does not have an employment agreement with the Company, he would receive severance under the Company’s discretionary severance policy. Mr. Smith’s cash severance amount assumes six weeks of base salary based on eight years of service.

(3) The amounts in this column reflect the values of RSUs that will vest upon the closing of the merger. The value of the accelerated vesting of each RSU award is calculated based on the merger consideration of $86.00 per share multiplied by the number of shares subject to the RSU award. Values associated with stock options are not included in this column since all stock options held by named executive officers are vested as of the date of this proxy statement. For additional details, including a breakdown of RSU awards held by each named executive officer (other than Mr. Smith), see the section entitled “The Merger — Interests of Company Directors and Executive Officers in the Merger—Equity-Based Awards” beginning on page 40. For Mr. Smith, the amount in this column relates to 7,750 shares of our common stock underlying his RSUs.

(4) The amounts in this column reflect the cost to the Company of continuing health benefits for the applicable severance period as required under the named executive officer’s employment agreement (see “The Merger — Interests of Company Directors and Executive Officers in the Merger— Potential Termination Payments and Benefits to Executive Officers” beginning on page 41).

(5) The table below sets forth the cash amounts payable to Mr. Thompson pursuant to his retention incentive agreement with TE (see “The Merger — Interests of Company Directors and Executive Officers in the Merger— New Management Arrangements” beginning on page 43):

Name	Retention Incentive Bonus ($)(a)	Sign-on Equity Grant ($)(b)	Sign-On Cash Bonus ($)(c)	Total ($)
Mitch Thompson	200,000	350,000	465,000	1,015,000

(a) This retention incentive bonus is payable in a lump sum in cash on or within 30 days after the second anniversary of the closing date of the merger, if the executive remains employed with the Company or another TE entity through the applicable anniversary date. However, if the executive’s employment is terminated by Company or another TE entity without “cause” (as defined in his current employment agreement with the Company and summarized above), he will receive the payment on or within 30 days after such termination.

(b) This special one-time award of restricted share units with respect to TE common stock will be granted shortly after the closing of the merger and will vest annually over a four-year period, subject to the executive’s continued employment with the Company or another TE entity through each vesting date.

(c) This sign-on cash bonus will become payable (minus applicable withholdings) in a lump sum on or within 30 days of the closing of the merger. If the executive voluntarily terminates his employment (other than due to his death or "permanent disability" (as defined in his current employment agreement with the Company)), or if the Company terminates his employment for "cause" (as defined in his current employment agreement with the Company), in either case before the second anniversary of the closing date of the merger, he will be required to repay a pro rata portion of the sign-on cash bonus based on the portion of such two-year period that he was not employed.

(6) Of the amounts payable to the named executive officers, the amounts set forth in the column entitled "Equity" are attributable to single-trigger arrangements (payable upon the change in control alone, without regard to termination of employment), the amounts set forth in the column entitled "Other" are attributable to modified single-trigger arrangements (payable on a date certain following the change in control or, if earlier, upon a qualifying termination of employment following the change in control), and the amounts set forth in the remaining columns are attributable to double-trigger arrangements (requiring a qualifying termination of employment as well as the change in control).

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Selected Unaudited Prospective Financial Information

The Company as a matter of course prepares limited forecasts as to future financial performance over a three-year period coincident with the operations of its business and business planning, but the Company does not disclose such forecasts because, among other reasons, of the inherent uncertainty of the underlying assumptions and estimates. The Company's management extended the period of such limited forecasts by preparing financial projections in April of 2014 for the Company's fiscal years ending on March 31, 2014 through 2020 (referred to as the "Original Base Case Projections") and shared such Original Base Case Projections with TE in connection with discussions concerning the possible transaction and TE's due diligence of the Company. The Company also shared financial projections related specifically to the Company's acquisition of Wema System AS ("Wema") with TE (the "Wema Projections").

As of June 14, 2014, the Original Base Case Projections were updated to incorporate, among other things, actual results for the fiscal year ended March 31, 2014 and the months ended April 30, 2014 and May 31, 2014, and management's then current assessment of the Company's future performance taking into account the financial performance from the Company's acquisition of Wema (the "Updated Base Case Projections"). As of this time, the Company also prepared speculative "upside" projections of the Company's potential financial performance related to a possible new commercial opportunity that had not yet resulted in a contract or any product sales (referred to as the "Upside Case Projections" and collectively with the Original Base Case Projections, the Wema Projections and the Updated Base Case Projections, referred to as the "Prospective Financial Information"). The Updated Base Case Projections were management's best current estimate of future financial performance of the Company, but included significant execution and other risks. The Upside Case Projections were speculative estimates that assumed considerable success of a very contingent future commercial opportunity. The Company made the Prospective Financial Information available to (i) the Board in connection with its evaluation of potential strategic alternatives available to the Company and its evaluation of the merger and (ii) Barclays for purposes of its analysis described above in the section entitled "The Merger — Opinion of Financial Advisor" beginning on page 30 and the opinion delivered by Barclays to the Board.

The Company is not including the Prospective Financial Information in this proxy statement to influence a shareholder's decision or for any other purpose, but is including such information to provide its shareholders access to certain non-public unaudited Prospective Financial Information that was made available to TE, the Board, and Barclays. The inclusion of the Prospective Financial Information in this proxy statement should not be regarded as an indication that the Company or any other recipient of the Prospective Financial Information considered, or now considers, it to be necessarily predictive of actual future results or indicative of guidance the Company would provide as a stand-alone company should the merger not be consummated.

The selected unaudited Prospective Financial Information was prepared for internal planning and evaluation purposes and was not prepared with a view toward public disclosure and is subjective in many respects. In addition, the selected unaudited Prospective Financial Information reflects numerous judgments, estimates and assumptions with respect to industry performance, general business, economic, regulatory, litigation, market and financial conditions, as well as matters specific to the Company's business, which matters are difficult to predict. For a description of some of these factors, shareholders are urged to review the Company's most recent SEC filings (including the information under "Risk Factors" in the Company's Form 10-K) as well as the section in this proxy statement entitled "Cautionary Statement Regarding Forward-Looking Information" beginning on page 15. Many of the assumptions made in the preparation of the Prospective Financial Information are beyond the control of management, may not prove to be accurate, are not necessarily indicative of future performance and should not be regarded as a representation by the Company that such assumptions will be achieved. Accordingly, there is no assurance that the prospective results will be realized or that actual results will not vary, even materially, from this information.

Since the selected unaudited Prospective Financial Information covers multiple years, such information by its nature becomes less predictive with each successive year. Neither the Company nor any of its representatives, officers or directors has made or makes any representation to any shareholder or other person regarding the Company's ultimate performance compared to the results contained in the selected unaudited Prospective Financial Information or that the results therein will be achieved. The Company has made no representation to TE, in the merger agreement or otherwise, concerning this financial information or any other financial forecast. Readers of this proxy statement are cautioned not to place undue reliance on this information and should not consider the selected unaudited Prospective Financial Information as necessarily predictive of actual future operating results.

The Prospective Financial Information should be read together with the historical financial statements of the Company contained in our Form 10-K for the fiscal year ended March 31, 2014 (filed on June 3, 2014), which are incorporated by reference into this proxy statement. The Prospective Financial Information was not prepared with a view toward public disclosure and, accordingly, does not comply with published guidelines of the SEC, the Public Company Accounting and Oversight Board or the American Institute of Certified Public Accountants. Neither our independent registered public accounting firm nor any other independent accountant has compiled, examined or performed any procedures with respect to the Prospective Financial Information nor have they expressed any opinion or given any form of assurance on the Prospective Financial Information or its achievability and accordingly, assume no responsibility for, and disclaim any association with, the selected unaudited Prospective Financial Information. Furthermore, the selected unaudited Prospective Financial Information does not take into account any circumstances or events occurring after the date of its preparation.

The following tables present a summary of the Original Base Case Projections and Wema Projections as prepared by the Company's management and provided to the Board, Barclays and TE:

Management's Original Base Case Projections: ($ Amount in Millions except per share data)

FY ending Mar. 31st	2014	2015	2016	2017	2018	2019	2020
Revenue	$413	$443	$497	$557	$593	$638	$686
Gross Profit	$172	$191	$217	$247	$266	$289	$311
EBITA	$60	$68	$83	$102	$113	$126	$141
Profit Before Taxes	$48	$58	$74	$94	$106	$121	$136
Tax Accrual	$10	$14	$19	$24	$28	$31	$35
Net Income	$38	$43	$55	$69	$79	$89	$101
Company Shares outstanding	16.7	17.1	17.4	17.8	18.1	18.5	18.8
EPS	$2.26	$2.53	$3.13	$3.90	$4.34	$4.83	$5.35
EBITDA	$74	$84	$100	$121	$133	$147	$164
EBITDA (excluding F123 Expense)	$81	$93	$110	$132	$144	$160	$173

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Management's Wema Projections: ($ Amount in Millions except per share data)

FY ending Mar. 31st	2014	2015	2016	2017	2018	2019	2020
Revenue	$109	$125	$143	$158	$166	$174	$183
Gross Profit	$26	$34	$42	$49	$51	$54	$57
EBITA	$2	$10	$23	$31	$33	$35	$37
Profit Before Taxes	$2	$3	$15	$24	$26	$29	$31
Tax Accrual	$0	$1	$4	$7	$7	$8	$8
Net Income	$2	$2	$11	$18	$19	$21	$23
EBITDA	$5	$13	$27	$35	$37	$39	$41
EBITDA (excluding F123 Expense)	$5	$12	$27	$35	$37	$39	$41
% Sales	4.3 %	10.0%	19.0%	22.3%	22.4%	22.4%	22.5%

The following tables present a summary of the Updated Base Case Projections and the Upside Case Projections as prepared by the Company's management and provided to the Board and Barclays:

Management's Updated Base Case Projections: (as of June 14, 2014) ($ Amount in Millions except per share data)

FY ending Mar. 31st	2014	2015	2016	2017	2018	2019	2014-2019 CAGR
Revenue	$521	$ 549	$641	$716	$759	$813	9.3 %
Adjusted EBITDA (excluding F123 Expense)	$86	$ 105	$137	$168	$182	$199	18.3 %
EBITDA (including F123 Expense)	$79	$ 96	$127	$157	$171	$187	18.9 %
Less: Depreciation and Amortization	$(23)	$ (30)	$(34)	$(35)	$(35)	$(35)	
EBIT	$54	$ 56	$93	$122	$136	$152	
Tax effect (at a 26% rate)	(14)	(15)	(24)	(32)	(36)	(40)	
Unlevered Net Income	$40	$ 41	$69	$90	$100	$112	23.2 %
Plus: Depreciation and Amortization		$ 30	$34	$35	$35	$35	
Less: Capex		(25)	(24)	(26)	(28)	(30)	
Less: Increase in Working Capital		(46)	(11)	(14)	(8)	(11)	
Unlevered Free Cash Flow		($0)	$67	$84	$100	$107	

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Management's Upside Case Projections: ($ Amount in Millions, except per share data)

FY ending Mar. 31st	2014	2015	2016	2017	2018	2019	2014-2019 CAGR
Revenue	$521	$557	$670	$750	$793	$847	10.2 %
Adjusted EBITDA (excluding F123 Expense)	$86	$112	$152	$184	$199	$216	20.2 %
EBITDA (including F123 Expense)	$79	$103	$141	$173	$187	$204	21.0 %
Less: Depreciation and Amortization	$(23)	$(30)	$(34)	$(35)	$(35)	$(35)	
EBIT	$54	$63	$108	$139	$152	$169	
Tax effect (at a 26% rate)	(14)	(16)	(28)	(36)	(40)	(44)	
Unlevered Net Income	$40	$46	$80	$102	$113	$124	25.7 %
Plus: Depreciation and Amortization		$30	$34	$35	$35	$35	
Less: Capex		(25)	(24)	(26)	(28)	(30)	
Less: Increase in Working Capital		(48)	(16)	(16)	(8)	(11)	
Unlevered Free Cash Flow		$3	$73	$95	$112	$119	

The Prospective Financial Information reflect various estimates and assumptions made by the Company's management, all of which are difficult to predict and many of which are beyond the Company's control, including, among others, the following material estimates and assumptions made by management at the time it prepared such projections:

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Revenue: Base case revenue in fiscal 2015 was forecasted based on orders already in backlog, forecasts received from customers or discrete projections by management based on historical run rates and new programs being introduced in fiscal 2015. Projected revenue for fiscal 2016 through fiscal 2020 was based on product line annual growth expectations driven by continued traction on existing business and expanded new business based on new product introductions. Upside case revenue projections assume the financial benefit related to a possible new commercial opportunity that had not yet resulted in a contract or any product sales.

Adjusted EBITDA. Adjusted EBITDA in fiscal 2015 and beyond was forecasted based on improvements in margin from:

- Revenue expansion and associated margin expansion from leveraging fixed manufacturing overhead and SG&A expenses;
- Improvements in contribution and gross margin due to:
  - improved sales mix (lower Sensata sales year over year, which carry lower contribution margin relative to other product line averages);
  - higher margins due to facility consolidation efforts and transfer of production from higher cost facilities to lower cost facilities; and
  - execution on contribution margin initiatives, including but not limited to, improvements in production yield and lower scrap expenses.

Adjusted EBITDA is derived by adding interest, taxes, depreciation, amortization, foreign currency transaction losses, non-cash equity based compensation, professional fees related to acquisitions, certain restructuring and overlapping costs related to site consolidation, and deducting foreign currency gains to the Company's Net Income. EBITDA reflects Adjusted EBITDA, but excludes the add-back of non-cash equity based compensation.

Earnings Before Interest and Taxes (EBIT); Earnings Before Taxes (EBT); Earnings Before Interest, Taxes and Amortization (EBITA)). EBIT, EBT and EBITA forecast for fiscal 2015 and beyond was based on improved gross margin and forecast of operating expenses at historical run rates, increased by inflationary effects, incentive compensation and other variable costs associated with additional volume. For purposes of the financial forecasts described above, EBIT is calculated as net earnings before interest and taxes, EBT is calculated as net earnings before taxes, and EBITA is calculated as net earnings before interest, taxes and amortization.

Net Income. Net Income reflects all forecast assumptions noted to derive Adjusted EBITDA, but takes into consideration discrete projections for interest expense, amortization expense and income tax expense.

Unlevered Free Cash Flow. The forecast of unlevered free cash flow for fiscal 2015 was based upon working capital metrics and capital expenditures based on historical levels. Fiscal 2015 capital expenditures also include discrete projections for the completion of the Chengdu, China and Andover, MN Greenfield facilities. Free cash flow beyond fiscal 2015 was based on maintaining similar working capital metrics and capital expenditures at approximately 24%

and 4% of revenues, respectively. For purposes of the financial forecasts described above, unlevered free cash flow is calculated as EBIT less taxes and capital expenditures, plus depreciation, amortization and share-based compensation, plus or minus change in working capital for the applicable period.

EXCEPT AS REQUIRED BY APPLICABLE SECURITIES LAWS, THE COMPANY DOES NOT INTEND TO UPDATE, OR OTHERWISE REVISE THE SELECTED UNAUDITED PROSPECTIVE FINANCIAL INFORMATION TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE WHEN PREPARED OR TO REFLECT THE OCCURRENCE OF INTERVENING OR FUTURE EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING SUCH PROSPECTIVE FINANCIAL INFORMATION ARE NO LONGER APPROPRIATE.

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

The following is a summary of the material U.S. federal income tax consequences of the merger to U.S. Holders (as defined below) who receive cash for their shares of Company common stock in the merger. 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:

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- a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia;
- a trust; or
- an estate that is subject to U.S. federal income tax on its income regardless of its source.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds Company common stock, the tax treatment of a partner generally will depend on the status of the partners and the activities of the partnership. A partner in a partnership holding Company common stock should consult its tax advisor.

Due to the individual nature of tax consequences, each shareholder is urged to consult the shareholder's tax advisor as to the specific tax consequences to the shareholder of the exchange of shares of Company common stock for cash in the merger, including the effects of applicable state, local, foreign and other tax laws. The following discussion applies only if a shareholder holds the shareholder's shares of Company common stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion is based on current law, which is subject to change, possibly with retroactive effect. This discussion does not purport to consider all aspects of U.S. federal income taxation that might be relevant to shareholders of the Company in light of their particular circumstances and does not apply to holders subject to special treatment under the U.S. federal income tax laws (such as, for example, dealers in securities, commodities or foreign currency, traders in securities who elect to apply a mark-to-market method of accounting, insurance companies, banks and certain other financial institutions, tax-exempt organizations, U.S. expatriates, shareholders that are pass-through entities or the investors in such pass-through entities, regulated investment companies, real estate investment trusts, shareholders whose "functional currency" is not the U.S. dollar, investors liable for the alternative minimum tax, persons who hold shares as part of a hedge, straddle, constructive sale or conversion transaction, persons who acquired their shares of Company common stock through the exercise of employee stock options or otherwise as compensation. This discussion does not address any tax consequences arising under the unearned income Medicare contribution tax or any state, local or foreign tax consequences, nor does it address any U.S. federal tax considerations other than those pertaining to U.S. federal income tax.

A U.S. Holder's receipt of cash for shares of Company common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. In general, a U.S. Holder who receives cash for such U.S. Holder's shares of Company common stock in the merger will recognize gain or loss in an amount equal to the difference, if any, between the cash received in the merger and the U.S. Holder's adjusted tax basis in the U.S. Holder's shares of Company common stock. Gain or loss will be determined separately for each block of shares of Company common stock (i.e., shares of Company common stock acquired for the same cost in a single transaction). Such gain or loss generally will be capital gain or loss and generally will be long-term capital gain or loss if the U.S. Holder's holding period for the shares of Company common stock is more than one year as of the date of the merger. Long-term capital gains of individual U.S. Holders generally are subject to U.S. federal income tax at preferential rates. The deduction of capital losses is subject to limitations.

Cash proceeds received pursuant to the merger generally are subject to information reporting, and may be subject to backup withholding at the applicable statutory rate (currently 28%) if the U.S. Holder fails to provide a valid taxpayer identification number and comply with certain certification procedures or otherwise establish an exemption from backup withholding. Backup withholding is not an additional U.S. federal income tax. Rather, the U.S. federal income tax liability of the person subject to backup withholding generally will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is timely furnished to the Internal Revenue Service.

This summary of the material U.S. federal income tax consequences of the merger is for general information only and is not tax advice. Holders are urged to consult their tax advisors with respect to the application of U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the U.S. federal estate or gift tax rules, or under the laws of any state, local, foreign or other taxing jurisdiction or under any applicable tax treaty.

Regulatory Approvals

The transactions contemplated by the merger agreement require the clearance, consent or approval of antitrust authorities in the United States, Germany and Austria, the Committee on Foreign Investment in the United States (“CFIUS”), the French Ministry for Economy and Finance (“MINEFI”) and the U.S. Department of State’s Directorate of Defense Trade Controls (“DDTC”).

United States Antitrust Approval

Under the HSR Act and the rules and regulations promulgated thereunder by the Federal Trade Commission (referred to as the “FTC”), certain transactions, including the merger, may not be consummated unless certain waiting period requirements have expired or been terminated. Pursuant to the requirements of the HSR Act, the required Notification and Report Forms with respect to the merger have been filed with the United States Department of Justice, Antitrust Division (referred to as the “Antitrust Division”) and the FTC. Pursuant to the requirements of the HSR Act, the Merger may be closed following the expiration of a 30-calendar day waiting period (if the thirtieth day falls on a weekend or holiday, the waiting period will expire on the next business day) following such filings with the Antitrust Division and the FTC unless the federal government terminates the waiting period early or issues a request for additional information and documentary material. The 30-calendar day waiting period commenced on June 27, 2014 and will expire at 11:59 P.M., New York City time, on July 28, 2014, unless earlier terminated or extended by a request for additional information and documentary material as discussed below.

If, within the initial 30-day waiting period, either the Antitrust Division or the FTC requests additional information and documentary material concerning the merger, the waiting period will be extended and will expire at 11:59 P.M., New York City time, on the thirtieth calendar day after the date of substantial compliance with that request. If the thirtieth day falls on a weekend or holiday, the waiting period will expire on the next business day. After that time, the Company and TE may close the merger, unless the Company and TE agree with the Antitrust Division or the FTC to delay closing the merger or the Antitrust Division or the FTC obtains a court order staying the merger. In practice, complying with a request for additional information or documentary material can take a significant amount of time. In addition, if the Antitrust Division or the FTC raise substantive issues in connection with a proposed merger, the parties will engage in negotiations with the relevant governmental agency concerning possible means of addressing those issues and may agree to delay completion of the merger while those negotiations continue.

Private parties (including individual states) may also bring legal actions under the antitrust laws. The Company and TE do not believe that the closing of the merger will result in a violation of any applicable antitrust laws. However, there can be no assurance that a challenge to the merger on antitrust grounds will not be made, or if such a challenge is made, what the result will be.

Austrian Antitrust Approval

Under the provisions of the Austrian Cartel Act 2005 (“ACA”), the merger may only be completed in Phase I if the Federal Competition Authority (“FCA”) and the Federal Cartel Prosecutor (“FCP”) waive their right to request an in-depth review or if the four-week standstill period lapses without the FCA and FCP requesting an in-depth review (Phase II) before the Cartel Court. The four-week standstill period was triggered by the submission of the merger control filing on June 27, 2014 and thus, absent a request for Phase II review, will end on July 25, 2014. If the waiting period ends on July 25, 2014, the clearance certificate will be issued on the next working day, i.e. July 28, 2014. The initiation of a Phase II investigation extends the review period for further five months. After the Phase II review period, the Cartel Court may prohibit the transaction if the consummation of the transaction absent proposed remedies and corresponding obligations would lead to the creation or strengthening of a dominant position.

German Antitrust Approval

Under applicable German law, the merger may only be completed if it is approved by the German Federal Cartel Office. The parties filed a notification with the German Federal Cartel Office ("FCO") on June 26, 2014. The statutory Phase I review period ends on July 28, 2014. Where the FCO is able to ascertain during the Phase I review period that the notified transaction does not raise substantive competition concerns in Germany, it issues an informal clearance letter, sometimes before final expiry of the period. The FCO may conduct an in-depth Phase II review that extends the review period to a total of four months (i.e., until October 27, 2014). After a Phase II review, the FCO may prohibit the transaction if the consummation of the transaction absent proposed conditions and/or obligations would lead to a significant impediment of effective competition, in particular due to the creation or strengthening of a dominant market position.

CFIUS Clearance

Pursuant to Section 721 of Title VII of the Defense Production Act of 1950, as amended, 50 U.S.C. app. § 2170 et seq. ("Section 721"), and 31 C.F.R. Part 800, the CFIUS may conduct a national-security review or investigation of a transaction by or with a foreign person that could result in control of any person engaged in interstate commerce in the United States.

Section 721 does not require the parties to a transaction to submit a joint notice to the CFIUS in order to initiate a review, but Section 721 encourages parties to do so. Absent clearance by the CFIUS, the President retains the statutory authority to suspend a transaction that has not yet been consummated and to prohibit a transaction that has been consummated, thereby triggering a divestment. The CFIUS may also unilaterally review of a transaction, should it wish to review a transaction that the parties have declined to notify voluntarily. Section 721 establishes strict timeframes, with an initial 30-day review period. If a transaction would present national security considerations that cannot be mitigated within the initial 30-day review period or that could result in control of an existing U.S. business by a foreign government, the CFIUS must conduct a further 45-day investigation of the transaction. At the end of the investigation, the CFIUS may refer a transaction to the President for action within a subsequent 15-day period. At any stage, the CFIUS may propose a mitigation agreement with conditions to address national security concerns. In total, the process should not take more than 90 days, although in extraordinary circumstances, the parties may withdraw a joint notice and resubmit it in order to provide the CFIUS with additional time to negotiate a mitigation agreement. The CFIUS may also reject a filing or restart the clock in the event that the parties do not provide timely responses to CFIUS information requests during a review or investigation.

TE and the Company have decided that it is in their mutual best interest to submit a joint voluntary notice to the CFIUS and obtain CFIUS clearance for the transaction. As is standard practice, and to maximize the chances of a review without a subsequent 45-day investigation, TE and the Company "pre-filed" a draft notice with the CFIUS staff on July 1, 2014, and expect to file the formal notice in mid-July 2014. TE and the Company do not believe that the transactions contemplated by the merger present national security considerations requiring mitigation. Nevertheless, the Company cannot provide assurances that there will not be an issue in the CFIUS process, that the parties will avoid an investigation, or that the CFIUS will clear the transaction without mitigation or conditions.

DDTC Advance Notice

Pursuant to the Arms Export Control Act, 22 U.S.C. Chapter 39, and the International Traffic in Arms Regulations (“ITAR”), 22 C.F.R. Parts 120-29, the DDTC requires manufacturers of defense articles and providers of defense services and related technical data to register with DDTC, regardless of whether or not they export such articles, services, or technical data. ITAR Section 122.4(b) requires that a registrant notify DDTC at least 60 days prior to the consummation of any transaction that would result in “the sale or transfer to a foreign person of ownership or control” of a registrant. The ITAR does not provide for DDTC to grant consent for a transaction that would result in foreign ownership or control, although DDTC retains the right to invalidate a registration or revoke licenses issued or manufacturing license agreements or technical assistance agreements approved thereunder. As the U.S. Department of State is also a CFIUS member agency, it could also raise any issues or concerns about a transaction in the CFIUS process.

The Company is currently registered with DDTC as a manufacturer of defense articles. TE and the Company notified DDTC of the transaction on July 1, 2014, and the prior notice period will therefore expire on August 30, 2014, absent a waiver of that period by the DDTC. TE and the Company are not aware of any circumstances that would lead DDTC to invalidate the Company’s registration, revoke licenses or agreements issued thereunder, or seek redress in the CFIUS process. Nevertheless, the Company cannot provide assurances that there will not be an issue in the DDTC review.

MINEFI Approval

Under the French Monetary and Financial Code, foreign investments in France in certain defined strategic sectors are subject to the prior authorization of the French Ministry for Economy and Finance. Such strategic sectors include activities pertaining to public safety and national defense interests and the research, production and trade of arms and war equipment, including components of arms and war equipment.

Due to the military activities of the French subsidiary of the Company, MEAS France S.A.S., the merger cannot be consummated unless (i) the French Ministry for Economy and Finance has approved the indirect acquisition of the Company, and therefore, MEAS France S.A.S., by TE or (ii) the French Ministry for Economy and Finance's approval is deemed granted following the expiration of a 2-month review period following a complete filing. The required filing with respect to the merger was made by TE on July 2, 2014 with the French Ministry for Economy and Finance, Direction Générale du Trésor. However, the French Ministry for Economy and Finance may determine at any time that the filing made by TE was not complete and, therefore, that the 2-month review period has not started. The French Ministry for Economy and Finance may either deny approval, or grant approval without any conditions, or grant approval with a number of conditions attached, if such conditions are likely to preserve the national interest.

See “The Merger Agreement — Conditions to the Merger” beginning on page 68 for additional information.

Litigation Related to the Merger

On or around July 1, 2014, a putative class action complaint was filed by a purported shareholder of the Company in the Chancery Division of the Superior Court of New Jersey for Essex County against the Company, its directors, TE and Merger Sub. The action is captioned *Gerald Ridley v. Measurement Specialties, Inc*., No. C-129-14. The complaint alleges that the members of the Company’s board of directors breached their fiduciary duties to the Company’s shareholders in connection with the merger and that the Company, TE, and Merger Sub aided and abetted such breaches. In support of these claims, the complaint alleges, among other things, that the merger is the result of an inadequate sales process, that the price to be paid in the merger transaction is inadequate, and that the merger agreement includes deal-protection provisions that preclude a potential topping bid and unduly favor TE. The complaint requests that the Court enjoin the merger, or, in the event it is consummated, the Court rescind it or grant rescissory damages. The defendants believe the action is without merit and intend to defend themselves vigorously.

THE MERGER AGREEMENT

The following is a summary of the material terms and conditions of the merger agreement. This summary does not purport to be complete and may not contain all of the information about the merger agreement that is important to you. This summary, and information regarding the merger agreement 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 to this proxy statement as ***Annex A****, and which is incorporated by reference into this proxy statement. We encourage you to read the merger agreement carefully and in its entirety because it is the legal document that governs the merger.*

Explanatory Note Regarding the Merger Agreement

The following summary of the merger agreement, a copy of which is attached hereto as ***Annex A****, is intended to provide information regarding the terms of the merger agreement and is not intended to modify or supplement any factual disclosures about the Company in its public reports filed with the SEC. In particular, the merger agreement and the related summary are not intended to be, and should not be relied upon as, disclosures regarding any facts and circumstances relating to the Company or any of its subsidiaries or affiliates. The representations, warranties and covenants in the merger agreement were made solely for the benefit of the parties to the merger agreement. The assertions embodied in those representations and warranties are qualified by information in a confidential disclosure schedule delivered in connection with the signing of the merger agreement. The disclosure schedule contains information that has been included in the Company's general prior public disclosures, as well as potential additional non-public information. While the Company does not believe that the disclosure schedule contains information required to be publicly disclosed under the securities laws other than information that has already been so disclosed, the disclosure schedule contains information that modifies, qualifies and creates exceptions to the representations, warranties and conduct of business covenants set forth in the merger agreement. Moreover, certain representations and warranties in the merger agreement were made as of a specified date, may be subject to a contractual standard of materiality or material adverse effect different from what might be viewed as material to shareholders, or may have been used for the purpose of allocating risk between the Company, on the one hand, and TE and Merger Sub, on the other hand, instead of establishing these matters as facts. Accordingly, the representations and warranties of the Company contained in the merger agreement should not be read alone, but instead should be read together with the information provided elsewhere in this proxy statement and reports, statements and filings that the Company publicly files with the SEC from time to time. In addition, information concerning the subject matter of the representations, warranties and covenants may change after the date of the merger agreement, which subsequent information may or may not be fully reflected in the Company's public disclosures.*

Additional information about the Company may be found elsewhere in this proxy statement and the Company's other public filings. *See "Where You Can Find More Information," beginning on page 75 of this proxy statement.*

Structure of the Merger

The merger agreement provides that, subject to the terms and conditions of the merger agreement, and in accordance with the General Corporation Law of the State of Delaware (referred to as the "DGCL") and the New Jersey Business Corporation Act (referred to as the "NJBCA"), at the effective time of the merger, Merger Sub will be merged with and into the Company, and, as a result of the merger, the separate corporate existence of Merger Sub will cease. The Company will continue its corporate existence under the NJBCA as the Surviving Corporation and become an indirect wholly owned subsidiary of TE.

The closing of the merger will occur no later than the second business day after all of the conditions set forth in the merger agreement and described under "The Merger Agreement — Conditions to the Merger" are satisfied or waived, or on such other date as agreed to by the parties. The merger will become effective when certificates of merger and any other filings required by applicable law have been duly filed with the Delaware Secretary of State and the Department of Treasury of the State of New Jersey or at a later time as may be specified in the certificates of merger.

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Effects of the Merger; Directors and Officers; Certificate of Incorporation; Bylaws

At the effective time of the merger, TE will become the sole owner of the Company and its business. Therefore, current shareholders of the Company will cease to have direct or indirect ownership interests in the Company or rights as shareholders of the Company, will not participate in any future earnings or growth of the Company, will not benefit from any appreciation in value of the Company and will not bear the future risks of the Company's operations.

Following completion of the merger, Company common stock will be delisted from the NASDAQ and deregistered under the Exchange Act. As a result, the Company will be a privately held corporation, and there will be no public market for shares of Company common stock. This will make certain provisions of the Exchange Act, such as the requirement of furnishing a proxy or information statement in connection with shareholders' meetings and the filing of periodic reports with the SEC on account of shares of Company common stock, no longer applicable to the Company.

At the effective time of the merger, the certificate of incorporation of the Company will be amended and restated as set forth in Annex I to the merger agreement, and, as so amended and restated, will be the amended and restated certificate of incorporation of the Surviving Corporation. The bylaws of Merger Sub immediately prior to the effective time of the merger will be the bylaws of the Surviving Corporation.

The directors of Merger Sub immediately prior to the effective time of the merger will be the directors of the Surviving Corporation, each to hold office in accordance with the certificate of incorporation and bylaws of the Surviving Corporation. The officers of the Company immediately prior to the effective time of the merger will be the initial officers of the Surviving Corporation, each to hold office in accordance with and subject to the certificate of incorporation and bylaws of the Surviving Corporation.

The Merger Consideration; Conversion of Company Common Stock

At the effective time of the merger, by virtue of the merger, each share of Company common stock issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive $86.00 in cash, without interest, except that:

- each share of Company common stock held by the Company as treasury stock or owned by TE or Merger Sub immediately prior to the effective time of the merger shall be canceled, and no payment shall be made with respect thereto; and
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each share of Company common stock held by any subsidiary of either the Company or TE (other than Merger Sub) immediately prior to the effective time of the merger shall be converted into such number of shares of stock of the Surviving Corporation such that each such subsidiary owns the same percentage of the outstanding capital stock of the Surviving Corporation immediately following the effective time of the merger as such subsidiary owned in the Company immediately prior to the effective time of the merger.

The merger agreement prohibits the Company from effecting any reclassification, recapitalization, stock split (including a reverse stock split) or combination, exchange or readjustment of shares, or any stock dividend or stock redistribution with a record date during the period between the date of the merger agreement and the effective time of the merger. If, during such period, the outstanding shares of Company common stock (or securities convertible or exchangeable into, or exercisable for, Company common stock) are nevertheless changed into a different number of shares or a different class by reason of any reclassification, recapitalization, stock split (including reverse stock split) or combination, exchange or readjustment of shares of Company common stock, or stock dividend thereon with a record date during such period or otherwise (excluding any change that results from the issuance of certain shares of Company common stock permitted by the merger agreement), the merger consideration and any other amounts payable pursuant to the merger agreement will be appropriately adjusted to reflect such change.

Each share of common stock of Merger Sub outstanding immediately prior to the effective time of the merger will be converted into and become one share of common stock of the Surviving Corporation and, subject to certain agreed upon exceptions, will constitute the only outstanding shares of capital stock of the Surviving Corporation.

Payment Procedures

TE will make cash available to the paying agent for the merger at the times and in the amounts necessary for the paying agent to make the payments to the holders of shares of Company common stock that are contemplated by the merger agreement. Each holder of shares of Company common stock that are converted into the right to receive the per share merger consideration will be entitled to receive the per share merger consideration upon receipt by the paying agent of (i) a certificate representing shares of Company common stock together with a properly completed letter of transmittal, or (ii) an “agent’s message,” for book-entry transfer of uncertificated shares of Company common stock. Until so surrendered or transferred, each such certificate or uncertificated share will represent after the effective time of the merger for all purposes only the right to receive the per share merger consideration. No interest will be paid or accrued on the cash payable upon the surrender or transfer of such shares.

Treatment of Options, Restricted Share Units and Other Equity-Based Awards

The directors, executive officers and certain employees of the Company hold equity awards with respect to Company common stock, including stock options and restricted share units (“RSUs”), that, pursuant to the terms of the applicable award agreements as in effect on the date of the merger agreement, will be either vested or unvested at the effective time of the merger, as follows:

- certain of the awards either will have already vested prior to the effective time of the merger or will not yet have vested prior to the effective time of the merger but the vesting of such awards will fully accelerate at such time (such awards are referred to as “vested” awards); and
- the remaining awards will not yet have vested prior to the effective time of the merger and the vesting of such awards will not accelerate at such time (such awards are referred to as “unvested” awards).

Vested Stock Options and Restricted Share Units

Each option to acquire Company common stock that is outstanding, vested and exercisable as of the effective time of the merger will be canceled and, at or promptly after the effective time of the merger, the Company will pay each holder of any such canceled vested option an amount in cash determined by multiplying (i) the excess, if any, of the merger consideration of $86.00 per share of Company common stock over the applicable exercise price of such canceled vested option by (ii) the number of shares of Company common stock such holder could have purchased had such holder exercised such vested option in full immediately prior to the effective time of the merger.

Each award of RSUs that is outstanding immediately prior to the effective time of the merger and that is vested as of the effective time of the merger will automatically convert into the right to receive, at or promptly after the effective time of the merger, an amount in cash equal to the product of (i) the merger consideration of $86.00 per share of Company common stock multiplied by (ii) the total number of shares of Company common stock subject to such vested RSUs.

Unvested Stock Options and Restricted Share Units

Each option to acquire Company common stock that is outstanding but not vested or exercisable as of the effective time of the merger will be canceled in exchange for the opportunity to receive an aggregate amount in cash determined by multiplying (i) the excess, if any, of the merger consideration of $86.00 per share of Company common stock over the applicable exercise price of such unvested option by (ii) the number of shares of Company common stock such holder could have purchased had such holder exercised such unvested option (assuming it was fully exercisable) in full immediately prior to the effective time of the merger.

Each award of RSUs that is outstanding immediately prior to the effective time of the merger and that is not vested will be canceled in exchange for the opportunity to receive an aggregate amount in cash equal to the product of (i) the merger consideration of $86.00 per share of Company common stock multiplied by (ii) the total number of shares of Company common stock subject to such unvested RSUs.

The cash amount for each unvested option or RSU award will be payable to the applicable holder on or within 30 days after the date(s) on which the portion of such award was scheduled to become vested pursuant to the terms of the applicable award agreement as in effect as of the date of the merger agreement, subject to the applicable holder's continued employment with the Company or any of its affiliates until such award becomes vested. However, if at any time prior to the final scheduled vesting date of such award the employment of such holder is terminated by the Company or any of its affiliates without "cause" (as defined in the merger agreement), the remaining unpaid cash amount will be paid to such holder within 30 days after such termination. If the employment of such holder terminates for any other reason prior to such final scheduled vesting date, any unpaid portion of such amount will be forfeited.

Employee Stock Purchase Plan

Under the Company's Amended and Restated 2006 Employee Stock Purchase Plan (referred to as the "ESPP"), participants are permitted to purchase shares of common stock at a discount on certain dates using accumulated payroll deductions. Executive officers of the Company are eligible to participate in the ESPP. Pursuant to the merger agreement, the Company has agreed to limit participation in the ESPP to those employees who were participants as of the date of the merger agreement and prohibit any increase in the rate of payroll deductions or purchase elections by participants in the ESPP after that date. The ESPP will be terminated on the tenth business day prior to the effective time of the merger, with such termination date being the last day of the offering period under the ESPP and the date on which participants will be deemed to exercise their right to purchase shares (to the extent such date is prior to the date on which such offering period would otherwise expire). All amounts allocated to each participant's account under the ESPP at the end of such offering period will be used to purchase whole shares of Company common stock at the applicable price under the ESPP for such offering period. Any shares of Company common stock purchased through the ESPP will receive the same $86.00 per share in the merger as all other shares of Company common stock.

For more information about the treatment of equity awards in the merger, see "The Merger — Interests of Company Directors and Executive Officers in the Merger" beginning on page 39.

Shareholders' Meeting

The Company has agreed that it will (i) as promptly as reasonably practicable (and in any event within 15 business days) following the date of the merger agreement, prepare and file the proxy statement with the SEC, (ii) use its reasonable best efforts to cause the proxy statement to be cleared by the SEC as soon as reasonably practicable after the date of the merger agreement and to be mailed to its shareholders as promptly as practicable thereafter, (iii) cause a meeting of its shareholders to be duly called and held as soon as reasonably practicable after the SEC or its staff advises that it has no further comments on the proxy statement or that the Company may commence mailing of the proxy statement for the purpose of voting on the approval and adoption of the merger agreement and the merger, and (iv) comply with all applicable laws with respect to such meeting and the solicitation of proxies in connection therewith.

Representations and Warranties

In the merger agreement, the Company has made customary representations and warranties to TE and Merger Sub with respect to, among other things:

- the due organization, valid existence, good standing, power and authority of the Company and its subsidiaries;
- the required vote by the shareholders of the Company;
- its authority to enter into the merger agreement and to complete the transactions contemplated by the merger agreement and the enforceability of the merger agreement against the Company;
- the consents, filings and approvals of governmental entities required in connection with the transactions contemplated by the merger agreement;

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- the absence of conflicts with, violations of, or creation of defaults under the Company's governing documents, certain agreements or applicable laws as a result of entering into the merger agreement and the consummation of the transactions contemplated thereby;
- the absence of any obligations that would create or impose any liens on the Company's assets as a result of entering into the merger agreement and the consummation of the transactions contemplated thereby;
- its capitalization, including the number of shares of capital stock issued and outstanding and the number of shares of Company common stock underlying outstanding options and other stock-based awards;
- the ownership of its subsidiaries;
- the absence of any rights to acquire any capital stock or other voting securities of the Company or any of its subsidiaries;
- its SEC filings since March 31, 2011, including the financial statements contained therein;
- its internal controls and compliance with the Sarbanes-Oxley Act;
- the conformity of its financial statements with applicable accounting requirements and that its financial statements fairly present, in all material respects, the consolidated financial position of the Company;
- the accuracy of the information supplied by the Company in this proxy statement;
- since March 31, 2014, the conduct of the business of the Company and the absence of events, occurrences, developments, state of circumstances, or facts that have had or would reasonably be expected to have, individually or in the aggregate, a Company material adverse effect;
- the absence of undisclosed liabilities;
- compliance with laws, permits and court orders;
- compliance with the Foreign Corrupt Practices Act, The Bribery Act of 2010 of the United Kingdom, and other anticorruption and anti-bribery laws;
- the absence of certain litigation or investigations;
- title to, or valid leasehold interests in, property and assets;
- intellectual property matters;
- tax matters;
- employee benefit plans and labor and employment matters;
- environmental matters;
- matters with respect to the Company's material contracts;
- the absence of undisclosed brokers' fees and expenses;
- receipt by the Board of a fairness opinion from Barclays;
- takeover laws and the absence of appraisal rights; and
- insurance matters.

Many of the representations and warranties in the merger agreement made by the Company are qualified by a "materiality" or "material adverse effect" standard (that is, they will not be deemed to be untrue or incorrect unless their failure to be true or correct, individually or in the aggregate, would, as the case may be, be material or have a material adverse effect on the Company). Under the merger agreement, a material adverse effect with respect to the Company (referred to as a "Company material adverse effect") means a material adverse effect on:

- the financial condition, business, assets or results of operations of the Company and its subsidiaries, taken as a whole, excluding any such effect to the extent resulting from:
  - o changes in the financial or securities markets or general economic or political conditions in the United States or any other country in which the Company and its subsidiaries, taken as a whole, conduct a substantial portion of their business;

- changes (including changes in applicable law or generally accepted accounting principles) generally affecting the industry in which the Company and its subsidiaries operate;
- acts of war, sabotage or terrorism or natural disasters;
- the announcement or pendency of the transactions contemplated by this Agreement;
- any decline in the market price or trading volume of the shares of Company common stock on Nasdaq;
- any failure of the Company to meet any internal, external or public projections, forecasts, estimates of earnings or revenues; or

- o any action by the Company made pursuant to the express terms of the merger agreement or otherwise upon the written direction of TE, except:
  - § in the case of the first three bullet points above, to the extent such changes or events have a disproportionate effect on the Company and its subsidiaries, taken as a whole, relative to other participants in the industry in which the Company and its subsidiaries operate (in which case the incremental disproportionate impact or impacts may be taken into account in determining whether there has been a material adverse effect with respect to the Company); and
  - § the exceptions set forth in the fourth and fifth bullet points above will not prevent or otherwise affect a determination that any fact, change, event, occurrence or effect underlying or that contributed to such decline or failure has resulted in or contributed to a material adverse effect with respect to the Company; or
- · the Company's ability to perform its obligations under, or consummate the transactions contemplated by, the merger agreement.

In the merger agreement, TE and Merger Sub have made customary representations and warranties to the Company with respect to, among other things:

- · the due organization, valid existence, good standing, power and authority of the TE and Merger Sub;
- · the capitalization of Merger Sub;
- · the authority of each of TE and Merger Sub to enter into the merger agreement and to complete the transactions contemplated by the merger agreement and the enforceability of the merger agreement against each of TE and Merger Sub;
- · the consents, filings and approvals of governmental entities required in connection with the transactions contemplated by the merger agreement;
- · the absence of conflicts with, violations of, or creation of liens or defaults under TE's and Merger Sub's governing documents, certain agreements or applicable laws as a result of entering into the merger agreement and the consummation of the transactions contemplated thereby;
- · the accuracy of the information supplied by TE or any of its subsidiaries specifically for use in this proxy statement;
- · the absence of undisclosed brokers' fees and expenses;
- · the absence of certain litigation;
- · ownership of Company common stock by TE or any of its subsidiaries including Merger Sub;
- · the sufficiency of funds to satisfy TE's obligations under the merger agreement including payment of the aggregate consideration to be paid to holders of shares of Company common stock; and
- · the limitation of TE's and Merger Sub's representations and warranties to those expressly made by TE and Merger Sub in the merger agreement.

Certain representations and warranties in the merger agreement made by TE are qualified by a "materiality" or "material adverse effect" standard. Under the merger agreement, a material adverse effect with respect to TE means a material adverse effect on TE's ability to perform its obligations under, or consummate the transactions contemplated by, the merger agreement.

The representations and warranties contained in the merger agreement and in any certificate or other writing delivered pursuant to the merger agreement will not survive the effective time of the merger.

Conduct of Business by the Company Pending the Merger

From the date of the merger agreement until the effective time of the merger, except as expressly required by the merger agreement, as disclosed in the Company's disclosure schedule, as required by applicable law or any applicable collective bargaining agreement made available to TE prior to the date of the merger agreement, or with the prior written consent of TE (which consent cannot be unreasonably withheld, delayed or conditioned), the Company has agreed to, and agreed to cause each of its subsidiaries to, use its commercially reasonable efforts to conduct its business in the ordinary course consistent with past practice and to use its commercially reasonable efforts to preserve intact its present business organization, maintain in effect all of its permits required to carry on the business as currently conducted, keep available the services of its directors, officers, and key employees, maintain satisfactory relationships with its customers, lenders, suppliers and others having significant business relationships with it, and maintain existing insurance policies or materially comparable replacement policies. The Company has further agreed that except as expressly required by the merger agreement, as disclosed in the Company's disclosure schedule, as required by applicable law, or with the prior written consent of TE (which consent, subject to certain exceptions, cannot be unreasonably withheld, delayed or conditioned), the Company will not, and will not permit any of its subsidiaries to, among other things and with certain exceptions:

- amend its organizational documents;
- split, combine or reclassify any shares of its capital stock;
- declare, set aside or pay any dividend or other distribution in respect of its capital stock;
- redeem, repurchase or otherwise acquire any securities of the Company or of any subsidiary of the Company, or offer to do the same;
- issue or otherwise deliver any securities of the Company or of any subsidiary of the Company, other than the issuance of (i) any shares of Company common stock upon the exercise of stock options or purchase rights under the ESPP, in each case that are outstanding on the date of the merger agreement, (ii) any shares of Company common stock upon the vesting of restricted stock units that are outstanding on the date of the merger agreement, and (iii) any securities of any subsidiary of the Company to the Company or any other wholly owned subsidiary of the Company;
- amend any term of any securities of the Company or of any subsidiary of the Company;
- incur any capital expenditures or any obligations or liabilities in respect thereof, except for any unbudgeted capital expenditures not to exceed $250,000 individually or $1,000,000 in the aggregate;
- merge or consolidate with any other person;
- acquire, directly or indirectly, any assets, interests or businesses, other than supplies or inventory in the ordinary course of business and as required by certain Company contracts;
- adopt a plan of complete or partial liquidation, dissolution, recapitalization or restructuring;
- sell, lease, license or otherwise transfer, create any lien (other than certain permitted liens) on, or otherwise fail to maintain any of the Company's or its subsidiaries' assets, securities, interests or businesses, other than (i) sales of inventory or obsolete equipment in the ordinary course of business consistent with past practice, (ii) sales, leases, licenses or other dispositions of assets in the ordinary course of business consistent with past practice with a fair market value not in excess of $1,000,000 in the aggregate, and that are not otherwise material to the business of the Company or its subsidiaries as currently conducted or as proposed to be conducted, or (iii) contracts that are disclosed on specific sections of the Company's disclosure schedule ;
- make any loans or investments in, any other Person, other than (i) loans or investments in, wholly owned subsidiaries of the Company, or (ii) advances to its employees in respect of business related expenses;
- create or otherwise become liable with respect to any indebtedness for borrowed money or issue or sell any debt securities or other rights to acquire any debt securities of the Company or any of its subsidiaries, other than indebtedness for borrowed money (i) to finance working capital needs in the ordinary course of business in an aggregate amount not to exceed $2,500,000, and (ii) among the Company and its wholly owned subsidiaries, or among the Company's wholly owned subsidiaries, in the ordinary course of business consistent with past practice;
- enter into, modify in any material respect, or renew any material contract;
- waive or fail to pursue any material rights or claims of the Company or any of its subsidiaries under any material contract;
- voluntarily accelerate, terminate or cancel any material contract;
- except as required by the terms of an employee plan of the Company as in effect on the date of the merger agreement, (i) grant any severance, retention or termination pay to, or enter into or amend any severance, retention, termination, employment, consulting, bonus, or change in control severance agreement with, any current or former service provider, (ii) increase the compensation or benefits provided to any current or former service provider (other than reasonable, market-based increases in base compensation in the ordinary course of business consistent with past practice for employees who are not "key employees" (i.e., employees whose annual base compensation is $150,000 or more or who have the title of Vice President or above); however, the Company may increase the base compensation of employees based on its annual merit cycle in an aggregate amount not to exceed $3,272,000 (subject to specified individual limits for certain key employees), (iii) grant any equity or equity-based awards to, or discretionarily accelerate the vesting or payment of any such awards held by, any current or former service provider, (iv) establish, adopt, enter into or amend in any material respect any employee plan or collective bargaining agreement, (v) establish, adopt or enter into any plan, agreement or arrangement, or otherwise commit, to gross-up, indemnify or otherwise reimburse any current or former service provider for any tax incurred by such service provider, (vi) hire

any employees who would be key employees except to fill a vacancy, or (vii) terminate the employment of any key employee other than for cause;

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- change the Company's methods of accounting, except as required by concurrent changes in generally accepted accounting principles or by securities laws as agreed to by the Company's independent public accountants;
- settle or satisfy, or offer to settle or satisfy (i) any shareholder litigation or dispute against the Company, any of its subsidiaries or any of their officers or directors, (ii) any proceeding (except immaterial matters in the ordinary course of business), or (iii) any other liabilities other than, with respect to (iii), the settlement or satisfaction in the ordinary course of business consistent with past practice, or as required by their terms as in effect on the date of the merger agreement, of claims, liabilities or obligations reserved against in the Company's most recent financial statements (including the notes thereto) included in documents the Company has filed with the SEC (for amounts not in excess of such reserves) as of the date of the merger agreement, incurred since the date of such financial statements in the ordinary course of business consistent with past practice (other than the fees and expenses of Barclays and other transaction costs related to the merger agreement and the transactions contemplated thereunder), or in an amount less than $200,000 in the aggregate;
- make or change any material tax election, change any annual tax accounting period, adopt or change any method of tax accounting, amend any material tax return, claim any material tax refund, enter into any closing agreement relating to any material tax, settle or compromise any material tax claim, audit or assessment, surrender any right to claim a material tax refund, offset or other reduction in tax liability, or consent to any extension or waiver of the statute of limitations period applicable to any material tax claim or assessment;
- knowingly take any action that would result in the closing conditions related to the truth and correctness of the Company's representations and warranties and the performance of the Company's obligations under the merger agreement not being satisfied as of the effective time of the merger; or
- agree, resolve by action of the Board, or commit to do any of the foregoing.

No Solicitation; Other Offers

The Company has agreed that it will, and will cause its subsidiaries and its and their representatives to, cease immediately and terminate any and all existing activities, discussions or negotiations, if any, with any third party and their representatives conducted prior to the date of the merger agreement with respect to any acquisition proposal. The Company has also agreed that it will use its reasonable best efforts to cause any such third party and its representatives that executed a confidentiality agreement within the 24-month period prior to the date of the merger agreement and that is in possession of confidential information of the Company or any of its subsidiaries to return or destroy all such information as promptly as practicable.

In addition, the Company agreed that neither it nor any of its subsidiaries will, and will not authorize or permit any of its or their respective officers, directors, employees, investment bankers, attorneys or other representatives to, directly or indirectly:

- solicit, initiate or knowingly take any action to facilitate or encourage the submission of any acquisition proposal (as defined below);
- enter into or participate in any discussions or negotiations with, furnish any information relating to the Company or any of its subsidiaries or afford access to the business, properties, assets, books or records of the Company or any of its subsidiaries to, knowingly assist, participate in, facilitate or encourage any effort by any third party that has made,

is seeking to make or could be reasonably expected to make an acquisition proposal;

- fail to make, withdraw or modify in a manner adverse to TE the Board recommendation (as defined below);

- recommend an acquisition proposal or knowingly take any action or make any statement inconsistent with the Board recommendation;
- fail to enforce or grant any waiver or release under any standstill or similar agreement with respect to any class of equity securities of the Company or any of its subsidiaries;
- approve any business combination under the New Jersey Shareholders' Protection Act; or
- enter into any agreement in principle, letter of intent, term sheet, merger agreement, acquisition agreement, option agreement or other similar instrument relating to an acquisition proposal.

Notwithstanding the restrictions described above, at any time prior to the receipt of the affirmative vote of the holders of a majority of the votes cast in connection with the merger at the Special Meeting, if the Board determines in good faith, after consultation with outside legal counsel, that the failure to take the following actions would be inconsistent with its fiduciary duties under the NJBCA, the Company, directly or indirectly through its representatives, may:

- engage in negotiations or discussions with any third party and its representatives that, subject to the Company's compliance with the above prohibitions, has made a bona fide, written acquisition proposal after the date of the merger agreement that the Board reasonably believes is or is reasonably likely to lead to a superior proposal; and
- furnish to the third party that made the bona fide, written acquisition proposal non-public information relating to the Company or any of its subsidiaries pursuant to a confidentiality agreement with terms in all material respects no less favorable to the Company than those contained in the confidentiality agreement entered into by the Company and TE; *provided* that all such information, to the extent not previously provided or made available to TE, must also be provided or made available to TE prior to or substantially concurrently with the time it is provided or made available to such third party.

The Company is required to notify TE promptly (but in no event later than 48 hours) after the Company or any of its representatives receives any acquisition proposal, any meaningful indication that a third party is considering making an acquisition proposal, or any request for information relating to the Company or any of its subsidiaries or for access to the business, properties, assets, books or records of the Company or any of its subsidiaries by any third party that has made, is seeking to make or could reasonably be expected to make an acquisition proposal. The Board is prohibited from engaging in negotiations or discussions with, or furnishing any non-public information relating to the Company or any of its subsidiaries to, any third party or their representatives unless the Company has delivered to TE a prior written notice advising TE that it intends to take such action.

The Company is required to keep TE reasonably informed, on a reasonably prompt and timely basis, of the status and material details of any acquisition proposal, indication or request, including by identifying the third party making, and the terms and conditions of, any acquisition proposal. Any material amendment to any acquisition proposal will be deemed to be a new acquisition proposal.

The term "**acquisition proposal**" means, other than the transactions contemplated by the merger agreement, any third party offer or proposal relating to (i) any acquisition or purchase, directly or indirectly, of 25% or more of the consolidated assets of the Company and its subsidiaries, (ii) any tender offer or exchange offer that, if consummated, would result in such third party beneficially owning 25% or more of any class of equity or voting securities of the Company, (iii) a sale or other disposition, directly or indirectly, of assets (including by way of merger, consolidation or sale of capital stock), liquidation, dissolution or other similar transaction involving the Company or any of its subsidiaries whose assets, individually or in the aggregate, constitute 25% or more of the consolidated assets of the Company, or (iv) a merger, consolidation, share exchange, business combination, reorganization, recapitalization or other similar transaction involving the Company or any of its subsidiaries as a result of which the current shareholders of the Company directly or indirectly beneficially own less than 75% of the successor's capital stock.

The term "**superior proposal**" means a bona fide, unsolicited written acquisition proposal (replacing references to "25%" in the definition of acquisition proposal with "more than 50%") on terms that the Board determines in good faith, after considering the advice of an outside financial advisor of nationally recognized reputation and outside legal counsel, and taking into account all the terms and conditions of the acquisition proposal is more favorable and provides greater value to the Company's shareholders than is provided hereunder (taking into account any proposal by TE to amend the terms of the merger agreement), and which the Board determines is reasonably likely to be consummated in a timely manner and for which financing, if a cash transaction (whether in whole or in part), is then fully committed by reputable financing sources or reasonably determined to be available by the Board.

Recommendation of the Board

Subject to the provisions of the merger agreement, the Board determined to recommend approval and adoption of the merger agreement by the shareholders of the Company (referred to as the “Board recommendation”) and agreed to include the Board recommendation in this proxy statement.

The Company has also agreed that the Board will not fail to make, withdraw or modify in a manner adverse to TE the Board recommendation, or recommend an acquisition proposal or knowingly take any action or make any statement inconsistent with the Board recommendation (referred to as an “adverse recommendation change”). However, notwithstanding the foregoing, at any time prior to the receipt of the affirmative vote of the holders of a majority of the votes cast in connection with the merger at the Special Meeting, and after complying with the obligations described in the following paragraph, the Board may make an adverse recommendation change if (i) an intervening event (defined below) has occurred or (ii) in response to a superior proposal, in each case if the Board determines in good faith, after consultation with outside legal counsel, that the failure to take the actions below would be inconsistent with its fiduciary duties under the NJBCA.

The Board cannot make an adverse recommendation change unless:

- if the Board has determined that an acquisition proposal constitutes a superior proposal or upon the occurrence or an intervening event, the Company promptly provides written notice to TE at least five business days (or two business days, in the case of an amended, supplemented or modified acquisition proposal) before taking such action of its intention to do so, including a description of (i) the material terms of such acquisition proposal, the most current version of the proposed agreement under which such acquisition proposal is proposed to be consummated, and the identity of the third party making the acquisition proposal, or (ii) the intervening event, as applicable; and

- five business days (or two business days, as applicable) has passed after TE received the above notice and TE has not made a written proposal to amend the terms of the merger agreement to cause the intervening event to no longer form a valid basis for the Board to effect an adverse recommendation change or to be at least as favorable to the shareholders of the Company as such acquisition proposal, as applicable.

In the case of any action to be taken relating to an acquisition proposal, any amendment to the financial terms or other material terms of such acquisition proposal requires a new written notification from the Company and any material change to an intervening event will be a new intervening event and result in a new notice period. During the notice period, the Company and its representatives must negotiate in good faith with TE and its representatives regarding any revisions proposed by TE to the terms of the merger agreement.

The merger agreement does not prevent the Board from complying with Rule 14e-2(a) under the Exchange Act with regard to an acquisition proposal so long as any action taken or statement made to so comply is consistent with the provisions described above. However, any such action taken or statement made that relates to an acquisition proposal will be deemed to be an adverse recommendation change unless the Board reaffirms the Board recommendation in such statement or in connection with such action. Any factually accurate public statement by the Company that merely describes the Company’s receipt of an acquisition proposal and the operation of the merger agreement with respect thereto and contains a “stop, look and listen” communication (including pursuant to Rule 14d-9(f) promulgated under the Exchange Act) shall not constitute an adverse recommendation change. In addition, the engagement in discussion and negotiation or furnishing of information in accordance with the provisions of the merger agreement will not, in themselves, constitute an adverse recommendation change.

The term "**intervening event**" means a material event, fact, circumstance or development relating to the Company or its subsidiaries, unknown and not reasonably foreseeable as of the date of the merger agreement, which arises after the date of the merger agreement and becomes known by the Board prior to receipt of the affirmative vote of the holders of a majority of the votes cast at the Special Meeting. However, none of the following events or circumstances will be deemed to either constitute or contribute to an intervening event: (i) the receipt of any acquisition proposal, any inquiry related thereto or any event or development in connection therewith, (ii) any event, fact, circumstance or development to the extent not having a disproportionate effect on the Company and its subsidiaries, taken as a whole, relative to other participants in the industry in which the Company and its subsidiaries operate, (iii) any actual or potential acquisition, divestiture or other business combination transaction, or other partnership or strategic alliance, involving the Company or any of its subsidiaries, (iv) actions taken by either party in order to satisfy or waive specific closing conditions in accordance with the terms and conditions of the merger agreement or the receipt of any consent or approval from any governmental authority, (v) any increase in the market price or trading volume of the shares of Company common stock on NASDAQ, (vi) the fact that the Company meets or exceeds any internal, external or public projections, forecasts, estimates of earnings or revenues, (vii) any event, fact, circumstance or development relating to Parent or any of its subsidiaries, (viii) any consequence of the foregoing. The exceptions described in clauses (v) and (vi) above will not prevent or otherwise affect a determination that a material event, fact, circumstance or development underlying or that contributed to such increase has resulted in or contributed to an intervening event.

Indemnification and Insurance

For a period of six years from the effective time of the merger, the certificate of incorporation and bylaws of the Surviving Corporation will, subject to any limitation imposed under applicable law, contain provisions regarding elimination of liability, indemnification and advancement of expenses for acts or omissions occurring at or prior to the effective time of the merger in favor of the present and former officers and directors of the Company that are no less advantageous to such persons than the corresponding provisions in existence on the date of the merger agreement.

For a period of six years after the effective time of the merger (and until the final resolution of any matter for which indemnification is first sought prior to the end of such period), the present and former officers and directors of the Company will be indemnified and held harmless against any costs or expenses (including reasonable attorneys' fees), judgments, fines, penalties, losses, claims, damages or liabilities, including amounts paid in settlement or compromise incurred in connection with any proceeding arising out of or pertaining to matters relating to such present and former officers' and directors' service as a director or officer of the Company existing or occurring at or prior to the effective date of the merger, whether asserted or claimed prior to, at or after the effective date of the merger, to the fullest extent permitted under applicable law. TE or the Surviving Corporation is required to advance such expenses as incurred to the fullest extent permitted under applicable law as long as the officers and directors to whom expenses are advanced agree to repay such advances if it is ultimately determined that such person is not entitled to indemnification.

For a period of six years from the effective time of the merger, the Company's directors' and officers' insurance will continue to be maintained in effect with terms, conditions, retentions and limits of liability that are at least as favorable as those in effect as of the date of the merger agreement. Alternatively, the Surviving Corporation can purchase comparable directors' and officers' insurance for such six year period or cause the Company to obtain, on or prior to the closing date of the merger, a prepaid (or "tail") directors' and officers' liability insurance policy at TE's expense, in each case with terms, conditions, retentions and limits of liability that are at least as favorable as those contained in the directors' and officers' insurance in effect as of the date of the merger agreement (subject to a limit on the amount of the annual premium).

Employee Benefits and Service Credit

Parent has agreed that until (i) December 31, 2015 for employees of the Company located in the United States, and (ii) December 31, 2014 for employees of the Company located outside of the United States, it will provide such employees that continue employment with the Surviving Corporation or any of its affiliates a level of base compensation and employee benefits (excluding cash incentive or equity or equity-based compensation) that is substantially similar in the aggregate to the level of base compensation and employee benefits (excluding cash incentive or equity or equity-based compensation) provided to such employees immediately prior to the effective time of the merger. Nothing in the merger agreement creates any obligation on the part of TE or the Surviving Corporation or any of its affiliates to employ or engage any director, officer, employee or individual independent contractor of the Company for any period following the effective time of the merger.

Following the effective time of the merger, TE will provide the employees of the Company that continue employment with the Surviving Corporation or any of its affiliates full credit for prior service with the Company for purposes of vesting and eligibility to participate in employee benefit plans maintained by TE for which such employees are otherwise eligible to participate (but such service credit will not be provided for benefit accrual purposes, except for vacation and severance and employer contributions under 401(k) savings plans, as applicable, except, in the case of any employee outside of the United States to the extent that such service credit is required by applicable law or an applicable collective bargaining agreement). However, such credit must not result in any duplication of benefits for the same period of service. In addition, TE has agreed to use commercially reasonable efforts to (i) waive any limitations on benefits relating to preexisting conditions to the same extent such limitations are waived under any comparable plan of the Company, and (ii) recognize for purposes of annual deductible and out-of-pocket limits under its medical and dental plans, deductible and out-of-pocket expenses paid by employees of the Company that continue employment with the Surviving Corporation or any of its affiliates in the calendar year in which the effective time of the merger occurs.

The Company has agreed to take all actions necessary to cause each employee plan of the Company that provides for annual cash bonuses for the performance period that is scheduled to end on March 31, 2015 to provide instead that (i) contingent on the occurrence of the closing of the merger, such performance period will end on the later of September 30, 2014 and the date of the closing of the merger, and (ii) as soon as practicable following the later of September 30, 2014 and the effective time of the merger, TE will pay to each employee of the Company who continues employment with the Surviving Corporation a cash bonus for such shortened performance period. The aggregate amount of the cash bonuses payable to all such continuing employees for such shortened performance period will equal the sum of (x) the product of $375,000 multiplied by the number of months during the period beginning on April 1, 2014 and ending on September 30, 2014 (or, if earlier, the date of the closing of the merger) (prorated for any partial month based on the number of calendar days in such partial month that occur during such period), plus (y) $458,333 multiplied by the number of months, if any, during the period beginning on October 1, 2014 and ending on the date of the closing of the merger (prorated for any partial month based on the number of calendar days in such partial month that occur during such period). TE will allocate such aggregate bonus amount among the continuing employees in accordance with the terms of the Company’s applicable bonus plans as in effect on the date of the merger agreement. The foregoing will apply in the case of employees located outside of the United States only to the extent allowable by applicable law or an applicable collective bargaining agreement.

Reasonable Best Efforts

Subject to the terms and conditions of the merger agreement, the Company and TE agreed to use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable law to consummate the transactions contemplated by the merger agreement, including:

- preparing and filing as promptly as practicable with any governmental authority all documentation to effect all necessary filings; and
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obtaining and maintaining all licenses, authorizations, permits, consents, approvals, clearances, variances, exemptions and other confirmations required to be obtained from any governmental authority or other third party to consummate the transactions contemplated by the merger agreement (including receipt of the required regulatory approvals).

In connection with seeking expiration or termination of any applicable waiting period under the HSR Act or clearance under the competition laws of Germany and Austria relating to the merger, TE and Merger Sub are not required to:

- divest or otherwise hold separate (including by establishing a trust), or take, cause to be taken or refrain from taking any other action (or otherwise agreeing to do any of the foregoing) with respect to, any of its or the Surviving Corporation's or any of their respective affiliates' businesses, assets or properties;
- enter into any settlement, undertaking, consent decree, stipulation or agreement with any governmental authority in connection with the transactions contemplated by the merger agreement; or
- agree to do any of the foregoing.

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In connection with seeking any other required regulatory approval, TE and Merger Sub are not required to:

- divest or otherwise hold separate (including by establishing a trust) any of its or the Surviving Corporation's or any of their respective affiliates' businesses, assets or properties;
- take any actions that would reasonably be expected to (i) have an adverse and material effect on control of any of TE's or the Company's subsidiaries in the relevant jurisdiction, or (ii) result in costs or losses to Parent, the Surviving Corporation or any of their respective affiliates in the aggregate in excess of $10,000,000; or
- agree to do any of the foregoing.

Neither the Company nor any of its subsidiaries will be required to (unless such action is binding on the Company or any of its subsidiaries only in the event that the merger is completed), or shall without TE's prior written consent, take any of the actions described in the second paragraph or the first and third bullet points in the third paragraph above.

The Company and TE agreed that reasonable best efforts includes litigating or defending against any proceeding by any governmental authority challenging the merger agreement or the consummation of the merger.

The Company and TE also agreed that, to the extent permitted by applicable law, they will use their reasonable best efforts to:

- cooperate in all respects with each other in connection with any filing and in connection with any investigation or other inquiry, including any proceeding initiated by a private party;
- promptly inform the other party of any filing or communication received from, or intended to be given to, any governmental authority and of any material communication received or intended to be given in connection with any proceeding by a private party, in each case regarding any of the transactions contemplated by the merger agreement;
- prior to submitting any filing, substantive written communication, correspondence or other information or response to any governmental authority (or members of their staff) or in connection with any proceeding by a private party, the submitting party shall permit the other party and its counsel the opportunity to review as reasonably in advance as practicable under the circumstances, and consider in good faith the comments of the other party in connection with any such filing, communication or inquiry;
- furnish each other with a copy of any filing, communication or, if in written form, inquiry, it or any of its affiliates makes to or receives from any governmental authority or in connection with any proceeding by a private party, in each case regarding any of the transactions contemplated by the merger agreement; and
- consult with each other in advance of any meeting or conference with any governmental authority or, in connection with any proceeding by a private party, with any other person, and to the extent reasonably practicable, give the other party the opportunity to attend and participate in such meetings and conferences.

Other Covenants and Agreements

TE and the Company made certain additional covenants to and agreements with each other regarding various other matters including:

- the Company reasonably cooperating with TE and its financing sources in connection with the arrangement of financing related to the transactions contemplated by the merger agreement;
- cooperating in determining whether any action by or in respect of, or filings with, any governmental authority is required and, subject to provisions described under the heading “The Merger Agreement — Reasonable Best Efforts,” and in taking such actions or making any such filings, furnishing information required, and timely seeking any such actions, consents, approvals or waivers;
- the Company causing a meeting of its shareholders to be duly called and held as soon as reasonably practicable after the SEC or its staff advises that it has no further comments on the proxy statement or that the Company may commence mailing of the proxy statement for the purpose of voting on the approval and adoption of the merger agreement and the merger;

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- the Company complying with all applicable laws with respect to such meeting and the solicitation of proxies in connection therewith ;
- subject to certain limitations, consulting with each other before issuing any press release or making other public statements or comments relating to the merger agreement or the transactions contemplated by the merger agreement;
- TE's access to the Company's information;
- the Company taking certain actions to render any antitakeover laws inapplicable to the transactions contemplated by the merger agreement;
- legal proceedings commenced or threatened against the any party to the merger agreement, or its respective directors or executive officers, relating to the merger agreement, the merger, and/or the transactions contemplated by the merger agreement and the participation and settlement of any such litigation.

Conditions to the Merger

Each party's obligation to consummate the merger is subject to the satisfaction or waiver of the following conditions:

- adoption of the merger agreement by the affirmative vote of the holders of a majority of the votes cast at the Special Meeting; and
- absence of any applicable law that prohibits or makes the consummation of the merger illegal (other than in connection with the expiration, termination or receipt of certain governmental approvals).

The obligations of TE and Merger Sub to consummate the merger are subject to the satisfaction or waiver of the following conditions:

- the truth and correctness of the representations and warranties of the Company as of and at the effective time of the merger (or in the case of representations and warranties that are made as of another time, as of such other time) concerning:
  - o the capitalization of the Company (excluding certain representations and warranties related to equity grants) in all but *de minimis* respects;
  - o the (i) organization and qualification of the Company, (ii) authority to enter into the merger agreement and certain actions by the Board, (ii) subsidiaries of the Company, (iv) financial statements of the Company, (v) payment of fees or commissions related to the transactions contemplated by the merger agreement, (vi) delivery of a fairness opinion by Barclays, (vii) inapplicability of anti-takeover statutes to the merger, and (viii) absence of appraisal rights in connection with the merger and the transactions contemplated by the merger agreement, in each case in all respects if qualified as to materiality or a Company material adverse effect (as described in the section entitled "The Merger Agreement — Representations and Warranties" beginning on page 58) and in all material respects if not so qualified;
  - o the absence of a Company material adverse effect in all respects; and
  - o the other representations and warranties of the Company contained in the merger agreement (disregarding all materiality and Company material adverse effect qualifications) with only such exceptions as have not had, and would not reasonably be expected to have, individually or in the aggregate, a Company material adverse effect.
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- the Company's performance, in all material respects, at or prior to the effective time of the merger, of all of its obligations required to be performed by it;
- the receipt by TE of a certificate signed by an executive officer of the Company certifying to the effect that the foregoing conditions have been satisfied;
- the termination or expiration of any applicable waiting periods under the HSR Act and the clearance of the merger by antitrust authorities in Germany and Austria, the Committee on Foreign Investment in the United States, the French Ministry for Economy and Finance, and the United States Department of State's Directorate of Defense Trade Controls without any of the foregoing expiring, terminating, or being received subject to or conditioned upon (i) any limitation on the ownership of the capital stock of the Company by TE or any of its affiliates, or (ii) any requirement that TE, the Surviving Corporation or the Company or any of their respective affiliates taking any action that is not required to be taken (or permitted to be taken without TE's consent) pursuant to the terms of the merger agreement;

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- the absence of any proceedings by any governmental authority (unless dismissed or otherwise resolved) seeking to make illegal or otherwise restrain or prohibit the consummation of the merger; and
- the absence of any event, occurrence or development of a state of circumstances or facts which has had or would reasonably be expected to have, individually or in the aggregate, a Company material adverse effect.

The obligations of the Company to consummate the merger are subject to the satisfaction or waiver of the following conditions:

- the truth and correctness, in all material respects, at and as of immediately prior to the effective time of the merger (or in the case of representations and warranties that are made as of another time, as of such other time), of TE's representations and warranties concerning the (i) organization and qualification of TE and Merger Sub, and (ii) authority for TE and Merger Sub to enter into the merger agreement;
- the truth and correctness, at and as of immediately prior to the effective time of the merger (or in the case of representations and warranties that are made as of another time, as of such other time), of the other representations and warranties of TE contained in the merger agreement (disregarding all materiality and TE material adverse effect qualifications (as described in the section entitled "The Merger Agreement — Representations and Warranties" beginning on page 58), with only such exceptions as have not and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on TE's ability to perform its obligations under, or consummate the transactions contemplated by, the merger agreement;
- TE and Merger Sub's performance, in all material respects, at or prior to the effective time of the merger, of all of the obligations required to be performed by them;
- the receipt by the Company of a certificate signed by an executive officer of TE certifying to the effect that the foregoing three conditions have been satisfied; and
- the termination or expiration of any applicable waiting periods under the HSR Act and the clearance of the merger by antitrust authorities in Germany and Austria, the Committee on Foreign Investment in the United States, the French Ministry for Economy and Finance, and the United States Department of State's Directorate of Defense Trade Controls.

Termination of the Merger Agreement

The Company and TE may terminate the merger agreement by mutual written consent at any time before the effective time of the merger. In addition, either the Company or TE may terminate the merger agreement at any time before the effective time of the merger if:

- the merger has not been consummated on or before January 15, 2015 (provided that this termination right is not available to a party whose breach of any provision of the merger agreement results in the failure of the merger to be consummated by such date);
- there is a final and nonappealable applicable law that prohibits or makes illegal the consummation of the merger or enjoins the Company, TE or Merger Sub from consummating the merger (provided that this termination right is not available to a party whose breach of any provision of the merger agreement results

in the existence of any fact or occurrence described in the foregoing); or

- the merger agreement is not adopted by the Company's shareholders with the requisite vote at the Special Meeting (including any adjournment or postponement thereof).

TE may also terminate the merger agreement if:

- an adverse recommendation change has occurred;
- at any time after public announcement of another acquisition proposal the Board fails to publicly reaffirm the Board recommendation as promptly as practicable (but in any event within five business days) after receipt of TE's written request to do so;

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- the Company intentionally and materially breaches certain obligations relating to (i) holding the Special Meeting, (ii) obtaining the requisite vote at the Special Meeting, (iii) soliciting or initiating discussions with third parties regarding other proposals to acquire the Company, and (iv) limitations on its ability to respond to other acquisition proposals (subject to the fulfillment of certain fiduciary duties of the Board) (with respect to (iii) and (iv), as further described under "The Merger Agreement — No Solicitation; Other Offers" beginning on page 62); or
- the Company has breached any representation or warranty, or failed to perform any covenant or agreement in the merger agreement, which breach or failure would give rise to the failure of a condition to TE's and Merger Sub's obligations to consummate the merger and such breach or failure cannot be cured by January 15, 2015 or, if curable by January 15, 2015, is not cured within 30 days of the Company's receipt of written notice of such breach or failure.

The Company may also terminate the merger agreement:

- if TE or Merger Sub has breached any representation or warranty, or failed to perform any covenant or agreement in the merger agreement, which breach or failure would give rise to the failure of a condition to the Company's obligations to consummate the merger and such breach or failure cannot be cured by January 15, 2015 or, if curable by January 15, 2015, is not cured within 30 days of TE's receipt of written notice of such breach or failure; or
- in response to a superior proposal, following an adverse recommendation change in accordance with the terms of the merger agreement, in order to concurrently with or immediately after such termination, enter into a definitive agreement providing for such superior proposal if the affirmative vote of the holders of a majority of the votes cast in connection with the merger at the Special Meeting has not been received.

However, the Company is prohibited from exercising its termination rights in response to a superior proposal unless:

- if the Board determined that an acquisition proposal constitutes a superior proposal, the Company promptly provides written notice to TE at least five business days (or two business days, in the case of an amended, supplemented or modified acquisition proposal) before taking such action of its intention to do so with a description of the material terms of such acquisition proposal, the most current version of the proposed agreement under which such acquisition proposal is proposed to be consummated, and the identity of the third party making the acquisition proposal; and
- five business days (or two business days, as applicable) has passed after TE received the above notice and TE has not made a written proposal to amend the terms of the merger agreement to be at least as favorable to the shareholders of the Company as such acquisition proposal.

In the case of any action to be taken relating to an acquisition proposal, any amendment to the financial terms or other material terms of such acquisition proposal requires a new written notification from the Company and will result in a new notice period. During the notice period, the Company and its representatives must negotiate in good faith with TE and its representatives regarding any revisions proposed by TE to the terms of the merger agreement.

Termination Fees

The Company has agreed to pay TE a termination fee of $22.9 million if:

- the merger agreement is terminated by TE if:
  - o an adverse recommendation change has occurred;
  - o at any time after public announcement of another acquisition proposal, the Board fails to publicly reaffirm the Board recommendation (as promptly as practicable but within five business days) after receipt of TE’s written request to do so; or
  - o the Company intentionally and materially breaches certain obligations relating to (i) holding the Special Meeting, (ii) obtaining the requisite vote at the Special Meeting, (iii) soliciting or initiating discussions with third parties regarding other acquisition proposals to acquire the Company, and (iv) limitations on its ability to respond to other acquisition proposals (subject to the fulfillment of certain fiduciary duties of the Board) (with respect to (iii) and (iv), as further described under “The Merger Agreement — No Solicitation; Other Offers” beginning on page 62); or

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- the merger agreement is terminated by the Company in order to enter into a definitive agreement providing for a superior proposal in accordance with the terms and conditions of the merger agreement; or
- the following occurs:
  - o the merger agreement is terminated (i) by TE or the Company because (x) the merger has not been consummated by January 15, 2015 (unless the merger agreement has been adopted by the Company shareholders at the Special Meeting prior to such termination), or (y) the merger agreement has not been adopted by the Company shareholders with the requisite vote at the Special Meeting or at any adjournment or postponement of the Special Meeting; or (ii) by TE because the Company breached its representations and warranties, or failed to perform its covenants and agreements, in either case, in a manner that gave rise to the termination right described under "The Merger Agreement — Termination of the Merger Agreement" above;
  - o after the date of the merger agreement and before such termination, an acquisition proposal is publicly announced or otherwise communicated to the Board or its shareholders; and
  - o within 12 months following the date of such termination, the Company enters into a definitive agreement with respect to or recommends to its shareholders an acquisition proposal or an acquisition proposal shall have been consummated.

Specific Performance; Enforcement

The Company, TE and Merger Sub are each entitled to an injunction or injunctions to prevent breaches of the merger agreement or to enforce specifically the performance of the terms and provisions of the merger agreement in the Delaware Court of Chancery, or in the event such court does not have jurisdiction, in any federal court located in the State of Delaware or other Delaware state court (except any such action arising out of or relating to TE's financing sources shall be brought only in the Supreme Court of the State of New York, County of New York, Borough of Manhattan, or, if under applicable laws exclusive jurisdiction is vested in the federal courts, the United States District Court for the Southern District of New York (and appellate courts thereof)). Specific performance is in addition to any other remedy to which the parties are entitled at law or in equity.

Appraisal Rights

The shareholders of the Company are not entitled to appraisal rights in connection with the Merger.

Delisting and Deregistration of Company Common Stock

If the merger is completed, Company common stock will no longer be traded on the NASDAQ Global Select Market and will be deregistered under the Exchange Act, and we will no longer be required to file periodic reports with the SEC in respect of Company common stock.

Effects on the Company if the Merger is Not Completed

If the merger agreement is not adopted by the Company's shareholders or if the merger is not completed for any other reason, the Company's shareholders will not receive any payment for their shares of Company common stock in connection with the merger. Instead, the Company will remain an independent public company, and Company common stock will continue to be quoted on the NASDAQ Global Select Market.

If the merger is not consummated, the Company expects that management will operate the business in a manner similar to that in which it is being operated today and that shareholders will be subject to the same risks and opportunities to which the Company is currently subject, but there can be no assurance as to the effect of these risks and opportunities on the future value of your shares of Company common stock. In the event the merger is not completed, the Board will continue to evaluate and review the Company's business operations, projects and capitalization, make such changes as are deemed appropriate and seek to identify acquisitions, joint ventures or strategic alternatives to enhance shareholder value. If the merger agreement is not adopted by the Company's shareholders or if the merger is not consummated for any other reason, there can be no assurance that any other transaction acceptable to the Company will be offered or that the Company's business, prospects or results of operations will not be adversely impacted.

If the merger agreement is terminated under certain circumstances, the Company may be obligated to pay TE a termination fee or reimburse TE for certain expenses. See “The Merger Agreement — Termination Fees” beginning on page 70.

Financing of the Merger

TE and Merger Sub have acknowledged and agreed that their obligations under the merger agreement are not subject to any conditions regarding TE’s, Merger Sub’s or any other person’s ability to obtain financing for the consummation of the transactions contemplated by the merger agreement. TE has represented in the merger agreement that it has, or will have prior to the closing of the merger, sufficient cash, available lines of credit or other sources of immediately available funds to enable it to consummate the merger pursuant to the terms of the merger agreement and to pay all related fees and expenses of TE and Merger Sub pursuant to the merger agreement.

PROPOSAL 2: ADVISORY VOTE REGARDING NAMED EXECUTIVE OFFICER MERGER RELATED COMPENSATION

In accordance with Section 14A of the Exchange Act and the applicable SEC rules issued thereunder, the Company is providing its shareholders with the opportunity to cast an advisory, non-binding vote on the compensation that may be paid or become payable to its named executive officers in connection with the merger and the agreements and understandings with the Company pursuant to which such compensation may be paid or become payable. As required by those rules, the Company is asking its shareholders to vote on the adoption of the following resolution:

“RESOLVED, that the compensation that may be paid or become payable to the Company’s named executive officers in connection with the merger and the agreements or understandings with the Company pursuant to which such compensation may be paid or become payable, as disclosed in the table in the section of the proxy statement entitled “The Merger — Interests of Company Directors and Executive Officers in the Merger — Quantification of Payments and Benefits to Company Named Executive Officers,” including the associated narrative discussion, are hereby APPROVED.”

The vote on executive compensation payable in connection with the merger is a vote separate and apart from the vote to approve and adopt the merger agreement. Accordingly, you may vote to approve the executive compensation and vote not to approve and adopt the merger agreement and vice versa. Because the vote on executive compensation paid or that may become payable in connection with the merger is advisory only, it will not be binding on either the Company or TE. Accordingly, because the Company is contractually obligated to pay the compensation, if the merger agreement is adopted and the merger is completed, the compensation will be payable, subject only to the conditions applicable thereto, regardless of the outcome of the advisory vote.

The affirmative vote of the holders of a majority of the votes cast on the proposal will be required to approve the advisory resolution on executive compensation payable to the Company's named executive officers in connection with the merger. Abstentions will have the same effect as a vote "**AGAINST**" the proposal but the failure to vote your shares of Company common stock will have no effect on the outcome of the proposal.

The Company's Board of Directors recommends a vote "**FOR**" this proposal.

PROPOSAL 3: ADJOURNMENTS AND POSTPONEMENTS

The Special Meeting may be adjourned or postponed. Under the Company's amended and restated bylaws, the shareholders of the Company may adjourn the Special Meeting despite the absence of a quorum. Regardless of whether a quorum exists, the affirmative vote of the holders of a majority of the votes cast on the proposal may adjourn the Special Meeting. Accordingly, abstentions will have the same effect on such proposal as a vote "**AGAINST**" the proposal. Any adjournment of the Special Meeting for the purpose of soliciting additional proxies will allow the shareholders of the Company who have already sent in their proxies to revoke them at any time prior to their use at the Special Meeting as adjourned or postponed.

The Company's Board of Directors recommends a vote "**FOR**" this proposal, if necessary or appropriate, to solicit additional proxies; and

CURRENT MARKET PRICE OF COMPANY COMMON STOCK

Shares of the Company common stock are listed on the NASDAQ Global Select Market under the symbol "MEAS." The number of registered Company shareholders of record of Company common stock on [ ], 2014 was [ ]. Below is a summary of the NASDAQ high and low closing prices of shares of Company common stock. The closing sale price of Company common stock on the NASDAQ on June 17, 2014, the day prior to the announcement of the merger, was $77.75. On [ ], 2014, 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.

	High	Low
Fiscal Year Ended March 31, 2013		
First Quarter	$36.21	$31.11
Second Quarter	$34.31	$27.86
Third Quarter	$34.68	$29.45
Fourth Quarter	$39.77	$33.62
Fiscal Year Ended March 31, 2014		
First Quarter	$47.78	$37.51
Second Quarter	$54.25	$46.14
Third Quarter	$60.69	$52.35
Fourth Quarter	$68.43	$53.59
Fiscal Year Ending March 31, 2015		
First Quarter	$86.38	$61.30
Second Quarter (through July 9, 2014)	$86.10	$85.22

The Company has never declared or paid dividends on Company common stock and under the merger agreement, the Company is prohibited from paying dividends.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Management and Directors

The following table sets forth information as of July 7, 2014, regarding the beneficial ownership of shares of Company common stock by each director, by the Company's named executive officers, and by all current directors and executive officers of the Company as a group. Except as otherwise noted in the footnotes below, each person below has sole voting and investment power with respect to such securities.

Name and Address of Beneficial Owner (1)	Amount and Nature of Beneficial Ownership (2)	Percent (2)	
Frank Guidone (3)	491,807	3.0	%
Mark Thomson (4)	128,990	*	
Glen MacGibbon (5)	113,726	*	
Mitch Thompson (6)	52,787	*	
Steven Smith (7)	6,861	*	
Satish Rishi (8)	30,000	*	
Kenneth E. Thompson (9)	46,500	*	
Morton L. Topfer (10)	436,501	2.7	%
R. Barry Uber (11)	32,200	*	
All directors and executive officers as a group (11 persons) (12)	1,349,450	8.0	%

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* less than 1%

(1) The address of each person is c/o Measurement Specialties, Inc., 1000 Lucas Way, Hampton, VA 23666.

(2) Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and all of our directors and executive officers as a group and the percentage ownership of that person and all of our directors and executive officers as a group, shares of common stock subject to options held by that person and all of our directors and executive officers as a group that are currently exercisable or exercisable within 60 days of July 7, 2014 are deemed outstanding. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. No RSUs are included in the table above as none of the RSUs will be vested and settled for shares of Company common stock within 60 days of July 7, 2014. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, each shareholder named in the table has sole voting and investment power with respect to the shares set forth opposite such shareholder's name. The percentage of beneficial ownership is based on 16,071,685 shares of common stock outstanding as of July 7, 2014.

(3) Includes options to purchase 401,744 shares.

(4) Includes options to purchase 76,791 shares.

(5) Includes options to purchase 93,266 shares.

(6) Includes options to purchase 43,334 shares.

(7) Mr. Smith retired as the Company's Chief Operating Officer effective April 1, 2014.

(8) Includes options to purchase 28,000 shares and 2,000 shares held in an irrevocable living trust for the benefit of the shareholder's spouse.

(9) Includes options to purchase 28,000 shares.

(10) Includes 5,000 shares owned by the shareholder's spouse as to which the shareholder disclaims beneficial ownership.

(11) Includes options to purchase 18,000 shares and 1,000 shares owned by the shareholder's spouse as to which the shareholder disclaims beneficial ownership.

(12) Includes options to purchase 696,135 shares.

No directors or current executive officers have pledged shares of Company common stock pursuant to any loan or arrangement where there is an expectation that the loan or arrangement may be repaid by foreclosure or other recourse to the shares of Company common stock.

Security Ownership of Principal Shareholders

The following table sets forth information with respect to any person who is known to be the beneficial owner of more than 5% of the common stock of the Company:

Name and Address of Beneficial Owner	Percent

	Amount and Nature of Beneficial Ownership		
Brown Capital Management, LLC (1) 1201 N Calvert Street Baltimore, Maryland 21202	2,720,527	17.15	%
Janus Capital Management LLC (2) 151 Detroit Street Denver, Colorado 80206	1,729,028	10.90	%
BlackRock, Inc. (3) 40 E. 52nd Street New York, New York 10022	1,364,430	8.60	%
The Vanguard Group (4) 100 Vanguard Blvd. Malvern, PA 19355	973,878	6.13	%
Champlain Investment Partners, LLC (5) 180 Battery Street, 4th Floor Burlington, VT 05401	808,405	5.10	%

(1) Share ownership information is based solely on the disclosures made in a report on Schedule 13G/A filed with the SEC by Brown Capital Management, LLC on February 13, 2014, which includes 1,110,180 shares beneficially owned by The Brown Capital Management Small Company Fund, a registered investment company, which is managed by Brown Capital Management, LLC. The Schedule 13G/A for Brown Capital Management, LLC indicates sole voting power for 1,410,002 shares, shared voting power for none of the shares, sole dispositive power for 2,720,527 shares and shared dispositive power for none of the shares.

(2) Share ownership information is based solely on the disclosures made in a report on Schedule 13G/A filed with SEC by Janus Capital Management on February 14, 2014. In certain cases, Janus Capital Management may act as an adviser or sub-adviser to certain other commingled group trusts and separate accounts (“Janus Funds”). In this role, Janus Capital Management does not have the right to receive any dividends from, or the proceeds from the sale of, the securities held in the Janus Funds and disclaims any ownership associated with such rights. The Schedule 13G/A for Janus Capital Management indicates sole voting power for 1,729,028 shares, shared voting power for none of the shares, sole dispositive power for 1,729,028 shares and shared dispositive power for none of the shares.

(3) Share ownership information is based solely on the disclosures made in a report on Schedule 13G/A filed with SEC by BlackRock, Inc. on January 30, 2014. The Schedule 13G/A for BlackRock, Inc. indicates sole voting power for 1,320,871 shares, shared voting power for none of the shares, sole dispositive power for 1,364,430 shares and shared dispositive power for none of the shares.

(4) Share ownership information is based solely on the disclosures made in a report on Schedule 13G/A filed with SEC by The Vanguard Group on February 11, 2014, which includes 22,404 shares beneficially owned by Vanguard Fiduciary Trust Company and 1,600 shares beneficially owned by Vanguard Investments Australia, Ltd., each a wholly-owned subsidiary of The Vanguard Group, Inc. The Schedule 13G/A for The Vanguard Group indicates sole voting power for 24,004 shares, shared voting power for none of the shares, sole dispositive power for 951,474 shares and shared dispositive power for 22,404 shares.

(5) Share ownership information is based solely on the disclosures made in a report on Schedule 13F filed with the SEC by Champlain Investment Partners, LLC on May 13, 2014. The Schedule 13F for Champlain Investment Partners, LLC indicates sole voting power for 574,780 shares, shared voting power for none of the shares, sole dispositive power for 808,405 shares and shared dispositive power for none shares.

WHERE YOU CAN FIND MORE INFORMATION

The Company files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC’s public reference room located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public at the SEC’s website at *http://www.sec.gov*. You also may obtain free copies of the documents we file with the SEC by going to the Investor Relations page of our corporate website at *www.meas-spec.com*. The information provided on our website is not part of this proxy statement, and therefore is not incorporated herein by reference.

Statements contained in this proxy statement, or in any document incorporated by reference in this proxy statement regarding the contents of any contract or other document, are not necessarily complete and each such statement is qualified in its entirety by reference to that contract or other document filed as an exhibit with the SEC. The SEC allows us to “incorporate by reference” into this proxy statement documents we file with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this proxy statement, and later information that we file with the SEC will update and supersede that information. We incorporate by reference the documents listed below and any documents filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this proxy statement and before the date of the Special Meeting (in each case, other than information and exhibits "furnished" to and not "filed" with the SEC in accordance with SEC rules and regulations):

- Annual Report on Form 10-K for the fiscal year ended March 31, 2014 filed with the SEC on June 3, 2014
- Current Reports on Form 8-K filed with the SEC on June 3, 2014, June 18, 2014, June 19, 2014, and July 7, 2014

Any person, including any beneficial owner, to whom this proxy statement is delivered may request copies of proxy statements and any of the documents incorporated by reference in this proxy statement or other information concerning us, without charge, by written or telephonic request directed to: Measurement Specialties, Inc., Attn: Investor Relations, Mark Thomson, CFO, 1000 Lucas Way, Hampton, VA 23666, telephone (757) 766-1500, on the Investor Relations page of our corporate website at *www.meas-spec.com* or from the SEC through the SEC's website at the address provided above. Documents incorporated by reference are available without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference into those documents.

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 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 [ ], 2014. 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.

COMMUNICATIONS

Will there be a 2014 Annual Meeting of the shareholders of the Company?

If the merger is completed, we will have no public shareholders, and there will be no public participation in any of our future shareholder meetings. We intend to hold the 2014 Annual Meeting of Shareholders (referred to as the "2014 Annual Meeting") only if the merger is not completed prior to December 31, 2014.

What are the deadlines and procedures for submitting shareholder proposals and Board nominations?

A shareholder wishing to submit a proposal for inclusion in the proxy statement and form of proxy for the 2014 Annual Meeting, in accordance with Rule 14a-8 under the Exchange Act, must have sent such proposal to the Company at its principal executive offices not later than March 31, 2014. Stockholders must also comply with the advance notice requirements contained in the Company's bylaws (referred to as the "Bylaws"). Such notices must be received by the Company not earlier than May 22, 2014 nor later than June 21, 2014 and must include the specified information concerning the proposal or nominee as described in the Bylaws.

How can I communicate with the Board?

The Company encourages shareholder communications with the Board but does not have a formal process. All communications to the Board should be sent to Frank D. Guidone through the Company's website (www.meas-spec.com/investor/bod-message) or by mail to the Company (1000 Lucas Way, Hampton, VA 23666). Mr. Guidone will circulate communications to the other members of the Company. If the communication is directed to a particular member of the Board, Mr. Guidone will forward the communication to that director. The Company does not screen shareholder communications, other than for security purposes.

OTHER MATTERS

The Board knows of no other business to be transacted at the Special Meeting, but if any other matters do come before the meeting, it is the intention of the persons named in the accompanying proxy to vote or act with respect to them in accordance with their best judgment.

Manner and Cost of Proxy Solicitation

The Company pays the cost of soliciting proxies. In addition to mailing proxies, officers, directors and regular employees of the Company, acting on its behalf, may solicit proxies by telephone, personal interview or other electronic means. You may also be solicited by means of press releases issued by the Company and advertisements in periodicals. Also, the Company has retained Innisfree M&A Incorporated to assist in the solicitation of proxies for the Special Meeting for an estimated fee of $25,000, plus reimbursement of reasonable out-of-pocket expenses. The Company will, at its expense, request banks, brokers and other custodians, nominees and fiduciaries to forward proxy soliciting material to the beneficial owners of shares held of record by such persons.

Reduce Duplicate Proxy Materials

The SEC rules permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements with respect to two or more security holders sharing the same address by delivering a single annual report or proxy statement, as applicable, addressed to those security holders. This process, which is commonly referred to as "householding," potentially provides extra convenience for security holders and cost savings for companies. A number of brokers with accountholders who are the Company shareholders will be "householding" to reduce duplicate mailings of our proxy materials. As indicated in the notice provided by these brokers to the Company shareholders, a single set of proxy materials will be delivered to multiple shareholders sharing an address unless contrary instructions have been received from an affected shareholder. 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, please notify your broker or call 1-800-542-1061, email: sendmaterials@proxyvote.com or contact us at Secretary, Measurement Specialties, Inc., 1000 Lucas Way, Hampton, VA 23666, telephone (757) 766-1500.

Shareholders of the Company who currently receive multiple copies of the proxy statement at their address and would like to request to receive only one should contact their broker.

EXECUTION VERSION

AGREEMENT AND PLAN OF MERGER

dated as of

June 18, 2014

among

MEASUREMENT SPECIALTIES, INC.

TE CONNECTIVITY LTD.

and

WOLVERINE-MARS ACQUISITION, INC.

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER (this “**Agreement**”) dated as of June 18, 2014 among Measurement Specialties, Inc., a New Jersey corporation (the “**Company**”), TE Connectivity Ltd., a Swiss corporation (“**Parent**”), and Wolverine-Mars Acquisition, Inc., a Delaware corporation and a wholly owned indirect subsidiary of Parent (“**Merger Subsidiary**”).

WITNESSETH:

WHEREAS, the respective boards of directors of the Company, Parent and Merger Subsidiary have approved and declared advisable this Agreement pursuant to which, among other things, Parent would acquire the Company by means of a merger of Merger Subsidiary with and into the Company on the terms and subject to the conditions set forth in this Agreement;

WHEREAS, Parent has agreed to cause the sole stockholder of Merger Subsidiary, in its capacity as such, to approve and adopt this Agreement and the Merger by unanimous written consent in accordance with the requirements of the General Corporation Law of the State of Delaware (the “**DGCL**”) immediately after the execution of this Agreement; and

WHEREAS, as a condition and inducement to Parent’s willingness to enter into this Agreement, simultaneously herewith certain employees are entering into an employment, retention or consulting term sheet or agreement as of the date hereof and effective as of and contingent on the Closing.

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

ARTICLE 1

Definitions

Section 1.01. *Definitions*. (a) As used herein, the following terms have the following meanings:

"**Acquisition Proposal**" means, other than the transactions contemplated by this Agreement, any Third Party offer or proposal relating to (i) any acquisition or purchase, directly or indirectly, of 25% or more of the consolidated assets of the Company and its Subsidiaries, (ii) any tender offer or exchange offer that, if consummated, would result in such Third Party beneficially owning 25% or more of any class of equity or voting securities of the Company, (iii) a sale or other disposition, directly or indirectly, of assets (including by way of merger, consolidation or sale of capital stock), liquidation, dissolution or other similar transaction involving the Company or any of its Subsidiaries whose assets, individually or in the aggregate, constitute 25% or more of the consolidated assets of the Company or (iv) a merger, consolidation, share exchange, business combination, reorganization, recapitalization or other similar transaction involving the Company or any of its Subsidiaries as a result of which the current stockholders of the Company directly or indirectly beneficially own less than 75% of the successor's capital stock.

"**Affiliate**" means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person.

"**Applicable Law**" means, with respect to any Person, any transnational, domestic or foreign federal, state or local law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated, applied or enforced by a Governmental Authority that is binding upon or applicable to such Person, as amended unless expressly specified otherwise.

"**Business Day**" means a day, other than Saturday, Sunday or other day on which commercial banks in New York, New York, are authorized or required by Applicable Law to close.

"**Cause**" means (i) a material violation of any fiduciary duty owed to Parent or any of its Affiliates (including the Company), (ii) conviction of, or entry of a plea of *nolo contendere* with respect to, a felony or misdemeanor, (iii) dishonesty, (iv) theft or (v) other egregious conduct, including without limitation, a material breach of Parent's Code of Ethical Conduct, that is likely to have a materially detrimental impact on Parent or any of its Affiliates (including the Company) and its employees.

"**CFIUS**" means the Committee on Foreign Investment in the United States.

"**CFIUS Condition**" means that written notice has been received by respective counsel for Merger Subsidiary and the Company from CFIUS stating that the review or investigation of the transaction under Section 721 has been concluded and that CFIUS has made a determination that the transactions contemplated under this Agreement do not present any unresolved national security concerns, or the President of the United States has announced his decision not to suspend or prohibit the transactions contemplated under this Agreement.

"**Code**" means the Internal Revenue Code of 1986.

"**Collective Bargaining Agreement**" means any written or oral agreement, memorandum of understanding or other contractual obligation between the Company or any of its Subsidiaries and any labor organizations or other authorized representative representing Service Providers.

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"**Company Balance Sheet**" means the audited consolidated balance sheet of the Company as of March 31, 2014 and the notes thereto set forth in the Company 10-K.

"**Company Balance Sheet Date**" means March 31, 2014.

"**Company Disclosure Schedule**" means the disclosure schedule dated the date hereof related to this Agreement that has been provided by the Company to Parent and Merger Subsidiary prior to the execution hereof.

"**Company Material Adverse Effect**" means a material adverse effect on (i) the financial condition, business, assets or results of operations of the Company and its Subsidiaries, taken as a whole, excluding any such effect to the extent resulting from (A) changes in the financial or securities markets or general economic or political conditions in the United States or any other country in which the Company and its Subsidiaries, taken as a whole, conduct a substantial portion of their business, (B) changes (including changes in Applicable Law or GAAP) generally affecting the industry in which the Company and its Subsidiaries operate, (C) acts of war, sabotage or terrorism or natural disasters, (D) the announcement or pendency of the transactions contemplated by this Agreement, (E) any decline in the market price or trading volume of the Shares on Nasdaq, (F) any failure of the Company to meet any internal, external or public projections, forecasts, estimates of earnings or revenues or (G) any action by the Company made pursuant to the express terms of this Agreement or otherwise upon the written direction of Parent, except (1) in the case of clauses (A), (B) and (C) to the extent such changes or events have a disproportionate effect on the Company and its Subsidiaries, taken as a whole, relative to other participants in the industry in which the Company and its Subsidiaries operate (in which case the incremental disproportionate impact or impacts may be taken into account in determining whether there has been a Company Material Adverse Effect) and (2) the exceptions set forth in clauses (E) and (F) shall not prevent or otherwise affect a determination that any fact, change, event, occurrence or effect underlying or that contributed to such decline or failure has resulted in or contributed to a Company Material Adverse Effect, or (ii) the Company's ability to perform its obligations under, or consummate the transactions contemplated by, this Agreement.

"**Company 10-K**" means the Company's annual report on Form 10-K for the fiscal year ended March 31, 2014 (as filed on June 3, 2014).

"**Competition Law**" means Applicable Law designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization, restraint of trade or lessening of competition through merger or acquisition.

"**Confidentiality Agreement**" means the confidentiality letter dated August 6, 2012 (as amended on February 25, 2014 and April 25, 2014) between the Company and Parent.

"**Contract**" means, with respect to any Person, any legally binding contract, agreement, lease, sublease, license, commitment, sale or purchase order, indenture, note, bond, loan, mortgage, deed of trust, instrument or other arrangement, whether written or oral, to which such Person is a party or by which such Person or such Person's properties or assets are bound.

"**DDTC**" means the U.S. Department of State's Directorate of Defense Trade Controls.

"**DDTC Condition**" means that any applicable prior notice period under ITAR relating to the transactions contemplated hereby shall have expired or otherwise been waived by DDTC.

"**Deferred Compensation Account**" has the meaning assigned to it in the Deferred Compensation Plan.

"**Deferred Compensation Plan**" means the Measurement Specialties, Inc. Nonqualified Deferred Compensation Plan adopted by the Company Board on February 12, 2014, effective as of April 1, 2014.

"**DGA**" means the *Direction Générale de l'Armement*.

"**Employee Plan**" means any (i) "employee benefit plan" as defined in Section 3(3) of ERISA, (ii) compensation, employment, consulting, severance, termination protection, change in control, transaction bonus, retention or similar plan, agreement, arrangement, program or policy or (iii) other plan, agreement, arrangement, program or policy providing for compensation, bonuses, profit-sharing, equity or equity-based compensation or other forms of incentive or deferred compensation, vacation benefits, insurance (including any self-insured arrangement), medical, dental, vision, prescription or fringe benefits, life insurance, relocation or expatriate benefits, perquisites, disability or sick leave benefits, employee assistance program, workers' compensation, supplemental unemployment benefits or post-employment or retirement benefits (including compensation, pension, health, medical or insurance benefits), in each case whether or not written (x) that is sponsored, maintained, administered, contributed to or entered into by the Company or any of its Affiliates for the current or future benefit of any current or former Service Provider or (y) for which the Company or any of its Subsidiaries has any direct or indirect liability.

"**Employer Credits**" means, collectively, Employer Discretionary Credits and Other Employer Credits.

"**Employer Discretionary Credits**" has the meaning assigned to it in the Deferred Compensation Plan.

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"**Environmental Laws**" means any Applicable Law or any agreement with any Person relating to human health or safety in respect of Hazardous Substances, the environment or any pollutant, contaminant, waste or chemical or any toxic, radioactive, ignitable, corrosive, reactive or otherwise hazardous substance or material.

"**Environmental Permits**" means all Permits relating to or required by Environmental Law.

"**ERISA**" means the Employee Retirement Income Security Act of 1974.

"**ERISA Affiliate**" of any entity means any other entity that, together with such entity, would be treated as a single employer under Section 414 of the Code.

"**FDA**" means the U.S. Food and Drug Administration.

"**FDA Permits**" means all Permits (including, for the avoidance of doubt, all establishment registrations, device listings and 510(k) clearances) required by the FDA (or any other Health Authority).

"**Filing**" means any registration, petition, statement, application, schedule, form, declaration, notice, notification, report, submission or information or other filing.

"**GAAP**" means generally accepted accounting principles in the United States.

"**Governmental Authority**" means any transnational, domestic or foreign federal, state or local governmental, regulatory or administrative authority, department, court, agency or official, including any political subdivision thereof.

"**Hazardous Substance**" means any pollutant, contaminant, waste or chemical or any toxic, radioactive, ignitable, corrosive, reactive or otherwise hazardous substance or material, or any substance or material having any constituent elements displaying any of the foregoing characteristics, including any petroleum product, derivative or byproduct, asbestos, asbestos-containing materials, lead, polychlorinated biphenyls or any substance or material regulated under any Environmental Law due to its hazardous or toxic effect on human health or the environment.

"**Health Authority**" means the Governmental Authorities that administer Health Laws, including the FDA and the European Medicines Agency.

"**Health Law**" means any Applicable Law the purpose of which is to ensure the safety, efficacy and quality of medical products by regulating the research, development, manufacturing and distribution of these products, including Applicable Law relating to good laboratory practices, good clinical practices, investigational use, product marketing authorization, manufacturing facilities compliance and approval, good manufacturing practices, labeling, advertising, promotional practices, safety surveillance, record keeping and filing of required reports, including the Food, Drug and Cosmetic Act of 1938 and the Public Health Service Act.

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"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

"**Intellectual Property Rights**" means any and all intellectual property rights throughout the world, including any and all (i) trademarks, service marks, brand names, certification marks, trade dress, domain names and other indications of origin, the goodwill associated with the foregoing and registrations in any jurisdiction of, and applications in any jurisdiction to register, the foregoing, including any extension, modification or renewal of any such registration or application ("**Trademarks**"), (ii) national and multinational statutory invention registrations, patents and patent applications issued or applied for in any jurisdiction, including all certificates of invention, provisionals, nonprovisionals, substitutions, divisionals, continuations, continuations-in-part, reissues, extensions, supplementary protection certificates, reexaminations and the equivalents of any of the foregoing in any jurisdiction, and all inventions disclosed in each such registration, patent or patent application ("**Patents**"), (iii) trade secrets, know-how, confidential information, confidential data, proprietary processes, proprietary methods, (iv) writings and other works, whether copyrightable or not, in any jurisdiction, and any and all copyright rights, whether registered or not, and registrations or applications for registration of copyrights in any jurisdiction, and any renewals or extensions thereof ("**Copyrights**"), and (v) moral rights, database rights, design rights, industrial property rights, publicity rights and privacy rights.

"**International Plan**" means any Employee Plan that is not a US Plan.

"**Intervening Event**" means a material event, fact, circumstance or development relating to the Company or its Subsidiaries, unknown and not reasonably foreseeable as of the date hereof, which arises after the date hereof and becomes known by the Company Board prior to receipt of the Company Stockholder Approval; *provided, however* that in no event shall any of the following be deemed to either constitute or contribute to an Intervening Event: (i) the receipt of any Acquisition Proposal, any inquiry related thereto or any event or development in connection therewith, (ii) any event, fact, circumstance or development to the extent not having a disproportionate effect on the Company and its Subsidiaries, taken as a whole, relative to other participants in the industry in which the Company and its Subsidiaries operate, (iii) any actual or potential acquisition, divestiture or other business combination transaction, or other partnership or strategic alliance, involving the Company or any of its Subsidiaries, (iv) actions taken by either party in compliance with Section 9.01 or the receipt of any consent or approval from any Governmental Authority, (v) any increase in the market price or trading volume of the Shares on Nasdaq, (vi) the fact that the Company meets or exceeds any internal, external or public projections, forecasts, estimates of earnings or revenues, (vii) any event, fact, circumstance or development relating to Parent or any of its Subsidiaries, or (viii) any consequence of the foregoing; *provided*, *further*, that the exceptions set forth in clauses (v) and (vi) shall not prevent or otherwise affect a determination that a material event, fact, circumstance or development underlying or that contributed to such increase has resulted in or contributed to an Intervening Event.

"**ITAR**" means the U.S. Department of State's International Traffic In Arms Regulations, codified at 22 C.F.R. parts 120-130.

"**IT Assets**" means computers, computer software, firmware, middleware, servers, workstations, routers, hubs, switches, data communications lines and all other information technology equipment, and all associated documentation owned by the Company or its Subsidiaries or licensed or leased by the Company or its Subsidiaries.

"**Key Employee**" means an employee of the Company or any of its Subsidiaries whose annual base compensation is $150,000 or more or who has the title of Vice President or above.

"**knowledge of the Company**" or "**Company's Knowledge**" means the actual knowledge after reasonable inquiry of the individuals listed in Section 1.01(a) of the Company Disclosure Schedule.

"**Licensed Intellectual Property Rights**" means all Intellectual Property Rights owned by a Third Party and licensed or sublicensed to the Company or any of its Subsidiaries or for which the Company or any of its Subsidiaries has obtained a covenant not to be sued.

"**Lien**" means, with respect to any property or asset, any mortgage, lien, license, pledge, charge, security interest, encumbrance or other adverse claim of any kind in respect of such property or asset. For purposes of this Agreement, a Person shall be deemed to own, subject to a Lien, any property or asset that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property or asset.

"**MEAS France**" means MEAS France SAS, a *société par actions simplifiée* organized under the laws of France.

"**MINEFI**" means the French Ministry for Economy and Finance.

"**MINEFI Condition**" means that MINEFI shall have (i) notified Parent and/or Merger Subsidiary and, as the case may be, the Company and/or MEAS France that it has approved the indirect acquisition of the Company by Parent, or (ii) MINEFI's approval shall be deemed granted following notification pursuant to Articles L. 151-3 and R. 153-1 *et seq*. of the French Monetary and Financial Code.

"**Nasdaq**" means the NASDAQ Stock Market LLC.

"**1933 Act**" means the Securities Act of 1933.

"**1934 Act**" means the Securities Exchange Act of 1934.

"**NJBCA**" means the New Jersey Business Corporation Act.

"**Other Employer Credits**" has the meaning assigned to it in the Deferred Compensation Plan.

"**Owned Intellectual Property Rights**" means all Intellectual Property Rights owned or purported to be owned by the Company or any of its Subsidiaries.

"**Parent Material Adverse Effect**" means a material adverse effect on Parent's ability to perform its obligations under, or consummate the transactions contemplated by, this Agreement.

"**Parent 10-K**" means the Parent's annual report on Form 10-K for the fiscal year ended September 27, 2013 (as filed on November 15, 2013).

"**Participant**" has the meaning assigned to it in the Deferred Compensation Plan.

"**Permits**" means governmental licenses, franchises, permits, certificates, approvals, registrations, concessions or other similar authorizations of Governmental Authorities applicable to the assets or business of the Company or its Subsidiaries.

"**Permitted Liens**" means (i) any Liens for Taxes not yet due and payable or which are being contested in good faith by appropriate proceedings and for which adequate reserves have been recorded in accordance with GAAP, (ii) landlords', carriers', warehousemen's, mechanics', materialmen's, repairmen's or other similar Liens incurred in the ordinary course of business consistent with past practice, in each case for sums not yet due and payable or due but not delinquent or being contested in good faith by appropriate proceedings, (iii) Liens incurred in the ordinary course of business consistent with past practice in connection with pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation, and (iv) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not material in amount and that do not, in any case, materially detract from the value or use of the property subject thereto.

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"**Person**" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a Governmental Authority or an agency or instrumentality thereof.

"**Proceeding**" means any claim, audit, action, suit, proceeding, arbitral action or investigation.

"**Sarbanes-Oxley Act**" means the Sarbanes-Oxley Act of 2002.

"**SEC**" means the Securities and Exchange Commission.

"**Section 721**" means Section 721 of Title VII of the Defense Production Act of 1950, codified at 50 U.S.C. app. 2170 *et seq.*, and the U.S. Department of the Treasury implementing regulations, codified at 31 C.F.R. Part 800.

"**Service Provider**" means any director, officer, employee or individual independent contractor of the Company or any of its Subsidiaries.

"**Shares**" means shares of common stock, no par value per share, of the Company.

"**Subsidiary**" means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at any time directly or indirectly owned by such Person and, with respect to the Company, shall include Nikkiso-Therm Co., Ltd.

"**Third Party**" means any Person, including as defined in Section 13(d) of the 1934 Act, other than Parent or any of its Affiliates.

"**Trust**" has the meaning assigned to it in the Trust Agreement.

"**Trust Asset**" means (i) any asset held in the Trust, and the value of such asset determined in accordance with GAAP, including Company Securities and instruments linked to the value of Company Securities, (ii) any right the Trust has to receive any asset in the future, including by the Trust being the (a) owner or beneficiary of any insurance policy or similar instrument or (b) beneficiary of a letter of credit, bank guaranty, surety bond or similar instrument, and (iii) any instrument by which the Trust may or will receive any of (i) and (ii) as the result of, or in connection with, a future event, including a Change in Control Event (as defined in the Deferred Compensation Plan).

"**Trust Agreement**" means the Non-Qualified Plan Trust Agreement entered into as of April 1, 2014 by and between the Company and Bank of America, N.A.

"**US Plan**" means any Employee Plan that covers Service Providers located primarily within the United States.

"**WARN**" means the Worker Adjustment and Retraining Notification Act and any comparable Applicable Law.

(b) Each of the following terms is defined in the Section set forth opposite such term:

Term	**Section**
Adverse Recommendation Change	6.04(a)(i)
Agreement	Preamble
Certificates	2.03(a)
Closing	2.01(b)
Closing Date	2.01(b)
Collaboration Partner	4.12(e)
Company	Preamble
Company Board	4.02(b)
Company Board Recommendation	4.02(b)
Company Financial Advisor	4.21
Company Proxy Statement	4.09(a)
Company RSUs	2.04(d)
Company SEC Documents	4.07(a)
Company Securities	4.05(c)
Company Stock Options	2.04(b)
Company Stockholder Approval	4.02(a)
Company Stockholder Meeting	6.02(a)
Company Subsidiary Securities	4.06(b)
Continuing Employees	7.05(a)
Conversion Ratio	2.04(b)
Costs	7.04(a)(ii)
D&O Insurance	7.04(a)(iii)
Deferred Compensation Plan Liability	4.17(h)
DGCL	Recitals
Draft Notice	8.01(c)
EAR	4.12(d)
Effective Time	2.01(c)
End Date	10.01(c)
ESPP	2.05
Exchange Fund	2.03(a)
FCPA	4.12(b)
Government Contract	4.20(c)
Indemnified Person	7.04(a)
Intervening Event Notice	6.04(a)(iv)
Material Contract	4.20(a)
Merger	2.01(a)
Merger Consideration	2.02(a)
Merger Subsidiary	Preamble
New Jersey Shareholders' Protection Act	4.23

Non-U.S. Employee	7.05(a)

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Term	**Section**
Notice Period	6.04(a)(iv)
OFAC	4.12(c)
Option Amount	2.04(b)
Parent	Preamble
Paying Agent	2.03(a)
Representatives	6.04(a)(i)
Required Approvals	9.02(b)
Retention Amount	2.04(e)
RSU Amount	2.04(d)
Sanctions	4.12(c)
Superior Proposal	6.04(b)
Superior Proposal Notice	6.04(a)(iv)
Surviving Corporation	2.01(a)
Tax	4.16(q)
Taxing Authority	4.16(q)
Tax Return	4.16(q)
Tax Sharing Agreement	4.16(q)
Termination Fee	11.04(b)
UK Bribery Act	4.12(b)
Uncertificated Shares	2.03(a)
Unvested Options	2.04(b)
Unvested RSUs	2.04(d)
U.S. Employee	7.05(a)
Vested Options	2.04(a)
Vested RSUs	2.04(c)
Vesting Date	2.04(e)

Section 1.02. *Other Definitional and Interpretative Provisions.* The words “hereof,” “herein” and “hereunder” and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. References to Articles, Sections, Exhibits, Annexes and Schedules are to Articles, Sections, Exhibits, Annexes and Schedules of this Agreement unless otherwise specified. All Exhibits, Annexes and Schedules annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized term used in any Exhibit, Annex or Schedule but not otherwise defined therein shall have the meaning as defined in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation,” whether or not they are in fact followed by those words or words of like import. “Writing,” “written” and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References to any statute, rule or regulation shall be deemed to refer to such statute, rule or regulation as amended from time to time and to any rules or regulations promulgated thereunder. References to any Contract are to that Contract as amended, modified or supplemented from time to time in accordance with the terms hereof and thereof; *provided* that with respect to any Contract listed on any schedules hereto, any amendments, modifications or supplements must also be listed in the appropriate schedule. References to any Person include the successors and permitted assigns of that Person. References from or through any date mean, unless otherwise specified, from and including or through and

including, respectively. References to anything having been “made available” to Parent shall include posting of such information or material, prior to the date hereof, in an electronic data room to which Parent has been provided access.

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ARTICLE 2

The Merger

Section 2.01. *The Merger.* (a) At the Effective Time, Merger Subsidiary shall be merged (the "**Merger**") with and into the Company in accordance with the NJBCA and the DGCL, whereupon the separate existence of Merger Subsidiary shall cease, and the Company shall be the surviving corporation (the "**Surviving Corporation**").

(b) The closing of the Merger (the "**Closing**") shall take place in New York City at the offices of Davis Polk & Wardwell LLP, 450 Lexington Avenue, New York, New York 10017 as soon as possible, but in any event no later than two Business Days after the date the conditions set forth in ARTICLE 8 (other than conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or, to the extent permissible under Applicable Law, waiver of those conditions by the party or parties entitled to the benefit thereof at the Closing) have been satisfied or, to the extent permissible under Applicable Law, waived by the party or parties entitled to the benefit of such conditions, or at such other place or time as Parent and the Company may mutually agree (the date on which the Closing occurs, the "**Closing Date**").

(c) At the Closing, the Company and Merger Subsidiary shall (a) file a certificate of merger with (i) the Department of Treasury of the State of New Jersey and (ii) the Delaware Secretary of State and (b) make all other filings or recordings required by the NJBCA or the DGCL in connection with the Merger in such form as required by the NJBCA or the DGCL, as applicable. The Merger shall become effective at such time (the "**Effective Time**") as such certificates of merger are duly filed with the Department of Treasury of the State of New Jersey and the Delaware Secretary of State (or at such later time as may be specified in such certificates of merger).

(d) The Merger shall have the effects specified in this Agreement and the NJBCA, including Section 14A:10-6 thereof, and the DGCL.

Section 2.02. *Conversion of Shares.* At the Effective Time:

(a) Except as otherwise provided in Section 2.02(b) or Section 2.02(c), each Share outstanding immediately prior to the Effective Time shall be converted into the right to receive $86.00 in cash, without interest (the "**Merger Consideration**"). As of the Effective Time, all such Shares shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and shall thereafter represent only the right to receive the Merger Consideration to be paid in accordance with Section 2.03, without interest.

(b) Each Share held by the Company as treasury stock or owned by Parent or Merger Subsidiary immediately prior to the Effective Time shall be canceled, and no payment shall be made with respect thereto.

(c) Each Share held by any Subsidiary of either the Company or Parent (other than the Merger Subsidiary) immediately prior to the Effective Time shall be converted into such number of shares of stock of the Surviving Corporation such that each such Subsidiary owns the same percentage of the outstanding capital stock of the Surviving Corporation immediately following the Effective Time as such Subsidiary owned in the Company immediately prior to the Effective Time.

(d) Each share of common stock of Merger Subsidiary outstanding immediately prior to the Effective Time shall be converted into and become one fully paid and nonassessable share of common stock of the Surviving Corporation with the same rights, powers and privileges as the shares so converted and shall constitute the only outstanding shares of capital stock of the Surviving Corporation (except for any such shares resulting from the conversion of Shares pursuant to Section 2.02(c)).

Section 2.03. *Surrender and Payment.* (a) Prior to the Effective Time, Parent shall appoint a bank or trust reasonably acceptable to the Company (the "**Paying Agent**") for the purpose of exchanging for the Merger Consideration (i) certificates representing Shares (the "**Certificates**") or (ii) uncertificated Shares (the "**Uncertificated Shares**"), and Parent or one of its Affiliates shall make available to the Paying Agent, for the benefit of the holders of Shares, cash in immediately available dollar-denominated funds in the amounts and at the times necessary for the Paying Agent to make the payments contemplated by Section 2.02(a) (such cash, the "**Exchange Fund**"). The Paying Agent shall invest the Exchange Fund as dictated by Parent; *provided* that such investment shall only be made in (i) direct obligations of the United States of America, (ii) obligations for which the full faith and credit of the United States of America is pledged to provide for the payment of principal and interest, (iii) commercial paper rated the highest quality by either Moody's Investor Services, Inc. or Standard and Poor's Rating Services, or (iv) money market funds investing solely in a combination of the foregoing. Any interest or income earned on the Exchange Fund, and any amounts in the Exchange Fund in excess of the amounts payable under Section 2.02(a), shall be promptly paid to Parent or as Parent otherwise directs.

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(b) Promptly (and in any event within three Business Days) after the Effective Time, Parent shall send, or shall cause the Paying Agent to send, to each holder of Shares at the Effective Time a letter of transmittal and instructions (which shall specify that the delivery shall be effected, and risk of loss and title shall pass, only upon proper delivery of the Certificates or transfer of the Uncertificated Shares to the Paying Agent) for use in such exchange. Each holder of Shares that have been converted into the right to receive the Merger Consideration shall be entitled to receive, upon (i) surrender to the Paying Agent of a Certificate, together with a properly completed letter of transmittal, or (ii) receipt of an "agent's message" by the Paying Agent (or such other evidence, if any, of transfer as the Paying Agent may reasonably request) in the case of a book-entry transfer of Uncertificated Shares, the Merger Consideration payable for each Share represented by a Certificate or for each Uncertificated Share. Until so surrendered or transferred, as the case may be, each such Certificate or Uncertificated Share shall represent after the Effective Time for all purposes only the right to receive the Merger Consideration.

(c) If any portion of the Merger Consideration is to be paid to a Person other than the Person in whose name the surrendered Certificate or the transferred Uncertificated Share is registered, it shall be a condition to such payment that (i) either such Certificate shall be properly endorsed or shall otherwise be in proper form for transfer or such Uncertificated Share shall be properly transferred and (ii) the Person requesting such payment shall pay to the Paying Agent any transfer or other Taxes required as a result of such payment to a Person other than the registered holder of such Certificate or Uncertificated Share or establish to the satisfaction of the Paying Agent that such Tax has been paid or is not payable.

(d) The Merger Consideration paid in accordance with the terms of this ARTICLE 2 shall be deemed to have been paid in full satisfaction of all rights pertaining to the Shares formerly represented by the applicable Certificates or Uncertificated Shares. After the Effective Time, there shall be no further registration of transfers of Shares. If, after the Effective Time, Certificates or Uncertificated Shares are presented to the Surviving Corporation or the Paying Agent, they shall be canceled and exchanged for the Merger Consideration provided for, and in accordance with the procedures set forth, in this ARTICLE 2.

(e) Any portion of the Exchange Fund (and any interest or other income earned thereon) that remains unclaimed by the holders of Shares 12 months after the Effective Time shall be returned to Parent or one of its Affiliates, upon demand, and any such holder who has not exchanged its Shares for the Merger Consideration in accordance with this Section 2.03 prior to that time shall thereafter look only to the Surviving Corporation for payment of the Merger Consideration in respect of such Shares without any interest thereon. Any amounts remaining unclaimed by holders of Shares two 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 Authority) 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. None of Parent, Merger Subsidiary, the Company, the Surviving Corporation or the Paying Agent shall be liable to any person for any Merger Consideration delivered to a public official pursuant to any abandoned property, escheat or other similar Applicable Law.

Section 2.04. *Company Stock Options and Company RSUs.*

(a) At or immediately prior to the Effective Time, each option (or portion thereof) to acquire Shares granted or issued pursuant to any Employee Plan that is outstanding immediately prior to the Effective Time and that became vested and exercisable prior to, or the vesting and exercisability of which will accelerate at, the Effective Time, in either case as required by the terms of the applicable award agreement as in effect on the date hereof (collectively, the "**Vested Options**"), shall be canceled, and, at or promptly after the Effective Time (subject to Applicable Law, if the holder of such canceled Vested Option is a Non-US Employee), the Company shall pay each holder of any such canceled Vested Option an amount in cash determined by multiplying (i) the excess, if any, of the Merger Consideration over the applicable exercise price of such canceled Vested Option by (ii) the number of Shares such holder could have purchased had such holder exercised such Vested Option in full immediately prior to the Effective Time.

(b) At or immediately prior to the Effective Time, each option (or portion thereof) to acquire Shares granted or issued pursuant to any Employee Plan that is outstanding immediately prior to the Effective Time and that is not a Vested Option (collectively, the "**Unvested Options**" and, together with the Vested Options, the "**Company Stock Options**") will be canceled in exchange for the opportunity to receive solely an aggregate amount (an "**Option Amount**") in cash determined by multiplying (i) the excess, if any, of the Merger Consideration over the applicable exercise price of such canceled Unvested Option by (ii) the number of Shares such holder could have purchased had such holder exercised such Unvested Option in full immediately prior to the Effective Time (assuming that such Unvested Option were fully exercisable). Each Option Amount will be payable in accordance with, and subject to, Section 2.04(e).

(c) Prior to the Effective Time, the Company shall take all actions necessary, if any, to provide that, at or immediately prior to the Effective Time, each restricted Share unit granted or issued pursuant to any Employee Plan that is outstanding immediately prior to the Effective Time and that became vested prior to, or the vesting of which will accelerate at, the Effective Time, in either case as required by the terms of the applicable award agreement as in effect on the date hereof (collectively, the "**Vested RSUs**") shall be converted automatically into the right to receive from the Company at or promptly after the Effective Time (subject to Applicable Law, if the holder of such Vested RSU is a Non-US Employee) solely an amount in cash equal to the product of (i) the Merger Consideration and (ii) the total number of Shares subject to such Vested RSU; *provided* that for any such Vested RSU that constitutes deferred compensation within the meaning of Section 409A of the Code, such amount shall be paid on the date(s) that it would be paid under the applicable Employee Plan absent the application of this Section 2.04(c).

(d) Prior to the Effective Time, the Company shall take all actions necessary, if any, to provide that, at or immediately prior to the Effective Time, each restricted Share unit granted or issued pursuant to any Employee Plan that is outstanding immediately prior to the Effective Time and that is not a Vested RSU (collectively, the "**Unvested RSUs**" and, together with the Vested RSUs, the "**Company RSUs**") will be canceled in exchange for the opportunity to receive solely an aggregate amount (an "**RSU Amount**") in cash equal to the product of (i) the Merger Consideration and (ii) the total number of Shares subject to such Unvested RSU. Each RSU Amount shall be payable in accordance with, and subject to, Section 2.04(e).

(e) Each Option Amount and each RSU Amount (each, a "**Retention Amount**") shall be payable to the holder of the applicable corresponding Unvested Option or Unvested RSU, as applicable, in substantially equal installments on or within 30 days after the date(s) (subject to Applicable Law, if such holder is a Non-US Employee) on which such Unvested Option or Unvested RSU, as applicable, was scheduled to become vested (each, a "**Vesting Date**"), in each case subject to such holder's continued employment with the Company or any of its Affiliates through the applicable Vesting Date; *provided* that, if the employment of such holder is terminated by the Company or any of its Affiliates without Cause at any time prior to the final Vesting Date applicable to such Retention Amount, the entire unpaid portion of such Retention Amount shall be paid to such holder on or within 30 days after such termination (subject to Applicable Law, if such holder is a Non-US Employee) (and, for the avoidance of doubt, on termination of the employment of such holder for any reason other than by the Company or any of its Affiliates without Cause at any time prior to such final Vesting Date, the entire unpaid portion of such Retention Amount shall be forfeited without any payment to such holder); *provided further* that, if such RSU Amount constitutes deferred compensation within the meaning of Section 409A of the Code, such RSU Amount shall be paid on the date(s) that it would be paid under the applicable Employee Plan absent the application of this Section 2.04(e). Subject to the second proviso in the preceding sentence, the Retention Amounts shall be exempt from Section 409A of the Code and shall be administered so as to retain such exemption.

(f) Prior to the Effective Time, the Company shall (i) use its reasonable best efforts to obtain consents from holders of Company Stock Options and Company RSUs and (ii) make any amendments to the terms of any Employee Plan, Company Stock Option or Company RSU that, in the case of either clauses (i) or (ii), are necessary to give effect to the transactions contemplated by this Section 2.04; *provided* that the Company shall not pay any amounts (other than any payments pursuant to this Section 2.04) for such consents without the prior written consent of Parent. Notwithstanding any provision of this Section 2.04, payment may be withheld in respect of any Company Stock Option or Company RSU until any such consent is obtained with respect to such Company Stock Option or Company RSU.

Section 2.05. *Employee Stock Purchase Plan.* The Company shall take all actions necessary under the Company's Amended and Restated 2006 Employee Stock Purchase Plan (the "**ESPP**") to ensure that (i) participants may not increase their payroll deductions or purchase elections from those in effect on the date of this Agreement, (ii) except for the offering period under the ESPP that is in effect on the date hereof, no offering period shall be authorized, continued or commenced following the date hereof, (iii) the ESPP shall be terminated as of the tenth Business Day prior to the Effective Time, contingent upon the occurrence of the Effective Time, and (iv) the rights of participants in the ESPP with respect to the offering period under the ESPP that is in effect on the date hereof shall be determined by treating the tenth Business Day prior to the Effective Time as the last day of such offering period (to the extent such date is prior to the date on which such offering period would otherwise expire) and by making such other pro-rata adjustments as may be necessary to reflect any shortening of the offering period but otherwise treating such offering period as a fully effective and completed offering period for all purposes under the ESPP; *provided* that (i) all amounts allocated to each participant's account under the ESPP at the end of such offering period shall thereupon be used to purchase from the Company whole Shares at the applicable price under the ESPP for such offering period, which Shares shall be canceled at the Effective Time in exchange for the right to receive the Merger Consideration in accordance with Section 2.02(a), and (ii) as promptly as practicable following the purchase of Shares in accordance with the foregoing clause (i), return to each participant the funds, if any, that remain in such participant's account after such purchase.

Section 2.06. *Adjustments.* If, during the period between the date of this Agreement and the Effective Time, the outstanding Shares (or securities convertible or exchangeable into, or exercisable for, Shares) shall be changed into a different number of shares or a different class by reason of any reclassification, recapitalization, stock split (including reverse stock split) or combination, exchange or readjustment of Shares, or stock dividend thereon with a record date during such period or otherwise (excluding any change that results from any issuance of Shares permitted by Section 6.01(c)), the Merger Consideration and any other amounts payable pursuant to this Agreement shall be appropriately adjusted. Nothing in this Section 2.06 shall be construed to permit any party to take any action that is otherwise prohibited or restricted by any other provision of this Agreement.

Section 2.07. *Withholding Rights.* Notwithstanding any provision contained herein to the contrary, each of the Paying Agent, the Surviving Corporation and Parent shall be entitled to deduct and withhold from the consideration otherwise payable to any Person pursuant to Article 2 such amounts as it is required to deduct and withhold with respect to the making of such payment under any provision of Applicable Law. To the extent that amounts are so withheld, such withheld amounts (a) shall be remitted to the applicable Governmental Authority in accordance with Applicable Law and (b) shall be treated for all purposes of this Agreement as having been paid to the party entitled to receive such payment.

Section 2.08. *Lost Certificates.* If 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 the Surviving Corporation, the posting by such Person of a bond, in such reasonable amount as the Surviving Corporation may direct in accordance with the Paying Agent's customary practices, as indemnity against any claim that may be made against the Surviving Corporation with respect to such Certificate, the Paying Agent shall pay, in exchange for such lost, stolen or destroyed Certificate, the Merger Consideration to be paid in respect of the Shares represented by such Certificate, as contemplated by this Article 2.

ARTICLE 3

The Surviving Corporation

Section 3.01. *Certificate of Incorporation.* At the Effective Time, the certificate of incorporation of the Company in effect immediately prior to the Effective Time shall, subject to Section 7.04 hereof, be amended and restated to read in its entirety as set forth on <u>Annex I</u> hereto, and as so amended and restated shall be the amended and restated certificate of incorporation of the Surviving Corporation until thereafter amended in accordance with the NJBCA.

Section 3.02. *Bylaws.* At the Effective Time, the bylaws of the Company as in effect immediately prior to the Effective Time shall be amended and restated to read in their entirety as the bylaws of Merger Subsidiary in effect at the Effective Time (except that all references to the name of Merger Subsidiary therein shall be changed to refer to the name of the Company), and as so amended and restated shall, subject to Section 7.04 hereof, be the amended and restated bylaws of the Surviving Corporation until thereafter amended in accordance with the NJBCA.

Section 3.03. *Directors and Officers.* From and after the Effective Time, until their respective successors are duly elected or appointed and qualified in accordance with the NJBCA, (a) the directors of Merger Subsidiary at the Effective Time shall be the directors of the Surviving Corporation and (b) the officers of the Company at the Effective Time shall be the officers of the Surviving Corporation.

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ARTICLE 4

Representations and Warranties of the Company

Subject to Section 11.05, except as set forth in the Company Disclosure Schedule or the Company 10-K (excluding any disclosures set forth in the Company 10-K under the heading “Safe Harbor Statement” or “Risk Factors,” or containing a description or explanation of “Forward-Looking Statements,” or any similar section and any disclosures therein that are predictive, cautionary or forward-looking in nature), the Company represents and warrants to Parent and Merger Subsidiary that:

Section 4.01. *Corporate Existence and Power.* The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of New Jersey and has all corporate powers and all Permits (including, for the avoidance of doubt, all Environmental Permits and FDA Permits) required to carry on its business as currently conducted, other than any Permits the absence of which has not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. The Company is duly qualified to do business and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where failure to be so qualified would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. The Company has heretofore made available to Parent true and complete copies of the certificate of incorporation and bylaws of the Company as currently in effect.

Section 4.02. *Corporate Authorization.* (a) The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby are within the Company’s corporate powers and, except for the affirmative vote of the holders of a majority of the votes cast in connection with the Merger at the Company Stockholder Meeting (the “**Company Stockholder Approval**”), have been duly authorized by all necessary corporate action on the part of the Company. The Company Stockholder Approval is the only vote of the holders of any of the Company’s capital stock necessary in connection with the consummation of the Merger. This Agreement constitutes a valid and binding agreement of the Company enforceable against the Company in accordance with its terms (subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws affecting creditors’ rights generally and general principles of equity).

(b) At a meeting duly called and held, the board of directors of the Company (the “**Company Board**”) has unanimously (i) determined that this Agreement and the transactions contemplated hereby, including the Merger, are fair to and in the best interests of the Company’s stockholders, (ii) approved, adopted and declared advisable this Agreement and the transactions contemplated hereby, including the Merger, in accordance with the requirements of the NJBCA and (iii) resolved, subject to Section 6.04(a)(ii)(B), to recommend approval and adoption of this Agreement by the stockholders of the Company (such recommendation, the “**Company Board Recommendation**”).

Section 4.03. *Governmental Authorization.* The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated by this Agreement require no action by or in respect of, or filing with, any Governmental Authority other than (i) the filing of a certificate of merger with respect to the Merger with the Department of Treasury of the State of New Jersey, (ii) compliance with any applicable requirements of the HSR Act and Competition Law of Germany and Austria, (iii) compliance with any applicable requirements of the 1933 Act, the 1934 Act and any other applicable U.S. state or federal securities laws, (iv) compliance with any applicable requirements of Nasdaq, (v) clearance by CFIUS pursuant to Section 721, (vi) notification to DDTC pursuant to Section 122.4(b) of ITAR, (vii) clearance pursuant to Articles L. 151-3 and R. 153-1 *et seq.* of the French Monetary and Financial Code, (viii) notification to the German Federal Ministry of Economic Affairs and Energy pursuant to Section 4 of the Foreign Trade and Payments Act and Sections 55 through 59 of the Foreign Trade and Payments Ordinance and (ix) any actions or Filings the absence of which would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 4.04. *Noncontravention.* The execution, delivery and performance by the Company of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) contravene, conflict with, or result in any violation or breach of any provision of the certificate of incorporation or bylaws of the Company, (ii) assuming compliance with the matters referred to in Section 4.03, contravene, conflict with or result in a violation or breach of any provision of any Applicable Law, (iii) assuming compliance with the matters referred to in Section 4.03, require any payment to or consent or other action by any Person under, constitute a breach or default, or an event that, with or without notice or lapse of time or both, would constitute a breach or default, under, or cause or permit the termination, cancellation, acceleration or other change of any right or obligation or the loss of any benefit to which the Company or any of its Subsidiaries is entitled under any provision of any Contract binding on, or any Permit required to carry on the business as currently conducted of, the Company or any of its Subsidiaries or adversely affecting the assets or business of the Company and its Subsidiaries or (iv) result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries, with only such exceptions, in the case of each of clauses (ii) through (iv), as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 4.05. *Capitalization.* (a) The authorized capital stock of the Company consists of 26,200,000 shares of capital stock, comprised of (i) 25,000,000 Shares, (ii) 100,000 shares of Series A Convertible Preferred Stock, $5.00 par value per share, (iii) 100,000 shares of Series B Convertible Preferred Stock, $5.00 par value per share, (iv) 21,756 shares of Series C Convertible Preferred Stock, $1.75 par value per share, and (v) 978,244 other authorized shares that may be divided and designated in accordance with the Company’s certificate of incorporation.

(b) As of June 17, 2014, there were outstanding (i) 15,969,944 Shares, (ii) no shares of Series A Convertible Preferred Stock, (iii) no shares of Series B Convertible Preferred Stock, (iv) no shares of Series C Convertible Preferred Stock and (v) no other shares of capital stock of the Company. As of June 17, 2014, there were 2,175,830 Shares reserved under the Employee Plans, of which there were outstanding 1,614,033 Shares subject to issuance upon exercise of outstanding Company Stock Options (which have a weighted-average exercise price of $21.16 and 1,390,425 of which are currently exercisable) and 561,797 Shares subject to issuance upon settlement of the Company RSUs, as well as rights to purchase 1,050 Shares pursuant to the ESPP. All outstanding shares of capital stock of the Company have been, and all shares that may be issued pursuant to any Employee Plan or Company Security will be, when issued in accordance with the respective terms thereof, duly authorized and validly issued, fully paid and nonassessable and free of preemptive rights. Section 4.05 of the Company Disclosure Schedule contains a complete and correct list of (1) each outstanding Company Stock Option, including the holder, date of grant, exercise price, vesting schedule (including any performance-vesting criteria and whether vesting accelerates on specified “change in control” transactions or involuntary terminations of employment) and number of Shares subject thereto and (2) each outstanding Company RSU, including the holder, date of grant, vesting schedule (including any performance-vesting criteria and whether vesting accelerates on specified “change in control” transactions or involuntary terminations of employment) and number of Shares subject thereto. The exercise price of each Company Stock Option is no less than the fair market value of a Share on the date of grant of such Company Stock Option.

(c) There are no outstanding bonds, debentures, notes or other indebtedness of the Company having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which stockholders of the Company may vote. Except as set forth in this Section 4.05 and for changes since June 17, 2014 resulting from the exercise of Company Stock Options outstanding on such date, the issuance of Shares pursuant to the vesting of Company RSUs outstanding on such date and the purchase of Shares pursuant to the ESPP in accordance with its terms as in effect on the date hereof, in each case in accordance with this Agreement, there are no issued, reserved for issuance or outstanding (i) shares of capital stock or other voting securities of or ownership interests in the Company, (ii) securities of the Company convertible into or exchangeable for shares of capital stock or other voting securities of or ownership interests in the Company, (iii) warrants, calls, options or other rights to acquire from the Company, or other obligation of the Company to issue, any capital stock or other voting securities or ownership interests in or any securities convertible into or exchangeable or exercisable for capital stock or other voting securities or ownership interests in the Company or (iv) restricted shares, restricted stock units, stock appreciation rights, performance units, contingent value rights, “phantom” stock or similar securities or rights that are derivative of, or provide economic benefits based, directly or indirectly, on the value or price of, any capital stock or voting securities of the Company (the items in clauses (i) through (iv) being referred to collectively as the “**Company Securities**”). There are no outstanding obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any of the Company Securities. Neither the Company nor any of its Subsidiaries is a party to any voting agreement with respect to the voting of any Company Securities.

(d) No (i) Shares or (ii) Company Securities are owned by any Subsidiary of the Company.

Section 4.06. *Subsidiaries.* (a) Each Subsidiary of the Company has been duly organized, is validly existing and (where applicable) in good standing under the laws of its jurisdiction of organization, has all organizational powers and all Permits (including, for the avoidance of doubt, all Environmental Permits and FDA Permits) required to carry on its business as currently conducted, except for those Permits the absence of which would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. Each such Subsidiary is duly qualified to do business as a foreign entity and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where failure to be so qualified would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. All Subsidiaries of the Company and their respective jurisdictions of organization are identified in the Company 10-K.

(b) All of the outstanding capital stock or other voting securities of, or ownership interests in, each Subsidiary of the Company is owned by the Company, directly or indirectly, free and clear of any Lien and free of any other limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other voting securities or ownership interests). There are no issued, reserved for issuance or outstanding (i) securities of the Company or any of its Subsidiaries convertible into, or exchangeable or exercisable for, shares of capital stock or other voting securities of, or ownership interests in, any Subsidiary of the Company, (ii) warrants, calls, options or other rights to acquire from the Company or any of its Subsidiaries, or other obligations of the Company or any of its Subsidiaries to issue, any capital stock or other voting securities of, or ownership interests in, or any securities convertible into, or exchangeable or exercisable for, any capital stock or other voting securities of, or ownership interests in, any Subsidiary of the Company or (iii) restricted shares, restricted stock units, stock appreciation rights, performance units, contingent value rights, "phantom" stock or similar securities or rights that are derivative of, or provide economic benefits based on, directly or indirectly, the value or price of any capital stock or other voting securities of, or ownership interests in, any Subsidiary of the Company (the items in clauses (i) through (iii) being referred to collectively as the "**Company Subsidiary Securities**"). There are no outstanding obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any of the Company Subsidiary Securities. Except for the capital stock or other voting securities of, or ownership interests in, its Subsidiaries, the Company does not own, directly or indirectly, any capital stock or other voting securities of, or ownership interests in, any Person.

Section 4.07. *SEC Filings and the Sarbanes-Oxley Act.*

(a) The Company timely has filed with or furnished to the SEC, and made available to Parent, all reports, schedules, forms, statements, prospectuses, registration statements and other documents required to be filed with or furnished to the SEC by the Company since March 31, 2011 (collectively, together with any exhibits and schedules thereto and other information incorporated therein, in each case, as amended, the "**Company SEC Documents**").

(b) As of its filing date (or, if amended or superseded by a filing prior to the date hereof, on the date of such filing), each Company SEC Document complied (and each Company SEC Document filed subsequent to the date hereof will comply) in all material respects with the applicable requirements of Nasdaq, the 1933 Act, the 1934 Act and the Sarbanes-Oxley Act, as the case may be, and did not contain (and each Company SEC Document filed subsequent to the date hereof will not contain) any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. To the knowledge of the Company, as of the date hereof, no Company SEC Document is the subject of ongoing SEC review, comment or investigation and there are no outstanding or unresolved comments received from the SEC with respect to any Company SEC Document. There has been no material correspondence between the SEC and the Company since March 31, 2011 through the date hereof that is not available on the SEC's Electronic Data Gathering, Analysis, and Retrieval system.

(c) The Company and its Subsidiaries have established and maintained disclosure controls and procedures (as defined in Rule 13a-15(e) under the 1934 Act). Such disclosure controls and procedures comply with Rule 13a-15 and Rule 15d-15 under the 1934 Act in all material respects and are designed to ensure that material information relating to the Company, including its consolidated Subsidiaries, is made known to the Company's principal executive officer and its principal financial officer by others within those entities, particularly during the periods in which the periodic reports required under the 1934 Act are being prepared. For purposes of this Agreement, "principal executive officer" and "principal financial officer" shall have the meanings given to such terms in the Sarbanes-Oxley Act.

(d) Since March 31, 2011, the Company and its Subsidiaries have established and maintained a system of internal controls over financial reporting (as defined in Rule 13a-15(f) under the 1934 Act) as required under Rule 13a-15 and Rule 15d-15 under the 1934 Act, which are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of Company financial statements for external purposes in accordance with GAAP. The principal executive officer and principal financial officer of the Company have disclosed, based on their most recent evaluation of internal control over financial reporting prior to the date hereof, to the Company's auditors and audit committee (i) any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in internal control over financial reporting. The Company has made available to Parent prior to the date of this Agreement a summary of any such disclosure made by such officers to the Company's auditors and audit committee since March 31, 2011.

(e) There are no outstanding loans or other extensions of credit made by the Company or any of its Subsidiaries to any executive officer (as defined in Rule 3b-7 under the 1934 Act) or director of the Company (except for advances to its executive officers in respect of travel or other related business expenses, in each case in the ordinary course of business consistent with past practice). The Company has not, since the enactment of the Sarbanes-Oxley Act, taken any action prohibited by Section 402 of the Sarbanes-Oxley Act.

(f) Since March 31, 2011, the Company has complied in all material respects with the applicable listing and corporate governance rules and regulations of the Nasdaq and all applicable rules, regulations and requirements of the Sarbanes-Oxley Act.

(g) Each of the principal executive officer and principal financial officer of the Company (or each former principal executive officer and principal financial officer of the Company, as applicable) has made all certifications required by Rule 13a-14 and 15d-14 under the 1934 Act and Sections 302 and 906 of the Sarbanes-Oxley Act and any related rules and regulations promulgated by the SEC and the Nasdaq, and the statements contained in any such certifications are true and complete.

(h) Section 4.07(h) of the Company Disclosure Schedule describes, and the Company has made available to Parent copies of the documentation creating or governing, all securitization transactions and other off-balance sheet arrangements (as defined in Item 303 of Regulation S-K of the SEC) that existed or were effected by the Company or its Subsidiaries since March 31, 2011.

(i) Since March 31, 2011, there has been no transaction, or series of similar transactions, agreements, arrangements or understandings, nor is there any proposed transaction as of the date of this Agreement, or series of similar transactions, agreements, arrangements or understandings to which the Company or any of its Subsidiaries was or is to be a party, that would be required to be disclosed under Item 404 of Regulation S-K promulgated under the

1933 Act.

Section 4.08. *Financial Statements.* The audited consolidated financial statements and unaudited consolidated interim financial statements of the Company (including the notes thereto) included or incorporated by reference in the Company SEC Documents (a) complied at the time they were filed as to form in all material respects with the then applicable accounting requirements and the then published rules and regulations of the SEC with respect thereto and (b) fairly present in all material respects, in conformity with GAAP applied on a consistent basis (except as may be indicated in the notes thereto or in the case of unaudited statements as permitted by Form 10-Q of the SEC), the consolidated financial position of the Company and its consolidated Subsidiaries as at the dates thereof and their consolidated results of operations and cash flows for the periods then ended (subject to normal year-end audit adjustments in the case of any unaudited interim financial statements).

Section 4.09. *Company Proxy Statement.* (a) At the time the proxy statement to be filed with the SEC in connection with the Merger (the "**Company Proxy Statement**") or any amendment or supplement thereto is first mailed to stockholders of the Company, at the time such stockholders vote on adoption of this Agreement and at the Effective Time, the Company Proxy Statement, as supplemented or amended, if applicable, will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) The Company has obtained all necessary consents to include in its entirety the opinion of the Company Financial Advisor in the Company Proxy Statement, and the Company Proxy Statement shall include such opinion in its entirety and a description of such opinion, the financial analyses relating thereto and the information called for by Item 1015(b) of Regulation M-A under the 1934 Act.

(c) The representations and warranties contained in this Section 4.09 will not apply to statements or omissions included or incorporated by reference in the Company Proxy Statement based upon information supplied by Parent, Merger Subsidiary or any of their respective Representatives specifically for use or incorporation by reference therein.

Section 4.10. *Absence of Certain Changes.* (a) Since the Company Balance Sheet Date, (i) the business of the Company and its Subsidiaries has been conducted in all material respects in the ordinary course consistent with past practice and (ii) there has not been any event, occurrence, development or state of circumstances or facts that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(b) From the Company Balance Sheet Date until the date hereof, neither the Company nor any of its Subsidiaries have taken any action that, if taken during the period from the date hereof through the Effective Time without Parent's prior written consent, would constitute a breach of Sections 6.01(b), (g), (h), (j), (k), (l) or (m) or, to the extent related to the foregoing, Section 6.01(o).

Section 4.11. *No Undisclosed Material Liabilities.* There are no liabilities or obligations of the Company or any of its Subsidiaries of any kind whatsoever, whether accrued, contingent, absolute, known, unknown, determined, determinable or otherwise, other than: (i) liabilities or obligations disclosed and reserved for in the Company Balance Sheet, (ii) liabilities or obligations incurred in the ordinary course of business since the Company Balance Sheet Date or (iii) liabilities or obligations that would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 4.12. *Compliance with Laws and Court Orders.* (a) The Company and each of its Subsidiaries is, and since March 31, 2011 has been, in compliance with, has not been charged with or given written notice by any Governmental Authority of any violation of and, to the knowledge of the Company, is not under investigation with respect to and has not been threatened to be charged with any violation of, Applicable Law or the terms of any of its Permits, except for failures to comply or violations that have not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. There is no judgment, decree, injunction, rule or order of any arbitrator or Governmental Authority outstanding against the Company or any of its Subsidiaries, or any of their respective assets or properties, that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect or that prevents, enjoins, alters or materially delays the Merger or any of the other transactions contemplated hereby.

(b) None of the Company, any of its Subsidiaries, or any of their respective directors, officers or employees, or any of their respective consultants, agents or other Persons acting for or on their behalf, has taken any action that would result in a violation in any material respect by such Person of the Foreign Corrupt Practices Act (15 U.S.C. §§ 78m(b), 78dd-1, 78dd-2, 78ff) (the "**FCPA**"), The Bribery Act of 2010 of the United Kingdom (the "**UK Bribery Act**") or any other anti-corruption or anti-bribery Applicable Law, including taking any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment of any money, property, gift or anything of value, directly or indirectly (i) to any "foreign official" (as such term is defined in the FCPA) or any foreign political party or official thereof or any candidate for foreign political office to influence official action, or (ii) to any person while knowing or having reason to know that all or any portion of the money or other thing of value will be offered, promised or given to a foreign official in order to influence or reward official action or to any person to influence such person to act improperly or reward the person for doing so. The Company has conducted its businesses in compliance in all material respects with the FCPA, the UK Bribery Act and any other anti-corruption or anti-bribery Applicable Law, and the Company has instituted and maintained policies and procedures designed to cause each such Person to comply with all such Applicable Law (but, in each case, only to the extent such Applicable Law is applicable to the Company or such Persons).

(c) Neither the Company, any of its Subsidiaries or any of their respective directors, officers or employees, or, to the knowledge of the Company as of the date hereof, any of their respective consultants, agents or other Persons acting for or on their behalf, is, or is owned or controlled by a Person that is (A) the subject of any sanctions administered by the U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**") or the U.S. Department of State, the United Nations Security Council, the European Union or other relevant sanctions authority (collectively, "**Sanctions**"), or (B) located, organized, a citizen of, or resident in a country or territory that is the subject of Sanctions (including Cuba, Iran, Myanmar, North Korea, Sudan and Syria). The Company and its Affiliates (i) have not engaged in, and are not now engaged in, directly or indirectly, any dealings or transactions with any Person, or in any country or territory, that, at the time of the dealing or transaction, is or was the subject of Sanctions and (ii) have been in compliance with and has not been given notice of any violation of, and, to the Company's knowledge, is not under investigation with respect to and has not been threatened to be charged with any violation of, any applicable Sanctions, except where the failure to be in compliance would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(d) The Company is registered with DDTC as a manufacturer of "defense articles" as that term is defined under Section 120.6 of ITAR. The Company produces and trades in U.S.-origin, dual-use goods and technology controlled under the Export Administration Regulations ("**EAR**") and regulated by the U.S. Department of Commerce's Bureau of Industry and Security. The Company and its Subsidiaries have been in compliance with and have not been given notice of any violation of and, to the Company's knowledge, are not under investigation with respect to and have not been threatened to be charged with any violation of, IT AR or EAR, except where the failure to be in compliance would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

(e) Except as would not reasonably be expected to be, individually or in the aggregate, material to the Company and its Subsidiaries, taken as a whole, (i) each product that is subject to any Health Law, that is developed, manufactured, tested or distributed or marketed by or on behalf of the Company or its Subsidiaries, has been and is being developed, manufactured, tested, distributed or marketed in compliance with all applicable requirements under the Health Laws, (ii) none of the Company, any of its Subsidiaries or, to the knowledge of the Company, any Person that manufactures, co-develops or co-markets (or has a license to develop, market or sell) any such product (or any component thereof) (each, a "**Collaboration Partner**") has received written notice from any Health Authority contesting the premarket clearance or approval of, the uses of or the labeling and promotion of any such product, or otherwise alleging any material violation of any Health Law, (iii) since March 31, 2011, neither the Company nor any of its Subsidiaries have received any notices of inspectional observations (including those reported on Form FDA 483), warning letters, action letters or untitled letters, and (iv) none of the Company, any of its Subsidiaries or their respective officers, employees or agents or, to the knowledge of the Company, any Collaboration Partner, (A) has made any untrue statement of material fact or fraudulent statement to any Health Authority or failed to disclose a material fact required to be disclosed to any Health Authority, (B) has committed any act, made any statement or failed to make any statement that would reasonably be expected to provide a basis for the FDA to invoke its policy with respect to "Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities", set forth in 56 Fed. Reg. 46191 (September 10, 1991) or for any other Governmental Authority to invoke any similar policy, (C) has been convicted of any crime or engaged in any conduct for which debarment is mandated or authorized by Sec. 306 of the Food, Drug and Cosmetic Act of 1938 (21 U.S.C. § 335a) or any other Health Law, or (D) has been convicted of any crime or engaged in any conduct for which such Person or entity could be excluded from participating in the federal healthcare programs under Section 1128 of the Social Security Act of 1935 or any similar Applicable Law in any foreign jurisdiction.

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Section 4.13. *Litigation.* There is no Proceeding pending against, or, to the knowledge of the Company, threatened against, the Company, any of its Subsidiaries, any of their respective assets or properties, any of their respective present or former officers, directors or employees or any Person for whom the Company or any of its Subsidiaries may reasonably be liable before (or, in the case of threatened Proceedings, would be before) or by any Governmental Authority or arbitrator that would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 4.14. *Properties.* Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, the Company and its Subsidiaries have good title to, or valid leasehold interests in, all property and assets reflected on the Company Balance Sheet or acquired or leased after the Balance Sheet Date, except as have been disposed of since the Company Balance Sheet Date in the ordinary course of business consistent with past practice. Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, no such property or assets are subject to any Lien except Permitted Liens.

Section 4.15. *Intellectual Property.* (a) Section 4.15(a) of the Company Disclosure Schedule sets forth a true and complete list of all registrations and applications for registration included in the Owned Intellectual Property Rights specifying as to each such item, as applicable (i) the owner thereof, (ii) the jurisdiction in which such item is issued or registered or in which any application for issuance or registration has been filed, (iii) the respective issuance, registration, or application number of such item and (iv) the date of application and issuance or registration of such item.

(b) Except as set forth in Section 4.15(b) of the Company Disclosure Schedule, or as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect:

(i) The Company and its Subsidiaries are the sole and exclusive owners of all Owned Intellectual Property Rights and the Company and its Subsidiaries hold all right, title and interest in and to all Owned Intellectual Property Rights and their interest under the Licensed Intellectual Property Rights, free and clear of any Lien other than Permitted Liens. The Company and its Subsidiaries own, or have a valid and enforceable license to use, all Intellectual Property Rights necessary to, or used or held for use in, the conduct of the business of the Company and its Subsidiaries as currently conducted and as proposed to be conducted in the Company SEC Documents. There exist no restrictions on the disclosure, use, license or transfer of the Owned Intellectual Property Rights. The consummation of the transactions contemplated by this Agreement will not (A) alter, impair or extinguish or result in any Lien on any Owned Intellectual Property Right or Licensed Intellectual Property Right or (B) impair the right of Parent to develop, use, sell, license or dispose of, or to bring any action for the infringement of, any Owned Intellectual Property Right or Licensed Intellectual Property Right.

(ii) To the knowledge of the Company, neither the Company nor any of its Subsidiaries has infringed, contributed to the infringement of, misappropriated or otherwise violated any Intellectual Property Right of any Person. To the knowledge of the Company, the conduct of the business of the Company and its Subsidiaries as currently conducted and as proposed to be conducted in the Company SEC Documents would not infringe, contribute to the infringement of, misappropriate or otherwise violate any Intellectual Property Right of any Person. There is no Proceeding pending against or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries (A) based upon, or challenging or seeking to deny or restrict, any right of the Company or any of its Subsidiaries in any of the Owned Intellectual Property Rights or the Licensed Intellectual Property Rights, (B) alleging that any of the Owned Intellectual Property Rights is invalid or unenforceable, (C) alleging that the use of any of the Owned Intellectual Property Rights or Licensed Intellectual Property Rights or any services provided, processes used or products manufactured, used, imported, offered for sale or sold by the Company or any of its Subsidiaries do or may conflict with, misappropriate, infringe, contribute to the infringement of, or otherwise violate any Intellectual Property Right of any Person or (D) alleging that the Company or any of its Subsidiaries have infringed, misappropriated or otherwise violated any Intellectual Property Right of any Person. Neither the Company nor any of its Subsidiaries has received from any Person any offer to license any Intellectual Property Right of such Person in connection with any actual or threatened claim of infringement, misappropriation or other violation of any such Intellectual Property Right.

(iii) None of the Owned Intellectual Property Rights or the Licensed Intellectual Property Rights have been adjudged invalid or unenforceable in whole or part. All issued Patents, registered Trademarks and registered Copyrights included in the Owned Intellectual Property Rights are, to the knowledge of the Company, valid, enforceable, in full force and effect and subsisting in all material respects and all registration, maintenance and renewal fees applicable to such Owned Intellectual Property Rights that are currently due have been paid and all documents and certificates related to such items have been filed with the relevant Governmental Authority or other authorities in the applicable jurisdictions for the purposes of maintaining such items.

(iv) To the knowledge of the Company, no Person has infringed, misappropriated or otherwise violated any Owned Intellectual Property Right where such infringement, misappropriation or other violation has not ceased or otherwise been fully resolved by the Company. The Company and its Subsidiaries have taken reasonable steps in accordance with normal industry practice to maintain the confidentiality of all Intellectual Property Rights of the Company or any of its Subsidiaries, the value of which to the Company or any of its Subsidiaries is contingent upon maintaining the confidentiality thereof, and, to the knowledge of the Company, no such Intellectual Property Rights have been disclosed other than to the Representatives of the Company or any of its Subsidiaries, all of whom are bound by written confidentiality agreements that protect such Intellectual Property Rights.

(v) The IT Assets operate and perform in a manner that permits the Company and its Subsidiaries to conduct their respective businesses as currently conducted in all respects and to the knowledge of the Company, no Person has gained unauthorized access to the IT Assets. The Company and each of its Subsidiaries take commercially reasonable actions, consistent with current industry standards, to protect the confidentiality, integrity and security of the IT Assets (and all information and transactions stored or contained therein or transmitted thereby) against any unauthorized use, access, interruption, modification or corruption, including but not limited to the implementation of commercially reasonable (A) data backup, (B) disaster avoidance and recovery procedures and (C) business continuity procedures.

Section 4.16. *Taxes.* (a) All material Tax Returns required by Applicable Law to be filed with any Taxing Authority by, or on behalf of, the Company or any of its Subsidiaries have been filed when due in accordance with all Applicable Law, and all such Tax Returns are true, correct and complete in all material respects.

(b) The Company and each of its Subsidiaries has paid (or has had paid on its behalf) all material Taxes due and payable (whether or not shown as due on any Tax Return), or, where payment is not yet due, has established in accordance with GAAP an accrual for all material Taxes through the end of the last period for which the Company and its Subsidiaries ordinarily record items on their respective books or, to the extent such amounts are being contested in good faith by the Company or its Subsidiaries, has established adequate reserves on its books or records in accordance with GAAP. Since the end of the last period for which the Company and its Subsidiaries ordinarily record items on their respective books, neither the Company nor any of its Subsidiaries has engaged in any transaction, or taken any other action, other than in the ordinary course of business, that would materially impact any Tax asset or Tax liability of the Company or any of its Subsidiaries.

(c) The income and franchise Tax Returns of the Company and its Subsidiaries through the Tax year ended March 31, 2010 have been examined and closed or are Tax Returns with respect to which the applicable period for assessment under Applicable Law, after giving effect to extensions or waivers, has expired. Neither the Company nor any of its Subsidiaries (or any member of any affiliated, consolidated, combined or unitary group of which the Company or any of its Subsidiaries is or has been a member) has granted any extension or waiver of the limitation period applicable to the assessment or collection of any Tax.

(d) There is no Proceeding pending or, to the Company's knowledge, threatened against or with respect to the Company or its Subsidiaries in respect of any material amount of Taxes or material Tax asset.

(e) During the three-year period ending on the date hereof, (i) neither the Company nor any of its Subsidiaries was a distributing corporation or a controlled corporation in a transaction intended to be governed by Section 355 of the Code, and (ii) neither the Company nor any of its Subsidiaries has made or changed any Tax election, changed any annual Tax accounting period, or adopted or changed any method of Tax accounting (to the extent that any such action may materially affect the Company or any of its Subsidiaries), nor has the Company or any of its Subsidiaries filed any amended Tax Return, entered into any closing agreement, settled any Tax claim or assessment, or surrendered any right to claim a Tax refund, offset or other reduction in Tax liability.

(f) The Company and each of its Subsidiaries has properly withheld, and paid over to the appropriate Taxing Authority, all Taxes that it was required to withhold from any payment (including any dividend or interest payment) to any employee, independent contractor, creditor, shareholder, vendor or other Person, other than any failure to do so which would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

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(g) No jurisdiction where the Company or any of its Subsidiaries does not file a Tax Return has made a claim that the Company or any of its Subsidiaries is required to file a Tax Return for such jurisdiction.

(h) Neither the Company nor any of its Subsidiaries has participated in any "listed transaction" within the meaning of Treasury Regulation Section 1.6011-4. The Company has disclosed on its United States federal income Tax Returns all positions taken therein that could give rise to a substantial understatement of United States federal income Tax within the meaning of Section 6662 of the Code or any similar provision of Applicable Law in any non-U.S. jurisdiction.

(i) There are no requests for rulings or determinations in respect of any Tax or Tax asset pending between the Company or any of its Subsidiaries and any Taxing Authority.

(j) None of the Company or any of its Affiliates has received a tax opinion with respect to any transaction relating to the Company or any of its Subsidiaries (other than a transaction in the ordinary course of business).

(k) None of the Subsidiaries of the Company owns any Shares.

(l) There is no adjustment that would increase the Tax liability, or reduce any Tax asset, of the Company or any of its Subsidiaries that has been made, proposed or threatened by a Taxing Authority during any audit or which could reasonably be expected to be made, proposed or threatened in an audit of any subsequent period after the Effective Time.

(m) Neither the Company nor any of its Subsidiaries is or has been (during the applicable period specified in Section 897(c)(1)(A)(ii) of the Code) a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code and the applicable Treasury Regulations.

(n) (i) Neither the Company nor any of its Subsidiaries has been a member of an affiliated, consolidated, combined or unitary group other than one of which the Company was the common parent; (ii) neither the Company nor any of its Subsidiaries is party to any Tax Sharing Agreement; (iii) no amount of the type described in clause (ii) or (iii) of the definition of "Tax" is currently payable by the Company or any of its Subsidiaries, regardless of whether such Tax is imposed on the Company or any of its Subsidiaries; and (iv) neither the Company nor any of its Subsidiaries has entered into any agreement, arrangement, tax ruling, tax holiday or has taken advantage, or expects to take advantage, of any incentive regime which results in an effective tax rate lower than the statutory tax rate with any Taxing Authority with regard to the Tax liability of the Company or any of its Subsidiaries affecting any Tax period for which the applicable statute of limitations, after giving effect to extensions or waivers, has not expired.

(o) Neither the Company nor any of its Subsidiaries will be required to include any item or amount of income in, or exclude any item or amount of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a taxable period (or portion thereof) ending on or prior to the Closing Date, (ii) "closing agreement," as described in Section 7121 of the Code (or any similar provision of state, local or foreign income Tax law) entered into on or prior to the Closing Date, (iii) intercompany transactions entered into on or prior to the Closing Date or any "excess loss account" described in regulations promulgated under Section 1502 of the Code (or any similar provision of state or local income Tax law) created on or prior to the Closing Date, (iv) prepaid amount received on or prior to the Closing Date, (v) installment sale or open transaction disposition made on or prior to the Closing Date or (vi) election by the Company or any of its Subsidiaries under Section 108(i) of the Code made on or prior to the Closing Date.

(p) The Tax attributes of the Company and its Subsidiaries are not subject to limitation by virtue of the application of Sections 382-384 of the Code (or any similar provision of state, local or foreign income Tax law) to any transaction that occurred prior to the date of this Agreement.

(q) "**Tax**" or "**Taxes**" means (i) any and all taxes, assessments, levies, tariffs, imposts, duties or other charges or impositions in the nature of a tax (including any and all interest, penalties, additions to tax and additional amounts imposed with respect thereto) imposed by any Governmental Authority (a "**Taxing Authority**") responsible for the imposition of any such tax (domestic or foreign), (ii) in the case of the Company or any of its Subsidiaries, liability for the payment of any amount of the type described in clause (i) as a result of being or having been before the Effective Time a member of an affiliated, consolidated, combined or unitary group, or a party to any agreement or arrangement, as a result of which liability of the Company or any of its Subsidiaries to a Taxing Authority is determined or taken into account with reference to the Tax position of or actions or failure to take or delay an action of any other Person, and (iii) liability of the Company or any of its Subsidiaries for the payment of any amount as a result of being party to any Tax Sharing Agreement or with respect to the payment of any amount imposed on any Person of the type described in clause (i) or (ii) as a result of any existing express or implied agreement or arrangement (including an indemnification agreement or arrangement). "**Tax Return**" means any report, return, document, declaration or other information or filing required to be supplied to any Taxing Authority with respect to Taxes, including information returns, any documents with respect to or accompanying payments of estimated Taxes, or with respect to or accompanying requests for the extension of time in which to file any such report, return, document, declaration or other information. "**Tax Sharing Agreement**" means any agreement or arrangement (whether or not written) entered into prior to the Effective Time binding the Company or any of its Subsidiaries that provide for the allocation, apportionment, sharing or assignment of any Tax liability or benefit, or the transfer or assignment of income, revenues, receipts, or gains for the purpose of determining any Person's Tax liability.

Section 4.17. *Employee Benefit Plans.* (a) Section 4.17(a) of the Company Disclosure Schedule sets forth a true and complete list of each material Employee Plan (other than offer letters for at-will employment or employment agreements for Non-US Employees that do not contractually provide for any termination payments or termination benefits above what is required by Applicable Law) and specifies whether such Employee Plan is a US Plan or an International Plan. For each Employee Plan that is required to be listed in Section 4.17(a) of the Company Disclosure Schedule, the Company has made available to Parent a copy of such plan (or a description, if such plan is not written) and all amendments thereto, together with a copy of (as applicable) (i) each trust, insurance or other funding arrangement and all amendments thereto, (ii) each current prospectus or summary plan description and summary of material modifications, (iii) the two most recently filed annual returns/reports (Form 5500) and accompanying schedules and attachments (to the extent not publicly available), (iv) the most recent favorable determination or opinion letter from the IRS, (v) the two most recently prepared actuarial reports and financial statements, (vi) all material documents and correspondence relating thereto received from or provided to any Governmental Authority during the past two years, (vii) all current administrative and other service contracts and all amendments thereto, (viii) all current employee handbooks, manuals and policies and (ix) if such Employee Plan is an International Plan, documents that are substantially comparable (taking into account differences in Applicable Law and practices) to the documents required to be provided in clauses (i) through (viii).

(b) Neither the Company nor any of its ERISA Affiliates (nor any predecessor of any such entity) sponsors, maintains, administers or contributes to (or has any obligation to contribute to), or has in the past six years sponsored, maintained, administered or contributed to (or had any obligation to contribute to), or has or is reasonably expected to have any direct or indirect liability with respect to, any plan subject to Title IV of ERISA, including any multiemployer plan, as defined in Section 3(37) of ERISA.

(c) Each Employee Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination or opinion letter from the IRS or has applied to the IRS for such a letter within the applicable remedial amendment period or such period has not expired and, to the Company's knowledge, no circumstances exist that would reasonably be expected to result in any such letter being revoked or not being issued or reissued or being subject to a penalty under the IRS Closing Agreement Program if discovered during an IRS audit or investigation. Each trust created under any such Employee Plan is exempt from Tax under Section 501(a) of the Code and has been so exempt since its creation.

(d) Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect:

(i) the Company and its Subsidiaries have complied with Applicable Law with respect to each plan, arrangement or policy mandated by Applicable Law (including plans or programs maintained by a Governmental Authority requiring the payment of social insurance Taxes or similar contributions to a fund of a Governmental Authority with respect to wages of an employee);

(ii) each Employee Plan has been maintained in compliance with its terms and all Applicable Law, including ERISA and the Code; and

(iii) no Proceeding (other than routine claims for benefits) is pending against or involves or, to the Company's knowledge, is threatened against or threatened to involve, any Employee Plan before any court or arbitrator or any Governmental Authority.

(e) With respect to any Employee Plan covered by Subtitle B, Part 4 of Title I of ERISA or Section 4975 of the Code, no non-exempt prohibited transaction has occurred that has caused or would reasonably be expected to cause the Company or any of its Subsidiaries to incur any material liability under ERISA or the Code.

(f) Neither the Company nor any of its Subsidiaries has any current or projected liability for, and no Employee Plan provides or promises, any post-employment or post-retirement medical, dental, disability, hospitalization, life or similar benefits (whether insured or self-insured) to any current or former Service Provider (other than coverage mandated by Applicable Law). To the Company's knowledge, no events have occurred with respect to any Employee Plan that would reasonably be expected to result in the assessment of any material excise Taxes or penalties against the Company or any of its Subsidiaries.

(g) There has been no amendment to, written interpretation of or announcement (whether or not written) by the Company or any of its Affiliates relating to, or change in employee participation or coverage under, any Employee Plan that would reasonably be expected to materially increase the expense of maintaining such plan above the level of expense incurred in respect thereof for the fiscal year ended on the Company Balance Sheet Date.

(h) Each Employee Plan, and any award thereunder, that is or forms part of a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code is in all material respects in documentary compliance with, and the Company and its Subsidiaries have complied in all material respects in practice and operation with, all applicable requirements of Section 409A of the Code. The amount of the Trust Assets, as determined in accordance with GAAP as of May 31, 2014, is $44,681, and as of the date hereof the Trust Assets consist of the cash value of an insurance policy. The Company's liability (the "**Deferred Compensation Plan Liability**") with respect to the Participants' Deferred Compensation Accounts under the Deferred Compensation Plan, as determined in accordance with GAAP as of the date hereof, is $45,533. Based upon the elections of Participants to defer the receipt of Compensation (as defined in the Deferred Compensation Plan) and the amounts of the Participants' Compensation, in each case as in effect as of the date hereof (and disregarding any deemed investment gains earned or losses suffered after the date hereof with respect to such deferred Compensation), the estimated Deferred Compensation Plan Liability as of December 31, 2014, rounded to the nearest one million dollars, will be $200,000. As of the date hereof, no Participant has deferred any Company RSUs under the Deferred Compensation Plan.

(i) Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby (either alone or together with any other event, where such event would not alone have the effects described herein) will (i) entitle any current or former Service Provider to any payment or benefit, including any bonus, retention, severance, retirement or job security payment or benefit, (ii) accelerate the time of payment or vesting or trigger any payment or funding (through a grantor trust or otherwise) of compensation or benefits under, or increase the amount payable or trigger any other obligation under, any Employee Plan, or (iii) limit or restrict the right of the Company or any of its Subsidiaries or, after the Closing, Parent, to merge, amend or terminate any Employee Plan.

(j) No Employee Plan, individually or collectively, would reasonably be expected to result in the payment of any amount that would not be deductible under Section 162(m) or 280G of the Code. Neither the Company nor any of its Subsidiaries has any obligation to gross-up, indemnify or otherwise reimburse any current or former Service Provider for any Tax incurred by such Service Provider, including under Section 409A or 4999 of the Code.

(k) Each International Plan (i) has been maintained in compliance with its terms and Applicable Law, except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (ii) if intended to qualify for special Tax treatment, meets all the requirements for such treatment in all material respects, and (iii) if required, to any extent, to be funded, book-reserved or secured by an insurance policy, is fully funded, book-reserved or secured by an insurance policy, as applicable, in all material respects based on reasonable actuarial assumptions in accordance with applicable accounting principles.

Section 4.18. *Labor Matters*. (a) The Company and its Subsidiaries are, and have been, in compliance with all Applicable Laws relating to labor and employment, including those relating to labor management relations, wages, hours, overtime, employee classification, discrimination, sexual harassment, civil rights, affirmative action, work authorization, immigration, safety and health, information privacy and security, workers compensation, continuation coverage under group health plans, wage payment and the payment and withholding of Taxes, except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

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(b) Neither the Company nor any of its Subsidiaries is or has been a party to or subject to, or is currently negotiating in connection with entering into, any Collective Bargaining Agreement, and, to the Company's knowledge, there has not been any organizational campaign, petition or other unionization activity seeking recognition of a collective bargaining unit relating to any Service Provider. There are no unfair labor practice complaints pending or, to the Company's knowledge, threatened against the Company or any of its Subsidiaries before the National Labor Relations Board or any other Governmental Authority or any current union representation questions involving Service Providers. There is no, and since March 31, 2011 there has not been any, labor strike, slowdown, stoppage, picketing, interruption of work or lockout pending or, to the Company's knowledge, threatened against or affecting the Company or any of its Subsidiaries.

(c) The consent or consultation of, or the rendering of formal advice by, any labor or trade union, works council or other employee representative body is not required for the Company to enter into this Agreement or to consummate any of the transactions contemplated hereby.

(d) The Company and each of its Subsidiaries is, and has been since March 31, 2011, in material compliance with WARN and has no material liabilities or other obligations thereunder. Neither the Company nor any of its Subsidiaries has taken any action that would reasonably be expected to cause Parent or any of its Affiliates to have any material liability or other obligation following the Closing Date under WARN.

(e) The Company has furnished to Parent a true and complete list that sets forth, with respect to each employee of the Company or any of its Subsidiaries, such employee's name, employer, title, location, base salary, most recent annual bonus received and current annual bonus opportunity (including performance goals and target and maximum amounts). To the Company's knowledge, no Key Employee intends to resign or retire as a result of the transactions contemplated by this Agreement or otherwise within one year after the Closing Date.

Section 4.19. *Environmental Matters.* (a) Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect:

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(i) no notice, demand, request for information, citation, summons or complaint has been received, no judgment, decree, injunction, rule or order has been issued or is otherwise in effect, no penalty has been assessed, and no Proceeding is pending or, to the knowledge of the Company, is threatened with respect to the Company or any of its Subsidiaries (or any of their respective predecessors) that relates to any Environmental Law or Environmental Permit as to which there remains any outstanding obligations, liabilities, costs or conditions;

(ii) the Company and its Subsidiaries (and their respective predecessors) are and at all times have been in compliance with all applicable Environmental Laws and all Environmental Permits, which compliance includes obtaining and maintaining all Environmental Permits;

(iii) to the knowledge of the Company, no Hazardous Substance has been discharged, disposed of, dumped, injected, pumped, deposited, spilled, leaked, emitted or released at, on, under, to, in or from (A) any location by or on behalf of, (B) any property or facility now or previously owned, leased or operated by, or (C) any property or facility to which any Hazardous Substance has been transported for disposal, recycling or treatment by or on behalf of, in each case, the Company or any of its Subsidiaries (or any of their respective predecessors) that would reasonably expect to result in any liability or obligation of the Company or its Subsidiaries.

(b) Except as has been delivered to Parent at least five Business Days prior to the date hereof, or as otherwise does not identify any actual or potential material violation of, material liability pursuant to or material expense to comply with any Environmental Law or Environmental Permit, there is no environmental investigation, study, audit, test, or review in the possession, custody or reasonable control of, or otherwise known to, the Company or any of its Subsidiaries that relates to the Company or any of its Subsidiaries or any property or facility now or previously owned, leased or operated by the Company or any of its Subsidiaries (or any of their respective predecessors).

(c) Neither the execution of this Agreement nor the consummation of the Merger will require any investigation or remediation with respect to any Hazardous Substance, or any notice to or consent of any Governmental Authority, pursuant to the New Jersey Industrial Site Recovery Act and the Connecticut Property Transfer Law or, to the knowledge of the Company, any other transaction-triggered environmental property transfer laws.

Section 4.20. *Material Contracts.* (a) As of the date of this Agreement, neither the Company nor any of its Subsidiaries is party to or bound by:

(i) any Contract that would reasonably be expected to result in aggregate payments by or to the Company and its Subsidiaries in excess of (A) $3,000,000 in the current or any future calendar year or (B) $5,000,000 in the aggregate;

(ii) any Contract under which the Company or any of its Subsidiaries leases, subleases or licenses any real property (as lessor or lessee) involving annual rental payments in excess of $500,000;

(iii) any Contract relating to indebtedness for borrowed money, any guarantees thereof or the granting of Liens over the property or assets of the Company or any of its Subsidiaries, in each case, other than Contracts solely among the Company and its wholly owned Subsidiaries;

(iv) any Contract relating to any loan or other extension of credit (other than trade credits and accounts receivable in the ordinary course of business consistent with past practice) made by the Company or any of its Subsidiaries in excess of $200,000;

(v) each acquisition or divestiture Contract contemplating future payments (including the maximum amount of any “earn-out” or other contingent payment obligations) by or to the Company and its Subsidiaries in excess of $200,000 in the aggregate;

(vi) any partnership, joint venture or similar agreement;

(vii) any stockholders’, investors rights’, registration rights or similar agreement or arrangement;

(viii) any Contract (A) relating to the employment of, or the performance of services by, any Key Employee, (B) the terms of which obligate or may in the future obligate the Company or any of its Subsidiaries to make any severance, termination or similar payment to any current or former Service Provider in excess of $100,000 in the aggregate or (C) pursuant to which the Company or any of its Subsidiaries may be obligated to make any bonus or similar payment in excess of $100,000 to any current or former Service Provider;

(ix) any Collective Bargaining Agreement;

(x) any Contract with any (A) present or former officer or director the Company or any of its Subsidiaries, (B) beneficial owner (as defined in Rule 13d-3 under the 1934 Act) of 5% or more of the outstanding Shares or (C) Affiliate or "associate" or any member of the "immediate family" (as such terms are respectively defined in Rules 12b-2 and 16a-1 of the 1934 Act) of any such officer, director, or beneficial owner;

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(xi) any Contract (A) with any sole-source suppliers of material tangible products or services or (B) that includes (x) any material "most favored nations" terms and conditions (including, without limitation, with respect to pricing), (y) any material exclusive dealing or (z) any minimum purchase arrangement (in the case of clause (z), in excess of $3,000,000 over any 12-month period);

(xii) any Contract (x) that grants any material right of first refusal or first offer to any Person or, (y) that limits or restricts in any material respect the ability of the Company or any of its Subsidiaries (or, after the Effective Time, the Surviving Corporation or any of its Subsidiaries or that purports to so limit or restrict Parent or any of its Subsidiaries) to (A) sell any products or services of or to any other Person or in any geographic region, or (B) engage or compete in any line of business, (C) obtain products or services from any Person or (D) own, operate, sell, transfer, pledge or otherwise dispose of any material assets or business;

(xiii) any Contract that relates to any swap, forward, futures, warrant, option or other derivative transaction;

(xiv) any Contract which contains any material license, right or immunity (including a covenant not to be sued or right to enforce or prosecute any Intellectual Property Rights) with respect to any Intellectual Property Right, excluding (A) licenses granted to the Company or any of its Subsidiaries for non-customized commercial off-the-shelf computer software that are generally available on nondiscriminatory pricing terms and (B) non-exclusive licenses granted by the Company or any of its Subsidiaries in the ordinary course of business consistent with past practice which do not contain (x) the transfer or assignment of any Intellectual Property Rights or (y) any material restriction or condition on the Company's or any of its Subsidiaries' use or exploitation of any Intellectual Property Rights;

(xv) any other Contract which would prohibit or materially delay the consummation of the Merger or any other transaction contemplated by this Agreement; or

(xvi) any "material contract" (as such term is defined in Item 601(b)(10) of Regulation S-K of the SEC) other than any Employee Plan

(all Contracts of the type described in this Section 4.20(a) being referred to herein as "**Material Contracts**" (which, for the avoidance of doubt, include any Contract entered into after the date hereof that would be a Material Contract if it had been entered into as of the date hereof)).

(b) The Company has prior to the date of this Agreement made available to Parent a true and complete copy of each Material Contract (including all amendments, modifications, extensions and renewals thereto and waivers thereunder) entered into as of the date hereof. Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (i) each Material Contract is valid, binding and in full force and effect and, to the knowledge of the Company, enforceable against the other party or parties thereto in accordance with its terms (in each case, subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws affecting creditors' rights generally and general principles of equity) and (ii) neither the Company nor any of its Subsidiaries, nor, to the Company's knowledge any other party to a Material Contract, has breached or violated any provision of, or taken or failed to take any act which, with or without notice, lapse of time, or both, would constitute a default under the provisions of such Material Contract, or would give to any Third Party any right of termination, amendment or cancellation of such Material Contract or create an additional license thereunder, and neither the Company nor any of its Subsidiaries has received written notice that it has breached, violated or defaulted under any Material Contract.

(c) Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (i) the Company and each of its Subsidiaries and, to the knowledge of the Company, each current or former Service Provider, is and has been in compliance with all Applicable Law with respect to each Contract pursuant to which the Company or any of its Subsidiaries provides services or has provided services directly (through prime contracts or orders under schedule agreements, grants or cooperative agreements or otherwise) or indirectly (through subcontracts or as a vendor, sub-recipient, sub-grantee under grants, cooperative agreements or otherwise) to any Governmental Authority (a "**Government Contract**") and has not been suspended or debarred from doing, or deemed ineligible to do, business with a Governmental Authority, and (ii) to the knowledge of the Company, since March 31, 2011, there has been no Proceeding by any Governmental Authority with respect to any alleged irregularity, misstatement, omission or breach relating to a Government Contract.

Section 4.21. *Finders' Fees.* Except for Barclays Capital Inc., financial advisor to the Company (the "**Company Financial Advisor**"), a copy of whose engagement agreement has been provided to Parent prior to the date hereof, there is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of the Company or any of its Subsidiaries who might be entitled to any fee or commission in connection with the transactions contemplated by this Agreement.

Section 4.22. *Opinion of Financial Advisor.* The Company Board has received the opinion of the Company Financial Advisor to the effect that, as of June 18, 2014 and based upon and subject to the factors and assumptions set forth therein, from a financial point of view, the Merger Consideration to be paid to the Company's stockholders is fair to such stockholders. The Company shall deliver a correct and complete copy of the written opinion of the Company Financial Advisor to Parent for informational purposes only promptly after receipt thereof by the Company.

Section 4.23. *Antitakeover Statutes.* The Company has no “rights plan,” “rights agreement,” or “poison pill” in effect. The Company has taken all action, to the extent permitted by Applicable Law, necessary to exempt the execution, delivery and performance of this Agreement and the consummation of the Merger and the other transactions contemplated hereby from Sections 14A:10A-1 through 14A:10A-6 of the NJBCA (the “**New Jersey Shareholders’ Protection Act**”) and, accordingly, neither the New Jersey Shareholders’ Protection Act nor any other “control share acquisition,” “fair price,” “moratorium” or other antitakeover or similar Applicable Law enacted under U.S. state or federal laws apply to this Agreement or any of the transactions contemplated hereby.

Section 4.24. *No Appraisal Rights.* No appraisal, dissenters’ or similar rights shall be available under Applicable Law to the holders of Shares in connection with the Merger or the other transactions contemplated by this Agreement.

Section 4.25. *Insurance.* The Company has made available to Parent prior to the date hereof a copy of all material insurance policies and all material self-insurance programs and arrangements relating to the business, assets and operations of the Company and its Subsidiaries in effect as of the date hereof. Except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, (a) all such insurance policies are in full force and effect and all premiums thereon have been timely paid or, if not yet due, accrued, (b) there is no claim pending under the Company’s or any of its Subsidiaries’ insurance policies or fidelity bonds as to which coverage has been questioned, denied or disputed by the underwriters of such policies or bonds, (c) the Company and its Subsidiaries are in compliance with the terms of such policies and bonds and (d) the Company has no knowledge as of the date of this Agreement of any threatened termination of, or material premium increase with respect to, any of such policies or bonds.

Section 4.26. *No Other Representations and Warranties.* Subject to Section 11.02, (i) except for the representations and warranties of the Company contained in this Agreement, the Company is not making and has not made, and no other Person is making or has made on behalf of the Company, any express or implied representation or warranty in connection with this Agreement or the transactions contemplated hereby, and no Person is authorized to make any such representations and warranties on behalf of the Company, and (ii) any estimates, projections, predictions, data, financial information, memoranda, presentations or any other materials or information provided or addressed to Parent, Merger Subsidiary or any of their Representatives are not and shall not be deemed to be or include representations or warranties unless any such materials or information is the subject of any express representation or warranty set forth in this ARTICLE 4.

ARTICLE 5
Representations and Warranties of Parent

Subject to Section 11.05, except as set forth in the Parent 10-K (excluding any disclosures set forth in the Parent 10-K under the heading “Safe Harbor Statement” or “Risk Factors,” or containing a description or explanation of “Forward-Looking Statements,” or any similar section and any disclosures therein that are predictive, cautionary or forward-looking in nature), Parent represents and warrants to the Company that:

Section 5.01. *Corporate Existence and Power.* Each of Parent and Merger Subsidiary is duly organized, validly existing and (as applicable) in good standing under the laws of its jurisdiction of organization and has all corporate or other powers and all material governmental licenses, authorizations, permits, consents and approvals required to carry on its business as now conducted. Since the date of its incorporation, Merger Subsidiary has not engaged in any activities other than in connection with or as contemplated by this Agreement or any financing in connection with the transactions contemplated hereby. Merger Subsidiary was incorporated solely for the purpose of engaging in and consummating the Merger and the transactions contemplated hereby. All of the outstanding shares of capital stock of Merger Subsidiary have been validly issued, are fully paid and nonassessable and are owned, and at the Effective Time will be owned, directly or indirectly, by Parent. Parent has heretofore made available to the Company true and complete copies of the certificates of incorporation and bylaws of Parent and Merger Subsidiary as currently in effect.

Section 5.02. *Corporate Authorization.* The execution, delivery and performance by Parent and Merger Subsidiary of this Agreement and the consummation by Parent and Merger Subsidiary of the transactions contemplated hereby are within the corporate powers of Parent and Merger Subsidiary and, except for the adoption of this Agreement by the sole stockholder of Merger Subsidiary, which will be obtained promptly after the execution and delivery of this Agreement, have been duly authorized by all necessary corporate action. This Agreement constitutes a valid and binding agreement of each of Parent and Merger Subsidiary, enforceable against Parent and Merger Subsidiary in accordance with its terms (subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other laws affecting creditors’ rights generally and general principles of equity).

Section 5.03. *Governmental Authorization.* The execution, delivery and performance by Parent and Merger Subsidiary of this Agreement and the consummation by Parent and Merger Subsidiary of the transactions contemplated by this Agreement require no action by or in respect of, or filing with, any Governmental Authority, other than (i) the filing of a certificate of merger with respect to the Merger with the Department of Treasury of the State of New Jersey, (ii) compliance with any applicable requirements of the HSR Act and Competition Law of Germany and Austria, (iii) compliance with any applicable requirements of the 1933 Act, the 1934 Act and any other U.S. state or federal securities laws, (iv) compliance with any applicable requirements of Nasdaq or any other national securities exchange on which the securities of Parent or any of its Affiliates are listed or any other applicable listing authority, (v) clearance by CFIUS pursuant to Section 721, (vi) notification to DDTC pursuant to Section 122.4(b) of ITAR, (vii) clearance pursuant to Articles L. 151-3 and R. 153-1 *et seq.* of the French Monetary and Financial Code, (viii) notification to the German Federal Ministry of Economic Affairs and Energy pursuant to Section 4 of the Foreign Trade and Payments Act and Sections 55 through 59 of the Foreign Trade and Payments Ordinance and (ix) any actions or Filings the absence of which would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

Section 5.04. *Noncontravention.* The execution, delivery and performance by Parent and Merger Subsidiary of this Agreement and the consummation by Parent and Merger Subsidiary of the transactions contemplated hereby do not and will not (i) contravene, conflict with, or result in any violation or breach of any provision of the certificate of incorporation or bylaws of Parent or Merger Subsidiary, (ii) assuming compliance with the matters referred to in Section 5.03, contravene, conflict with, or result in a violation or breach of any provision of any Applicable Law, (iii) assuming compliance with the matters referred to in Section 5.03, require any consent or other action by any Person under, constitute a default, or an event that, with or without notice or lapse of time or both, would constitute a default, under, or cause or permit the termination, cancellation, acceleration or other change of any right or obligation or the loss of any benefit to which Parent or any of its Subsidiaries is entitled under any provision of any Contract binding upon Parent or any of its Subsidiaries or any Contract, license, franchise, permit, certificate, approval or other similar authorization affecting, or relating in any way to, the assets or business of Parent and its Subsidiaries or (iv) result in the creation or imposition of any Lien on any asset of Parent or any of its Subsidiaries, with only such exceptions, in the case of each of clauses (ii) through (iv), as would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

Section 5.05. *Disclosure Documents.* The information with respect to Parent and any of its Subsidiaries that Parent supplies to the Company specifically for use or incorporation by reference in the Company Proxy Statement (or any amendment or supplement thereto) will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading at the time the Company Proxy Statement or any amendment or supplement thereto is first mailed to stockholders of the Company, at the time such stockholders vote on adoption of this Agreement and at the Effective Time. For the avoidance of doubt, the representations and warranties contained in this Section 5.05 will not apply to any other statements or omissions included or incorporated by reference in the Company Proxy Statement or any amendment or supplement thereto.

Section 5.06. *Finders' Fees.* Except for Citigroup Global Markets Inc., whose fees will be paid by Parent, there is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of Parent who might be entitled to any fee or commission in connection with the transactions contemplated by this Agreement.

Section 5.07. *Litigation.* Except for matters which would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, as of the date hereof, there are no Proceedings pending against Parent or any of its Subsidiaries.

Section 5.08. *Ownership of Shares.* Except as previously disclosed to the Company, neither Parent nor Merger Subsidiary or any of their Subsidiaries beneficially owns any Company Securities as of the date hereof. Neither Parent, Merger Subsidiary, nor any of their "affiliates" or "associates" is or has been an "interested shareholder," as such terms are used in the New Jersey Shareholders' Protection Act, at any time within five years prior to the date of this Agreement.

Section 5.09. *Financing.* Parent has, or will have prior to the Effective Time, sufficient cash, available lines of credit or other sources of immediately available funds to enable it to consummate the Merger pursuant to the terms of this Agreement and to pay all related fees and expenses of Parent and Merger Subsidiary pursuant to this Agreement.

Section 5.10. *No Other Representations and Warranties.* Subject to Section 11.02, except for the representations and warranties of Parent and Merger Subsidiary contained in this Agreement, neither Parent nor the Merger Subsidiary is making and has made, and no other Person is making or has made on behalf of Parent or Merger Subsidiary, any express or implied representation or warranty in connection with this Agreement or the transactions contemplated hereby, and no Person is authorized to make any such representations and warranties on behalf of Parent or Merger Subsidiary.

ARTICLE 6
Covenants of the Company

The Company agrees that:

Section 6.01. *Conduct of the Company*. From the date hereof until the Effective Time, except (w) as expressly required by this Agreement, (x) as set forth in Section 6.01 of the Company Disclosure Schedule, (y) as required by Applicable Law or any applicable Collective Bargaining Agreement made available to Parent prior to the date hereof, or (z) with the prior written consent of Parent (which consent shall not be unreasonably withheld, delayed or conditioned), the Company shall, and shall cause each of its Subsidiaries to, use its commercially reasonable efforts to conduct its business in the ordinary course consistent with past practice. Without limiting the generality of the foregoing, the Company shall, and shall cause each of its Subsidiaries to, use its commercially reasonable efforts to (i) preserve intact its present business organization, (ii) maintain in effect all of its Permits required to carry on the business as currently conducted, (iii) keep available the services of its directors, officers, and Key Employees, (iv) maintain satisfactory relationships with its customers, lenders, suppliers and others having significant business relationships with it and (v) maintain existing insurance policies or materially comparable replacement policies. Without limiting the generality of the foregoing, except (w) as expressly required by this Agreement, (x) as set forth in Section 6.01 of the Company Disclosure Schedule, (y) as required by Applicable Law or (z) with the prior written consent of Parent (which consent shall not be unreasonably withheld, delayed or conditioned, except with respect to Sections 6.01(a), (b), (c), (e), (j), (l)(i) or (n)), the Company shall not, and shall not permit any of its Subsidiaries to:

(a) amend its certificate of incorporation, bylaws or other similar organizational documents (whether by merger, consolidation or otherwise);

(b) (i) split, combine or reclassify any shares of its capital stock, (ii) declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of its capital stock, except for dividends by any of its wholly owned Subsidiaries or (iii) redeem, repurchase or otherwise acquire, or offer to redeem, repurchase or otherwise acquire, any Company Securities or any Company Subsidiary Securities;

(c) (i) issue, sell or otherwise deliver, or authorize the issuance, sale or other delivery of, any Company Securities or Company Subsidiary Securities, other than the issuance of (A) any Shares upon the exercise of Company Stock Options or purchase rights under the ESPP, in each case that are outstanding on the date hereof in accordance with their terms on the date hereof, (B) any Shares upon the vesting of Company RSUs that are outstanding on the date hereof in accordance with their terms on the date hereof and (C) any Company Subsidiary Securities to the Company or any other wholly owned Subsidiary of the Company, or (ii) amend any term of any Company Security or any Company Subsidiary Security (in each case, whether by merger, consolidation or otherwise);

(d) incur any capital expenditures or any obligations or liabilities in respect thereof, except for (i) those contemplated by the capital expenditure budget set forth in Section 6.01(d) of the Company Disclosure Schedule and (ii) any unbudgeted capital expenditures not to exceed $250,000 individually or $1,000,000 in the aggregate;

(e) (i) merge or consolidate with any other Person, (ii) acquire (by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, any assets, securities, properties, interests or businesses, other than, in the case of clause (ii), (A) supplies or inventory in the ordinary course of business consistent with past practice and (B) as required by Contracts specifically disclosed on Section 4.20(a)(i) or Section 4.20(a)(v) of the Company Disclosure Schedule, or (iii) adopt a plan of complete or partial liquidation, dissolution, recapitalization or restructuring;

(f) sell, lease, license or otherwise transfer or dispose of, create or incur any Lien (other than Permitted Liens) on, or otherwise abandon, permit to lapse or fail to maintain any of the Company's or its Subsidiaries' assets, securities, properties, interests or businesses (in each case, including the Owned Intellectual Property Rights and the Licensed Intellectual Property Rights), other than (i) sales of inventory or obsolete equipment in the ordinary course of business consistent with past practice, (ii) sales, leases, licenses or other dispositions of assets in the ordinary course of business consistent with past practice (x) with a fair market value not in excess of $1,000,000 in the aggregate and (y) that are not otherwise material to the business of the Company or its Subsidiaries as currently conducted or as proposed to be conducted, or (iii) Contracts specifically disclosed on Section 4.20(a)(i) or Section 4.20(a)(v) of the Company Disclosure Schedule ;

(g) make any loans, advances or capital contributions to, or investments in, any other Person, other than (i) loans, advances or capital contributions to, or investments in, wholly owned Subsidiaries of the Company or (ii) advances to its employees in respect of travel or other related business expenses, in each case in the ordinary course of business consistent with past practice;

(h) create, incur, assume, suffer to exist or otherwise become liable with respect to any indebtedness for borrowed money or guarantees thereof (including through borrowings under any of the Company's existing credit facilities), or issue or sell any debt securities or options, warrants, calls or other rights to acquire any debt securities of the Company or any of its Subsidiaries, other than (i) indebtedness for borrowed money to finance working capital needs incurred in the ordinary course of business through borrowings under the Company's existing credit facilities as of the date hereof (and subject to prepayment without notice, premium or penalty) in an aggregate amount not to exceed $2,500,000 and (ii) any indebtedness for borrowed money among the Company and its wholly owned Subsidiaries, or among the Company's wholly owned Subsidiaries, in the ordinary course of business consistent with past practice;

(i) (i) enter into (including by amendment of any Contract such that such Contract becomes a Material Contract), amend or modify in any material respect, or renew any Material Contract, (ii) waive, release or assign, or fail to exercise or pursue, any material rights, claims or benefits of the Company or any of its Subsidiaries under any Material Contract or (iii) voluntarily accelerate, terminate or cancel any Material Contract.

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(j) except as required by the terms of an Employee Plan as in effect on the date hereof, (i) grant any severance, retention or termination pay to, or enter into or amend any severance, retention, termination, employment, consulting, bonus, change in control or severance agreement or arrangement with, any current or former Service Provider, (ii) increase the compensation or benefits provided to any current or former Service Provider (other than reasonable, market-based increases in base compensation in the ordinary course of business consistent with past practice for employees who are not Key Employees), (iii) grant any equity or equity-based awards to, or discretionarily accelerate the vesting or payment of any such awards held by, any current or former Service Provider, (iv) establish, adopt, enter into or amend in any material respect any Employee Plan or Collective Bargaining Agreement, (v) establish, adopt or enter into any plan, agreement or arrangement, or otherwise commit, to gross-up, indemnify or otherwise reimburse any current or former Service Provider for any Tax incurred by such Service Provider, including under Section 409A or 4999 of the Code, (vi) hire any employees who would be Key Employees except to fill a vacancy or (vii) terminate the employment of any Key Employee other than for cause;

(k) change the Company's methods of accounting, except as required by concurrent changes in GAAP or in Regulation S-X of the 1934 Act, as agreed to by its independent public accountants;

(l) pay, discharge, compromise, settle or satisfy (or cause any insurer to pay, discharge, compromise, settle or satisfy), or offer to pay, discharge, compromise, settle or satisfy, (i) any stockholder litigation or dispute against the Company, any of its Subsidiaries or any of their officers or directors (whether relating to this Agreement or otherwise), (ii) any Proceeding (except immaterial matters in the ordinary course of business) or (iii) any other liabilities or obligations (whether accrued, contingent, absolute, known, unknown, determined, determinable or otherwise) other than, in the case of this clause (iii), the payment, discharge, settlement or satisfaction in the ordinary course of business consistent with past practice, or as required by their terms as in effect on the date of this Agreement, of claims, liabilities or obligations (x) reserved against in the Company's most recent financial statements (including the notes thereto) included in the Company SEC Documents (for amounts not in excess of such reserves) as of the date hereof, (y) incurred since the date of such financial statements in the ordinary course of business consistent with past practice (other than the fees and expenses of the Company Financial Advisor and other transaction costs related to this Agreement and the transactions contemplated hereunder) or (z) in an amount less than $200,000 in the aggregate;

(m) make or change any material Tax election, change any annual Tax accounting period, adopt or change any method of Tax accounting, amend any material Tax Return, claim any material Tax refund, enter into any closing agreement relating to any material Tax, settle or compromise any material Tax claim, audit or assessment, surrender any right to claim a material Tax refund, offset or other reduction in Tax liability, or consent to any extension of waiver of the statute of limitations period applicable to any material Tax claim or assessment;

(n) knowingly take any action that would result in any condition to closing set forth in Section 9.02(a)(i) not to be satisfied as of the Effective Time; or

(o) agree, resolve by action of the Company Board, or commit to do any of the foregoing.

Section 6.02. *Stockholder Meeting; Proxy Material.* (a) The Company shall cause a meeting of its stockholders (the "**Company Stockholder Meeting**") to be duly called and held as soon as reasonably practicable after the SEC or its staff advises that it has no further comments on the Company Proxy Statement or that the Company may commence mailing of the Company Proxy Statement for the purpose of voting on the approval and adoption of this Agreement and the Merger and shall comply with all Applicable Law with respect to such meeting and the solicitation of proxies in connection therewith . The Company Board shall, subject to Section 6.04(a)(ii)(B), make the Company Board Recommendation and not effect an Adverse Recommendation Change.

(b) Subject to Section 6.04(a)(ii)(B), the Company shall use its reasonable best efforts to obtain the Company Stockholder Approval.

(c) Any adjournment, delay or postponement of the Company Stockholder Meeting shall require the prior written consent of the Parent; *provided, however,* that the Company shall be permitted to adjourn, delay or postpone the Company Stockholder Meeting (i) for the absence of a quorum, (ii) after consultation with Parent, solely to the extent necessary to ensure that any legally required supplement or amendment to the Company Proxy Statement is provided to the stockholders of the Company with adequate time to review, or (iii) once for a period not to exceed 20 calendar days (but prior to the date that is two Business Days prior to the End Date) to solicit additional proxies necessary to obtain the Company Stockholder Approval. Parent may require the Company to adjourn, delay or postpone the Company Stockholder Meeting once for a period not to exceed 20 calendar days (but prior to the date that is two Business Days prior to the End Date) to solicit additional proxies necessary to obtain the Company Stockholder Approval. Once the Company has established a record date for the Company Stockholder Meeting, the Company shall not change such record date or establish a different record date for the Company Stockholder Meeting without the prior written consent of Parent, unless required to do so by Applicable Law or the Company's organizational documents. Without the prior written consent of Parent, the adoption of this Agreement and the transactions contemplated hereby (including the Merger) shall be the only matter (other than matters of procedure and matters required by Applicable Law to be voted on by the Company's stockholders in connection with the approval of this Agreement and the transactions contemplated hereby) that the Company shall propose to be acted on by the stockholders of the Company at the Company Stockholder Meeting.

Section 6.03. *Access to Information.* From the date hereof until the earlier of the termination of this Agreement and the Effective Time, and subject to Applicable Law and the Confidentiality Agreement, the Company shall (a) give Parent, its counsel, financial advisors, auditors and other authorized representatives reasonable access during normal business hours to the offices, properties, assets, books and records of the Company and its Subsidiaries upon reasonable prior notice, (b) furnish to Parent, its counsel, financial advisors, auditors and other authorized representatives such financial and operating data and other information as such Persons may reasonably request and (c) instruct the employees, counsel, financial advisors, auditors and other authorized representatives of the Company and its Subsidiaries to cooperate with Parent in its reasonable investigation of the Company and its Subsidiaries; *provided*, *however*, that the Company may restrict the foregoing access and the disclosure of information pursuant to this Section 6.03 to the extent that (A) any Applicable Law requires the Company or its Subsidiaries to restrict or prohibit access to any such properties or information or (B) disclosure of any such information or document would result in the loss of attorney-client privilege; *provided*, *further*, that, with respect to clauses (A) and (B) of this Section 6.03, the Company shall use its commercially reasonable efforts to (1) develop an alternative to providing such information that is reasonably acceptable to Parent or (2) enter into a joint defense agreement or implement such other techniques if the parties determine that doing so would reasonably permit the disclosure of such information without violating such privilege. Any investigation pursuant to this Section 6.03 shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of the Company and its Subsidiaries. No information or knowledge obtained in any investigation pursuant to this Section 6.03 shall affect or be deemed to modify any representation or warranty made by the Company hereunder.

Section 6.04. *No Solicitation; Other Offers*.

(a) (i) General Prohibitions. Neither the Company nor any of its Subsidiaries shall, nor shall the Company or any of its Subsidiaries authorize or permit any of its or their officers, directors, employees, investment bankers, attorneys, accountants, consultants or other agents or advisors ("**Representatives**") to, directly or indirectly, (A) solicit, initiate or knowingly take any action to facilitate or encourage the submission of any Acquisition Proposal, (B) enter into or participate in any discussions or negotiations with, furnish any information relating to the Company or any of its Subsidiaries or afford access to the business, properties, assets, books or records of the Company or any of its Subsidiaries to, knowingly assist, participate in, facilitate or encourage any effort by any Third Party that has made, is seeking to make or could be reasonably expected to make an Acquisition Proposal, (C) fail to make, withdraw or modify in a manner adverse to Parent the Company Board Recommendation (or recommend an Acquisition Proposal or knowingly take any action or make any statement inconsistent with the Company Board Recommendation) (any of the foregoing in this clause (C), an "**Adverse Recommendation Change**"), (D) fail to enforce or grant any waiver or release under any standstill or similar agreement with respect to any class of equity securities of the Company or any of its Subsidiaries, (E) approve any business combination under the New Jersey Shareholders' Protection Act or (F) enter into any agreement in principle, letter of intent, term sheet, merger agreement, acquisition agreement, option agreement or other similar instrument relating to an Acquisition Proposal. It is agreed that any violation of the restrictions on the Company set forth in this Section by any Representative of the Company or any of its Subsidiaries shall be a breach of this Section by the Company.

(ii) Exceptions. Notwithstanding Section 6.04(a)(i), at any time prior to the receipt of the Company Stockholder Approval:

(A) the Company, directly or indirectly through its Representatives, may (1) engage in negotiations or discussions with any Third Party and its Representatives that, subject to the Company's compliance with Section 6.04(a)(i), has made after the date of this Agreement a bona fide, written Acquisition Proposal that the Company Board reasonably believes is or is reasonably likely to lead to a Superior Proposal and (2) furnish to such Third Party or its Representatives non-public information relating to the Company or any of its Subsidiaries pursuant to a confidentiality agreement with such Third Party with terms in all material respects no less favorable to the Company than those contained in the Confidentiality Agreement (it being understood that, subject to the provisions of the Confidentiality Agreement providing for automatic amendment of the Standstill (as defined therein), such confidentiality agreement need not contain any "standstill" provisions); *provided* that all such information (to the extent that such information has not been previously provided or made available to Parent) is provided or made available to Parent, as the case may be, prior to or substantially concurrently with the time it is provided or made available to such Third Party; and

(B) subject to compliance with Section 6.04(a)(iv), the Company Board may, (i) if an Intervening Event has occurred or in response to a Superior Proposal, make an Adverse Recommendation Change or (ii) in response to a Superior Proposal, following an Adverse Recommendation Change in accordance with this Agreement, cause the Company to terminate this Agreement in accordance with Section 10.01(d)(ii) in order to concurrently with or immediately after such termination, enter into a definitive agreement providing for such Superior Proposal; *provided* that concurrently with any such termination, the Company pays to Parent the Termination Fee required by Section 11.04;

in each case referred to in the foregoing clauses (A) and (B) only if the Company Board determines in good faith, after consultation with outside legal counsel, that the failure to take such action would be inconsistent with its fiduciary duties under the NJBCA.

In addition, nothing contained herein shall prevent the Company Board from complying with Rule 14e-2(a) under the 1934 Act with regard to an Acquisition Proposal so long as any action taken or statement made to so comply is consistent with this Section 6.04; *provided* that any such action taken or statement made that relates to an Acquisition Proposal shall be deemed to be an Adverse Recommendation Change unless the Company Board reaffirms the Company Board Recommendation in such statement or in connection with such action. It is understood and agreed that any factually accurate public statement by the Company that merely describes the Company's receipt of an Acquisition Proposal and the operation of this Agreement with respect thereto and contains a "stop, look and listen" communication (including pursuant to Rule 14d-9(f) promulgated under the 1934 Act) shall not constitute an Adverse Recommendation Change. The engagement in discussion and negotiation or furnishing of information in accordance with Section 6.04(a)(ii)(A) shall not, in themselves, constitute an Adverse Recommendation Change.

(iii) Required Notices. The Company shall notify Parent promptly (but in no event later than 48 hours) after receipt by the Company (or any of its Representatives) of any Acquisition Proposal, any meaningful indication that a Third Party is considering making an Acquisition Proposal or any request for information relating to the Company or any of its Subsidiaries or for access to the business, properties, assets, books or records of the Company or any of its Subsidiaries by any Third Party that has made, is seeking to make or could reasonably be expected to make an Acquisition Proposal, and the Company Board shall not take any of the actions referred to in Section 6.04(a)(ii)(A) unless the Company shall have delivered to Parent a prior written notice advising Parent that it intends to take such action. The Company shall keep Parent reasonably informed, on a reasonably prompt and timely basis, of the status and material details of any such Acquisition Proposal, indication or request. The Company shall provide such notice orally and in writing and shall identify the Third Party making, and the terms and conditions of, any Acquisition Proposal. Any material amendment to any Acquisition Proposal will be deemed to be a new Acquisition Proposal for purposes of the Company's compliance with this Section 6.04(a)(iii).

(iv) "Last Look". The Company Board shall not make an Adverse Recommendation Change pursuant to Section 6.04(a)(ii)(B) or exercise its termination rights pursuant to Section 10.01(d)(ii) unless (A) (i) if Company Board has determined that an applicable Acquisition Proposal constitutes a Superior Proposal, the Company promptly provides written notice to Parent at least five Business Days (or two Business Days, in the case of an amended, supplemented or modified Acquisition Proposal) before taking such action of its intention to do so with a description of the material terms of such Acquisition Proposal, including the most current version of the proposed agreement under which such Acquisition Proposal is proposed to be consummated and the identity of the Third Party making the Acquisition Proposal (such notice, the "**Superior Proposal Notice**") or (ii) upon the occurrence of an Intervening Event, the Company promptly provides written notice to Parent at least five Business Days before taking such action of its intention to do so with a description of such Intervening Event (such notice, the "**Intervening Event Notice**"), and (B) a period commencing on the date that the Intervening Event Notice or Superior Proposal Notice, as applicable, is deemed received by Parent pursuant to Section 11.01 and ending at 5:00 p.m. Eastern time on the fifth Business Day or second Business Day thereafter, as applicable (the "**Notice Period**") has elapsed and Parent has not made a written proposal to amend the terms of this Agreement to, as applicable, cause the Intervening Event to no longer form a valid basis for the Company Board to effect an Adverse Recommendation Change pursuant to Section 6.04(a)(ii)(B) or to be at least as favorable to the stockholders of the Company as such Acquisition Proposal, as applicable. It is understood that, in the case of any action intended to be taken in circumstances involving or relating to an Acquisition Proposal, any amendment to the financial terms or other material terms of such Acquisition Proposal shall require a new written notification from the Company under this Section 6.04(a)(iv) and any material change to an Intervening Event shall be deemed to be a new Intervening Event and result in a new Notice Period. The Company agrees that, during the Notice Period, the Company and its Representatives shall negotiate in good faith with Parent and its Representatives regarding any revisions proposed by Parent to the terms of the transactions contemplated by this Agreement.

(b) Definition of Superior Proposal. For purposes of this Agreement, "**Superior Proposal**" means a bona fide, unsolicited written Acquisition Proposal (replacing references to "25%" in the definition of Acquisition Proposal with "more than 50%") on terms that the Company Board determines in good faith, after considering the advice of an outside financial advisor of nationally recognized reputation and outside legal counsel, and taking into account all the terms and conditions of the Acquisition Proposal is more favorable and provides greater value to the Company's stockholders than is provided hereunder (taking into account any proposal by Parent to amend the terms of this Agreement pursuant to Section 6.04(a)(iv)), and which the Company Board determines is reasonably likely to be consummated in a timely manner and for which financing, if a cash transaction (whether in whole or in part), is then fully committed by reputable financing sources or reasonably determined to be available by the Company Board.

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(c) Obligation of the Company to Terminate Discussions. The Company shall, and shall cause its Subsidiaries and its and their Representatives to, cease immediately and cause to be terminated any and all existing activities, discussions or negotiations, if any, with any Third Party and its Representatives conducted prior to the date hereof with respect to any Acquisition Proposal and shall use its reasonable best efforts to cause any such Third Party (together with its Representatives) that has executed a confidentiality agreement within the 24-month period prior to the date hereof and that is in possession of confidential information heretofore furnished by or on behalf of the Company or any of its Subsidiaries (and all analyses and other materials prepared by or on behalf of such Person that contain, reflect or analyze that information) to return or destroy all such information as promptly as practicable. The Company represents and warrants to Parent that, during the 24-month period prior to the date hereof, neither it nor any of its Subsidiaries has granted any waiver or release under any standstill or similar agreement with respect to any class of equity securities of the Company or any of its Subsidiaries.

Section 6.05. *Section 16 Matters.* Prior to the Effective Time, the Company shall take all such steps as may be required to cause any dispositions of Shares (including derivative securities with respect to such Shares) in connection with the transactions contemplated by this Agreement by each individual who is subject to the reporting requirements of Section 16(a) of the 1934 Act with respect to the Company to be exempt under Rule 16b-3 promulgated under the 1934 Act.

Section 6.06. *Stock Exchange Delisting; 1934 Act Deregistration.* Prior to the Effective Time, the Company shall cooperate with Parent and use its reasonable best efforts to take, or cause to be taken, all actions, and do or cause to be done all things, reasonably necessary, proper or advisable on its part under Applicable Law and rules and policies of Nasdaq to enable the delisting by the Surviving Corporation of the Shares from Nasdaq and the deregistration of the Shares and other Company Securities under the 1934 Act as promptly as practicable after the Effective Time, and in any event no more than ten days after the Closing Date.

Section 6.07. *Takeover Statutes.* The Company shall, to the extent permitted by Applicable Law, use its reasonable best efforts (a) to take all actions necessary so that no “control share acquisition,” “fair price,” “moratorium” or other antitakeover or similar statute or regulation becomes applicable to the transactions contemplated by this Agreement and (b) if any such antitakeover or similar statute or regulation becomes applicable to the transactions contemplated by this Agreement, to take all actions necessary so that the transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms contemplated herein and otherwise to take all such other actions as are reasonably necessary to eliminate or minimize the effects of any such statute or regulation on the transactions contemplated hereby.

Section 6.08. *Stockholder Litigation.* From and after the date hereof, each party hereto shall promptly advise the other parties orally and in writing of any Proceedings (including derivative claims) commenced or, to the knowledge of such party, threatened against such party and/or its directors or executive officers relating to this Agreement, the Merger and/or the other transactions contemplated hereby and shall keep the other party fully informed regarding any such Proceeding. The Company shall give Parent (at Parent's expense) the opportunity to participate in (but not control) the defense or settlement of any such Proceeding and shall give due consideration to Parent's views with respect thereto. The Company shall not agree to any settlement of any such Proceeding without Parent's prior written consent.

ARTICLE 7
Covenants of Parent

Parent agrees that:

Section 7.01. *Obligations of Merger Subsidiary.* Parent shall take all action necessary to cause Merger Subsidiary to perform its obligations under this Agreement and to consummate the Merger on the terms and conditions set forth in this Agreement.

Section 7.02. *Approval by Sole Stockholder of Merger Subsidiary.* Immediately following the execution of this Agreement by the parties, Parent shall cause the sole stockholder of Merger Subsidiary, in its capacity as such, to adopt this Agreement and approve the Merger, in accordance with the DGCL.

Section 7.03. *Voting of Shares.* Parent shall vote (or cause to be voted) any Shares beneficially owned by it or any of its Subsidiaries in favor of adoption of this Agreement at the Company Stockholder Meeting.

Section 7.04. *Indemnification; Directors' and Officers' Insurance.* (a) Parent shall cause the Surviving Corporation, and the Surviving Corporation hereby agrees, to do the following:

(i) for six years after the Effective Time, subject to any limitation imposed from time to time under Applicable Law, maintain in effect provisions in the Surviving Corporation's certificate of incorporation and bylaws (or in such documents of any successor to the business of the Surviving Corporation) regarding elimination of liability, indemnification and advancement of expenses for acts or omissions occurring at or prior to the Effective Time in favor of the present and former officers and directors of the Company (each, an "**Indemnified Person**") that are no less advantageous to the Indemnified Persons than the corresponding provisions in existence on the date of this

Agreement; and

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(ii) for six years after the Effective Time (and until the final resolution of any matter for which indemnification is first sought hereunder prior to the date which is six years after the Effective Time), indemnify and hold harmless each Indemnified Person against any costs or expenses (including reasonable attorneys' fees), judgments, fines, penalties, losses, claims, damages or liabilities, including amounts paid in settlement or compromise (collectively, "**Costs**") incurred in connection with any Proceeding arising out of or pertaining to matters relating to such Indemnified Person's service as a director or officer of the Company existing or occurring at or prior to the Effective Date, whether asserted or claimed prior to, at or after the Effective Date, to the fullest extent permitted under Applicable Law (and Parent or the Surviving Corporation shall also advance such expenses as incurred to the fullest extent permitted under Applicable Law, provided that the Indemnified Person to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such person is not entitled to indemnification); and

(iii) continue to maintain in effect for six years after the Effective Time the Company's directors' and officers' insurance (collectively, "**D&O Insurance**") with terms, conditions, retentions and limits of liability that are at least as favorable as those contained in the D&O Insurance in effect as of the date hereof; *provided* that the Surviving Corporation may satisfy its obligation under this Section 7.04(a) by (A) purchasing comparable D&O Insurance for such six-year period or (B) causing the Company to obtain, on or prior to the Closing Date, prepaid (or "tail") directors' and officers' liability insurance policy at Parent's expense, in each case with terms, conditions, retentions and limits of liability that are at least as favorable as those contained in the D&O Insurance in effect as of the date hereof; *provided* that in no event shall Parent or the Surviving Corporation be required to expend for such policies pursuant to this sentence an annual premium amount (or, in the case of a prepaid policy described in clause (B), an aggregate amount) in excess of 300% of the annual premium the Company paid in its last full fiscal year, which amount is set forth in Section 7.04(a)(ii) of the Company Disclosure Schedule; and *provided*, *further*, that if the aggregate premiums of such insurance coverage exceed such amount, the Surviving Corporation shall be obligated to obtain a policy with the greatest coverage available, with respect to matters occurring prior to the Effective Time, for a cost not exceeding such amount.

(b) If Parent, the Surviving Corporation or any of their respective successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers or conveys all or substantially all of its properties and assets to any Person, then, and in each such case, to the extent necessary, Parent shall make proper provision so that the successors and assigns of Parent or the Surviving Corporation, as the case may be, shall assume the obligations set forth in this Section 7.04.

(c) The rights of each Indemnified Person under this Section 7.04 shall be in addition to any rights such Indemnified Person may have under the certificate of incorporation or bylaws of the Company or any of its Subsidiaries, the NJBCA or any other Applicable Law, or any agreement of any Indemnified Person with the Company or any of its Subsidiaries. These rights shall survive consummation of the Merger and are intended to benefit, and shall be enforceable by, each Indemnified Person.

(d) Notwithstanding anything herein to the contrary, if any Proceeding (whether arising before, at or after the Effective Time) is made against any Indemnified Person, on or prior to the sixth anniversary of the Effective time, the provisions of this Section 7.04 shall continue in effect until the final disposition of such Proceeding.

(e) The provisions of this Section 7.04 are (i) intended to be for the benefit of, and will be enforceable by, each Indemnified Person, his or her heirs and his or her representatives and (ii) in addition to, and not in substitution for, any other rights to indemnification or contribution that any such Person may have by Contract or otherwise. Parent shall pay all expenses, including reasonable attorneys' fees, that may be incurred by the Persons referred to in this Section 7.04(e) in connection with their successful enforcement of their rights provided in this Section 7.04.

Section 7.05. *Employee Matters.* (a) Each employee of the Company or any of its Subsidiaries as of the Effective Time who continues employment with the Surviving Corporation or any of its Affiliates is referred to herein as a "**Continuing Employee**," each Continuing Employee who is located primarily within the United States is referred to herein as a "**US Employee**," and each Continuing Employee who is not a US Continuing Employee is referred to herein as a "**Non-US Employee**". For the period ending December 31, 2015 (or, if shorter, during the period of employment), Parent shall provide (or cause to be provided) to each US Employee a level of base compensation and employee benefits (other than cash incentive or equity or equity-based compensation) that is substantially similar in the aggregate to the level of base compensation and employee benefits (other than cash incentive or equity or equity-based compensation) provided to such US Employee as of immediately prior to the Effective Time under the US Plans listed in Section 4.17(a) of the Company Disclosure Schedule. For the period ending December 31, 2014 (or, if shorter, during the period of employment), Parent shall provide (or cause to be provided) to each Non-US Employee a level of base compensation and employee benefits (other than cash incentive or equity or equity-based compensation) that is substantially similar in the aggregate to the level of base compensation and employee benefits (other than cash incentive or equity or equity-based compensation) provided to such Non-US Employee as of immediately prior to the Effective Time under the International Plans listed in Section 4.17(a) of the Company Disclosure Schedule.

(b) Following the Effective Time, Parent shall provide (or cause to be provided) to each Continuing Employee full credit for prior service with the Company and its Subsidiaries for purposes of vesting and eligibility to participate in employee benefit plans maintained by Parent or its Subsidiaries for which the Continuing Employee is otherwise eligible to participate (but such service credit shall not be provided for benefit accrual purposes, except for vacation and severance and employer contributions under 401(k) savings plans, as applicable, except, in the case of any Non-US Employee, to the extent that such service credit is required by Applicable Law or an applicable Collective Bargaining Agreement). In no event shall anything contained in this Section 7.05(b) result in any duplication of benefits for the same period of service. In addition, Parent shall use commercially reasonable efforts to (A) waive, or cause to be waived, any limitations on benefits relating to pre-existing conditions to the same extent such limitations are waived under any comparable plan of the Company or its Subsidiaries applicable to such Continuing Employee prior to the Effective Time and (B) recognize (or cause to be recognized), for purposes of annual deductible and out-of-pocket limits under its medical and dental plans, deductible and out-of-pocket expenses paid by Continuing Employees in the calendar year in which the Effective Time occurs.

(c) The Company shall take all actions that are necessary to cause each Employee Plan that provides for annual cash bonuses for the performance period that is scheduled to end on March 31, 2015 to provide instead that, contingent on the occurrence of the Closing, such performance period shall end on the later of September 30, 2014 and the Closing Date, and as soon as practicable following the later of September 30, 2014 and the Effective Time, Parent shall pay to each Continuing Employee who is then employed with the Company or any of its Subsidiaries a cash bonus for such shortened performance period in an amount determined in accordance with Section 7.05(c) of the Company Disclosure Schedule; *provided* that the foregoing shall apply in the case of each Non-US Employee only to the extent allowable by Applicable Law or an applicable Collective Bargaining Agreement.

(d) Unless otherwise directed in writing by Parent at least five Business Days prior to the Effective Time, the Company shall take all actions that are necessary to cause each Employee Plan set forth in Section 7.05(d) of the Company Disclosure Schedule to terminate effective as of no later than immediately prior to the Effective Time. All resolutions, notices or other documents issued, adopted or executed in connection with the implementation of this Section 7.05(d) shall be subject to Parent's prior review and approval. The Company shall promptly provide all information about the Continuing Employees' participation in the Employee Plans (including without limitation regarding elections) that Parent reasonably requests to permit Parent to meet its obligations pursuant to this Section 7.05.

(e) Promptly after the date hereof, the Company shall take all actions necessary to provide that: (i) no individual who is not a Participant in the Deferred Compensation Plan as of immediately prior to the date hereof shall become a Participant in the Deferred Compensation Plan on or after the date hereof; *provided* that such restriction shall not apply with respect to any individual who after the date hereof is hired without violating the restriction set forth in Section 6.01(j)(v) to replace an individual who is a Participant on the date thereof and whose employment terminates after the date hereof without violating the restriction set forth in Section 6.01(j)(vi), (ii) no Participant shall defer any Company RSUs under the Deferred Compensation Plan, (iii) no Employer Credits shall be credited to the Deferred Compensation Account of any Participant under the Deferred Compensation Plan on or after the date hereof, (iv) no Trust Assets shall be contributed to the Trust on or after the date, hereof, (v) if any Trust Assets are held in the Trust on the date hereof, the amount of such Trust Assets that exceeds the Deferred Compensation Plan Liability, in each case as determined in accordance with GAAP as of such date, shall be promptly returned to the Company in accordance with Section 1(g) of the Trust Agreement and (vi) the Deferred Compensation Plan and the Trust Agreement shall not be materially amended on or after the date hereof except as required to give effect to the terms set forth in this Section 7.05(e).

(f) Without limiting the generality of Section 11.06(a), nothing in this Section 7.05, express or implied, (i) is intended to or shall confer upon any Person other than the parties hereto, including any current or former Service Provider, any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, (ii) shall establish, or constitute an amendment, termination or modification of, or an undertaking to amend, establish, terminate or modify, any benefit plan, program, agreement or arrangement, (iii) shall alter or limit the ability of Parent or any of its Subsidiaries (or, following the Effective Time, the Company or any of its Subsidiaries) to amend, modify or terminate any benefit plan, program, agreement or arrangement at any time assumed, established, sponsored or maintained by any of them or (iv) shall create any obligation on the part of Parent or its Subsidiaries (or, following the Effective Time, the Company or any of its Subsidiaries) to employ or engage any Service Provider for any period following the Effective Time.

ARTICLE 8
Covenants of Parent and the Company

The parties hereto agree that:

Section 8.01. *Reasonable Best Efforts*.

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(a) Subject to the terms and conditions of this Agreement, the Company and Parent shall use their reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under Applicable Law to consummate the transactions contemplated by this Agreement, including (i) preparing and filing as promptly as practicable with any Governmental Authority all documentation to effect all necessary Filings and (ii) obtaining and maintaining all licenses, authorizations, permits, consents, approvals, clearances, variances, exemptions and other confirmations required to be obtained from any Governmental Authority or other Third Party to consummate the transactions contemplated by this Agreement (including receipt of the Required Approvals); *provided that* the parties hereto understand and agree that (A) in connection with seeking expiration or termination of any applicable waiting period under the HSR Act or clearance under Competition Law of Germany and Austria relating to the Merger, Parent and Merger Subsidiary shall not be required to (1) divest or otherwise hold separate (including by establishing a trust), or take, cause to be taken or refrain from taking any other action (or otherwise agreeing to do any of the foregoing) with respect to, any of its or the Surviving Corporation's or any of their respective Affiliates' businesses, assets or properties, (2) enter into any settlement, undertaking, consent decree, stipulation or agreement with any Governmental Authority in connection with the transactions contemplated hereby, or (3) agree to do any of the foregoing, (B) in connection with seeking any other Required Approval, Parent and Merger Subsidiary shall not be required to (1) divest or otherwise hold separate (including by establishing a trust) any of its or the Surviving Corporation's or any of their respective Affiliates' businesses, assets or properties, (2) take any actions that (x) would reasonably be expected to have an adverse and material effect on control of any of the Parent's or the Company's Subsidiaries in the relevant jurisdiction or (y) would reasonably be expected to result in costs or losses to Parent, the Surviving Corporation or any of their respective Affiliates in the aggregate in excess of $10,000,000, or (3) agree to do any of the foregoing, and (C) neither the Company nor any of its Subsidiaries shall be required to (unless such action is binding on the Company or any of its Subsidiaries only in the event the Effective Time occurs), and neither the Company nor any of its Subsidiaries shall without Parent's prior written consent, take any of the actions described in the foregoing clauses (A)(1) through (3) or clauses (B)(1) and (3); *provided*, *further*, that the parties hereto agree that "reasonable best efforts" as used in this Section 8.01(a) shall include litigating or defending against any Proceeding by any Governmental Authority challenging this Agreement or the consummation of the Merger.

(b) In furtherance and not in limitation of the foregoing, each of Parent and the Company shall, as promptly as practicable (and in any event within seven Business Days) after the date hereof, (i) make an appropriate filing of a Notification and Report Form pursuant to the HSR Act with respect to the transactions contemplated hereby and (ii) make all other Filings necessary or appropriate under Competition Law of Germany and Austria in connection with the transactions contemplated hereby. Parent shall pay all administrative filing fees associated with the Filings described in this Section 8.01(b). Subject to Section 8.01(a), each of Parent and the Company shall use its reasonable best efforts to supply as promptly as practicable any additional information and documentary material that may be requested pursuant to the HSR Act or such Competition Law and to take all other actions necessary to cause the expiration or termination of the applicable waiting periods under the HSR Act or such Competition Law, or the receipt of any requisite clearances and approvals under such Competition Law, as soon as practicable.

(c) In furtherance and not in limitation of the foregoing, Merger Subsidiary and the Company shall assemble all appropriate information regarding the transactions contemplated by this Agreement and their respective business and ownership, in each case as necessary to complete and submit (i) a draft joint notification to CFIUS (the "**Draft Notice**") with respect to the transactions contemplated hereby within ten Business Days of the date hereof (or such later date as mutually agreed by the parties, such agreement not to be unreasonably withheld, conditioned or delayed) and (ii) a final joint notification to CFIUS (the "**Final Notice**") with respect to the transactions contemplated hereby within five Business Days of receipt of any comments from CFIUS on the Draft Notice. Merger Subsidiary shall take the lead in preparing the Draft Notice and the Final Notice, provided that neither the Draft Notice nor the Final Notice shall be submitted to CFIUS without the mutual written consent of the Merger Subsidiary and the Company. Merger Subsidiary shall provide a timely response to any post-filing requests from CFIUS or any Governmental Authority for additional information relating to its or its Affiliates' businesses or ownership, as well as representations or proposed agreements by the Merger Subsidiary or Parent. The Company shall provide a timely response to any post-filing requests from CFIUS or any Governmental Authority for additional information relating to its businesses or ownership, as well as representations by the Company. Subject to Section 8.01(a), each of Parent, Merger Subsidiary and the Company shall use their respective reasonable best efforts to take all other actions necessary to cause the satisfaction of the CFIUS Condition, the DDTC Condition and the MINEFI Condition. In furtherance and not in limitation of the foregoing, Merger Subsidiary and the Company shall, in compliance with the relevant provisions of ITAR, 22 C.F.R. §122.4(a)(2), cause Tyco Electronics Corporation and the Company, respectively, each to notify DDTC of the transactions contemplated herein within five days of the Closing.

(d) Parent shall notify the transaction to MINEFI pursuant to Articles L. 151-3 and R. 153-1 et seq. of the French Monetary and Financial Code. The Company shall cooperate with Parent and/or Merger Subsidiary in all reasonable respects in connection with such notification. In furtherance and not in limitation of the foregoing, subject to Section 8.01(a), the Company and/or MEAS France shall use reasonable best efforts (i) to provide to Parent, Merger Subsidiary and/or Parent's advisors in a timely manner such documents, assistance and information as is necessary for Parent and/or Merger Subsidiary to make the relevant filings and respond to any follow-up requests made by MINEFI and/or DGA, (ii) to prepare and attend meetings with MINEFI and/or DGA, as deemed advisable by Parent, and (iii) to review and assist in the negotiation of the conditions or undertakings, if any, that may be requested by MINEFI and/or DGA in order to satisfy the MINEFI Condition; *provided* that (A) the filing shall not be submitted by Parent to MINEFI without prior review by, and consent of, the Company (such consent not be unreasonably withheld, conditioned or delayed) and (B) Parent shall inform MINEFI in writing (and orally) that any additional information requests regarding MEAS France must be directed to the individual set forth on Section 8.01(d) of the Company Disclosure Schedule or such other employee of the Company and MEAS France determined by the Company in its sole discretion, with a copy to Parent; *provided*, *further*, that Parent shall coordinate any and all communications with MINEFI and/or DGA and therefore any such communications made by Company, MEAS France or any of their Representatives shall be subject to Parent's prior written approval.

(e) In furtherance and not in limitation of the foregoing, Parent shall submit a written notification to the German Federal Ministry of Economic Affairs and Energy pursuant to Section 4 of the Foreign Trade and Payments Act and Sections 55 through 59 of the Foreign Trade and Payments Ordinance regarding the transactions contemplated by this Agreement within ten Business Days of the date hereof (or such later date as mutually agreed by the parties, such agreement not to be unreasonably withheld, conditioned or delayed); *provided* that the notification shall not be submitted by Parent to the German Federal Ministry of Economic Affairs and Energy without prior review by, and consent of, the Company (such consent not be unreasonably withheld, conditioned or delayed). The Company shall reasonably cooperate with Parent in connection with such notification.

(f) To the extent permitted by Applicable Law, each of Parent and the Company shall use its reasonable best efforts to (i) cooperate in all respects with each other in connection with any Filing and in connection with any investigation or other inquiry, including any Proceeding initiated by a private party, (ii) promptly inform the other party of any Filing or communication received from, or intended to be given to, any Governmental Authority and of any material communication received or intended to be given in connection with any Proceeding by a private party, in each case regarding any of the transactions contemplated hereby, and prior to submitting any Filing, substantive written communication, correspondence or other information or response by such party to any Governmental Authority (or members of the staff of any Governmental Authority) or in connection with any Proceeding by a private party, the submitting party shall permit the other party and its counsel the opportunity to review as reasonably in advance as practicable under the circumstances, and consider in good faith the comments of the other party in connection with any such Filing, communication or inquiry and further each of the Company and Parent shall furnish each other with a copy of any Filing, communication or, if in written form, inquiry, it or any of its Affiliates makes to or receives from any Governmental Authority or in connection with any Proceeding by a private party, in each case regarding any of the transactions contemplated hereby, and (iii) consult with each other in advance of any meeting or conference with any such Governmental Authority or, in connection with any Proceeding by a private party, with any other Person, and to the extent reasonably practicable, give the other party the opportunity to attend and participate in such meetings and conferences.

(g) The Company shall reasonably cooperate with, and use its commercially reasonable efforts to cause its Representatives to reasonably cooperate with, Parent and its financing sources in connection with the arrangement of financing related to the transactions contemplated by this Agreement. Such cooperation shall include, to the extent both reasonably requested by Parent and reasonably required in connection with such financing, (a) furnishing Parent and its financing sources with financial and other pertinent information regarding the Company and its Subsidiaries, (b) providing direct contact between prospective financing sources and the officers of the Company and its Subsidiaries, (c) providing assistance in preparation of confidential information memoranda, preliminary offering memoranda, financial information and other materials to be used in connection with obtaining such financing, (d) cooperation with the marketing efforts of Parent and its financing sources for such financing, (e) providing assistance in extinguishing existing indebtedness of the Company and its Subsidiaries and releasing liens securing such indebtedness, in each case to take effect at the Effective Time, (f) cooperation with respect to matters relating to pledges of collateral to take effect at the Effective Time in connection with such financing, (g) assisting Parent in obtaining legal opinions to be delivered in connection with such financing and (h) assisting Parent in securing the cooperation of the independent accountants of the Company and its Subsidiaries; *provided* that (i) such requested cooperation shall not unreasonably interfere with or disrupt the ongoing operations of the Company and its Subsidiaries, (ii) neither the Company nor any of its Subsidiaries shall be required to take any action that would subject them to any liability or to pay any commitment or other similar fee in connection with such financing prior to the Effective Time unless reimbursed or indemnified by Parent to the reasonable satisfaction of the Company and (iii) neither the Company nor any of its Subsidiaries shall be required to enter into any credit agreement, security agreement or other agreement in connection with the arrangement of financing related to the transactions contemplated by this Agreement or take any action that would encumber any of its assets that would be effective prior to the Effective Time.

Section 8.02. *Certain Filings.* The Company and Parent shall cooperate with one another (a) in determining whether any action by or in respect of, or Filing with, any Governmental Authority is required, or any actions, consents, approvals or waivers are required to be obtained from parties to any Contracts in connection with the consummation of the transactions contemplated by this Agreement and (b) subject to Section 8.01(a), in taking such actions or making any such Filings, furnishing information required in connection therewith and seeking timely to obtain any such actions, consents, approvals or waivers.

Section 8.03. *Company Proxy Statement.* (a) As promptly as reasonably practicable (and in any event within 15 Business Days after the date hereof), the Company shall prepare and file the Company Proxy Statement with the SEC. The Company shall use its reasonable best efforts to cause the Company Proxy Statement to be cleared by the SEC as soon as reasonably practicable after the date hereof and to be mailed to its shareholders as promptly as practicable thereafter. The Company shall cause the Company Proxy Statement, and any amendments or supplements thereto, to comply in all material respects with the rules and regulations promulgated by the SEC under the 1934 Act; *provided* that no covenant is made by the Company with respect to information provided by Parent or Merger Subsidiary or any of their Representatives specifically for use or incorporation by reference in the Company Proxy Statement. The Company shall include in the Company Proxy Statement (i) subject to the consent of the Company Financial Advisor, the written opinion of the Financial Advisor referred to in Section 4.22, and (ii) unless an Adverse Recommendation Change shall have occurred, the Company Board Recommendation.

(b) Parent and its counsel shall be given a reasonable opportunity to review and comment on the Company Proxy Statement (including the preliminary and definitive versions thereof) before the Company Proxy Statement (or any amendment thereto) is filed with the SEC, and the Company shall give reasonable and good faith consideration to any comments made by Parent and its counsel. The Company shall provide Parent and its counsel with (i) any comments or other communications, whether written or oral, that the Company or its counsel may receive from time to time from the SEC or its staff with respect to the Company Proxy Statement promptly after receipt of those comments or other communications and (ii) a reasonable opportunity to participate in the Company's response to those comments and to provide comments on such response (to which reasonable and good faith consideration shall be given), including by participating with the Company or its counsel in any substantive discussions or meetings with the SEC .

(c) Each of the Company and Parent will advise the other party, promptly after it receives notice thereof, of any request by the SEC for amendment of the Company Proxy Statement or comments thereon and responses thereto or requests by the SEC for additional information. If, at any time prior to the Effective Time, any information relating to the Company or Parent, or any of their respective Affiliates, officers or directors should be discovered by the Company or Parent that should be set forth in an amendment or supplement to the Company Proxy Statement so that such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party hereto that discovers such information shall promptly notify the other parties hereto and an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and, to the extent required by Applicable Law, disseminated to the stockholders of the Company .

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(d) Notwithstanding (x) any Adverse Recommendation Change, (y) the public proposal or announcement or other submission to the Company or any of its Representatives of an Acquisition Proposal or (z) anything in this Agreement to the contrary, unless this Agreement is terminated in accordance with its terms, the obligations of the Company under this Section 8.03 shall continue in full force and effect .

Section 8.04. *Public Announcements.* The initial press release announcing the execution of this Agreement and the transactions contemplated hereby shall be a joint press release to be issued promptly following the execution and delivery hereof, the form of which has been agreed upon by the Company and Parent. Following such initial press release, Parent and the Company (a) shall consult with each other before issuing any press release, having any communication with the press (which or not for attribution), making any other public statement, or scheduling any press conference or conference call with investors or analysts with respect to this Agreement or the transactions contemplated hereby and (b) shall not issue any such press release, make any such other public statement or schedule any such press conference or conference call without such consultation; *provided*, *however*, that the restrictions set forth in this Section 8.04 shall not apply to any release or public statement (i) required by Applicable Law or any applicable listing authority (in which case the parties shall use commercially reasonable efforts to (x) consult with each other prior to making any such disclosure and (y) cooperate (at the other party's expense) in connection with the other party's efforts to obtain a protective order), (ii) made or proposed to be made by the Company in compliance with Section 6.04 with respect to the matters contemplated by Section 6.04 (or by Parent in response thereto) or (iii) in connection with any dispute between the parties regarding this Agreement, the Merger or the other transactions contemplated hereby.

Section 8.05. *Further Assurances.* At and after the Effective Time, the officers and directors of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of the Company or Merger Subsidiary, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of the Company or Merger Subsidiary, any other actions and things to vest, perfect or confirm of record or otherwise in the Surviving Corporation any and all right, title and interest in, to and under any of the rights, properties or assets of the Company acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger.

Section 8.06. *Notices of Certain Events.* Each of the Company and Parent shall promptly notify the other of:

(a) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the transactions contemplated by this Agreement;

(b) any notice or other communication received by the Company or any of its Affiliates or Parent or any of its Affiliates from any Governmental Authority in connection with the transactions contemplated by this Agreement;

(c) any Proceedings commenced or, to its knowledge, threatened against, relating to or involving or otherwise affecting the Company or any of its Subsidiaries or Parent and any of its Subsidiaries, as the case may be, (i) that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to any Section of this Agreement or (ii) that relate to this Agreement or the consummation of the transactions contemplated hereby;

(d) any (i) inaccuracy of any representation or warranty of such party contained in this Agreement at any time during the term hereof or (ii) failure of such party to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder, in each case that would reasonably be expected to cause any of the conditions set forth in Article 9 to which the other party is entitled to the benefit not to be satisfied;

(e) any event, condition, fact or circumstance that has a materially adverse impact on the likelihood that any of the conditions set forth in Article 9 to which the other party is entitled to the benefit will be satisfied prior to the End Date;

provided that the delivery of any notice pursuant to this Section 8.06 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

ARTICLE 9
Conditions to the Merger

Section 9.01. *Conditions to the Obligations of Each Party.* The obligations of the Company, Parent and Merger Subsidiary to consummate the Merger are subject to the satisfaction or (to the extent permissible under Applicable Law) waiver of the following conditions:

(a) the Company Stockholder Approval shall have been obtained in accordance with the NJBCA; and

(b) no Applicable Law shall prohibit or make illegal the consummation of the Merger, other than in connection with the expiration, termination or receipt of any Required Approval.

Section 9.02. *Conditions to the Obligations of Parent and Merger Subsidiary.* The obligations of Parent and Merger Subsidiary to consummate the Merger are subject to the satisfaction or (to the extent permissible under Applicable Law) waiver of the following further conditions:

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(a) (i) (A) the representations and warranties of the Company contained in Section 4.05 (other than the last sentence of Section 4.05(b) and the information set forth on Section 4.05 of the Company Disclosure Schedule with respect to the holder and date of grant) shall be true and correct in all but *de minimis* respects, (B) any of the representations and warranties of the Company contained in any of Sections 4.01, 4.02, 4.06, 4.08, 4.21, 4.22, 4.23 o 4.24 that are qualified as to materiality or Company Material Adverse Effect shall be true and correct in all respects and any such representations and warranties that are not so qualified shall be true and correct in all material respects, (C) the representation and warranties of the Company contained in Section 4.10(a)(ii) shall be true and correct in all respects, and (D) any of the other representations and warranties of the Company contained in this Agreement (disregarding all materiality and Company Material Adverse Effect qualifications contained therein) shall be true and correct with, in the case of this clause (D) only, only such exceptions as have not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect, in each case at and as of immediately prior to the Effective Time as if made at and as of such time (other than any such representation and warranty that by its terms addresses matters only as of another specified time, which shall be true and correct only as of such time) , (ii) the Company shall have performed in all material respects all of its obligations hereunder required to be performed by it at or prior to the Effective Time and (iii) Parent shall have received a certificate dated as of the Closing Date signed by an executive officer of the Company to the foregoing effect;

(b) (i) any applicable waiting periods under the HSR Act shall have expired or been terminated, (ii) any required clearances, approvals and consents under Competition Law of Germany and Austria relating to the Merger shall have been received, (iii) the CFIUS Condition shall have been met, (iv) the DDTC Condition shall have been met and (v) the MINEFI Condition shall have been met (clauses (i) through (v) collectively, the “**Required Approvals**”), and no such Required Approval shall have expired, terminated or been received subject to, or conditioned upon, (x) any limitation on the ownership of the capital stock of the Company by Parent or any of its Affiliates or (y) any requirement that Parent, the Surviving Corporation or the Company or any of their respective Affiliates take any action that is not required to be taken (or permitted to be taken without Parent’s consent) pursuant to the terms of this Agreement, including Section 8.01(a); and

(c) there shall not have been instituted any action, suit or proceeding by any Governmental Authority (that has not been dismissed or otherwise been resolved) seeking to make illegal or otherwise directly or indirectly to restrain or prohibit the consummation of the Merger (including Parent’s direct or indirect ownership of all of the Company’s and its Subsidiaries’ outstanding capital stock);

(d) there shall not have occurred following the date of this Agreement any event, occurrence or development of a state of circumstances or facts which has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect .

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Section 9.03. *Conditions to the Obligations of the Company.* The obligations of the Company to consummate the Merger are subject to the satisfaction or (to the extent permissible under Applicable Law) waiver of the following further conditions:

(a) (i) (A) the representations and warranties of Parent contained in Sections 5.01 and 5.02 shall be true and correct in all material respects and (B) any of the other representations and warranties of Parent contained in this Agreement (disregarding all materiality and Parent Material Adverse Effect qualifications contained therein) shall be true and correct with, in the case of this clause (B) only, only such exceptions as have not had and would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect, in each case at and as of immediately prior to the Effective Time as if made at and as of such time (other than any such representation and warranty that by its terms addresses matters only as of another specified time, which shall be true and correct only as of such time), (ii) each of Parent and Merger Subsidiary shall have performed in all material respects all of its obligations hereunder required to be performed by it at or prior to the Effective Time, and (iii) the Company shall have received a certificate signed by an executive officer of Parent to the foregoing effect; and

(b) the Required Approvals shall have expired, been terminated or been received, as applicable .

ARTICLE 10
Termination

Section 10.01. *Termination.* This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time (notwithstanding any approval of this Agreement by the stockholders of the Company):

(a) by mutual written agreement of the Company and Parent;

(b) by either the Company or Parent if:

(i) the Merger has not been consummated on or before January 15, 2015 (the "**End Date**"); *provided* that the right to terminate this Agreement pursuant to this Section 10.01(b)(i) shall not be available to any party whose breach of any provision of this Agreement results in the failure of the Merger to be consummated by such time; or

(ii) there shall be any Applicable Law that (A) prohibits or makes illegal the consummation of the Merger or (B) enjoins the Company, Parent or Merger Subsidiary from consummating the Merger, and in each case such Applicable Law shall have become final and nonappealable; *provided* that the right to terminate this Agreement pursuant to this Section 10.01(b)(ii) shall not be available to any party whose breach of any provision of this Agreement results in the existence of any fact or occurrence described in the foregoing clause (A) or (B); or

(iii) at the Company Stockholder Meeting (including any adjournment or postponement thereof), the Company Stockholder Approval shall not have been obtained ;

(c) by Parent if:

(i) (A) an Adverse Recommendation Change shall have occurred or (B) at any time after public announcement of an Acquisition Proposal, the Company Board shall have failed to publicly reaffirm the Company Board Recommendation as promptly as practicable (but in any event within five Business Days) after receipt of any written request from Parent to do so;

(ii) there shall have been an intentional and material breach of Section 6.02 or Section 6.04; or

(iii) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Company set forth in this Agreement shall have occurred that would cause any condition set forth in Section 9.02(a)(i) or (ii) not to be satisfied, and such breach or failure is incapable of being cured by the End Date or, if curable by the End Date, shall not have been cured by the Company within 30 days of receipt by the Company of written notice of such breach or failure.

(d) by the Company:

(i) if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Parent or Merger Subsidiary set forth in this Agreement shall have occurred that would cause any condition set forth in Section 9.03(a)(i) or (ii) not to be satisfied, and such breach or failure is incapable of being cured by the End Date or, if curable by the End Date, shall not have been cured within 30 days of receipt by Parent of written notice of such breach or failure; or

(ii) in order to enter into a definitive agreement providing for a Superior Proposal in accordance with this Agreement, including Section 6.04(a)(ii)(B) (*provided* that, concurrently with any such termination, the Company pays to Parent the Termination Fee as required by Section 11.04).

The party desiring to terminate this Agreement pursuant to this Section 10.01 (other than pursuant to Section 11.01(a)) shall give written notice of such termination to the other party.

Section 10.02. *Effect of Termination.* If this Agreement is terminated pursuant to Section 10.01, this Agreement shall become void and of no effect without liability of any party (or any stockholder or Representative of such party) to the other party hereto; *provided* that the termination of this Agreement shall not relieve or release any party from any liability arising out of or resulting from such party's fraud or willful breach of this Agreement. The provisions of the Confidentiality Agreement, this Section 10.02 and Sections 11.01, 11.04, 11.07, 11.08 and 11.09 shall survive any termination hereof pursuant to Section 10.01.

ARTICLE 11
Miscellaneous

Section 11.01. *Notices.* All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission) and shall be given,

(a) if to Parent or Merger Subsidiary, to:

TE Connectivity Ltd.
Rheinstrasse 20
CH-8200 Schaffhausen, Switzerland
Attention: General Counsel
Facsimile No.: +41 (0) 52 633 6699

with a copy to:

Tyco Electronics Corporation
1050 Westlakes Drive
Berwyn, PA 19312
Attention: General Counsel
Facsimile No.: (610) 893-9602

with a copy (which shall not constitute notice) to:

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
Attention: William H. Aaronson
Facsimile No.: (212) 701-5800

if to the Company, to:

Measurement Specialties, Inc.

1000 Lucas Way

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Hampton, VA 23666

Attention: Frank Guidone, CEO

Facsimile No.: (757) 766-4297

with a copy (which shall not constitute notice) to:

DLA Piper LLP (US)
1201 West Peachtree Street
Suite 2800
Atlanta, Georgia 30309
Attention: Joseph B. Alexander, Jr.
Facsimile No.: (404) 682-7990

or to such other address or facsimile number as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. on a Business Day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed to have been received on the next succeeding Business Day in the place of receipt.

Section 11.02. *Survival of Representations and Warranties.* The representations and warranties contained herein and in any certificate or other writing delivered pursuant hereto shall not survive the Effective Time.

Section 11.03. *Amendments and Waivers.* (a) Any provision of this Agreement may be amended or waived prior to the Effective Time if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement or, in the case of a waiver, by each party against whom the waiver is to be effective; *provided* that after the Company Stockholder Approval has been obtained there shall be no amendment or waiver that would require the further approval of the stockholders of the Company under Applicable Law without such approval having first been obtained.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by Applicable Law.

Section 11.04. *Expenses.*

(a) General. Except as otherwise provided herein, all costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense.

(b) Termination Fee.

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(i) If this Agreement is terminated by Parent pursuant to Section 10.01(c)(i) or Section 10.01(c)(ii) or by the Company pursuant to Section 10.01(d)(ii), then the Company shall pay to Parent in immediately available funds $22,900,000 (the "**Termination Fee**"), which Termination Fee shall be, in the case of a termination by Parent, payable within two Business Days after such termination and, in the case of a termination by the Company, payable concurrently with and as a condition to such termination.

(ii) If (A) this Agreement is terminated by Parent or the Company pursuant to Section 10.01(b)(i) (unless the Company Stockholder Approval has been obtained prior to such termination), Section 10.01(b)(iii) or by Parent pursuant to Section 10.01(c)(iii), (B) after the date of this Agreement and prior to such termination, an Acquisition Proposal shall have been publicly announced or otherwise communicated to the Company Board or its stockholders and (C) within 12 months following the date of such termination, the Company shall have entered into a definitive agreement with respect to or recommended to its stockholders an Acquisition Proposal or an Acquisition Proposal shall have been consummated, then the Company shall pay to Parent in immediately available funds, concurrently with the occurrence of the applicable event described in clause (C), the Termination Fee.

(c) Other Costs and Expenses. The Company acknowledges that the agreements contained in this Section 11.04 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, Parent and Merger Subsidiary would not enter into this Agreement. Accordingly, if the Company fails promptly to pay any amount due to Parent pursuant to this Section 11.04, it shall also pay any costs and expenses incurred by Parent and its Affiliates in connection with a legal action to enforce this Agreement that results in a judgment against the Company for such amount, together with interest on the amount of any unpaid fee, cost or expense at the publicly announced prime rate of Citibank, N.A. from the date such fee, cost or expense was required to be paid to (but excluding) the payment date.

(d) Parent agrees that, unless there has been an intentional and material breach of Section 6.04 or in the case of fraud, payment of the Termination Fee as provided in Section 11.04(b) shall be the sole and exclusive remedy of Parent upon termination of this Agreement under circumstances giving rise to an obligation of the Company to pay the Termination Fee and such remedy shall be limited to the Termination Fee. In no circumstances shall the Company be required to pay more than one termination fee pursuant to Section 11.04(b).

Section 11.05. *Company Disclosure Schedule, Company 10-K and Parent 10-K.* (a) The parties hereto agree that any reference in a particular Section of the Company Disclosure Schedule shall only be deemed to be an exception to (or, as applicable, a disclosure for purposes of) (i) the representations and warranties (or covenants, as applicable) of the relevant party that are contained in the corresponding Section of this Agreement and (ii) other than with respect to any reference in Section 4.20(a) of the Company Disclosure Schedule, any other representations and warranties of such party that are contained in this Agreement, but only if the relevance of that reference as an exception to (or, as applicable, a disclosure for purposes of) such representations and warranties would be readily apparent to a reasonable person who has read that reference and such representations and warranties, without any independent knowledge on the part of the reader regarding the matter(s) so disclosed.

(b) The parties hereto agree that any information contained in the Company 10-K (with respect to Article 4) or the Parent 10-K (with respect to Article 5) shall only be deemed to be an exception to (or, as applicable, a disclosure for purposes of) the Company's or Parent's representations and warranties, as the case may be, if the relevance of that information as an exception to (or, as applicable, a disclosure for purposes of) such representations and warranties would be readily apparent to a reasonable person who has read that reference and such representations and warranties, without any independent knowledge on the part of the reader regarding the matter(s) so disclosed.

Section 11.06. *Binding Effect; Benefit; Assignment.* (a) The provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Except as provided in Section 7.04, no provision of this Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities hereunder upon any Person other than the parties hereto and their respective successors and assigns.

(b) No party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto, except that Parent or Merger Subsidiary may transfer or assign its rights and obligations under this Agreement, in whole or from time to time in part, (i) to one or more of its Affiliates at any time and (ii) after the Effective Time, to any Person; *provided* that such transfer or assignment shall not relieve Parent or Merger Subsidiary of its obligations hereunder or enlarge, alter or change any obligation of any other party hereto or due to Parent or Merger Subsidiary.

Section 11.07. *Governing Law.* Except to the extent the provisions of the NJBCA are mandatorily applicable to the Merger, this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the conflicts of law rules of such state.

Section 11.08. *Jurisdiction.* (a) The parties hereto agree that any Proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby (whether brought by any party or any of its Affiliates or against any party or any of its Affiliates) shall be brought in the Delaware Court of Chancery or, if such court shall not have jurisdiction, any federal court located in the State of Delaware or other Delaware state court, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such Proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such Proceeding in any such court or that any such Proceeding brought in any such court has been brought in an inconvenient forum; *provided* that, notwithstanding the foregoing, each of the parties hereto irrevocably consents and agrees that any such action arising out of or relating to Parent's financing sources shall be brought only in the Supreme Court of the State of New York, County of New York, Borough of Manhattan, or, if under applicable laws exclusive jurisdiction is vested in the federal courts, the United States District Court for the Southern District of New York (and appellate courts thereof). Process in any such Proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 11.01 shall be deemed effective service of process on such party.

(b) EACH OF PARENT, MERGER SUB AND THE COMPANY HEREBY IRREVOCABLY DESIGNATES THE CORPORATION TRUST COMPANY (IN SUCH CAPACITY, THE "**PROCESS AGENT**"), WITH AN OFFICE AT 1209 ORANGE STREET, WILMINGTON, DELAWARE 19801, AS ITS DESIGNEE, APPOINTEE AND AGENT TO RECEIVE, FOR AND ON ITS BEHALF SERVICE OF PROCESS IN SUCH JURISDICTION IN ANY PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER AGREEMENT EXECUTED IN CONNECTION WITH THIS AGREEMENT, AND SUCH SERVICE SHALL BE DEEMED COMPLETE UPON DELIVERY THEREOF TO THE PROCESS AGENT; *PROVIDED* THAT IN THE CASE OF ANY SUCH SERVICE UPON THE PROCESS AGENT, THE PARTY EFFECTING SUCH SERVICE SHALL ALSO DELIVER A COPY THEREOF TO EACH OTHER SUCH PARTY IN THE MANNER PROVIDED IN Section 11.01 OF THIS AGREEMENT. EACH PARTY SHALL TAKE ALL SUCH ACTION AS MAY BE NECESSARY TO CONTINUE SAID APPOINTMENT IN FULL FORCE AND EFFECT OR TO APPOINT ANOTHER AGENT SO THAT SUCH PARTY WILL AT ALL TIMES HAVE AN AGENT FOR SERVICE OF PROCESS FOR THE ABOVE PURPOSES IN WILMINGTON, DELAWARE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF ANY PARTY TO SERVE PROCESS IN ANY MANNER PERMITTED BY APPLICABLE LAW. EACH PARTY EXPRESSLY ACKNOWLEDGES THAT THE FOREGOING WAIVER IS INTENDED TO BE IRREVOCABLE UNDER THE LAWS OF THE STATE OF DELAWARE AND OF THE UNITED STATES OF AMERICA.

Section 11.09. *Waiver of Jury Trial.* EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (INCLUDING THE ARRANGEMENT OF FINANCING RELATED TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT).

Section 11.10. *Counterparts; Effectiveness.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by all of the other parties hereto. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Agreement shall have no effect and no party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication).

Section 11.11. *Entire Agreement.* This Agreement and the Confidentiality Agreement constitute the entire agreement between the parties with respect to the subject matter of this Agreement and supersede all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement.

Section 11.12. *Severability.* If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other Governmental Authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 11.13. *Specific Performance.* The parties hereto agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that, except where this Agreement is terminated in accordance with Section 10.01, the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof in the courts referred to in Section 11.08(a), without proof of actual damages (and each party further agrees to waive any requirement for the securing or posting of any bond in connection with such remedy), in addition to any other remedy to which they are entitled at law or in equity.

Section 11.14. *Joint and Several Liability; Obligation of Parent.* Parent and Merger Subsidiary hereby agree that they will be jointly and severally liable for all covenants, agreements, obligations and representations and warranties made by either of them in the Agreement. Whenever this Agreement requires Merger Subsidiary to take any action, such requirement shall be deemed to include an undertaking on the part of Parent to cause Merger Subsidiary to take such action and a guarantee of the payment and performance thereof.

Section 11.15. *Financing Sources.* The parties acknowledge and agree that (a) no party shall have any right or claim (whether based in contract, tort, strict liability or any other theory of liability) against Parent's financing sources in connection with this Agreement, the arrangement of financing related to the transactions contemplated by this Agreement or any other transaction contemplated by this Agreement and (b) notwithstanding anything to the contract set forth in this Agreement, Parent's financing sources are intended beneficiaries of, and shall be entitled to enforce, Sections 11.08(a), 11.09 and this Section 11.15.

[*Remainder of page intentionally blank*]

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the date set forth on the cover page of this Agreement.

MEASUREMENT SPECIALTIES, INC.

By: /s/ Frank Guidone
Name: Frank Guidone
Title: Chief Executive Officer

TE CONNECTIVITY LTD.

By: /s/ Thomas J. Lynch
Name: Thomas J. Lynch
Title: Chairman Chief Executive Officer

WOLVERINE-MARS ACQUISITION, INC.

By: /s/ Thomas J. Lynch
Name: Thomas J. Lynch
Title: President and Chief Executive Officer

[Signature Page - Agreement and Plan of Merger]

ANNEX I

THIRD AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

MEASUREMENT SPECIALTIES, INC.

[__], 2014

FIRST: The name of the corporation is Measurement Specialties, Inc. (the "**Corporation**").

SECOND: The name of the registered agent of the Corporation is Corporation Service Corporation. The address of the initial registered agent is 830 Bear Tavern Road, Suite 305, West Trenton, New Jersey 08628.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the New Jersey Business Corporation Act, N.J.S.A. 14A:1-1 et seq. as the same exists or may hereafter be amended (the "**NJBCA**").

FOURTH: The aggregate number of shares of stock which the Corporation shall have authority to issue is 1,000, and the par value of each such share is $0.01, amounting in the aggregate to $10.00.

FIFTH: The Board of Directors shall have the power to adopt, amend or repeal the bylaws of the Corporation.

SIXTH: Election of directors need not be by written ballot unless the bylaws of the Corporation so provide.

SEVENTH: *Indemnifications of Officers, Directors and Employees.*

(1) Limitation of Liability; Indemnification.

(a) For purposes of this ARTICLE SEVENTH, the following definitions shall apply:

(i) “**Expenses**” shall mean all reasonable costs, disbursements, fees of attorneys, accountants and other professionals, expert fees, investigative fees and all other similar expenses.

ANNEX I

(ii) “**Indemnitee**” shall mean a director, officer, employee, or trustee of the Corporation, or of any employee benefit plan adopted or sponsored by the Corporation, or director, officer, employee, trustee or other fiduciary, member, partner of, or persons in a similar capacity with any other corporation, partnership, limited liability company, joint venture, sole proprietorship, trust, ANNEX I employee benefit plan, or other enterprise which such person is serving at the request of the Corporation. Any person serving simultaneously as a director, officer or employee of the Corporation and as a director, officer, employee, trustee or other fiduciary, member, partner of, or in a similar capacity with (i) any enterprise in which the Corporation owns at least 20% of the equity interests of such enterprise or (ii) any employee benefit plan adopted or sponsored by such an enterprise, shall be conclusively presumed to be serving in such capacity at the request of the Corporation.

(iii) “**Liabilities**” shall mean all Expenses and any and all amounts paid or incurred in satisfaction of settlements, judgments, fines, and penalties (including, without limitation, any excise taxes imposed in connection with service as a fiduciary of an employee benefit plan).

(iv) “**Proceeding**” shall mean any civil, criminal, administrative, investigative or arbitration action (or other form of alternative dispute resolution), suit, or proceeding, including, without limitation, any proceeding by or in the right of the Corporation, or any appeal therein, or any inquiry or investigation which could lead to such action, suit, or proceeding.

(b) To the fullest extent permitted by the NJBCA as the same exists or may hereafter be amended, no officer or director of the Corporation shall be liable to the Corporation or its shareholders for damages for breach of any duty, except that nothing contained herein shall relieve an officer or a director from liability for breach of a duty based upon an act or omission (a) in breach of such person's duty of loyalty to the Corporation or its shareholders, (b) not in good faith or involving a knowing violation of law, or (c) resulting in receipt by such person of an improper personal benefit. Any amendment or modification of the foregoing provision or the applicable provisions of the NJBCA shall not adversely affect any right or protection of an officer or a director of the Corporation existing at the time of such amendment or modification, and such right or protection shall continue as to a person who has ceased to be an officer or a director and shall inure to the benefit of the heirs, executor and administrators of such a person.

(c) Each person who was or is made a party, or is threatened to be made a party to, or is otherwise involved (including as a witness) in any pending, threatened, or completed (by judgment, settlement or otherwise) Proceeding by reason of his or her being or having been an Indemnitee shall be indemnified and held harmless by the Corporation to the fullest extent not prohibited by the NJBCA, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than the NJBCA permitted prior to such amendment), from and against any and all Liabilities incurred or suffered in connection with any such Proceeding, and such indemnification shall continue as to a person who has ceased to be an

Indemnitee and shall inure to the benefit of his or her heirs, executors, administrators, and assigns. Notwithstanding the foregoing and except as set forth in paragraph (2) below of this ARTICLE ANNEX I SEVENTH the Corporation shall indemnify any person seeking indemnification in connection with a Proceeding (or part thereof) initiated by such person only if such Proceeding (or part thereof) was specifically authorized by the Board of Directors of the Corporation.

ANNEX I

(d) The right to indemnification conferred in this ARTICLE SEVENTH: (i) shall be a contract right (and any subsequent repeal of, or amendment to, this ARTICLE SEVENTH shall not affect the right to indemnification based upon any act or omission while this ARTICLE SEVENTH is in effect), (ii) is intended to be retroactive to events occurring prior to the adoption of this ARTICLE SEVENTH to the fullest extent permitted by applicable law, and (iii) shall include the right to be paid by the Corporation the expenses incurred in connection with any Proceeding in advance of the final disposition of such Proceeding as authorized by the Board of Directors; provided that if the NJBCA or the Board of Directors so requires, the payment of such expenses in advance of the final disposition of a Proceeding shall be made only upon receipt by the Corporation of an undertaking, by or on behalf of such Indemnitee, to repay all amounts so advanced if it shall ultimately be determined that such Indemnitee is not entitled to be indemnified under this ARTICLE SEVENTH or otherwise.

(2) Right of Claimant to Bring Suit. If a claim under subsection 1 of this ARTICLE SEVENTH is not paid in full by the Corporation within thirty (30) days after a written request has been received by the Corporation, the claimant may, at any time thereafter, apply to a court for an award of indemnification by the Corporation for the unpaid amount of the claim, and, if successful on the merits or otherwise in connection with any such Proceeding, or in the defense of any claim, issue, or matter therein, the claimant shall be entitled also to be paid by the Corporation any and all expenses incurred or suffered in connection with such Proceeding. It shall be a defense to any such action (other than an action brought to enforce a claim for the advancement of expenses incurred in connection with any Proceeding where the required undertaking, if any, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the NJBCA for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, its independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such Proceeding that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the NJBCA, nor an actual determination by the Corporation (including its Board of Directors, its independent legal counsel, or its shareholders) that the claimant has not met such applicable standard of conduct, nor the termination of any Proceeding by judgment, order, settlement, or conviction, or upon a plea of nolo contendere or its equivalent, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

ANNEX I

(3) Non-Exclusivity of Rights. The right to indemnification and advancement of expenses provided by or granted pursuant to this ARTICLE SEVENTH shall not exclude or be exclusive of any other rights to which any person (including agents) may be entitled under this Certificate of Incorporation, the By-Laws of the Corporation, agreement, vote of shareholders, statute or otherwise; provided that no indemnification shall be made to or on behalf of such person if a judgment or other final adjudication adverse to such person establishes that such person's acts or omissions (a) were in breach of his duty of loyalty to the Corporation or its shareholders, (b) were not in good faith or involved a knowing violation of law, or (c) resulted in such person's receipt of an improper personal benefit.

(4) Insurance. The Corporation may purchase and maintain insurance on behalf of any Indemnitee against any Liabilities incurred or asserted against him in any Proceeding by reason of such person's being or having been such an Indemnitee, whether or not the Corporation would have the power to indemnify such person against such expenses and Liabilities under the provisions of this ARTICLE SEVENTH or otherwise.

(5) Reliance. Persons who after the date of the adoption of this provision become or remain Indemnitees or who, while an Indemnitee, become or remain a director, officer, employee or agent of a subsidiary, shall be conclusively presumed to have relied on the rights to indemnity, advancement of expenses and other rights contained in this ARTICLE SEVENTH in entering into or continuing such service. The rights to indemnification and to the advance of expenses conferred in this ARTICLE SEVENTH shall apply to claims made against an Indemnitee arising out of acts or omissions which occurred or occur both prior and subsequent to the adoption hereof.

(6) Merger or Consolidation. For purposes of this ARTICLE SEVENTH, references to the "**Corporation**" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this ARTICLE SEVENTH with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued."

EIGHTH: The Corporation reserves the right to amend this Certificate of Incorporation in any manner permitted by the NJBCA and all rights and powers conferred herein on shareholders, directors and officers, if any, are subject to this reserved power.

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ANNEX I

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Incorporation as of the date first set forth above.

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745 Seventh
Avenue
New York, NY
10019
United States

June 18, 2014

Board of Directors

Measurement Specialties, Inc.

1000 Lucas Way

Hampton, VA 23666

Members of the Board of Directors:

We understand that Measurement Specialties, Inc. (the "Company") intends to enter into a transaction with TE Connectivity Ltd. ("Parent") pursuant to which (i) Wolverine-Mars Acquisition, Inc., a wholly-owned subsidiary of Parent ("Merger Sub"), will be merged with and into the Company with the Company surviving the merger (the "Merger"), and (ii) upon the effectiveness of the Merger, each issued and outstanding share of common stock of the Company (the "Company Common Stock") other than shares to be cancelled pursuant to the Agreement (as defined below) will be converted into the right to receive $86.00 in cash (the "Consideration"). The terms and conditions of the Proposed Transaction are set forth in more detail in the Agreement and Plan of Merger, dated June 18, 2014, by and among Parent, Merger Sub and the Company (the "Agreement"). The summary of the Proposed Transaction set forth above is qualified in its entirety by the terms of the Agreement.

We have been requested by the Board of Directors of the Company to render our opinion with respect to the fairness, from a financial point of view, to the Company's stockholders of the Consideration to be paid to such stockholders in the Proposed Transaction. We have not been requested to opine as to, and our opinion does not in any manner address, the Company's underlying business decision to proceed with or effect the Proposed Transaction or the likelihood of consummation of the Proposed Transaction. In addition, we express no opinion on, and our opinion does not in any manner address, the fairness of the amount or the nature of any compensation to any officers, directors or employees of any parties to the Proposed Transaction, or any class of such persons, relative to the Consideration to be paid to the stockholders of the Company in the Proposed Transaction.

In arriving at our opinion, we reviewed and analyzed: (1) a draft of the Agreement, dated as of June 18, 2014, and the specific terms of the Proposed Transaction; (2) publicly available information concerning the Company that we believe to be relevant to our analysis, including its Annual Report on Form 10-K for the fiscal year ended March 31, 2014; (3) financial and operating information with respect to the business, operations and prospects of the Company furnished to us by the Company, including financial projections of the Company prepared by management of the Company; (4) a trading history of the Company Common Stock from June 17, 2011 to June 17, 2014 and a comparison of that trading history with those of other companies that we deemed relevant; (5) a comparison of the historical financial results and present financial condition of the Company with those of other companies that we deemed relevant; and (6) a comparison of the financial terms of the Proposed Transaction with the financial terms of certain other transactions that we deemed relevant. In addition, we have had discussions with the management of the Company concerning its business, operations, assets, liabilities, financial condition and prospects and have undertaken such other studies, analyses and investigations as we deemed appropriate.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the financial and other information used by us without any independent verification of such information (and have not assumed responsibility or liability for any independent verification of such information) and have further relied upon the assurances of the management of the Company that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial projections of the Company, upon the advice of the Company, we have assumed that such projections have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company as to the future financial performance of the Company and that the Company will perform in accordance with such projections. We assume no responsibility for and we express no view as to any such projections or estimates or the assumptions on which they are based. In arriving at our opinion, we have not conducted a physical inspection of the properties and facilities of the Company and have not made or obtained any evaluations or appraisals of the assets or liabilities of the Company. In addition, you have not authorized us to solicit, and we have not solicited, any indications of interest from any third party with respect to the purchase of all or a part of the Company’s business. Our opinion necessarily is based upon market, economic and other conditions as they exist on, and can be evaluated as of, the date of this letter. We assume no responsibility for updating or revising our opinion based on events or circumstances that may occur after the date of this letter.

We have assumed that the executed Agreement will conform in all material respects to the last draft reviewed by us. In addition, we have assumed the accuracy of the representations and warranties contained in the Agreement and all agreements related thereto. We have also assumed, upon the advice of the Company, that all material governmental, regulatory and third party approvals, consents and releases for the Proposed Transaction will be obtained within the constraints contemplated by the Agreement and that the Proposed Transaction will be consummated in accordance with the terms of the Agreement without waiver, modification or amendment of any material term, condition or agreement thereof. We do not express any opinion as to any tax or other consequences that might result from the Proposed Transaction, nor does our opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the Company has obtained such advice as it deemed necessary from qualified professionals.

Based upon and subject to the foregoing, we are of the opinion as of the date hereof that, from a financial point of view, the Consideration to be paid to the stockholders of the Company in the Proposed Transaction is fair to such stockholders.

We have acted as financial advisor to the Company in connection with the Proposed Transaction and will receive a fee for our services, a portion of which is payable upon rendering this opinion and a substantial portion of which is contingent upon the consummation of the Proposed Transaction. In addition, the Company has agreed to reimburse our expenses under certain circumstances and indemnify us for certain liabilities that may arise out of our engagement. We have performed various investment banking and financial services for the Company and Parent, and its affiliates, in the past and have received customary compensation for a portion of such services. Specifically, in the past we have performed the following investment banking and financial services for Parent, and its affiliates, for which we have received customary compensation: (i) acted as an underwriter on the senior notes offering for Tyco Electronics Group S.A., which was fully and unconditionally guaranteed by Parent and (ii) provided certain risk management and derivatives services for Parent and its affiliates. In addition, we may perform various investment banking and financial services for Parent and its affiliates in the future for which we would expect to receive customary compensation.

Barclays Capital Inc. and its affiliates engage in a wide range of businesses from investment and commercial banking, lending, asset management and other financial and non-financial services. In the ordinary course of our business, we and our affiliates may actively trade and effect transactions in the equity, debt and/or other securities (and any derivatives thereof) and financial instruments (including loans and other obligations) of the Company and Parent and their respective affiliates for our own account and for the accounts of our customers and, accordingly, may at any time hold long or short positions and investments in such securities and financial instruments.

This opinion, the issuance of which has been approved by our Fairness Opinion Committee, is for the use and benefit of the Board of Directors of the Company and is rendered to the Board of Directors in connection with its consideration of the Proposed Transaction. This opinion is not intended to be and does not constitute a recommendation to any stockholder of the Company as to how such stockholder should vote with respect to the Proposed Transaction.

Very truly yours,

/s/ BARCLAYS CAPITAL INC.
BARCLAYS CAPITAL INC.

Measurement Specialties, Inc.

1000 Lucas Way

Hampton, VA 23666

VOTE BY INTERNET - www.proxyvote.com

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Please promptly mail your proxy card to ensure that it is received prior to the closing of the polls at the special meeting.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

DETACH AND RETURN THIS PORTION ONLY

The Board of Directors recommends you vote FOR proposals 1, 2 and 3.	**For**	**Against**	**Abstain**
1 To approve and adopt the Agreement and Plan of Merger, dated as of June 18, 2014 (as it may be amended from time to time, the "merger agreement"), by and among Measurement Specialties, Inc., TE Connectivity Ltd. and Wolverine-Mars Acquisition, Inc.	¨	¨	¨
2 To approve, by a non-binding, advisory vote, certain compensation arrangements for Measurement Specialties, Inc.'s named executive officers in connection with the merger.	¨	¨	¨
3 To adjourn the special meeting to a later date or time, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve and adopt the merger agreement.	¨	¨	¨

NOTE: THE PROXIES ARE AUTHORIZED TO VOTE IN ACCORDANCE WITH THEIR BEST JUDGMENT UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENTS OR POSTPONEMENTS THEREOF.

For address change/comments, mark here. (see reverse for instructions)		¨
	Yes	**No**
Please indicate if you plan to attend this meeting	¨	¨

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

Signature (PLEASE SIGN WITHIN BOX) Date Signature (Joint Owners) Date

Special Meeting Admission Ticket

Special Meeting of Shareholders
Measurement Specialties, Inc.
[•], 2014
at
Measurement Specialties, Inc.
1000 Lucas Way
Hampton, VA 23666
Beginning at [•]

Please present this admission ticket to gain admittance to the meeting. This ticket admits only the shareholder listed on the reverse side and is not transferable.

Important Notice Regarding the Availability of Proxy Materials for the Special Meeting: The Notice & Proxy Statement is/are available at www.proxyvote.com.

MEASUREMENT SPECIALTIES, INC.

Special Meeting of Shareholders

[•], 2014, [•]

This proxy is solicited on behalf of the Board of Directors

The undersigned hereby revokes all prior proxies and appoints Mr. Frank Guidone and Mr. Mark Thomson or other designee, and each of them acting singly, with full power of substitution to each, and hereby authorizes them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of Measurement Specialties, Inc. held of record by the undersigned on [•], 2014 at the Special Meeting of Shareholders to be held on [•], 2014 at [•] local time at [•] or any adjournment or postponement of the meeting.

This proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder(s). If no such direction is made, the Proxy will be voted “FOR” Proposals 1, 2 and 3.

Address
change/comments:

(If you noted any address changes and/or comments above, please mark corresponding box on the reverse side.)

Continued and to be signed on reverse side