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FORM 10-Q

STANDEX INTERNATIONAL CORP/DE/ - SXI

Filed: February 03, 2017 (period: December 31, 2016)

Quarterly report with a continuing view of a company's financial position

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

FORM 10-Q

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

For the quarterly period ended December 31, 2016

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

Commission File Number 1-7233

STANDEX INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

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. YES 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). YES NO

DELAWARE
(State of incorporation)

31-0596149
(IRS Employer Identification No.)

11 KEEWAYDIN DRIVE, SALEM, NEW HAMPSHIRE
(Address of principal executive offices)

03079
(Zip Code)

(603) 893-9701
(Registrant's telephone number, including area code)

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The number of shares of Registrant's Common Stock outstanding on January 30, 2017 was 12,749,065

STANDEX INTERNATIONAL CORPORATION

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PART I. FINANCIAL INFORMATION ITEM 1

STANDEX INTERNATIONAL CORPORATION Unaudited Condensed Consolidated Balance Sheets

(In thousands, except per share data)

	December 31, 2016	June 30, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 121,301	\$ 121,988
Accounts receivable, net of reserve of \$2,217 and \$2,119 at December 31, 2016 and June 30, 2016	99,183	103,974
Inventories	110,952	105,402
Prepaid expenses and other current assets	6,318	4,784
Income taxes receivable	5,674	1,325
Deferred tax asset	14,607	16,013
Assets held for sale	-	2,363
Total current assets	<u>358,035</u>	<u>355,849</u>
Property, plant, and equipment, net	110,530	106,686
Intangible assets, net	55,449	40,412
Goodwill	161,017	157,354
Deferred tax asset	2,663	11,361
Other non-current assets	23,035	18,795
Total non-current assets	<u>352,694</u>	<u>334,608</u>
Total assets	<u>\$ 710,729</u>	<u>\$ 690,457</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 60,140	\$ 77,099
Accrued liabilities	53,588	50,785

Income taxes payable	3,264	4,695
Liabilities held for sale	-	1,528
Total current liabilities	116,992	134,107
Long-term debt	124,295	92,114
Accrued pension and other non-current liabilities	90,744	94,277
Total non-current liabilities	215,039	186,391
Stockholders' equity:		
Common stock, par value \$1.50 per share, 60,000,000 shares authorized, 27,984,278 issued, 12,664,281 and 12,674,458 outstanding at December 31, 2016 and June 30, 2016	41,976	41,976
Additional paid-in capital	55,096	52,374
Retained earnings	698,327	678,002
Accumulated other comprehensive loss	(126,694)	(117,975)
Treasury shares: 15,319,997 shares at December 31, 2016 and 15,309,820 shares at June 30, 2016	(290,007)	(284,418)
Total stockholders' equity	378,698	369,959
Total liabilities and stockholders' equity	\$ 710,729	\$ 690,457

See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION
Unaudited Condensed Consolidated Statements of Operations

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
(In thousands, except per share data)				
Net sales	\$ 173,854	\$ 181,948	\$ 353,454	\$ 380,346
Cost of sales	116,960	123,713	234,784	253,559
Gross profit	56,894	58,235	118,670	126,787
Selling, general, and administrative expenses	40,493	40,696	82,105	84,626
Acquisition related costs	1,503	-	1,503	-
Restructuring costs	1,664	1,477	2,058	2,996
Total operating expenses	43,660	42,173	85,666	87,622
Income from operations	13,234	16,062	33,004	39,165
Interest expense	(850)	(731)	(1,547)	(1,375)
Other non-operating income, net	332	294	766	484
Income from continuing operations before income taxes	12,716	15,625	32,223	38,274
Provision for income taxes	2,458	3,179	8,014	9,687
Income from continuing operations	10,258	12,446	24,209	28,587
Income (loss) from discontinued operations, net of income taxes	6	(75)	(44)	(235)
Net income	\$ 10,264	\$ 12,371	\$ 24,165	\$ 28,352
Basic earnings (loss) per share:				
Continuing operations	\$ 0.81	\$ 0.98	\$ 1.91	\$ 2.26
Discontinued operations	-	(0.01)	-	(0.02)
Total	\$ 0.81	\$ 0.97	\$ 1.91	\$ 2.24
Diluted earnings (loss) per share:				
Continuing operations	\$ 0.80	\$ 0.97	\$ 1.90	\$ 2.24
Discontinued operations	-	(0.01)	-	(0.02)
Total	\$ 0.80	\$ 0.96	\$ 1.90	\$ 2.22
Cash dividends per share	\$ 0.16	\$ 0.14	\$ 0.30	\$ 0.26

See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION
Unaudited Condensed Consolidated Statements of Comprehensive Income

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Net income (loss)	\$ 10,264	\$ 12,371	\$ 24,165	\$ 28,352
Other comprehensive income (loss):				
Defined benefit pension plans:				
Actuarial gains (losses) and other changes in	\$			
unrecognized costs	516	\$ 261	\$ 631	\$ 557
Amortization of unrecognized costs	1,427	1,199	2,867	2,402
Derivative instruments:				
Change in unrealized gains and (losses)	493	434	554	(44)
Amortization of unrealized gains and into				
interest expense	83	107	304	227
Foreign currency translation gains (losses)	(10,441)	(4,781)	(11,607)	(10,919)
Other comprehensive income (loss) before tax	\$ (7,922)	\$ (2,780)	\$ (7,251)	\$ (7,777)
Income tax provision (benefit):				
Defined benefit pension plans:				
Actuarial gains (losses) and other changes in	\$			
unrecognized costs	(224)	\$ (57)	\$ (134)	\$ (115)
Amortization of unrecognized costs	(502)	(423)	(1,008)	(845)
Derivative instruments:				
Change in unrealized gains and (losses)	(188)	(166)	(211)	16
Amortization of unrealized gains and (losses) into				
interest expense	(32)	(40)	(116)	(86)
Income tax provision (benefit) to other comprehensive income (loss)	\$ (946)	\$ (686)	\$ (1,469)	\$ (1,030)
Other comprehensive loss, net of tax	(8,868)	(3,466)	(8,720)	(8,807)
Comprehensive income	\$ 1,396	\$ 8,905	\$ 15,445	\$ 19,545

See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION
Unaudited Condensed Consolidated Statements of Cash Flows

(In thousands)	Six Months Ended December 31,	
	2016	2015
Cash flows from operating activities		
Net income	\$ 24,165	\$ 28,352
Loss from discontinued operations	44	235
Income from continuing operations	24,209	28,587
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,044	8,804
Stock-based compensation	2,843	2,806
Non-cash portion of restructuring charge	42	1,941

Excess tax benefit from share-based payment activity	(577)	(809)
Contributions to defined benefit plans	(624)	(645)
Net changes in operating assets and liabilities	(14,671)	(9,817)
Net cash provided by operating activities - continuing operations	20,266	30,867
Net cash used in operating activities - discontinued operations	(227)	(652)
Net cash provided by operating activities	20,039	30,215
Cash flows from investing activities		
Expenditures for property, plant, and equipment	(13,029)	(8,724)
Expenditures for acquisitions, net of cash acquired	(24,660)	(13,544)
Proceeds from sales of real estate and equipment	24	235
Disposition of a business	652	-
Net cash used in investing activities - continuing operations	(37,013)	(22,033)
Net cash provided by investing activities - discontinued operations	-	2,803
Net cash used in investing activities	(37,013)	(19,230)
Cash flows from financing activities		
Borrowings on revolving credit facility	73,000	48,500
Payments of revolving credit facility	(41,000)	(41,500)
Activity under share-based payment plans	618	745
Excess tax benefit from share-based payment activity	577	809
Purchases of treasury stock	(6,905)	(3,053)
Cash dividends paid	(3,798)	(3,294)
Net cash provided by financing activities	22,492	2,207
Effect of exchange rate changes on cash and cash equivalents	(6,205)	(5,106)
Net change in cash and cash equivalents	(687)	8,086
Cash and cash equivalents at beginning of year	121,988	96,128
Cash and cash equivalents at end of period	\$ 121,301	\$ 104,214

Supplemental Disclosure of Cash Flow Information:

Cash paid during the year for:

Interest	\$ 1,272	\$ 1,094
Income taxes, net of refunds	\$ 9,207	\$ 14,925

See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1) Management Statement

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the results of operations for the three and six months ended December 31, 2016 and 2015, the cash flows for the six months ended December 31, 2016 and 2015 and the financial position of Standex International Corporation (“Standex”, the “Company”, “we”, “us”, or “our”), at December 31, 2016. The interim results are not necessarily indicative of results for a full year. The unaudited condensed consolidated financial statements and notes do not contain information which would substantially duplicate the disclosures contained in the audited annual consolidated financial statements and notes for the year ended June 30, 2016. The condensed consolidated balance sheet at June 30, 2016 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The financial statements contained herein should be read in conjunction with the Annual Report on Form 10-K and in particular the audited consolidated financial statements for the year ended June 30, 2016. Certain prior period amounts have been reclassified to conform to the current period presentation. Unless otherwise noted, references to years are to the Company’s fiscal years.

There have been no significant changes in our reported financial position, results of operations, cash flows or to our critical accounting policies that were disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2016 that have had a significant impact on our consolidated financial statements or notes herein.

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. We evaluated subsequent events through the date and time our unaudited condensed consolidated financial statements were issued.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board, or the FASB, issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, its final standard on revenue from contracts with customers. ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the revenue model to contracts within its scope, an entity identifies the contract(s) with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to the performance obligations in the contract, and recognizes revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers that are within the scope of other topics in the FASB Accounting Standards Codification. ASU 2014-09 also requires significantly expanded disclosures about revenue recognition.

This guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. The Company is currently assessing the potential impact of the adoption of ASU 2014-09 on its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes (Topic 740), Balance Sheet Classification of Deferred Taxes*, to simplify the presentation of deferred income taxes. Under the new standard, both deferred tax liabilities and deferred tax assets are required to be classified as non-current on the consolidated balance sheet. ASU 2015-17 will become effective for fiscal years, and the interim periods within those years, beginning after December 15, 2016 with early adoption permitted. The Company is currently assessing the potential impact of the adoption of ASU 2015-17 on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently assessing the potential impact of the adoption of ASU 2016-02 on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718)*. The new standard simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. Under this guidance, a company recognizes all excess tax benefits and tax deficiencies as income tax expense or benefit in the income statement. This change eliminates the notion of the additional paid-in capital pool and reduces the complexity in accounting for excess tax benefits and tax deficiencies. The new standard is effective for public companies for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods, however, early adoption is allowed. The Company is currently assessing the potential impact of the adoption of ASU 2016-09 on its consolidated financial statements.

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-15, *Statement of Cash Flows (Topic 230): Classification of certain cash receipts and cash payments (a consensus of the emerging issues take force)*. This standard is effective for fiscal years beginning after December 15, 2017. The standard requires a retrospective application and early adoption is acceptable. The Company is continuing to evaluate the impact of adopting ASU 2016-15 on its consolidated financial statements.

2) Acquisitions

The Company's recent acquisitions are strategically significant to the future growth prospects of the Company, however at the closing date of each acquisition and December 31, 2016, historical results of the acquired Companies both individually and in the aggregate, were immaterial to the Company's consolidated financial results. Pro forma results of operations have not been presented due to the immaterial impact the amounts would have had on the Company's historical results of operations.

Horizon Scientific

During the second quarter of fiscal year 2017, the Company acquired Horizon Scientific, Inc., ("Horizon"), a supplier of laboratory refrigerators and freezers, as well as cryogenic equipment for the scientific, bio-medical and pharmaceutical markets. We believe the acquisition of Horizon enhances Standex's penetration of the refrigeration markets in the growing scientific sector. We have included the operating results of Horizon in our Food Service Equipment segment in our Condensed Consolidated

Financial Statements.

The Company paid \$24.7 million in cash, net of cash acquired, for 100% of the outstanding stock of Horizon. The final purchase price is subject to cash and net working capital adjustments that have not yet been finalized along with deferred consideration of up to \$8.4 million. The preliminary purchase price was allocated to the net tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values on the closing date. Goodwill recorded from this transaction is attributable to potential revenue increases from synergies with our existing customer base and channel partners.

Intangible assets of \$17.6 million have been preliminarily recorded, consisting of \$16.1 million of customer relationships which are expected to be amortized over a period of fifteen years, \$1.2 million of trademarks which are indefinite lived, and \$0.3 million of product order backlog which is expected to be amortized during the current fiscal year. The goodwill of \$5.5 million created by the transaction is not deductible for income tax purposes.

The components of the fair value of the Horizon acquisition, including the preliminary allocation of the purchase price at December 31, 2016, are as follows (in thousands):

	Preliminary Allocation
Fair value of business combination:	
Cash payments	\$ 26,457
Less: cash acquired	(1,797)
Total	<u>\$ 24,660</u>
Identifiable assets acquired and liabilities assumed:	
Current assets	\$ 4,863
Inventories	4,470
Property, plant, and equipment	1,616
Identifiable intangible assets	17,550
Goodwill	5,452
Liabilities assumed	(2,374)
Deferred taxes	(6,917)
Total	<u>\$ 24,660</u>

Transaction costs associated with this acquisition were immaterial. All transaction costs have been recorded as general and administrative expense for the three and six months ended December 31, 2016.

The initial allocation of the purchase price is based upon a preliminary valuation, and accordingly, our estimates and assumptions are subject to change as we obtain additional information during the measurement period and complete the valuation of intangible assets. The Company anticipates finalizing the purchase price allocation during the current fiscal year.

Northlake

During the second quarter of fiscal year 2016, the Company acquired Northlake Engineering, Inc., ("Northlake"), a Wisconsin-based designer, manufacturer and distributor of high reliability electromagnetic products and solutions serving the North America power distribution and medical equipment markets. Northlake reports to our Electronics segment.

The Company paid \$13.7 million in cash for 100% of the outstanding stock of Northlake and has recorded intangible assets of \$6.8 million, consisting of \$4.1 million of customer relationships which primarily are expected to be amortized over a period of twelve and half years, \$2.4 million of trademarks which are indefinite-lived and \$0.3 million of non-compete which are expected to be amortized over a period of five years. Acquired goodwill of \$5.1 million is deductible for income tax purposes. The Company finalized the purchase price allocation during the quarter ending June 30, 2016.

The components of the fair value of the Northlake acquisition, including the allocation of the purchase price is as follows (in thousands):

	Final
Fair value of business combination:	
Cash payments	\$ 14,015
Less: cash acquired	(315)
Total	<u>\$ 13,700</u>
Identifiable assets acquired and liabilities assumed:	

Current assets	\$	2,810
Property, plant, and equipment		1,407
Identifiable intangible assets		6,824
Goodwill		5,121
Other non-current assets		158
Liabilities assumed		(2,620)
Final payments		-
Total	\$	<u>13,700</u>

Acquisition-Related Costs

Acquisition-related costs include costs related to acquired businesses and other pending acquisitions. These costs consist of (i) deferred compensation and (ii) acquisition-related professional service fees and expenses, including financial advisory, legal, accounting, and other outside services incurred in connection with acquisition activities, and regulatory matters related to acquired entities. These costs do not include purchase accounting expenses, which we define as acquired backlog and the step-up of inventory to fair value, or the amortization of the acquired intangible assets.

Deferred compensation costs relate to payments due to the Horizon seller of \$2.8 million on the second anniversary and \$5.6 million on the third anniversary of the closing date of the purchase. The deferred compensation costs of \$0.7 million recorded in the three and six months ended December 31, 2016 are the estimated deferred compensation earned by the Horizon seller to date. The payments are contingent on the seller remaining an employee of the Company with limited exceptions at each anniversary date.

The components of acquisition-related costs, net are as follows (dollars in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Deferred compensation arrangements	\$ 703	\$ -	\$ 703	\$ -
Acquisition-related costs	800	-	800	-
Total	<u>\$ 1,503</u>	<u>\$ -</u>	<u>\$ 1,503</u>	<u>\$ -</u>

3) Discontinued Operations

In pursuing our business strategy, we have divested certain businesses and recorded activities of these businesses as discontinued operations.

Discontinued operations for the three and six months ended December 31, 2016 and 2015 are as follows (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Net sales	\$ -	\$ -	\$ -	\$ -
Pre-tax earnings	13	(94)	(49)	(342)
(Provision) benefit for taxes	(7)	19	5	107
Net earnings (loss) from discontinued operations	<u>\$ 6</u>	<u>\$ (75)</u>	<u>\$ (44)</u>	<u>\$ (235)</u>

On March 30, 2012, Air Distribution Products Group, ("ADP") was sold to a private equity buyer for consideration of \$16.1 million consisting of \$13.1 million in cash and a \$3.0 million promissory note from the buyer. The note was secured by a mortgage on the ADP real estate sold in the transaction in Detroit Lakes, MN, Medina, NY, and Powder Springs, GA. During the first quarter 2016, the private equity buyer of ADP sold one of the facilities securing the note. The Company released all mortgages on the properties and accepted an advanced payment of \$2.8 million during October 2015 in order to reduce repayment risk and settle all obligations under the note. The Company recorded a \$0.2 million loss in discontinued operations during the first quarter 2016 related to this transaction.

Assets and liabilities related to discontinued operations appear in our Unaudited Condensed Consolidated Balance Sheets as follows (in thousands):

	December 31, 2016	June 30, 2016
Other non-current assets	14	14
Accrued expenses	1,060	1,204
Accrued pension and other non-current liabilities	-	55

4) Fair Value Measurements

The financial instruments shown below are presented at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models may be applied.

Assets and liabilities recorded at fair value in the Unaudited Condensed Consolidated Balance Sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair values.

Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities and the methodologies used in valuation are as follows:

Level 1 – Quoted prices in active markets for identical assets and liabilities. The Company's deferred compensation plan assets consist of shares in various mutual funds (for the deferred compensation plan, investments are participant-directed) which invest in a broad portfolio of debt and equity securities. These assets are valued based on publicly quoted market prices for the funds' shares as of the balance sheet dates.

Level 2 – Inputs, other than quoted prices in an active market, that are observable either directly or indirectly through correlation with market data. For foreign exchange forward contracts and interest rate swaps, the Company values the instruments based on the market price of instruments with similar terms, which are based on spot and forward rates as of the balance sheet dates. The Company has considered the creditworthiness of counterparties in valuing all assets and liabilities.

Level 3 – Unobservable inputs based upon the Company's best estimate of what market participants would use in pricing the asset or liability.

There were no transfers of assets or liabilities between level 1 and level 2 of the fair value measurement hierarchy at December 31, 2016 and June 30, 2016. The Company's policy is to recognize transfers between levels as of the date they occur.

Cash and cash equivalents, accounts receivable, and accounts payable are carried at cost, which approximates fair value. Items presented at fair value at December 31, 2016 and June 30, 2016 consisted of the following (in thousands):

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities - deferred compensation plan	\$ 2,245	\$ 2,245	\$ -	\$ -
Liabilities				
Foreign exchange contracts	\$ 70	\$ -	\$ 70	\$ -
Interest rate swaps	287	-	287	-
Contingent acquisition payments ^(a)	703	-	-	703
	June 30, 2016			
	Total	Level 1	Level 2	Level 3
Assets				
Marketable securities - deferred compensation plan	\$ 2,333	\$ 2,333	\$ -	\$ -
Foreign exchange contracts	11	-	11	-
Liabilities				
Foreign exchange contracts	\$ 94	\$ -	\$ 94	\$ -
Interest rate swaps	1,038	-	1,038	-

^(a) The fair value of our contingent consideration arrangement is determined based on our evaluation as to the probability and amount of any deferred compensation that has been earned to date.

Our financial liabilities based upon Level 3 inputs include a contingent consideration arrangement relating to our acquisition of Horizon. We are contractually obligated to pay contingent consideration payments based on the criteria of continued employment of the seller on the second and third anniversary of the closing date of the acquisition. We will update our assumptions each reporting period based on new developments and record such amounts at fair value based on the revised assumptions until the consideration is paid.

Contingent acquisition payment liabilities are scheduled to be paid in periods through fiscal year 2020. As of December 31, 2016, we could be required to pay up to \$8.4 million for contingent consideration

arrangements if specific criteria are achieved. We have determined the fair value of the liabilities for the contingent consideration based on a probability-weighted discounted cash flow analysis. This fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement within the fair value hierarchy. The fair value of the contingent consideration liability associated with future payments was based on several factors, the most significant of which are continued employment of the seller and the risk-adjusted discount rate for the fair value measurement. As of December 31, 2016, neither the amount recognized for the contingent consideration arrangement, nor the range of outcomes or the assumptions used to develop the estimate had changed.

5) Inventories

Inventories are comprised of the following (in thousands):

	December 31, 2016	June 30, 2016
Raw materials	\$ 49,624	\$ 46,616
Work in process	28,527	26,541
Finished goods	32,801	32,245
Total	<u>\$ 110,952</u>	<u>\$ 105,402</u>

Distribution costs associated with the sale of inventory, which are recorded as a component of selling, general and administrative expenses in the accompanying Unaudited Condensed Consolidated Statements of Operations, were \$4.6 million and \$9.6 million for the three and six months ended December 31, 2016, respectively and \$4.9 million and \$10.6 million for the three and six months ended December 31, 2015, respectively.

6) Goodwill

Changes to goodwill during the period ended December 31, 2016 were as follows (in thousands):

	June 30, 2016	Acquisition	Translation Adjustment	December 31, 2016
Food Service Equipment	\$ 56,804	\$ 5,452	\$ -	\$ 62,256
Engraving	19,935	-	(88)	19,847
Engineering Technologies	44,321	-	(676)	43,645
Electronics	33,235	-	(1,025)	32,210
Hydraulics	3,059	-	-	3,059
Total	<u>\$ 157,354</u>	<u>\$ 5,452</u>	<u>\$ (1,789)</u>	<u>\$ 161,017</u>

7) Intangible Assets

Intangible assets consist of the following (in thousands):

	Customer Relationships	Trademarks	Other	Total
December 31, 2016				
Cost	\$ 61,756	\$ 18,334	\$ 4,355	\$ 84,445
Accumulated amortization	(26,234)	-	(2,762)	(28,996)
Balance, December 31, 2016	<u>\$ 35,522</u>	<u>\$ 18,334</u>	<u>\$ 1,593</u>	<u>\$ 55,449</u>
June 30, 2016				
Cost	\$ 46,297	\$ 17,263	\$ 4,471	\$ 68,031
Accumulated amortization	(24,892)	-	(2,727)	(27,619)
Balance, June 30, 2015	<u>\$ 21,405</u>	<u>\$ 17,263</u>	<u>\$ 1,744</u>	<u>\$ 40,412</u>

Amortization expense for the three months ended December 31, 2016 and 2015 was \$1.1 million and \$0.8 million, respectively. Amortization expense for the six months ended December 31, 2016 and 2015 was \$2.0 million and \$1.6 million, respectively. At December 31, 2016, amortization expense of current intangible assets is estimated to be \$2.2 million for the remainder of fiscal year 2017, \$4.6 million in 2018, \$4.6 million in 2019, \$4.1 million in 2020, \$3.6 million in 2021 and \$17.8 million thereafter.

8) Warranties

The expected cost associated with warranty obligations on our products is recorded as a component of cost of sales when the revenue is recognized. The Company's estimate of warranty cost is based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Since warranty estimates are forecasts based on the best available information, claims costs may differ from amounts provided. Adjustments to initial obligations for warranties are made as changes in the obligations become reasonably estimable.

The changes in warranty reserve, which are recorded as a component of accrued liabilities, as of December 31, 2016 and year ended June 30, 2016, were as follows (in thousands):

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Balance at beginning of year	\$ 9,085	\$ 7,436
Acquisitions and other	296	(5)
Warranty expense	3,965	13,503
Warranty claims	(4,481)	(11,849)
Balance at end of period	<u>\$ 8,865</u>	<u>\$ 9,085</u>

9) Debt

Long-term debt is comprised of the following (in thousands):

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Bank credit agreements	\$ 125,000	\$ 93,000
Other	12	18
Total funded debt	125,012	93,018
Issuance Cost	(717)	(904)
Total long-term debt	<u>\$ 124,295</u>	<u>\$ 92,114</u>

The Company's debt payments are due as follows (in thousands):

<u>Fiscal Year</u>	<u>December 31, 2016</u>
2017	\$ 6
2018	6
2019	-
2020	125,000
2021	-
Thereafter	-
Funded Debt	125,012
Issuance cost	(717)
Debt net of issuance cost	<u>\$ 124,295</u>

Bank Credit Agreements

During fiscal year 2015, the Company entered into an Amended and Restated Credit Agreement ("Credit Facility", or "facility"). This five-year Credit Facility expires in December 2019 and has a borrowing limit of \$400 million, which can be increased by an amount of up to \$100 million, in accordance with specified conditions contained in the agreement. The facility also includes a \$10 million sublimit for swing line loans and a \$30 million sublimit for letters of credit.

At December 31, 2016, the Company had standby letters of credit outstanding, primarily for insurance purposes, of \$8.4 million and had the ability to borrow \$213.1 million based on the trailing twelve months EBITDA per the credit agreement. At December 31, 2016, the carrying value of the current borrowings under the facility approximates fair value.

10) Derivative Financial Instruments

Interest Rate Swaps

From time to time as dictated by market opportunities, the Company enters into interest rate swap agreements designed to manage exposure to interest rates on the Company's variable rate indebtedness.

The Company recognizes all derivatives on its balance sheet at fair value. The Company has designated its interest rate swap agreements, including those that are forward-dated, as cash flow hedges, and changes in the fair value of the swaps are recognized in other comprehensive income until the hedged items are recognized in earnings. Hedge ineffectiveness, if any, associated with the swaps will be reported by the Company in interest expense.

The Company's effective swap agreements convert the base borrowing rate on \$50 million of debt due under our revolving credit agreement from a variable rate equal to LIBOR to a weighted average fixed rate of 1.43% at December 31, 2016. The fair value of the swaps recognized in accrued expenses and in other comprehensive income is as follows (in thousands, except percentages):

<u>Effective Date</u>	<u>Notional Amount</u>	<u>Fixed Rate</u>	<u>Maturity</u>	<u>Fair Value</u>	
				<u>December 31, 2016</u>	<u>June 30, 2016</u>

December 19, 2014	20,000	1.18%	December 19, 2017	\$	(47)	\$	(201)
December 19, 2014	5,000	1.20%	December 19, 2017		(13)		(52)
December 18, 2015	15,000	1.46%	December 19, 2018		(68)		(325)
December 19, 2015	10,000	2.01%	December 19, 2019		(158)		(460)
					<u>(286)</u>		<u>(1,038)</u>

The Company reported no losses for the three and six months ended December 31, 2016, as a result of hedge ineffectiveness. Future changes in these swap arrangements, including termination of the agreements, may result in a reclassification of any gain or loss reported in accumulated other comprehensive income (loss) into earnings as an adjustment to interest expense. Accumulated other comprehensive income (loss) related to these instruments is being amortized into interest expense concurrent with the hedged exposure.

Foreign Exchange Contracts

Forward foreign currency exchange contracts are used to limit the impact of currency fluctuations on certain anticipated foreign cash flows, such as foreign sales, foreign purchases of materials, and loan payments to and from subsidiaries. The Company enters into such contracts for hedging purposes only.

For hedges of intercompany loan payments, the Company has not elected hedge accounting due to the general short-term nature and predictability of the transactions, and records derivative gains and losses directly to the Unaudited Condensed Consolidated Statements of Operations. At December 31, 2016 and June 30, 2016, the Company had outstanding forward contracts related to hedges of intercompany loans with both net unrealized gain (losses) of \$(0.1) million, which approximate the unrealized gains and losses on the related loans. The notional amounts of the Company's forward contracts, by currency, are as follows:

Currency	Notional Amount (in native currency)	
	December 31, 2016	June 30, 2016
Euro	199,904	2,476,683
British Pound Sterling	247,852	593,799

The table below presents the fair value of derivative financial instruments as well as their classification on the Unaudited Condensed Consolidated Balance Sheets (in thousands):

Derivative designated as hedging instruments	Asset Derivatives			
	December 31, 2016		June 30, 2016	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
Foreign exchange contracts	Other Assets	\$ 1	Other Assets	\$ 11

Derivative designated as hedging instruments	Liability Derivatives			
	December 31, 2016		June 30, 2016	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
Interest rate swaps	Accrued Liabilities	\$ 286	Accrued Liabilities	\$ 1,038
Foreign exchange contracts	Accrued Liabilities	70	Accrued Liabilities	94
		<u>\$ 356</u>		<u>\$ 1,132</u>

The table below presents the amount of gain (loss) recognized in comprehensive income on our derivative financial instruments (effective portion) designated as hedging instruments and their classification within comprehensive income for the periods ended (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Interest rate swaps	\$ 465	\$ 307	\$ 628	\$ (245)
Foreign exchange contracts	28	127	(74)	201
	<u>\$ 493</u>	<u>\$ 434</u>	<u>\$ 554</u>	<u>\$ (44)</u>

The table below presents the amount reclassified from accumulated other comprehensive income (loss)

to Net Income for the periods ended (in thousands):

Other Comprehensive Income (Loss) Components	Three Months Ended		Six Months Ended		Affected line item in the Unaudited Condensed Statements of Operations
	December 31,		December 31,		
	2016	2015	2016	2015	
Interest rate swaps	\$ 110	\$ 138	\$ 229	\$ 266	Interest expense
Foreign exchange contracts	(27)	(31)	75	(39)	Cost of Sales
	<u>\$ 83</u>	<u>\$ 107</u>	<u>\$ 304</u>	<u>\$ 227</u>	

11) Retirement Benefits

The Company has defined benefit pension plans covering certain current and former employees both inside and outside of the U.S. The Company's pension plan for U.S. employees is frozen for substantially all participants and has been replaced with a defined contribution benefit plan.

Net Periodic Benefit Cost for the Company's U.S. and Foreign pension benefit plans for the three and six months ended December 31, 2016 and 2015 consisted of the following components (in thousands):

	U.S. Plans		Non-U.S. Plans	
	Three Months Ended		Three Months Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Service cost	\$ 1	\$ 16	\$ 9	\$ 8
Interest cost	2,613	2,873	250	363
Expected return on plan assets	(3,440)	(3,465)	(282)	(330)
Recognized net actuarial loss	1,190	995	249	213
Amortization of prior service cost	-	3	(12)	(12)
Net periodic benefit cost	<u>\$ 364</u>	<u>\$ 422</u>	<u>\$ 214</u>	<u>\$ 242</u>

	U.S. Plans		Non-U.S. Plans	
	Six Months Ended		Six Months Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Service cost	\$ 2	\$ 34	\$ 19	\$ 17
Interest cost	5,226	5,745	514	734
Expected return on plan assets	(6,881)	(6,932)	(579)	(667)
Recognized net actuarial loss	2,381	1,990	511	430
Amortization of prior service cost	-	7	(24)	(24)
Net periodic benefit cost	<u>\$ 728</u>	<u>\$ 844</u>	<u>\$ 441</u>	<u>\$ 490</u>

The Company expects to pay \$1.3 million in contributions to its defined benefit plans during fiscal 2017.

Contributions of \$0.4 million and \$0.6 million were made during the three and six months ended December 31, 2016 compared to \$0.3 million and \$0.6 million during the three and six months ended December 31, 2015, respectively. Required contributions of \$0.7 million will be paid to the Company's U.K. defined benefit plan during 2017. The Company also expects to make contributions of \$0.3 million to each of its unfunded defined benefit plans in the U.S. and Germany, respectively, during the remainder of the current fiscal year.

12) Income Taxes

The Company's effective tax rate from continuing operations for the second quarter of 2017 was 19.3% compared with 20.3% for the prior year quarter. The effective tax rate in 2017 was lower due to the jurisdictional mix of income where more income is being taxed outside of the U.S. at lower tax rates than in the prior year quarter.

The Company's effective tax rate from continuing operations for the six months ended December 31, 2016 was 24.9% compared with 25.3% for the prior year. The effective tax rate for the year to date was lower due to the same jurisdictional mix.

13) Earnings Per Share

Basic earnings per common share is computed using the weighted average number of shares outstanding. Diluted earnings per share is computed using the weighted average number of shares

outstanding adjusted for the incremental shares attributable to unvested stock units outstanding, if dilutive.

The following table sets forth a reconciliation of the number of shares (in thousands) used in the computation of basic and diluted earnings per share:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Basic - Average shares outstanding	12,659	12,692	12,668	12,675
Dilutive effect of unvested, restricted stock awards	95	99	104	102
Diluted - Average shares outstanding	<u>12,754</u>	<u>12,791</u>	<u>12,772</u>	<u>12,777</u>

Earnings available to common stockholders are the same for computing both basic and diluted earnings per share. No options to purchase common stock were excluded as anti-dilutive from the calculation of diluted earnings per share for the three and six months ended December 31, 2016 and 2015, respectively.

Performance stock units of 29,607 and 30,764 for the six months ended December 31, 2016 and 2015, respectively, are excluded from the diluted earnings per share calculation as the performance criteria have not been met.

14) Comprehensive Income (Loss)

The components of the Company's accumulated other comprehensive income (loss) are as follows (in thousands):

	December 31, 2016	June 30, 2016
Foreign currency translation adjustment	\$ (36,242)	\$ (24,636)
Unrealized pension losses, net of tax	(90,342)	(92,698)
Unrealized losses on derivative instruments, net of tax	(110)	(641)
Total	<u>\$ (126,694)</u>	<u>\$ (117,975)</u>

15) Contingencies

From time to time, the Company is subject to various claims and legal proceedings, including claims related to environmental remediation, either asserted or unasserted, that arise in the ordinary course of business. While the outcome of these proceedings and claims cannot be predicted with certainty, the Company's management does not believe that the outcome of any of the currently existing legal matters will have a material impact on the Company's consolidated financial position, results of operations or cash flow. The Company accrues for losses related to a claim or litigation when the Company's management considers a potential loss probable and can reasonably estimate such potential loss.

16) Industry Segment Information

The Company has determined that it has five reportable segments organized around the types of product sold:

- Food Service Equipment – an aggregation of eight operating segments that manufacture and sell commercial food service equipment;
- Engraving – provides mold texturizing, slush molding tools, project management and design services, roll engraving, hygiene product tooling, low observation vents for stealth aircraft, and process machinery for a number of industries;
- Engineering Technologies – provides net and near net formed single-source customized solutions in the manufacture of engineered components for the aviation, aerospace, defense, energy, industrial, medical, marine, oil and gas, and manned and unmanned space markets.
- Electronics – manufacturing and selling of electronic components for applications throughout the end-user market spectrum; and
- Hydraulics – manufacturing and selling of single and double-acting telescopic and piston rod hydraulic cylinders.

Net sales and income from continuing operations by segment for the three and six months ended December 31, 2016 and 2015 were as follows (in thousands):

Segment:	Three Months Ended December 31,		Income from Operations	
	Net Sales 2016	2015	2016	2015

Food Service	\$ 92,200	\$	\$ 7,206	\$
Equipment		90,936		6,704
Engraving	25,861	31,935	6,510	7,443
Engineering Technologies	18,549		1,877	2,093
Electronics	28,497	28,350	6,091	4,525
Hydraulics	8,747	10,016	979	1,519
Restructuring costs			(1,664)	(1,477)
Acquisition-related costs			(1,503)	-
Corporate			(6,262)	(4,745)
Sub-total	\$ 173,854	\$ 181,948	\$ 13,234	\$ 16,062
Interest expense			(850)	(731)
Other non-operating income			332	294
Income from continuing operations before income taxes			\$ 12,716	\$ 15,625

Six Months Ended December 31,

	Net Sales		Income from Operations	
	2016	2015	2016	2015
Segment:				
Food Service	\$ 184,852	\$ 198,149	\$ 16,694	\$ 20,728
Equipment				
Engraving	52,591	65,456	13,907	17,350
Engineering Technologies	37,269	39,422	3,372	2,768
Electronics	59,148	56,336	12,565	10,075
Hydraulics	19,594	20,983	3,108	3,495
Restructuring costs			(2,058)	(2,996)
Acquisition-related costs			(1,503)	-
Corporate			(13,081)	(12,255)
Sub-total	\$ 353,454	\$ 380,346	\$ 33,004	\$ 39,165
Interest expense			(1,547)	(1,375)
Other non-operating income			766	484
Income from continuing operations before income taxes			\$ 32,223	\$ 38,274

Net sales include only transactions with unaffiliated customers and include no intersegment sales. Income from operations by segment excludes interest expense and other non-operating income.

The Company's identifiable assets at December 31, 2016 and June 30, 2016 are as follows (in thousands):

	December 31, 2016	June 30, 2016 *
Food Service Equipment	\$ 231,946	\$ 206,875
Engraving	119,902	117,026
Engineering Technologies	146,527	147,866
Electronics	114,416	114,001
Hydraulics	18,642	19,084
Corporate & Other	79,296	85,605
Total	\$ 710,729	\$ 690,457

* The identified assets as of June 30, 2016 for certain segments have been revised from amounts previously reported due to certain immaterial allocation differences.

17) Restructuring

The Company has undertaken cost reduction and facility consolidation initiatives that have resulted in severance, restructuring and related charges. A summary of charges by initiative is as follows (in thousands):

	Three Months Ended December 31, 2016	Six Months Ended December 31, 2016
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Fiscal 2017	Involuntary Employee Severance and Benefit			Involuntary Employee Severance and Benefit		
	Costs	Other	Total	Costs	Other	Total
Restructuring initiatives	\$ 1,117	\$ 492	\$ 1,609	\$ 1,146	\$ 828	\$ 1,974
Prior year initiatives	-	55	55	-	84	84
	<u>\$ 1,117</u>	<u>\$ 547</u>	<u>\$ 1,664</u>	<u>\$ 1,146</u>	<u>\$ 912</u>	<u>\$ 2,058</u>
	Three Months Ended December 31, 2015			Six Months Ended December 31, 2015		
Fiscal 2016	Involuntary Employee Severance and Benefit Costs	Other	Total	Involuntary Employee Severance and Benefit Costs	Other	Total
Restructuring initiatives	\$ 696	\$ 107	\$ 803	\$ 730	\$ 167	\$ 897
Prior year initiatives	22	652	674	59	2,040	2,099
	<u>\$ 718</u>	<u>\$ 759</u>	<u>\$ 1,477</u>	<u>\$ 789</u>	<u>\$ 2,207</u>	<u>\$ 2,996</u>

2017 Restructuring Initiatives

The Company continues to focus on our efforts to reduce cost and improve productivity across our businesses, particularly through headcount reductions, facility closures, and consolidations. The Company's 2017 initiatives to date include a reduction of employees in our Food Service Equipment Group in response to the reduced sales volume from our larger customers and reductions of personnel and plant movement at our China Electronics division.

	Involuntary Employee Severance and Benefit Costs			Total
		Other		
Restructuring liabilities at June 30, 2016	\$ -	-	\$ -	\$ -
Additions and adjustments	246	1,678		1,924
Payments	(83)	(1,294)		(1,377)
Restructuring liabilities at December 31, 2016	<u>\$ 163</u>	<u>384</u>	<u>\$</u>	<u>\$ 547</u>

Prior Year Initiatives

The prior year initiatives yet to be completed include the movement of manufacturing from a legacy Canadian facility into the newly acquired Northlake facility, closure of a European facility within our Cooking division, and discontinuing of a product line at our Refrigeration group.

Activity in the reserve related to the prior year restructuring initiatives is as follows (in thousands):

	Involuntary Employee Severance and Benefit Costs		Total
		Other	
Restructuring liabilities at June 30, 2016	\$ 74	\$ 256	\$ 330
Additions and adjustments	49	8	57
Payments	(106)	(124)	(230)
Restructuring liabilities at December 31, 2016	<u>\$ 17</u>	<u>\$ 140</u>	<u>\$ 157</u>

The Company's total restructuring expenses by segment are as follows (in thousands):

	Three Months Ended December 31, 2016			Six Months Ended December 31, 2016		
	Involuntary Employee Severance and Benefit Costs	Other	Total	Involuntary Employee Severance and Benefit Costs	Other	Total
Food Service	\$ 1,117	\$ 3	\$ 1,120	\$ 1,129	\$ 78	\$ 1,207
Equipment	-	-	-	6	-	6
Engraving	-	249	249	-	433	433
Technologies	-	272	272	11	370	381
Electronics	-	-	-	-	31	31
Corporate	-	23	23	-	-	-
	<u>\$ 1,117</u>	<u>\$ 547</u>	<u>\$ 1,664</u>	<u>\$ 1,146</u>	<u>\$ 912</u>	<u>\$ 2,058</u>

	Three Months Ended December 31, 2015			Six Months Ended December 31, 2015		
	Involuntary Employee Severance and Benefit Costs	Other	Total	Involuntary Employee Severance and Benefit Costs	Other	Total
Food Service Equipment	\$ 22	\$ 744	\$ 766	\$ 22	\$ 2,104	\$ 2,126
Engraving	33	-	33	35	-	35
Engineering Technologies	126	-	126	160	-	160
Electronics	409	15	424	444	103	547
Corporate	128	-	128	128	-	128
	<u>\$ 718</u>	<u>\$ 759</u>	<u>\$ 1,477</u>	<u>\$ 789</u>	<u>\$ 2,207</u>	<u>\$ 2,996</u>

Restructuring expense is expected to be \$6.7 million for the fiscal year 2017, of which \$2.1 million was incurred for the six months ended December 31, 2016.

18) Disposal of a Business

During the first quarter of fiscal year 2017, the Company sold its U.S. Roll Plate and Machinery business, as it was not strategic and did not meet our growth and return expectations. This divestiture also allows the Company's management to focus on higher growth and better return businesses within the Engraving segment.

During the fourth quarter of fiscal year 2016, the Company recorded a \$7.3 million non-cash loss to adjust the net assets of the business to their net realizable value. The expense is recorded as a component of Other Operating Income, net. The sale of the business does not constitute a significant strategic shift that will have a major effect on the entity's operations and financial results.

19) Subsequent Event

On February 2, 2017, the Company announced that it has entered into a definitive agreement with Japan-based Oki Electric Industry Co. Ltd. to acquire its wholly owned subsidiary, Oki Sensor Device Corporation ("Oki Sensor Device"). Oki Sensor Device is the world's leading designer and supplier of magnetic reed switches. Oki Sensor Device recorded revenue of approximately ¥6.8 billion (approximately \$56 million) for its most recently concluded fiscal year ended March 31, 2016 with approximately \$12.9 million of this revenue comprised of sales to Standex Electronics. The acquisition is anticipated to close on or about March 31, 2017, subject to required regulatory approvals.

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

Statements contained in this Quarterly Report on Form 10-Q that are not based on historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terminology such as "should," "could," "may," "will," "expect," "believe," "estimate," "anticipate," "intends," "continue," or similar terms or variations of those terms or the negative of those terms. There are many factors that affect the Company's business and the results of its operations and may cause the actual results of operations in future periods to differ materially from those currently expected or desired.

These factors include, but are not limited to material adverse or unforeseen legal judgments, fines, penalties or settlements, conditions in the financial and banking markets, including fluctuations in exchange rates and the inability to repatriate foreign cash, general and international recessionary economic conditions, including the impact, length and degree of the current slow growth conditions on the customers and markets we serve and more specifically conditions in the oil and gas, food service equipment, automotive, construction, aerospace, energy, transportation and general industrial markets, lower-cost competition, the relative mix of products which impact margins and operating efficiencies, both domestic and foreign, in certain of our businesses, the impact of higher raw material and component costs, particularly steel, petroleum based products and refrigeration components, an inability to realize the expected cost savings from restructuring activities, effective completion of plant consolidations, cost reduction efforts, restructuring including procurement savings and productivity enhancements, capital management improvements, strategic capital expenditures, and the implementation of lean enterprise manufacturing techniques, the inability to achieve the savings expected from the sourcing of raw materials from and diversification efforts in emerging markets, the inability to attain expected benefits from strategic alliances or acquisitions and the inability to achieve synergies contemplated by the Company; market acceptance of our products; our ability to design, introduce and sell new products and related product components; the ability to redesign certain of our products to continue meeting evolving regulatory requirements; the impact of delays initiated by our

customers; and our ability to increase manufacturing production to meet demand. Other factors that could impact the Company include changes to future pension funding requirements. In addition, any forward-looking statements represent management's estimates only as of the day made and should not be relied upon as representing management's estimates as of any subsequent date. While the Company may elect to update forward-looking statements at some point in the future, the Company and management specifically disclaim any obligation to do so, even if management's estimates change.

Overview

We are a leading manufacturer of a variety of products and services for diverse commercial and industrial markets. We have five reportable segments: Food Service Equipment, Engraving, Engineering Technologies, Electronics, and Hydraulics.

Our long-term strategy is to build larger industrial platforms through a value creation system that assists management in meeting specific corporate and business unit financial and strategic performance goals in order to create, improve, and enhance shareholder value. The Standex Value Creation System is a standard methodology which provides consistent tools used throughout the company in order to achieve our organization's goals. The value creation system has four components. The Balanced Performance Plan process aligns annual goals throughout the business and provides a standard reporting, management and review process. It is focused on setting and meeting annual and quarterly targets that support our short term and long term goals. The Standex Growth Disciplines use a set of tools and processes including market maps, growth lane ways, and market tests to identify opportunities to expand the business organically and through acquisitions. Standex Operational Excellence employs a standard playbook and processes, including LEAN, to eliminate waste and improve profitability, cash flow and customer satisfaction. Finally, the Standex Talent Management process is an organizational development process that provides training, development, and succession planning for our employees throughout our worldwide organization. The Standex Value Creation System ties all disciplines in the organization together under a common umbrella by providing standard tools and processes to deliver our business objectives:

- It is our objective to grow larger and more profitable business units through both organic initiatives and acquisitions. On an ongoing basis, we identify and implement organic growth initiatives such as new product development, geographic expansion, introduction of products and technologies into new markets and applications, key accounts and strategic sales channel partners. Also, we have a long-term objective to create sizable business platforms by adding strategically aligned or "bolt on" acquisitions to strengthen the individual businesses, create both sales and cost synergies with our core business platforms, and accelerate their growth and margin improvement. We have a particular focus on identifying and investing in opportunities that complement our products and will increase the global presence and capabilities of our businesses. From time to time we have divested, and likely will continue to divest, businesses that we feel are not strategic or do not meet our growth and return expectations.
 - As part of our ongoing strategy, during our second quarter of 2017, we acquired Horizon Scientific, Inc., ("Horizon") a South Carolina-based supplier of laboratory refrigerators and freezers, as well as cryogenic equipment for the scientific, bio-medical and pharmaceutical markets. We have included the operating results of Horizon in our Food Service Equipment segment in our Condensed Consolidated Financial Statements. Horizon expands our access to higher-margin refrigeration markets in the growing scientific sector that provides solutions for bio-medical and pharmaceutical temperature storage requirements. Horizon's products complement the scientific offerings in our Norlake division.
 - During the first quarter of fiscal year 2017, we sold our U.S. Roll Plate and Machinery ("RPM") business, as it was not strategic, and did not meet our growth and return expectations. This divestiture also allows our Engraving management to focus on higher growth and better return businesses within the segment. In preparation for this sale during the fourth quarter of 2016, we adjusted the net assets of the business to their net realizable value.
- We create "Customer Intimacy" by utilizing the Standex Growth Disciplines to partner with our customers in order to develop and deliver custom solutions or engineered components that provide technology-driven solutions to our customers. This relationship generally provides us with the ability to improve sales and grow profits over time to provide operating margins that enhance shareholder returns. Further, we have made a priority of developing new sales channels and leveraging strategic customer relationships.
- Standex Operational Excellence drives continuous improvement in the efficiency of our businesses. We recognize that our businesses are competing in a global economy that requires us to improve our competitive position. We have deployed a number of management competencies to drive improvements in cost structure of our business units including operational excellence through lean enterprise, the use of low cost manufacturing facilities in countries such

as Mexico, and China, the consolidation of manufacturing facilities to achieve economies of scale and leveraging of fixed infrastructure costs, alternate sourcing to achieve procurement cost reductions, and capital improvements to increase shop floor productivity.

- The Company's strong historical cash flow has been a cornerstone for funding our capital allocation strategy. We use cash flow generated from operations to fund the strategic growth programs described above, including acquisitions and investments for organic growth, and to return cash to our shareholders through payment of dividends and stock buybacks.

Our business units are actively engaged in initiating new product introductions, expansion of product offerings through private labeling and sourcing agreements, geographic expansion of sales coverage, the development of new sales channels, leveraging strategic customer relationships, development of energy efficient products, new applications for existing products and technologies, and next generation products and services for our end-user markets.

Restructuring expenses reflect costs associated with the Company's efforts of continuously improving operational efficiency and expanding globally in order to remain competitive in the end-user markets we serve. Each year the Company incurs costs for actions to size its businesses to a level appropriate for current economic conditions and to both improve its cost structure to enhance our competitive position and operating margins. Such expenses include costs for moving facilities to locations that allow for lower fixed and variable costs, starting up plants after relocation, downsizing operations because of changing economic conditions, and other costs resulting from asset redeployment decisions. Shutdown costs include severance, benefits, stay bonuses, lease and contract terminations, asset write-downs, costs of moving fixed assets, and moving and relocation costs. Vacant facility costs include maintenance, utilities, property taxes and other costs.

Because of the diversity of the Company's businesses, end user markets and geographic locations, management does not use specific external indices to predict the future performance of the Company, other than general information about broad macroeconomic trends. Each of our individual business units serves niche markets and attempts to identify trends other than general business and economic conditions which are specific to its business and which could impact their performance. Those units report pertinent information to senior management, which uses it to the extent relevant to assess the future performance of the Company. A description of any such material trends is described below in the applicable segment analysis.

We monitor a number of key performance indicators ("KPIs") including net sales, income from operations, backlog, effective income tax rate, gross profit margin, and operating cash flow. A discussion of these KPIs is included below. We may also supplement the discussion of these KPIs by identifying the impact of foreign exchange rates, acquisitions, and other significant items when they have a material impact on a specific KPI.

We believe the discussion of these items provides enhanced information to investors by disclosing their impact on the overall trend which provides a clearer comparative view of the KPI, as applicable. For discussion of the impact of foreign exchange rates on KPIs, the Company calculates the impact as the difference between the current period KPI calculated at the current period exchange rate as compared to the KPI calculated at the historical exchange rate for the prior period. For discussion of the impact of acquisitions, we isolate the effect on the KPI amount that would have existed regardless of our acquisition. Sales resulting from synergies between the acquisition and existing operations of the Company are considered organic growth for the purposes of our discussion.

Unless otherwise noted, references to years are to fiscal years.

Results from Continuing Operations

(In thousands, except percentages)	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Net sales	\$ 173,854	\$ 181,948	\$ 353,454	\$ 380,346
Gross profit margin	32.7%	32.0%	33.6%	33.3%
Income from operations	13,234	16,062	33,004	39,165

(In thousands)	Three Months Ended December 31, 2016	Six Months Ended December 31, 2016
	Net sales, prior period	\$ 181,948
Components of change in sales:		
Effect of exchange rates	(1,665)	(3,075)
Effect of acquisitions	7,406	10,123
Divestiture of business	(4,866)	(9,142)
Organic sales change	(8,969)	(24,798)
Net sales, current period	\$ 173,854	\$ 353,454

Net sales for the second quarter of 2017 decreased \$8.1 million, or 4.4%, when compared to the prior year quarter. This change was due to exchange rate decrease of 0.9%, a 2.7% impact from the divestiture of RPM business and organic sales decreases of 4.9% partially offset by incremental sales of 4.1% generated from our Horizon acquisition. As further detailed below, we experienced declines in each of our segments other than Electronics.

Net sales in the six months ended December 31, 2016 decreased \$26.9 million, or 7.1%, when compared to the prior year. The decline in net sales was due to exchange rate decreases of 0.8%, a 2.4% decrease due to the divestiture of the RPM business, and organic sales decreases of 6.5%. These declines were partially offset by sales increases of 2.7% from the Horizon and Northlake acquisitions. We discuss our outlook for each segment below.

Gross Profit Margin

Our gross margin for the second quarter of 2017 was 32.7%, compared to the prior year quarter of 32.0%. Gross margin increased in four of our five segments during the quarter despite the overall sales decline.

Our gross margin in the six months ended December 31, 2016 was 33.6%, compared to the prior year of 33.3%. Gross margin increased slightly due to operational improvements.

Selling, General, and Administrative Expenses

Selling, General, and Administrative Expenses ("SG&A") for the second quarter of 2017 were \$40.5 million, or 23.3% of sales, compared to \$40.7 million, or 22.4% of sales, during the prior year quarter.

The increase in SG&A is primarily due to \$1.6 million of on-going SG&A expenses related to the Horizon business. These increases were partially offset by declines of \$0.6 million from the divestiture of RPM and \$1.0 million of variable expenses including sales commissions and distribution expenses.

SG&A for the six months ended December 31, 2016 were \$82.1 million, or 23.2% of sales, compared to \$84.6 million, or 22.2% of sales, during the prior year quarter. The decrease in SG&A is primarily due to volume-related decreases of \$2.5 million and \$1.1 million from the divestiture of RPM. These decreases were partially offset by the \$1.6 million in on-going SG&A expenses related to the Horizon business.

Income from Operations

Income from operations for the second quarter of 2017 was \$13.2 million, compared to \$16.1 million during the prior year quarter. The decrease of \$2.9 million, or 17.6%, is primarily due to the impact of sales volume declines and acquisition-related costs.

Income from operations for the six months ended December 31, 2016 was \$33.0 million, compared to \$39.2 million during the prior year. The decrease of \$6.2 million, or 15.7%, is primarily due to the impact of sales volume declines.

Interest Expense

Interest expense for the second quarter of 2017 was \$0.9 million, compared to \$0.7 million during the prior year quarter. Interest expense for the six months ended December 31, 2016 and December 31, 2015 were \$1.5 million and \$1.4 million, respectively.

Income Taxes

The Company's effective tax rate from continuing operations for the second quarter of 2017 was 19.3% compared with 20.3% for the prior year quarter. The effective tax rate in 2017 was lower due to the jurisdictional mix of income where more income is being taxed outside of the U.S. at lower tax rates than in the prior year quarter.

The Company's effective tax rate from continuing operations for the six months ended December 31, 2016 was 24.9% compared with 25.3% for the prior year. The effective tax rate for the year to date was lower due to the same jurisdictional mix.

Backlog

Backlog includes all active or open orders for goods and services that have a firm fixed customer purchase order with defined delivery dates. Backlog also includes any future deliveries based on executed customer contracts, so long as such deliveries are based on agreed upon delivery schedules.

Backlog is not generally a significant factor in the Company's businesses because of our relatively short delivery periods and rapid inventory turnover with the exception of Engineering Technologies. Due to

the nature of long-term agreements in the Engineering Technologies group, the timing of orders and delivery dates can vary considerably resulting in significant backlog changes from one period to another.

In general, the vast majority of net realizable backlog beyond one year comes from the Engineering Technologies segment of our business.

Backlog realizable within one year increased \$5.7 million, or 3.6%, to \$164.1 million at December 31, 2016 from \$158.4 million at December 31, 2015.

The Backlog in Food Service Equipment Group has increased primarily due the impact of the acquired Horizon business and increases in the Procon Pump and Federal display merchandising businesses. The decrease in the Engraving backlog is due to the divestiture of the RPM business. Engineering Technologies backlog has declined \$3.0 million due to changes in customer schedules.

(In thousands)	As of December 31,	
	2016	2015
Food Service Equipment	\$ 44,884	\$ 37,181
Engraving	14,147	19,395
Engineering Technologies	87,609	90,565
Electronics	42,148	45,169
Hydraulics	3,925	5,286
Total	192,713	197,596
Net realizable beyond one year	28,626	39,215
Net realizable within one year	\$ 164,087	\$ 158,381

Segment Analysis

Food Service Equipment

(In thousands, except percentages)	Three Months Ended December 31,			Six Months Ended December 31,		% Change
	2016	2015	% Change	2016	2015	
Net sales	\$ 92,200	\$ 90,936	1.4%	\$ 184,852	\$ 198,149	(6.7%)
Income from operations	7,206	6,704	7.5%	16,694	20,728	(19.5%)
Operating income margin	7.8%	7.4%		9.0%	10.5%	

Net sales in the second quarter of fiscal year 2017 increased \$1.3 million, or 1.4%, when compared to the prior year quarter. The acquisition of Horizon Scientific in mid-October added \$7.4 million, or 8.1%, while organic sales growth for the segment was down by 6.7%. Sales in the Refrigeration Group declined 8.2%, excluding sales from the Horizon business. Weakness in the Dollar Store segment and in national chains continued, as anticipated, in the second quarter. Beginning in the third quarter, we have lapped sales declines in the Dollar Stores, and these declines should have minimal impact on comparative sales in the coming quarters. The quarter could also be impacted by the introduction of a new walk-in panel which is currently going through the testing and regulatory approval process. We anticipate national chain sales activity will increase during the second half of the fiscal year. Cooking Solutions sales decreased 9.7% due to non-recurring roll-outs in the supermarket channel that were fulfilled in the prior year coupled with declines due to the rationalization of lower margin products. Our Specialty Solutions sales increased by 5.2% with strong volume in our beverage and merchandising markets.

Net sales in the six months ended December 31, 2016, decreased \$13.3 million, or 6.7%, when compared to the prior year. Slower sales to major chains, lower sales at Dollar Stores, and the rationalization of less profitable products were the primary drivers of the sales decline. Refrigeration sales declined 7.7% as the incremental sales from the Horizon acquisition and increased sales to the dealer channel was partially offset by slower growth in the Dollar Store market and key chains.

Cooking Solutions experienced a 10.4% sales decrease due to lower sales at major chains and slower dealer sales. Specialty Solutions sales were up 2.6% due to higher volume in our beverage market with the successful introduction of new products.

Income from operations in the second quarter of fiscal 2017 increased by \$0.5 million, or 7.5%, when compared to the prior year quarter. The operating income results were negatively impacted by \$1.1 million of purchase accounting expense recorded during the quarter. In addition, operating expenditure controls and portfolio rationalization contributed to the improved operating income performance.

Income from operations in the six months ended December 31, 2016, decreased \$4.0 million, or 19.5%, when compared to the prior year. Sales volume decreases and purchase accounting expense of \$1.1 million were the primary causes of the decrease in operating income.

Engraving

	Three Months Ended December 31,	%	Six Months Ended December 31,	%
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(In thousands, except percentages)	2016	2015	Change	2016	2015	Change
Net sales	\$ 25,861	\$ 31,935	(19.0%)	\$ 52,591	\$ 65,456	(19.7%)
Income from operations	6,510	7,443	(12.5%)	13,907	17,350	(19.8%)
Operating income margin	25.2%	23.3%		26.4%	26.5%	

Net sales for the second quarter of fiscal year 2017 decreased by \$6.1 million, or 19.0%, when compared to the prior year quarter. The majority of the sales decline was due to the divestiture of the RPM division, which resulted in a sales decline of 15.2% or \$4.9 million. Organic sales declined by 1.3%, or \$0.4 million, and foreign exchange had a negative impact of 2.5%, or \$0.8 million.

Mold texturizing sales to original equipment manufacturers (“OEMs”) decreased in North America by 18%, increased by 6% in Asia, and were relatively flat in Europe. In North America, we expect launches of new automotive programs, which have been delayed, will become positive growth factors in the coming quarters. We anticipate growth in both our Europe and Asia markets in the second half of the fiscal year. The new technologies of Architecture, nickel shell and laser should also show improvements during the remainder of the fiscal year.

Net sales for the six months ended December 31, 2016, decreased by \$12.9 million, or 19.7%, when compared to the prior year. The majority of the sales decline was due to the divestiture of the RPM business, which resulted in a sales decline of 14.0% or \$9.1 million. Organic sales declined by 3.5%, or \$2.3 million, and foreign exchange had a negative impact of 2.2%, or \$1.5 million. Sales volumes during the first half of the year were lower than the prior year due to model launch delays, however we anticipate sales volumes in the second half of the fiscal year to increase. We expect the new technologies of Architecture, nickel shell and laser to positively impact sales during the remainder of the fiscal year.

Income from operations for the second quarter of fiscal year 2017 decreased by \$0.9 million, or 12.5%, when compared to the prior year quarter. Organic sales declines, along with an unfavorable sales mix, contributed to the operating income declines during the quarter. Operating income was further impacted by the divestiture of RPM, which generated \$0.2 million of operating income in the prior year quarter.

Income for the six months ended December 31, 2016, decreased \$3.4 million, or 19.8%, when compared to the prior year. Similar to the quarter, organic sales declines, along with an unfavorable sales mix, contributed to the operating income declines during the quarter. Operating income was further impacted by an unfavorable comparison due to the divestiture of RPM, which generated \$0.3 million of operating income in the six months ended December 31, 2015.

Engineering Technologies

(In thousands, except percentages)	Three Months Ended December 31,			Six Months Ended December 31,			% Change
	2016	2015	% Change	2016	2015	% Change	
Net sales	\$ 18,549	\$ 20,711	(10.4%)	\$ 37,269	\$ 39,422	(5.5%)	
Income from operations	1,877	2,093	(10.3%)	3,372	2,768	21.8%	
Operating income margin	10.1%	10.1%		9.0%	7.0%		

Net sales in the second quarter of fiscal year 2017 decreased by \$2.2 million, or 10.4%, when compared to the prior year quarter. Aviation sales decreased \$1.6 million compared to the prior period primarily due to customer delays on select programs. Sales to the space-launch vehicle market declined \$1.4 million from the prior year quarter due to lower sales to the unmanned segment and timing of development programs in the manned space sector. Sales in the energy market were up \$1.7 million from the prior year as a result of higher power generation sales. Foreign exchange impacts were unfavorable by \$0.4 million, or 1.9%, when compared to prior year quarter.

Net sales for the six months ended December 31, 2016, decreased by \$2.2 million, or 5.5%, when compared to the prior year. Aviation sales decreased 6.2% due to reduced demand and customer scheduling changes. Total launch vehicle sales were down 12.9% due to project timing in the manned sector with the NASA SLS and Crew Capsule vehicles. Energy related sales were up \$1.7 million due to higher power generation demand. Defense related sales improved \$0.2 million from the prior year due to increased sales to project specific work in the Navy nuclear segment. Medical sales were down \$1.3 million primarily due to lower demand and a shift in product mix to lower cost products. Our current focus for the second half of the year is to deliver on developmental programs in both space and aviation and to meet delivery schedules on long-term aviation agreements.

Income from operations in the second quarter of fiscal year 2017 decreased by \$0.2 million, or 10.3%, when compared to the prior year quarter. Operating income results were negatively impacted by lower sales volume and program delays associated with aviation engine contracts.

Income from operations for the six months ended December 31, 2016, increased by \$0.6 million, or 21.8%, when compared to the prior year. The increase in operating income was the result of a favorable product mix and the realization of benefits from the implementation of operational efficiencies.

Electronics

(In thousands, except percentages)	Three Months Ended December 31,			Six Months Ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Net sales	\$ 28,497	\$ 28,350	0.5%	\$ 59,148	\$ 56,336	5.0%
Income from operations	6,091	4,525	34.6%	12,565	10,075	24.7%
Operating income margin	21.4%	16.0%		21.2%	17.9%	

Net sales in the second quarter of fiscal year 2017 increased \$0.1 million, or 0.5%, when compared to the prior year quarter. Organic growth and acquisitions contributed 2.2%, partially offset by a negative currency effect of 1.7%. New programs within the transportation, appliance, power and contract manufacturers markets, among others, continue to drive growth. New sensor and reed switch applications helped continue our growth in the European and Asian markets. Sales were flat within the North American market.

Net sales for the six months ended December 31, 2016, increased \$2.8 million, or 5.0%, when compared to the prior year. Sales increased \$2.7 million, or 4.8%, due to the Northlake acquisition. Sales declined \$0.8 million, or 1.4%, due to exchange rate declines. Organic sales growth was \$0.9 million, or 1.5% for the first half when compared to the prior year. Organic sales results were impacted by new programs and continued solid growth in the European market, partially offset by slowdowns in North America and Asia.

Income from operations in the second quarter of fiscal year 2017 increased \$1.6 million, or 34.6%, when compared to the prior year quarter. Much of the earnings improvement is due to favorable sales mix, operational cost improvements, and manufacturing footprint consolidation. The results for the prior year quarter included \$0.4 million of purchase accounting expense related to the Northlake acquisition.

Income from operations for the six months ended December 31, 2016, increased \$2.5 million, or 24.7%, when compared to the prior year. The increase is due to favorable sales mix and operational efficiencies.

Note that prior year results include \$0.4 million of purchase accounting expenses for the Northlake business that was acquired at the beginning of the second quarter last year.

Hydraulics

(In thousands, except percentages)	Three Months Ended December 31,			Six Months Ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Net sales	\$ 8,747	\$ 10,016	(12.7%)	\$ 19,594	\$ 20,983	(6.6%)
Income from operations	979	1,519	(35.5%)	3,108	3,495	(11.1%)
Operating income margin	11.2%	15.2%		15.9%	16.7%	

Net sales in the second quarter of fiscal year 2017 decreased \$1.3 million, or 12.7%, when compared to the prior year quarter. The decrease is primarily the result of the North American dump markets downturn in the second quarter with many of the OEM's reducing production by over 50%. A portion of this downturn is normal seasonal adjustment of the business, however the demand is also being impacted by the macro economic uncertainty in the United States. We experienced a slight increase in demand in December in the dump body market and anticipate further strength in this area as we move into the spring construction season.

Net sales for the six months ended December 31, 2016, decreased \$1.4 million, or 6.6%, when compared to the prior year. Similar to the quarter, the decrease is the result of slowdown in the traditional North America dump truck and trailer markets. As we enter into 2017, we anticipate demand in our end markets to strengthen due to construction and infrastructure projects coming to fruition plus market share gains at several OEM's and distribution aftermarket partners.

Income from operations in the second quarter of fiscal year 2017 decreased \$0.5 million, or 35.5%, when compared to the prior year quarter. Operating income was impacted by lower volume during the period.

Income from operations for the six months ended December 31, 2016, decreased \$0.4 million or 11.1%, when compared to the prior year. The operating income decrease is being driven by the reduced sales

volume from the dump truck and trailer markets.

Corporate and Other

(In thousands, except percentages) Income (loss) from operations:	Three Months Ended December 31,			Six Months Ended December 31,		
	2016	2015	% Change	2016	2015	% Change
Corporate	\$ (6,262)	\$ (4,745)	32.0%	\$ (13,081)	\$ (12,255)	6.7%
Acquisition-related costs	(1,503)	-		(1,503)	-	
Restructuring	(1,664)	(1,477)	12.7%	(2,058)	(2,996)	(31.3%)

Corporate expenses in the second quarter of fiscal year 2017 increased by \$1.5 million, or 32.0%, when compared to the prior year quarter. The increase is primarily due to reduced incentive compensation expense in the prior year.

Corporate expenses for the six months ended December 31, 2016, increased by \$0.8 million, or 6.7%, when compared to the prior year. The increase is primarily due to reduced incentive compensation expense in the prior year.

During the second quarter of fiscal year 2017, we incurred restructuring expenses of \$1.7 million related to the realignment of functions and production capacity. Costs were incurred primarily in our Food Service segment primarily due to the slowdown in Refrigeration and to realign management functions within the group.

During the six months ended December 31, 2016, we incurred restructuring expenses of \$2.1 million which were primarily related to costs incurred within the Food Service Equipment segment in addition to cost reductions incurred in the first quarter to reduce production capacity in our Electronics and Engineering Technologies segments.

Acquisition-related costs include costs related to acquired businesses and other pending acquisitions.

These costs consist of \$0.8 million for acquisition expenses related to a pending transaction and \$0.7 million of deferred compensation costs associated with payments to the Horizon seller that are contingent on his future employment with the Company.

Discontinued Operations

In pursuing our business strategy, we have divested certain businesses and recorded activities of these businesses as discontinued operations.

Discontinued operations for the three and six months ended December 31, 2016 and 2015 are as follows:

(In thousands)	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Net sales	\$ -	\$ -	\$ -	\$ -
Pre-tax earnings (loss)	13	(94)	(49)	(342)
Benefit for taxes	(7)	19	5	107
Net earnings (loss) from discontinued operations	\$ 6	\$ (75)	\$ (44)	\$ (235)

Liquidity and Capital Resources

At December 31, 2016, our total cash balance was \$121.3 million, of which \$112.4 million was held by foreign subsidiaries. The repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences or be subject to capital controls; however, those balances are generally available without legal restrictions to fund ordinary business operations. Our current plans are not expected to require a repatriation of cash to fund our U.S. operations and as a result, we intend to indefinitely reinvest our foreign earnings to fund our overseas growth. If the undistributed earnings of our foreign subsidiaries are needed for operations in the United States, we would be required to accrue and pay U.S. taxes upon repatriation.

Net cash provided by operating activities from continuing operations for the six months ended December 31, 2016, was \$20.3 million compared to cash provided by continuing operations of \$30.9 million in the prior year. The decrease of \$10.6 million in cash provided by operating activities is primarily due to a decrease in cash generated by working capital and the decrease in year-to-date net income of \$4.2 million. Cash flow used in investing activities for the six months ended December 31, 2016, was \$37.0 million and consisted primarily of \$24.7 million for the purchase of Horizon and cash used for capital

expenditures of \$13.0 million. Cash inflows provided by financing activities for the six months ended December 31, 2016, were \$22.5 million. We paid cash dividends of \$3.8 million and had net borrowings of \$32.0 million primarily to fund the Horizon acquisition.

The Company Amended its Credit Agreement (“Credit Facility”, or “facility”) during fiscal year 2015.

This five-year Credit Facility expires in December 2019 and has a borrowing limit of \$400 million, which can be increased by an amount of up to \$100 million, in accordance with specified conditions.

The facility also includes a \$10 million sublimit for swing line loans and a \$30 million sublimit for letters of credit.

Under the terms of the Credit Facility, we will pay a variable rate of interest and a commitment fee on borrowed amounts as well as a commitment fee on unused amounts under the facility. The amount of the commitment fee will depend upon both the undrawn amount remaining available under the facility and the Company’s funded debt to EBITDA (as defined in the agreement) ratio at the last day of each quarter. As our funded debt to EBITDA ratio increases, the commitment fee will increase.

Funds borrowed under the facility may be used for the repayment of debt, working capital, capital expenditures, acquisitions (so long as certain conditions, including a specified funded debt to EBITDA leverage ratio is maintained), and other general corporate purposes. As of December 31, 2016, the Company has used \$8.4 million against the letter of credit sub-facility and had the ability to borrow \$213.1 million under the facility based on our current trailing twelve month EBITDA. The facility contains customary representations, warranties and restrictive covenants, as well as specific financial covenants. The Company’s current financial covenants under the facility are as follows:

Interest Coverage Ratio - The Company is required to maintain a ratio of Earnings Before Interest and Taxes, as Adjusted (“Adjusted EBIT per the Credit Facility”), to interest expense for the trailing twelve months of at least 3.0:1. Adjusted EBIT per the Credit Facility specifically excludes extraordinary and certain other defined items such as cash restructuring and acquisition-related charges up to \$7.5 million, and unlimited non-cash charges including gains or losses on sale of property and goodwill adjustments. At December 31, 2016, the Company’s Interest Coverage Ratio was 26.80:1.

Leverage Ratio - The Company’s ratio of funded debt to trailing twelve month Adjusted EBITDA per the facility, calculated as Adjusted EBIT per the Credit Facility plus depreciation and amortization, may not exceed 3.5:1. At December 31, 2016, the Company’s Leverage Ratio was 1.33:1.

In order to manage our interest rate exposure, we are party to \$50.0 million of active floating to fixed rate swaps. These swaps convert our interest payments from LIBOR to a weighted average rate of 1.43%.

The following table sets forth our capitalization a December 31, 2016 and June 30, 2016:

(In thousands)	December 31, 2016	June 30, 2016
Long-term debt	\$ 124,295	\$ 92,114
Less cash and cash equivalents	121,301	121,988
Net debt (cash)	2,994	(29,874)
Stockholders' equity	378,698	369,959
Total capitalization	<u>\$ 381,692</u>	<u>\$ 340,085</u>

We sponsor a number of defined benefit and defined contribution retirement plans. The U.S. pension plan is frozen for substantially all participants. We have evaluated the current and long-term cash requirements of these plans, and our existing sources of liquidity are expected to be sufficient to cover required contributions under ERISA and other governing regulations.

The fair value of the Company's U.S. defined benefit pension plan assets was \$188.9 million at December 31, 2016, as compared to \$197.9 million at the most recent measurement date, which occurred as of June 30, 2016. The next measurement date to determine plan assets and benefit obligations will be on June 30, 2017.

At December 31, 2016, we do not expect to make mandatory contributions to the U.S pension plan until at least 2019. The Company expects to pay \$1.3 million in contributions to its defined benefit plans during fiscal 2017. Contributions of \$0.4 million and \$0.6 million were made during the three months and six months ended December 31, 2016 compared to \$0.3 million and \$0.6 million during the three and six months ended December 31, 2015, respectively. Required contributions of \$0.7 million are expected to be paid to the Company’s U.K. defined benefit plan during fiscal year 2017. The Company also expects to make contributions of \$0.3 million to each of its unfunded defined benefit plans in the U.S. and Germany, respectively, during the remainder current fiscal year. Any subsequent plan contributions will depend on the results of future actuarial valuations.

We have an insurance program in place to fund supplemental retirement income benefits for six retired

executives. Current executives and new hires are not eligible for this program. At December 31, 2016 the underlying policies had a cash surrender value of \$20.0 million and are reported net of loans of \$10.2 million for which we have the legal right of offset, these amounts are reported net on our balance sheet.

On March 30, 2012, Air Distribution Products Group, (“ADP”) was sold to a private equity buyer for consideration of \$16.1 million consisting of \$13.1 million in cash and a \$3.0 million promissory note from the buyer. The note was secured by a mortgage on the ADP real estate sold in the transaction in Detroit Lakes, MN, Medina, NY, and Powder Springs, GA. During the first quarter 2016, the private equity buyer of ADP sold one of the facilities securing the note. The Company released all mortgages on the properties and accepted an advanced payment of \$2.8 million during October 2015 in order to reduce repayment risk and settle all obligations under the note. The Company recorded a \$0.2 million loss in discontinued operations during the first quarter 2016 related to this transaction.

Other Matters

Inflation – Certain of our expenses, such as wages and benefits, occupancy costs and equipment repair and replacement, are subject to normal inflationary pressures. Inflation for medical costs can impact both our reserves for self-insured medical plans as well as our reserves for workers' compensation claims. We monitor the inflationary rate and make adjustments to reserves whenever it is deemed necessary. Our ability to manage medical costs inflation is dependent upon our ability to manage claims and purchase insurance coverage to limit the maximum exposure for us. Each of our segments is subject to the effects of changing raw material costs caused by the underlying commodity price movements. In general, we do not enter into purchase contracts that extend beyond one operating cycle. While Standex considers our relationship with our suppliers to be good, there can be no assurances that we will not experience any supply shortage.

Foreign Currency Translation – Our primary functional currencies used by our non-U.S. subsidiaries are the Euro, Chinese (Yuan), British Pound Sterling (Pound), Canadian dollar, and Mexican (Peso).

Environmental Matters – To the best of our knowledge, we believe that we are presently in substantial compliance with all existing applicable environmental laws and regulations and do not anticipate any instances of non-compliance that will have a material effect on our future capital expenditures, earnings or competitive position.

Seasonality – We are a diversified business with generally low levels of seasonality, however our fiscal third quarter is typically the period with the lowest level of activity.

Employee Relations – The Company has labor agreements with a number of union locals in the United States and a number of European employees belong to European trade unions. There were two union contracts in the U.S. scheduled to expire during fiscal year 2017, both of which have been successfully negotiated.

Critical Accounting Policies

The condensed consolidated financial statements include the accounts of Standex International Corporation and all of its subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions in certain circumstances that affect amounts reported in the accompanying condensed consolidated financial statements. Although we believe that materially different amounts would not be reported due to the accounting policies adopted, the application of certain accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. Our critical accounting policies have not materially changed from those discussed in our Annual Report on Form 10-K for the year ended June 30, 2016.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management

We are exposed to market risks from changes in interest rates, commodity prices and changes in foreign currency exchange. To reduce these risks, we selectively use, from time to time, financial instruments and other proactive management techniques. We have internal policies and procedures that place financial instruments under the direction of the Treasurer and restrict all derivative transactions to those intended for hedging purposes only. The use of financial instruments for trading purposes (except for certain investments in connection with the non-qualified defined contribution plan) or speculation is strictly prohibited. The Company has no majority-owned subsidiaries that are excluded from the consolidated financial statements. Further, we have no interests in or relationships with any special purpose entities.

Exchange Rate Risk

We are exposed to both transactional risk and translation risk associated with exchange rates. The transactional risk is mitigated, in large part, by natural hedges developed with locally denominated debt service on intercompany accounts. We also mitigate certain of our foreign currency exchange rate risks by entering into forward foreign currency contracts from time to time. The contracts are used as a hedge against anticipated foreign cash flows, such as dividend payments, loan payments, and materials purchases, and are not used for trading or speculative purposes. The fair values of the forward foreign currency exchange contracts are sensitive to changes in foreign currency exchange rates, as an adverse change in foreign currency exchange rates from market rates would decrease the fair value of the contracts. However, any such losses or gains would generally be offset by corresponding gains and losses, respectively, on the related hedged asset or liability. At December 31, 2016, the fair value, in the aggregate, of the Company's open foreign exchange contracts was a liability of \$0.1 million.

Our primary translation risk is with the Euro, British Pound Sterling, Peso, and Chinese Yuan. A hypothetical 10% appreciation or depreciation of the value of any these foreign currencies to the U.S. Dollar at December 31, 2016, would not result in a material change in our operations, financial position, or cash flows. We do not hedge our translation risk. As a result, fluctuations in currency exchange rates can affect our stockholders' equity.

Interest Rate Risk

Our interest rate exposure is limited primarily to interest rate changes on our variable rate borrowings.

From time to time, we use interest rate swap agreements to modify our exposure to interest rate movements. The Company's currently effective swap agreements convert our base borrowing rate on \$50.0 million of debt due under our Credit Agreement from a variable rate equal to LIBOR to a weighted average rate of 1.43% at December 31, 2016.

The Company's effective rate on variable-rate borrowings, including the impact of interest rate swaps, under the revolving credit agreement increased from 1.76% at June 30, 2016 to 1.90% at December 31, 2016.

Concentration of Credit Risk

We have a diversified customer base. As such, the risk associated with concentration of credit risk is inherently minimized. As of December 31, 2016, no one customer accounted for more than 5% of our consolidated outstanding receivables or of our sales.

Commodity Prices

The Company is exposed to fluctuating market prices for all commodities used in its manufacturing processes. Each of our segments is subject to the effects of changing raw material costs caused by the underlying commodity price movements. In general, we do not enter into purchase contracts that extend beyond one operating cycle. While Standex considers our relationship with our suppliers to be good, there can be no assurances that we will not experience any supply shortage.

The Engineering Technologies, Food Service Equipment, Electronics, and Hydraulics segments are all sensitive to price increases for steel products, other metal commodities and petroleum based products. In the past year, we have experienced price fluctuations for a number of materials including steel, copper wire, other metal commodities, refrigeration components and foam insulation. These materials are some of the key elements in the products manufactured in these segments. Wherever possible, we will implement price increases to offset the impact of changing prices. The ultimate acceptance of these price increases, if implemented, will be impacted by our affected divisions' respective competitors and the timing of their price increases.

ITEM 4. CONTROLS AND PROCEDURES

At the end of the period covered by this Report, the management of the Company, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2016 in ensuring that the information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions

regarding required disclosure.

SEC guidance permits the exclusion of an evaluation of the effectiveness of a registrant's disclosure controls and procedures as they relate to the internal control over financial reporting for an acquired business during the first year following such acquisition. During the second quarter of fiscal year 2017 the Company acquired all of the outstanding stock of Horizon Scientific, Inc., ("Horizon") on October 16, 2016. Horizon represents less than 4.3% of the Company's consolidated revenue for the three months ended December 31, 2016 and approximately 5.8% of the Company's consolidated assets at December 31, 2016. Management's evaluation and conclusion as to the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2016 excludes any evaluation of the internal control over financial reporting of Horizon.

There was no change in the Company's internal control over financial reporting during the quarterly period ended December 31, 2016 that has materially affected or is reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A - Risk Factors

In addition to other information set forth in this report, you should carefully consider the factors discussed in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended June 30, 2016 which could materially affect our business, financial position, and results of operations. Risk factors which could cause actual results to differ materially from those suggested by forward-looking statements include but are not limited to those discussed or identified in this document, in our public filings with the SEC, and those incorporated by reference in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended June 30, 2016.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) The following table provides information about purchases by the Company of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act:

Issuer Purchases of Equity Securities¹ Quarter Ended December 31, 2016

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total cumulative number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or appropriate dollar value) of shares (or units) that may yet be purchased under the plans or programs
October 1 - October 31, 2016	2,171	\$ 86.86	2,171	206,815
November 1 - November 30, 2016	11,544	86.46	11,544	195,271
December 1 - December 31, 2016	360	88.06	360	194,911
Total	14,075	\$ 86.56	14,075	194,911

(1) The Company has a Stock Buyback Program (the "Program") which was originally announced on January 30, 1985 and most recently amended on April 26, 2016. Under the Program, the Company was authorized to repurchase up to an aggregate of \$100 million of its shares. Under the program, purchases may be made from time to time on the open market, including through 10b5-1 trading plans, or through privately negotiated transactions, block transactions, or other techniques in accordance with prevailing market conditions and the requirements of the Securities and Exchange Commission. The Board's authorization is open-ended and does not establish a timeframe for the purchases. The Company is not obligated to acquire a particular number of shares, and the program may be discontinued at any time at the Company's discretion.

ITEM 6. EXHIBITS

(a) Exhibits

10.1	*	Stock Purchase Agreement dated as of October 17, 2016 by and among Standex International Corporation, as buyer, and Gregory J. Deutschmann, as sellers, of Horizon Scientific, Inc.
10.2	*	Employment Agreement dated October 17, 2016 between the Company and Gregory J. Deutschmann.

31.1	*	Principal Executive Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	*	Principal Financial Officer's Certification Pursuant to Rule 13a-14(a)/15d-14(a) and Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	*	Principal Executive Officer and Principal Financial Officer Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	**	XBRL Instance Document.
101.SCH	**	XBRL Taxonomy Extension Schema Document.
101.CAL	**	XBRL Taxonomy Calculation Linkbase Document.
101.DEF	**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	**	XBRL Taxonomy Label Linkbase Document.
101.PRE	**	XBRL Taxonomy Presentation Linkbase Document.

* Filed herewith.
** Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at December 31, 2016 and June 30, 2016, (ii) Condensed Consolidated Statements of Income for the three and six months ended December 31, 2016 and December 31, 2015, (iii) Condensed Consolidated Statements of Cash Flows for the six months ended December 31, 2016 and December 31, 2015, and (v) Notes to Unaudited Condensed Consolidated Financial Statements.

ALL OTHER ITEMS ARE INAPPLICABLE

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STANDEX INTERNATIONAL CORPORATION

Date: February 3, 2017 /s/ THOMAS D. DEBYLE
Thomas D. DeByle
Vice President/Chief Financial Officer
(Principal Financial & Accounting Officer)

Date: February 3, 2017 /s/ SEAN C. VALASHINAS
Sean C. Valashinas
Chief Accounting Officer/Assistant Treasurer

STOCK PURCHASE AGREEMENT

dated as of October 17, 2016

by and among

Standex International Corporation

and

Gregory J. Deutschmann

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Exhibit 3.1(j)	Form of Varnfield Lease

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this “Agreement”) is made and entered into as of this 17th day of October, 2016, by and among Standex International Corporation, a Delaware corporation (the “Buyer”), and Greg Deutschmann (the “Seller”). All capitalized terms used herein but not otherwise defined herein shall have the meanings assigned to such terms in Article XI, below.

R E C I T A L S:

WHEREAS, Horizon Scientific, Inc., a South Carolina corporation (the “Company”), is engaged in the business of designing, manufacturing, marketing and selling refrigeration systems for use in medical, healthcare and scientific laboratory applications (the “Business”);

WHEREAS, the Seller owns all of the issued and outstanding capital stock of the Company, consisting of One Thousand Six Hundred Sixty (1,660) shares of no par value common stock (the “Subject Securities”); and

WHEREAS, the Seller desires to sell to the Buyer, and the Buyer desires to purchase from the Seller, the Subject Securities, upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises and the representations, warranties, covenants and agreements set forth herein, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Buyer and the Seller hereby agree as follows:

ARTICLE I **Securities To Be Purchased**

Subject to the terms and conditions set forth in this Agreement, at the Closing, the Seller shall sell and transfer to the Buyer, and the Buyer shall purchase from the Seller, all of the Subject Securities, which Subject Securities represent all of the issued and outstanding capital stock of the Company.

ARTICLE II **Closing; Purchase Price**

2.1 Closing

. The closing of the purchase and sale of the Subject Securities and the other transactions as contemplated herein (the “Closing”) shall occur simultaneously with the execution of this Agreement at the offices of the Company, or at such other time and/or place as the parties hereto shall mutually agree. Except as otherwise set forth herein or required by Legal Requirements, the Closing shall be deemed effective as of 12:01 A.M. local time on the Closing Date (the “Effective Time”).

2.2 Purchase Price

. The aggregate purchase price for the Subject Securities shall be an amount equal to (a) Thirty-one Million Dollars (\$31,000,000) cash (the “Base Purchase Price”), as adjusted by the Working Capital Adjustment pursuant to Section 2.3, below, plus (b) the amount of Cash of the Company immediately prior to the Effective Time, less (c) the amount of Indebtedness of the Company outstanding immediately prior to the Effective Time, less (d) the aggregate amount of the Transaction Bonuses (the aggregate amount of clauses (a), (b), (c) and (d) of this Section 2.2 being the “Closing Purchase Price”). The Closing Purchase Price shall be paid by the Buyer to the Seller as provided in Sections 2.4 and 2.5, below.

Adjustments to Base Purchase Price

2.3

. The Base Purchase Price shall be subject to adjustment as follows (the “Working Capital Adjustment”):

(a) The Base Purchase Price shall be increased on a dollar-for-dollar basis to the extent that the Closing Net Working Capital is greater than the Upper Net Working Capital Target; and

(b) The Base Purchase Price shall be decreased on a dollar-for-dollar basis to the extent that the Closing Net Working Capital is less than the Lower Net Working Capital Target.

For purposes hereof, the “Closing Net Working Capital” is the sum, all in accordance with US GAAP as of the Effective Time and in a manner consistent with the sample calculation attached hereto as **Exhibit 2.3**, of all (i) inventory including raw material inventory purchased within the twelve (12) months period ending on the Closing Date and valued at the lower of cost or market, work-in-process inventory (excluding items that have been work-in-process inventory for more than one year), valued burdened cost, saleable finished goods inventory, net of any reserves, and deposit amounts paid to suppliers in advance for the future purchase of raw material inventory plus (ii) receivables at the Closing Date, net of reserves, and not requiring adjustment due to quality, price or collectability, minus (iii) trade payables. For the avoidance of doubt, the Closing Net Working Capital shall not include Cash of the Company or any portion of Indebtedness or Transaction Bonuses or Transaction Expenses that to be paid off at or in conjunction with the Closing and any payables associated with conduct of the physical inventory count and valuation described in Section 2.5 and preparation of the Financial Statements shall be at the Seller’s sole cost.

2.4 Closing Payments

. At the Closing:

(a) The Seller shall have prepared and delivered to the Buyer a reasonably detailed statement containing an estimate of the Closing Purchase Price (the “Estimated Pricing Statement”) by no later than two Business Days prior to the Closing (or upon such other schedule as Seller and Buyer may mutually agree). If Buyer disputes the Seller’s estimate of the Closing Purchase Price, the parties shall endeavor to amicably resolve such dispute prior to the Closing.

(b) The Buyer shall deliver an amount equal to the Closing Purchase Price set forth on the Estimated Pricing Statement (the “Estimated Closing Purchase Price”) less the Escrow Amount and the Holdback Amount to the Seller, by wire transfer of immediately available funds to such bank account or accounts as shall be designated in writing by the Seller. Any adjustment to the Estimated Closing Purchase Price shall be calculated and paid as provided in Section 2.5, below.

(c) The Buyer shall deliver the Escrow Amount to the Escrow Agent for deposit into an escrow account (the “Escrow Account”) in accordance with the terms and conditions of the Escrow Agreement.

(d) The Buyer shall pay all Indebtedness of the Company set forth on **Exhibit 2.4(d)** in accordance with the pay-off letters delivered by the Company and the lenders prior to Closing.

(e) The Buyer shall pay the aggregate amount of all bonuses set forth on **Exhibit 2.4(e)** (the “Transaction Bonuses”) to the Company, for further payment through the Company’s payroll to the employees set forth on such Exhibit.

(f) The Buyer shall make payment of the Holdback Amount as set forth herein. The unpaid Holdback Amount shall accrue and include interest from the Closing Date at a rate of six percent (6%) per annum. All payments shall be delivered by wire transfer to such bank account or accounts as shall be designated in writing by Seller.

If, on the date that is two (2) years following the Closing, the Seller is employed by the Company or any of its Affiliates, then the Buyer shall promptly (and in any event within three (3) Business Days of such date) pay one-third of the Holdback Amount to the Seller together with one-third of the then accrued interest on the Holdback Amount.

(ii) If, on the date that is three (3) years following the Closing, the Seller is employed by the Company or any of its Affiliates, then the Buyer shall promptly (and in any event within three (3) Business Days of such date) pay the remaining balance of the Holdback Amount to the Seller together with the remaining interest accrued on the Holdback Amount.

(iii) In the event that Seller ceases employment with the Company and its Affiliates prior to the date that is three (3) years following the Closing due to (x) Seller's death or disability, (y) Seller's resignation for Good Reason (as defined in the Seller's Employment Agreement) or (z) the Company's termination of the Seller without Cause (as defined in the Seller's Employment Agreement), then the Buyer shall promptly (and in any event within three (3) Business Days of such cessation of employment) pay to the Seller or his estate, as the case may be, any portion of the Holdback Amount that has not yet been paid together with the remaining interest accrued on the Holdback Amount.

(iv) Any portion of the Holdback Amount that does not become payable under Sections 2.4(f)(i) through (iii) above shall be forfeited and Buyer shall have no further obligations with respect to such forfeited amount.

2.5 Calculation of Final Closing Purchase Price

(a) No sooner than ten (10) and no later than five (5) Business Days prior to the Closing (or upon such other schedule as Seller and Buyer may mutually agree), the Seller shall cause the Company to conduct a physical inventory count and valuation of the inventory items of the Company for purposes of determining the number and value of such inventory items that existed immediately prior to the Effective Time. The physical inventory count shall be performed and valued in accordance with GAAP. If not paid prior to Closing, the cost related to this physical inventory count and valuation shall be Transaction Expenses to be paid in full by the Seller or the Company at the Closing. The Buyer and its independent public accountants shall have the right to observe such physical inventory count. Such inventory count and valuation shall establish the final and agreed upon count and valuation of such inventory items for purposes of the Closing Financial Statements and the Final Pricing Statement. Following the physical inventory count and valuation, the Company shall deliver to Buyer a copy of the detailed inventory, including the date and price of last purchase of each SKU, taking into consideration (a) shortages identified in the physical inventory count; (b) any portion of the inventory that is slow moving; (c) any portion of the inventory that is obsolete and therefore not capable of being utilized in the ordinary course of business; and (d) any portion of the inventory that is damaged. The Company shall provide Buyer and its independent public accountant's access to and/or copies of any and all work papers used in the physical inventory count.

(b) Within sixty (60) calendar days following the Closing Date, Buyer and Seller, jointly but at Buyer's sole cost and expense, shall cause the Company's current independent accounting firm to prepare and deliver to Buyer reviewed financial statements, including statements of income and cash flows and balance sheet, for the Company for the period from January 1, 2016 through the Closing Date (the "Closing Financial Statements"). The Closing Financial Statements shall be prepared in accordance with GAAP. Within five (5) Business Days of its receipt of the Closing Financial Statements, Buyer shall deliver to Seller the Closing Financial Statements along with its calculation of a final pricing statement (the "Final Pricing Statement") which (i) shall be based on the Closing Financial Statements and (ii) shall reflect any changes to the Estimated Closing Purchase Price resulting from changes in Closing Net Working Capital, the Working Capital Adjustment, Cash and Indebtedness from the amounts set forth in the Estimated Pricing Statement (such revision shall be referred to as the "Final Closing Purchase Price").

(c) Within twenty (20) calendar days following Buyer's delivery of the Closing

Financial Statements and Final Pricing Statement, Seller must notify the Buyer of any objections to the Buyer's calculation of the Final Closing Purchase Price as reflected in the Final Pricing Statement and the basis for such objections. ~~Buyer shall make the Company's financial records, accounting personnel and advisors available to Seller, his accountants and other representatives at reasonable times during Seller's review of, and the resolution of any objections with respect to, the Final Pricing Statement and Final Closing Purchase Price.~~ In the event that the Seller does not notify the Buyer, within twenty (20) calendar days after receipt of the Final Pricing Statement, that the Seller has any objections to the Buyer's calculation of the Final Closing Purchase Price as reflected in the Final Pricing Statement, then the Buyer's calculation of the Final Closing Purchase Price shall be final hereunder. In the event that the Seller does notify the Buyer, within twenty (20) calendar days after receipt of the Final Pricing Statement, that the Seller has any such objection, then the Buyer and the Seller shall use their good faith efforts to attempt to resolve such disputed items. In the event the Buyer and the Seller are unable to resolve the disputed items within forty-five (45) calendar days after receipt by the Buyer of the Seller's notice of dispute, such disputed items shall be referred to the Summerville, SC office of WebsterRogers LLP, a RMS US Alliance member (the "Independent Accounting Firm") to resolve finally such disputed items; provided, however, that the scope of the Independent Accounting Firm's engagement shall be limited to the resolution of the disputed items described in the Seller's notice of dispute ~~(which resolution shall be within the range of dispute between the Final Pricing Statement and the Seller's objection notice)~~ and the recalculation, if any, of the Final Closing Purchase Price in light of such resolution. The determination(s) of the Independent Accounting Firm shall be made as promptly as possible and shall be final and binding upon the parties, absent manifest error. Each party hereto shall be permitted to submit such data and information to the Independent Accounting Firm as such party deems appropriate; provided that any information so provided shall also be provided to the other party. The expenses and fees of the Independent Accounting Firm shall be borne one-half (1/2) by the Buyer and one-half (1/2) by the Seller. The Final Closing Purchase Price as finally agreed by the parties or as determined by the Independent Accounting Firm as described herein shall be the Final Closing Purchase Price for all purposes hereof.

(d) Once the Final Closing Purchase Price is determined in accordance with this Section 2.5, the following shall occur:

(i) If the Final Closing Purchase Price exceeds the Estimated Closing Purchase Price, then, within three (3) Business Days following the final determination of the Final Closing Purchase Price under this Section 2.5, the Buyer shall pay the excess amount to the Seller, by wire transfer of immediately available funds to such bank account or accounts as shall be designated in writing by the Seller.

(ii) If the Estimated Closing Purchase Price exceeds the Final Closing Purchase Price, then, within three (3) Business Days following the final determination of the Final Closing Purchase Price under this Section 2.5, the Seller shall pay the aggregate amount of such difference to the Buyer by wire transfer of immediately available funds to such bank account or accounts as shall be designated in writing by the Buyer.

If any amount owed by a party pursuant to this Section 2.5(d) remains unpaid after such three (3) Business Day period, interest shall accrue on the unpaid amount from the date due to the payment date at a rate per annum equal to six percent (6%).

ARTICLE III **Closing Deliveries**

3.1 Deliveries by Seller at the Closing.

At the Closing, the Seller shall deliver, or cause to be delivered, to the Buyer each of the following:

(a) Certificates representing the Subject Securities, duly endorsed in blank, or such other good and sufficient instruments of transfer as the Buyer reasonably deems necessary or appropriate to vest in the Buyer all right, title and interest in and to the Subject Securities.

(b) Duly executed resignations of the members of the board of directors and

such officers of the Company as the Buyer shall have requested in writing to the Seller Representative not less than three (3) Business Days prior to the Closing Date.

(c) Constructive possession of the Records of the Company (which may include delivery of all such Records to the headquarters of the Company), provided, however, that the Seller may maintain a copy of such Records for the purpose of supporting backup to tax returns filed by the Seller.

(d) A certificate of good standing for the Company issued by the South Carolina Secretary of State's Office no earlier than ten (10) Business Days prior to the Closing Date.

(e) An Escrow Agreement, in the form attached hereto as **Exhibit 3.1(e)** (the "Escrow Agreement"), duly executed by the Seller.

(f) The Consents listed on **Exhibit 3.1(f)**, in a form reasonably satisfactory to the Buyer.

(g) Employment Agreements, in the forms attached hereto as **Exhibit 3.1(g)(i)** and **Exhibit 3.1(g)(ii)** (the "Employment Agreements"), duly executed by Gregory J. Deutschmann and Laura Steiner respectively.

(h) Evidence of Seller's procurement of Extended Reporting Period coverage for the Company's Employment Practices Liability Insurance Policy.

(i) Evidence of payment of all outstanding amounts owed under any third party financing arrangements including but not limited to (i) the Company's Commercial Line of Credit Agreement and Note Renewal Agreement with Tideland Bank and (ii) any payables to Affiliates.

(j) A Commercial Real Estate Lease Agreement, in the form attached hereto as **Exhibit 3.1(j)** (the "Varnfield Lease"), duly executed by Varnfield 125 Properties, LLC.

3.2 Deliveries by the Buyer at the Closing.

At the Closing, the Buyer shall deliver, or cause to be delivered, to the Seller each of the following:

(a) A certificate from an officer of the Buyer, in a form reasonably satisfactory to the Seller, setting forth the resolutions of the board of directors of the Buyer authorizing the execution of this Agreement and all Ancillary Agreements to which the Buyer is a party and the taking of any and all actions deemed necessary or advisable to consummate the transactions contemplated herein and therein.

(b) A good standing certificate for the Buyer issued by the Secretary of State of the State of Delaware no earlier than ten (10) Business Days prior to the Closing Date.

(c) The Escrow Agreement, duly executed by the Buyer and the Escrow Agent.

(d) The Employment Agreements, duly executed by the Company.

(e) The Varnfield Lease, duly executed by the Company.

ARTICLE IV **Warranties and Representations of the Seller**

4.1.1 Warranties and Representations Regarding the Company. The Seller hereby warrants and represents to the Buyer, which warranties and representations shall survive the Closing for the periods, and subject to the limitations, set forth in Article IX, below, that except as set forth in the Disclosure Schedules, the following statements are true and correct as of the date hereof:

4.1.1 **No Conflict.** Except as set forth on **Schedule 4.1.1**, neither the execution and delivery of this Agreement or the Ancillary Agreements to which the Company is

a party nor the consummation or performance of any of the transactions contemplated hereunder or thereunder by the Company will (a) contravene, conflict with, or result in a violation of or default under any provision of the Organizational Documents of the Company, (b) contravene, conflict with, or result in a violation of or default under any Legal Requirement or any Order to which the Company is subject, (c) assuming all Consents are obtained, violate or conflict with, or result in a default or require notice under, or give any Person the right to exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify any Material Contract, or (d) result in the imposition or creation of any Encumbrance upon or with respect to any of the material assets owned, leased or licensed by the Company. No action, consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Body is required to be obtained or made by the Company in connection with the execution and delivery of this Agreement and the Ancillary Agreements to which the Company is a party or the consummation by the Company of any of the transactions contemplated hereby or thereby except those that may be required solely by reason of Buyer's (as opposed to any other third party's) participation in the transactions contemplated hereby.

4.1.2 Restrictions on Transfer. There are no voting trust agreements, powers of attorney, stockholders' agreements, proxies or any other Contracts to which the Company is a party or by which the Company is bound relating to the sale, transfer, voting, registration, acquisition, distribution rights or disposition of any of the capital stock of the Company or otherwise granting any Person any right in respect of the capital stock of the Company. Seller has the absolute and unrestricted right, power, authority and capacity to execute and deliver this Agreement and to perform his obligations under this Agreement.

4.1.3 Organizational Matters. The Company is a corporation duly organized and validly existing and in good standing under the laws of the State of South Carolina. The Company has the corporate power and authority to own or lease its properties and assets as and where currently owned or leased and to carry on all business activities currently conducted by the Company. The Company is duly qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the ownership or leasing of its assets makes such qualification necessary, except where the lack of such qualification would not have a Material Adverse Effect.

4.1.4 Documentation. The stock register of the Company (a copy of which has been made available for inspection by the Buyer and its Representatives) is true and complete in all material respects. The books of account, minute book, stock record books, and other records of the Company are complete and correct in all material respects and have been maintained in accordance with commercially reasonable business practices. For the last (3) years, the Company has maintained materially accurate and complete records of all meetings held of, and corporate action taken by, the stockholders, the boards of directors, and committees of the boards of directors of the Company.

4.1.5 Capitalization. The authorized capital stock of the Company consists of Three Thousand (3,000) shares of no par value common stock. **Schedule 4.1.5** sets forth a true and correct capitalization table for the Company. Seller is the record owner of the entire Subject Securities, free and clear of all Encumbrances. All of the issued and outstanding capital stock of the Company was duly authorized, validly issued and is fully paid and non-assessable. There are no outstanding or authorized warrants, options, subscriptions, convertible or exchangeable securities or other agreements pursuant to which the Company is or may become obligated to issue or sell any of its capital stock. All of the issued and outstanding shares were issued in compliance with applicable federal and state securities laws. There are no outstanding or authorized stock appreciation, phantom stock or similar rights with respect to the Company.

4.1.6 Subsidiaries. The Company does not own any equity interest in another Person.

4.1.7 Title to Assets. The Company has good and marketable title to, a valid leasehold interest in, or has the valid and enforceable right to use, all material properties and assets (whether tangible or intangible) located at its business facilities, reflected as owned in the books and records of the Company, purchased, used or otherwise acquired by the Company in

connection with the conduct of the Business as presently conducted, free and clear of all Encumbrances, other than Permitted Liens.

4.1.8 Real Estate.

(a) The Company does not own and has never owned any real property. **Schedule 4.1.8(a)** lists all of the Leased Real Property as well as all real property previously but no longer leased by the Company. As of the Closing, any existing agreements relative to the Leased Real Property shall be null and void and shall be superseded by the Varnfield Lease. The Company has no outstanding obligations or liabilities to the landlord relative to the Leased Real Property except as set forth in the Varnfield Lease. The current use and operation of the Leased Real Property is in compliance in all material respects with all applicable Laws, including without limitation laws relating to permitting, parking, zoning, environmental and land use, and public and private covenants and restrictions.

(b) The buildings, plants, structures, machinery, tools, dies, furniture, fixtures and equipment of the Company including the facilities located on the Leased Real Property (the "Facilities") are in good and serviceable operating condition and repair, ordinary wear and tear excepted. None of such buildings, plants, structures, machinery, tools, dies, furniture, fixtures or equipment including the Facilities is in need of maintenance or repairs except for ordinary, routine maintenance and repairs that are not material in cost to the Business, taken as a whole. The assets and properties, tangible and intangible, of the Company, including any leased assets and properties of the Company (which includes the Facilities), taken as a whole, are sufficient to carry on the business of the Company as it is currently conducted.

4.1.9 Proceedings. Except as set forth in **Schedule 4.1.9**, there is not currently, nor has there been for the three (3) years immediately preceding the Closing Date, any material Proceeding pending or, to the Knowledge of the Seller, threatened against the Company. The Company is not currently subject to any Order affecting the properties, assets, personnel or business activities of the Company.

4.1.10 Intellectual Property.

(a) **Schedule 4.1.10(a)** lists all of the following Owned Intellectual Property: (i) all United States and foreign issued design patents and utility patents, all pending applications relating to any inventions or designs and all renewals, reissues, divisionals, continuations, continuations-in-part and extensions of the foregoing; (ii) all registered and unregistered trademarks, service marks and tradenames as well as all pending trademark and service mark applications; (iii) all registered copyrights and copyright applications and all renewals and extensions; and (iv) all domain name registrations.

(b) **Schedule 4.1.10(b)** lists all Licenses (excluding shrink-wrap, click-wrap, click-through or other similar licenses with respect to off-the-shelf or generally available personal computer software), under which the Company is subject to receive, or obligated to pay, as the case may be, fees (including support and maintenance fees) of more than Ten Thousand Dollars (\$10,000) per annum following the Closing.

(c) The Company has the right to use all Intellectual Property used in the Business. All Owned Intellectual Property is owned free and clear of all Encumbrances except for Permitted Liens.

(d) There is no Proceeding pending or, to the Knowledge of the Seller, Threatened (i) by any Person against the Company relating to the use of any Intellectual Property or challenging the ownership of any Owned Intellectual Property used in the Business, or (ii) asserted by the Company against any Person relating to any Owned Intellectual Property. To the Knowledge of the Seller,

during the last three (3) years, there have been no infringing uses by third parties of the Owned Intellectual Property. During the last three (3) years, the Company has not (x) interfered in, infringed upon, misappropriated, violated or otherwise come into conflict with any Intellectual Property rights of any third party, and (y) received any written charge, complaint, claim or notice (including an offer to license) alleging any such interference, infringement, misappropriation or violation.

(e) All of the issued patents owned by the Company are currently in compliance in all material respects with formal Legal Requirements (including payment of filing, examination, and maintenance fees and proofs of working or use) and, to the Knowledge of the Seller, are valid and enforceable.

(f) All trademarks or service marks owned by the Company that have been registered with the United States Patent and Trademark Office are currently in compliance in all material respects with all formal Legal Requirements (including the timely post-registration filing of affidavits of use and incontestability and renewal applications) and, to the Knowledge of the Seller, are valid and enforceable.

4.1.11 Financial Statements.

(a) The Financial Statements attached to **Schedule 4.1.11(a)** present fairly in all material respects the financial position of the Company as of the dates designated therein and the results of operations and cash flows for the periods designated therein, and were prepared in accordance with GAAP, subject, in the case of the interim monthly financial statements, to normal recurring year-end adjustments and the absence of footnotes.

(b) All accounts receivable of the Company reflected on the Financial Statements represent valid obligations arising from sales actually made or services actually performed and are not subject to setoff. To the Knowledge of Seller, there are no facts or circumstances that would reasonably be expected to call into question the collectability of any such accounts receivable.

(c) The Company has no liabilities of any kind that are required to be reflected on a balance sheet prepared in accordance with GAAP, other than (i) liabilities that have arisen after the date of the most recent Financial Statement in the Ordinary Course of Business which would not individually or in the aggregate have a Material Adverse Effect on the Business as a whole, (ii) to the extent and for the amount reflected as a liability on any of the Financial Statements or the Closing Financial Statements, (iii) liabilities disclosed on the Disclosure Schedules and (iv) liabilities of the nature addressed by the subject matter of the Seller's representations and warranties in this Article IV (regardless of whether the facts and circumstances underlying such liability would have constituted a breach of a representation and warranty of the Seller hereunder).

(d) The spreadsheets attached as **Schedule 4.1.11(d)** accurately reflect current pricing in 2016 with the Company's top two customers for year-to-date 2016 as well as the Company's minimum price available to distributors of its American Biotech Supply products.

4.1.12 Taxes.

(a) The Company has duly and timely filed all Tax Returns required to be filed prior to the Closing Date and such Tax Returns are true, correct and complete in all material respects. The Company has complied in all material respects with all applicable Legal Requirements relating to the withholding of Taxes and has duly and properly withheld from salaries, wages and other compensation, and paid over to the appropriate Governmental Bodies, all amounts required to be so withheld and paid over for all periods. The Company has collected all sales, use or similar Taxes required to be collected, and has remitted, or will remit on a timely basis, such

amounts to the appropriate Governmental Bodies, or has been furnished properly completed exemption certificates and has maintained all such records and supporting documentation in the manner required by all applicable sales and use Tax Legal Requirements.

(b) The Company has not waived any statute of limitations in respect of any Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency.

(c) No unresolved written claim has been made against the Company by a Governmental Body in a jurisdiction where the Company has never paid Taxes or filed Tax Returns asserting that the Company is or may be subject to Taxes assessed by such jurisdiction.

(d) None of the Tax Returns of the Company is currently the subject of an audit by a Governmental Body. **Schedule 4.1.12(d)** contains a list of all audits of all Tax Returns of the Company during the three (3) years immediately preceding the Closing Date. There are no Encumbrances for Taxes upon any of the assets of the Company.

(e) Except as set forth on **Schedule 4.1.12(e)**, the Company is not a party to any Tax allocation or sharing agreement and the Company has not been a member of an “affiliated group” filing a federal consolidated income Tax Return.

(f) The Company has not been a party to or engaged in a “listed transaction” as defined in the Treasury Regulations promulgated under Section 6011 of the Code (or any other similar applicable Legal Requirement).

4.1.13 **Material Contracts.** **Schedule 4.1.13** lists all Material Contracts. A complete copy of each Material Contract, and all amendments thereto, has been provided to the Buyer. Each Material Contract is legal, valid, binding, enforceable in accordance with its terms (subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting generally the enforcement of creditors’ rights and subject to general principles of equity) and in full force and effect against the Company, and, to the Knowledge of the Seller, the other parties thereto. Neither the Company, nor, to the Knowledge of the Seller, any other Person who is a party to any Material Contract is in breach or default in any material respect under any Material Contract (with or without the lapse of time, or the giving of notice, or both). The Company has not sent or received any written notice of breach, termination or cure with respect to any Material Contract that is not currently resolved.

4.1.14 **Personnel Matters; Labor Practices.**

(a) **Schedule 4.1.14(a)** sets forth a true, correct and complete list of (i) all employees, officers and directors of the Company as of September 30, 2016, including those individuals on leave of absence or layoff status or temporary military recall, together with their employment commencement date, current rates of compensation, wages or commissions; (ii) each employee/officer who has entered into a contract for employment agreement with the Company, a copy of which has been provided to Buyer.

(b) The Company is in compliance in all material respects with all applicable Legal Requirements relating to the employment of labor including, without limitation, provisions thereof relating to wages, hours, equal opportunity, collective bargaining, workplace safety, discrimination, immigration and the payment of social security and other Taxes and, except as set forth on **Schedule 4.1.14(b)**, the Company has not been and is not subject to any adverse rulings, findings or determinations of unlawful employment practices or violations of other related statutes.

(c) The Company is not a party to any Contract with any union, trade union, labor organization, employee group or similar entity which affects the

employment of employees, including, but not limited to, any collective bargaining agreements, agreements with trade unions or labor contracts. The Company has not been subject to a strike, involuntary slowdown or other involuntary work stoppage during the three (3) year period immediately preceding the date hereof and, to the Knowledge of the Seller, there are no such strikes, slow-downs or work stoppages threatened against the Company.

(d) Except as set forth in **Schedule 4.1.14(d)**, to Seller's Knowledge, no employee with annual compensation in excess of seventy-five thousand dollars (\$75,000) or group of at least three (3) employees has any plans to terminate employment with the Company. To the Knowledge of Seller, there are no facts or circumstances currently existing which would reasonably be expected to lead to a material dispute between the Company and any of the foregoing employees relative to compensation, benefits, terms of employment and/or job responsibilities. The Company is in compliance in all material respects with all applicable federal, state and municipal Occupational Safety and Health Laws concerning or affecting employees of the Company.

(e) Except as set forth in **Schedule 4.1.14(e)**, during the three year period preceding the Closing, there has not been, there is not presently pending or existing, and to Seller's Knowledge there is not Threatened, (a) any Proceeding against or affecting the Company relating to the alleged violation of any Legal Requirement pertaining to labor relations or employment matters, including any charge or complaint filed by an employee with the Equal Employment Opportunity Commission, or (b) any petition for certification of a collective bargaining agent.

4.1.15 Benefit Plans.

(a) **Schedule 4.1.15(a)** lists each Plan. Except as may be necessary to comply with a Legal Requirement, the Company does not have a legally binding commitment to create any additional Plan, to modify or change any existing Plan, or to terminate any existing Plan that would affect any current or former employee of the Company. No Company Plans are defined benefit plans, (as defined in Section 3(35) of ERISA) or multiemployer plans (as defined in Section 4001(a)(3) of ERISA). The Company has made available to the Buyer (i) true and complete copies of each Plan (including all amendments thereto), (ii) any trust agreement and contracts or insurance policies relating to each Company Plan, and (iii) the most recent summary plan description for each Plan.

(b) The form of each Pension Plan and Welfare Plan is in material compliance with the applicable terms of ERISA, the Code and other applicable Legal Requirements and such Plans have been operated in material compliance with such applicable Legal Requirements and the written Plan documents. The Company has complied in all material respects with all provisions, rules, regulations and legislation relating to funding requirements for each Company Plan and there exist no unpaid funding liabilities which would be required to be accrued under GAAP except to the extent such liabilities have been accrued in the Financial Statements. Each Company Plan has been duly authorized by the board of directors and shareholders of the Company to the extent required under applicable Legal Requirements. Neither the Company, nor, to the Knowledge of the Seller, any fiduciary of a Pension Plan has materially violated the requirements of Section 404 of ERISA. All required reports with respect to the Pension Plans and Welfare Plans have been (when required) timely filed with the IRS, the U.S. Department of Labor or other applicable Governmental Body. No Pension Plan or Welfare Plan is currently under audit or review by any Governmental Body and, to the Knowledge of the Seller, no such audit or review has been Threatened. No charge, complaint or Proceeding with respect to any Pension Plan or Welfare Plan or the administration or the investment of the assets of any such Plan (except those routinely submitted in the ordinary course of Plan administration) is pending or, to the Knowledge of the Seller, Threatened against any such Plan, nor has the

Company received written notice by any Governmental Body of any intention to commence an audit or review or to bring a charge, complaint or Proceeding.

(c) The Company has or will have made prior to the Closing Date all required contributions and paid in full all required insurance premiums and other required payments with regard to the Plans for policy or Plan years or other applicable periods ending on or before the Closing Date to the extent due or owing on or before the Closing Date or will have accrued the same on the Final Pricing Statement.

(d) The Company has never maintained, sponsored, participated in or contributed to, or has any liability with respect to, any Pension Plan which is subject to Part 3 of Subtitle B of Title I of ERISA, Title IV of ERISA or Section 412 of the Code. The Company has never contributed to, or has any actual or potential liability with respect to, any "multiemployer plan" as defined in Section 4001 (a) (3) of ERISA.

(e) Except as set forth on **Schedule 4.1.15(e)**, the consummation of the transactions contemplated by this Agreement will not (i) entitle any Person currently or formerly providing services to the Company to severance pay or any other payment or form of compensation or benefit upon termination of services, or (ii) accelerate the time of payment or vesting or increase the amount of compensation due to any such current or former service provider.

(f) Except as required under applicable Legal Requirements, neither Seller nor the Company has made any promises of welfare benefit plans within the meaning of Section 3(1) of ERISA that provides for continuing benefits or coverage for any former employees or retirees of the Company including, but not limited to retiree medical benefits.

4.1.16 Events Since Balance Sheet Date. Since the Balance Sheet Date, the Business has not suffered any Material Adverse Effect. Except as set forth on **Schedule 4.1.16**, since the Balance Sheet Date, the Company has not:

(a) Sold, transferred, leased or otherwise disposed of, or agreed to sell, transfer, lease (as lessor) or otherwise dispose of, any material assets or properties other than in the Ordinary Course of Business;

(b) Except for normal merit, cost-of-living and promotional increases to employees consistent with past practices of the Company, made or agreed to make any change in the rate of compensation, commission, bonus or other remuneration payable to, or granted any severance or termination pay to, or increased benefits payable under any existing severance or termination pay policies to, or entered into or modified any employment agreements with, any employees;

(c) Made or granted any increase in, or amended or terminated, any existing Plan or adopted any new Plan, except as may be necessary to comply with an administrative Legal Requirement;

(d) Purchased, redeemed or otherwise acquired or retired for value any of its capital stock or engaged in any recapitalization, issuance or other transaction involving its capital stock;

(e) changed the Company's authorized or issued capital stock, granted of any stock option or right to purchase shares of capital stock of the Company; issued any security convertible into such capital stock, granted of any registration rights, granted options, warrants or stock awards, purchased, redeemed, retired, or otherwise acquired any shares of any such capital stock, or declared or payed any dividend or other distribution or payment in respect of shares of capital stock;

(f) Amended its Organizational Documents;

(g) Made any change in accounting methods or practices, or Tax reporting principles, other than changes required by changes in GAAP or the Code;

(h) Entered into any partnership, joint venture or similar relationship in which an equity interest of another Person was acquired;

(i) Acquired any business enterprise whether via stock purchase, asset purchase or otherwise;

(j) Made any capital expenditures or commitments therefor such that the aggregate outstanding amount of unpaid obligations and commitments with respect thereto shall comprise in excess of Fifty Thousand Dollars (\$50,000) on the date hereof;

(k) Incurred material damage to or destruction or loss of any asset or property of the Company, whether or not covered by insurance;

(l) Except in the Ordinary Course of Business, entered into, terminated or received notice of termination of any Material Contract;

(m) Granted or made any mortgage or pledge or subjected the Company or any of its properties or assets (tangible or intangible) to any claim, or Encumbrance of any kind (absolute or contingent), except Permitted Liens;

(n) Made any commitment or incurred any liability, through negotiations or otherwise, to any labor organization;

(o) Increased or established any reserve for Taxes or other liabilities on the books of the Company or otherwise provided therefore, except for Taxes or other liabilities relating to the Ordinary Course of Business; or wrote up or down the value of inventory or determine as collectable any notes or accounts receivable that were previously considered to be uncollectible, except for write-ups or write-downs in accordance with GAAP in the Ordinary Course of Business;

(p) Experienced any Losses not covered by insurance (other than deductibles under the applicable insurance policies) to the extent such Losses are caused by theft of which the Seller is aware, employee or third-party claim, cyber intrusion or material property damage; or

(q) Entered into any Contract to do any of the foregoing.

4.1.17 Environmental Matters. Except as set forth on **Schedule 4.1.17**:

(a) The Company has not (i) generated, treated, stored, handled or removed from or disposed of on the Leased Real Property or any other property previously occupied by the Company, any Hazardous Substances in material violation of any Environmental Law, (ii) received written notice from any Governmental Body or any third party of any Hazardous Substances which have migrated onto the Leased Real Property, or any other property previously occupied by the Company, from any adjacent property or which have migrated, emanated or originated from the Leased Real Property, or any other property previously occupied by the Company, onto any other property, (iii) received written notice from any Governmental Body or third party of any actual, alleged pending or Threatened violation or investigation of an alleged violation of any Environmental Law or Occupational Safety and Health Laws by the Company with respect to the Leased Real Property or any other property previously occupied by the Company, or (iv) received written notice from any Governmental Body or third party of any abatement, removal, remedial, corrective or other response actions required of the Company or any third party in connection with presence of Hazardous Substances on the Leased Real Property or any other property previously occupied by the Company.

(b) The Company has obtained all material Governmental Authorizations required for the operation of the Business and the use of the Leased Real Property as required by any Environmental Law or Occupational Safety and Health Laws and such Governmental Authorizations are in full force and effect and the Company is in material compliance with the terms and conditions of such Governmental Authorizations.

(c) There exists no pending Environmental Claim or Occupational Safety and Health Law Claim against the Company.

(d) The Company is in material compliance with all present interpretations of, or enforcement policies applicable to Environmental Law and Occupational Safety and Health Laws.

(e) True, correct and complete copies of all material environmental reports and related documentation from the past six (6) years in the possession or control of the Company with respect to the Leased Real Property have been made available to the Buyer.

4.1.18 **Insurance.** Schedule 4.1.18 lists all insurance policies currently maintained by the Company. Except as set forth in Schedule 4.1.18, and subject to any applicable deductibles and/or retention amounts and limits set forth such insurance policies, the Company does not self-insure with respect to (i) any employee health benefit plan, (ii) comprehensive general liability including premises risk and products and completed operations, (iii) loss of in-transit cargo, (iv) workers compensation, (v) loss or damage to personal or real property, (vi) fiduciary liability associated with any employee benefit plan or (vii) loss associated with loss of employee or business data due to a breach of information technology systems. Each such insurance policy is in full force and effect, and the Company has not received written notice of any cancellation or threat of cancellation of such insurance. The Company has paid all insurance premiums due, and has otherwise performed all of its obligations and complied with all material conditions, under each insurance policy to which the Company is a named insured or that provides coverage to the Company and its directors, officers, fiduciaries or employees, and, to the Knowledge of Seller, no event has occurred which, with notice or the lapse of time, would constitute such a breach or default, or permit termination, modification or acceleration, under the policies. All such insurance policies (i) were procured from insurance companies, in part, by providing insurers with true and accurate statements and representations and estimated exposure information, after reasonable good faith inquiry and (ii) do not provide for any retrospective premium adjustment on the part of the Company. To Seller's Knowledge, the Company has timely reported to the applicable insurance carrier(s), to the extent required by and in accordance with applicable notice requirements, all losses sustained by the Company which are covered under one of the Company's insurance policies, as well as all facts and circumstances that could reasonably give rise to any such loss or claim, as well as any actual notice of claim or legal action against the Company or its directors, officers, fiduciaries or employees which may result in losses covered under one of the Company's insurance policies, except to the extent that the failure to comply with such notice requirements would not have a material adverse effect on the enforceability of the underlying policy.

4.1.19 **Compliance with Legal Requirements: Governmental Authorizations.**

The Company is in material compliance with all applicable Legal Requirements. No notice has been issued and no Proceeding is pending or, to the Knowledge of the Seller, Threatened against the Company with respect to any alleged violation of any Legal Requirement applicable to the Company. The Company has all material Governmental Authorizations required by all Legal Requirements applicable to the operation of the Business. The material Governmental Authorizations issued to the Company are in full force and effect and the Company is in compliance in all material respects with such applicable Governmental Authorizations.

Schedule 4.1.19 contains a complete and accurate list of each Governmental Authorization that is held by the Company. Unless by its terms it is non-transferable, each such Governmental Authorization shall remain in full force and effect immediately after the Closing.

4.1.20 Customers and Suppliers. **Schedule 4.1.20** lists (a) top customers from which the Company derived in the aggregate at least 80% or more of its total annual revenues for the fiscal year ended December 31, 2015 and for the period beginning on January 1, 2016 and ending on the end of the calendar month prior to the Closing Date (“Top Customers”) and (b) all suppliers to whom the Company paid more than 10% of its total purchases for the fiscal year ended December 31, 2015 and for the period beginning on January 1, 2016 and ending on the end of the calendar month prior to the Closing Date (“Top Suppliers”). Except as set forth on **Schedule 4.1.20**, (i) the Company has not received written or, to the Knowledge of the Seller, verbal notice that any Top Customer or Top Supplier intends to terminate its relationship with the Company or to substantially reduce the amount of business it does with the Company, and Seller does not have any Knowledge of any such intention and (ii) the Company is not involved in any dispute with any Top Customer or Top Supplier, that individually or in the aggregate, could reasonably be anticipated to have a Material Adverse Effect.

4.1.21 Accounts; Safe Deposit Boxes. **Schedule 4.1.21** lists all bank and savings accounts and safe deposit boxes of each of the Company and all persons authorized to sign thereon.

4.1.22 Brokers; Agents. Neither the Company nor Seller has dealt with any agent, finder, broker or other Representative in any manner which could result in the Buyer being liable for any fee or commission in the nature of a finder’s fee or originator’s fee in connection with the subject matter of this Agreement.

4.1.23 Gifts, Gratuities. The Company has not offered or provided anything of value to:

(i) any Person who is an official, officer, agent, employee or representative of any Governmental Body (including officials or employees of any public international organization or any business or enterprise owned by a Governmental Body), or any existing or prospective customer or supplier (whether government owned or nongovernment owned);

(ii) any political party or official thereof; or

(iii) any candidate for political or political party office;

in each case, for the purpose of (A) influencing a decision to not comply with his or her official duties of such Person described in clauses (i)-(iii); (B) inducing such Person described in clauses (i)-(iii) to act or fail to act in violation of his or her legal duties; or (C) causing such Person described in clauses (i)-(iii) to influence any act or decision of any Governmental Body or private entity in order to obtain or retain business, direct business toward any Person or obtain approvals.

4.1.24 Affiliate Transactions. Except with respect to the Leased Real Property, neither Seller nor any Affiliate of Seller owns any material property or material assets used by the Company or is a party to any Material Contract with the Company, other than salaries, expense reimbursement and benefits in respect of employment or services provided in the Ordinary Course of Business.

4.1.25 Inventory. The inventory shown included in the Closing Net Working Capital is of a quantity and quality (i) suitable for use in the Ordinary Course of Business in the case of raw materials, suppliers’ products and semi-finished products, and (ii) saleable in the Ordinary Course of Business in the case of finished goods to the extent that reserves are not recorded on the inventory in the Closing Net Working Capital.

4.1.26 Product Warranty/Products. **Schedule 4.1.26** contains an accurate copy of (i) the Company’s standard factory warranty and (ii) an accurate summary of the warranty periods offered to the Company’s customers (listed by customers VWR, LabRepCo and by product lines American Biotech Supply and Lab Research Products with respect to all other customers) as set forth in such schedule along with any material deviations currently in effect with respect to such warranties. To Seller’s Knowledge, there are no material warranty

liabilities or recalls of the Company's products, and no claims for service, repair, replacement, refund, recall or claims for other product-related remedies that are pending, Threatened or reasonably anticipated to be presented with respect to the Company's products.

4.1.27 Product Liability. **Schedule 4.1.27** contains a complete and accurate list and summary description of all material liabilities, claims or obligations, absolute or (to Seller's Knowledge) contingent, pending or (to Seller's Knowledge) Threatened during the last three (3) years arising or alleged to arise from any actual or alleged injury to persons or property as a result of the ownership, possession or use of any product assembled or sold by the Company prior to the Closing Date, including but not limited to any claims arising from or alleged to arise from any actual or alleged exposure to asbestos and/or asbestos containing materials. All such claims are fully covered by product liability insurance subject to applicable deductibles and available limits of coverage or if not are noted on **Schedule 4.1.27**.

4.1.28 Personal Property Leases. There are no leases of personal property used by the Company involving annual payments in excess of Twenty-Five Thousand Dollars (\$25,000).

0.1 Warranties and Representations Regarding the Seller

. Seller hereby warrants and represents to the Buyer, which warranties and representations shall survive the Closing for the periods, and subject to the limitations, set forth in Article IX, below, that except as set forth in the Disclosures Schedules, the following statements are true and correct as of the date hereof:

4.2.1 Title to Subject Securities. Seller is the beneficial and record owner of all of the Subject Securities and at the Closing will deliver to the Buyer good and marketable title to such Subject Securities free and clear of all Encumbrances.

4.2.2 Authority. Seller has the absolute and unrestricted right, power, authority and capacity to enter into, execute and deliver this Agreement and the Ancillary Agreements to which Seller is a party, and Seller has the power and authority to sell, transfer and deliver to the Buyer the full legal and beneficial ownership in the Subject Securities pursuant to this Agreement and to consummate the transactions contemplated herein. This Agreement has been, and each Ancillary Agreement to which Seller is a party will be, duly and validly executed and delivered by Seller, and this Agreement and such Ancillary Agreements are and shall constitute the legal, valid and binding obligations of Seller enforceable against Seller in accordance with their respective terms, subject in each case to bankruptcy, reorganization, insolvency and other similar laws affecting the enforcement of creditors' rights in general and to general principles of equity (regardless of whether considered in a Proceeding in equity or an action at law)

4.2.3 No Conflict. Neither the execution and delivery of this Agreement or the Ancillary Agreements to which Seller is a party nor the consummation or performance of any of the transactions contemplated hereunder or thereunder by Seller will (a) contravene, conflict with, or result in a violation of or default under any Legal Requirement or any Order to which Seller or the Subject Securities are subject, (b) violate or conflict with, or result in a default under, any contract by which the Seller or the Subject Securities are bound, or (c) result in the imposition or creation of any Encumbrance upon or with respect to the Subject Securities; except in the case of clauses (a) and (b), which would not have a material adverse effect on Seller's ownership and ability to transfer the Subject Securities. No action, consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Body is required to be obtained or made by Seller in connection with the execution and delivery of this Agreement and the Ancillary Agreements to which Seller is a party or the consummation by Seller of the transactions contemplated hereby: except those that may be required solely by reason of Buyer's (as opposed to any other third party's) participation in the transactions contemplated hereby.

4.2.4 Restrictions on Transfer. There are no voting trust agreements, powers of attorney, stockholder agreements, proxies or any other Contracts to which Seller is a party or by which Seller or the Subject Securities are bound relating to the sale, transfer, voting, registration,

acquisition, distribution rights or disposition of any of the Subject Securities or otherwise granting any Person any right in respect of the Subject Securities, and there are no existing restrictions on the transfer of the Subject Securities other than restrictions imposed by applicable Legal Requirements.

4.2.5 Proceedings. There is no Proceeding pending or, to the Knowledge of the Seller, Threatened against Seller, which would affect the ability of Seller to consummate the sale of the Subject Securities or the other transactions contemplated by this Agreement or the Ancillary Agreements. Seller is not subject to any Order that relates to the Subject Securities or to the Business.

0.2 Accuracy and Completeness of Representations and Warranties. To the Knowledge of the Seller, no representation or warranty made by the Seller in this Agreement, taken as a whole (and including any information contained on the Disclosure Schedules), contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading.

ARTICLE I

Warranties and Representations of the Buyer

The Buyer hereby warrants and represents to the Seller, which warranties and representations shall survive the Closing for the periods, and subject to the limitations, set forth in Article IX, below, that the following statements are true and correct as the date hereof:

1.1 Authority

. The Buyer has the absolute and unrestricted right, power and authority and capacity to enter into, execute and deliver this Agreement and each Ancillary Agreement to which it is a party and to consummate the transactions contemplated herein. The execution and delivery of this Agreement has been, and the execution and delivery of each Ancillary Agreement to which the Buyer is a party will be, duly and validly authorized by all necessary organizational action on the part of the Buyer. This Agreement has been, and each Ancillary Agreement to which the Buyer is a party will be, duly and validly executed and delivered by the Buyer and this Agreement and such Ancillary Agreements are and shall constitute legally, valid and binding obligations of the Buyer enforceable against the Buyer in accordance with their respective terms, subject in each case to bankruptcy, reorganization, insolvency and other similar laws affecting the enforcement of creditors' rights in general and to general principles of equity (regardless of whether considered in a Proceeding in equity or an action at law).

1.2 No Conflict

. Neither the execution and delivery of this Agreement or any of the Ancillary Agreements to which the Buyer is a party nor the consummation or performance of any of the transactions contemplated hereunder or thereunder by the Buyer will (a) contravene, conflict with, or result in a violation of or default under any provision of the Organizational Documents of the Buyer, (b) contravene, conflict with, or result in a violation of or default under any Legal Requirement or any Order to which the Buyer is subject, or (c) violate or conflict with, result in a default under, or give any Person the right to exercise any remedy under any material contract to which the Buyer is subject. No action, consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Body is required to be obtained or made by the Buyer in connection with the execution and delivery of this Agreement and the Ancillary Agreements to which the Buyer is a party, or the consummation by the Buyer of any of the transactions contemplated hereby or thereby.

1.3 Organizational Matters

. The Buyer is a corporation validly existing and in good standing under the laws of the State of Delaware. The Buyer has the organizational power and authority to own or lease its

properties and assets and to carry on all business activities currently conducted by it.

1.4 Proceedings

. There is no Proceeding pending or, to the knowledge of the Buyer, Threatened against the Buyer which would affect the ability of the Buyer to consummate the purchase of the Subject Securities or the other transactions contemplated by this Agreement or the Ancillary Agreements.

1.5 Brokers; Agents.

The Buyer has not dealt with any agent, finder, broker or other Representative in any manner which could result in the Seller or the Company being liable for any fee or commission in the nature of a finder's or originator's fee in connection with the subject matter of this Agreement.

1.6 Acquisition for Equity Investment.

1.7 Buyer has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its purchase of the Subject Securities. Buyer confirms that it can bear the economic risk of its investment in the Subject Securities and can afford to lose its entire investment in the Subject Securities and the Company has provided Buyer and its representatives the opportunity to ask questions of the Seller and Senior Management Team and to acquire additional information about the business and financial condition of the Company. Buyer is acquiring the Subject Securities for the investment and not with a view toward or for the sale in connection with any distribution thereof, or with any present intention of distributing or selling such Subject Securities. Buyer agrees that the Subject Securities may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without compliance with applicable United States prospectus and registration requirements, except pursuant to an exemption therefrom under applicable United States securities laws.

ARTICLE II **Disclosure Schedules**

The schedules and information set forth in the Disclosure Schedules refer to the section or paragraph of this Agreement to which such schedule and information is responsive, and each such schedule and information shall be deemed to have been disclosed with respect to all other sections and paragraphs of this Agreement to which the applicability of such information is reasonably apparent on its face notwithstanding the omission of a cross-reference. All capitalized terms used in the Disclosure Schedules and not otherwise defined therein shall have the same meanings as are ascribed to such terms in this Agreement. The Disclosure Schedules shall not vary, change or alter the literal meaning of the representations and warranties of the Seller contained in this Agreement, other than creating exceptions thereto which are responsive to the language of the warranties and representations contained in this Agreement. The specification of any dollar amount in the representations or warranties contained in this Agreement or the inclusion of any specific item in any Schedule is not intended to imply that such amounts, or higher or lower amounts or the items so included or other items, are or are not material. Any summary or description of any law or regulation, contract or other document contained in the Disclosure Schedules is only a summary, is not complete and is qualified by the full text of such law or regulation, contract or other document.

ARTICLE III **Covenants**

3.1 Cooperation

. The parties shall use their commercially reasonable efforts to cooperate with each other and cause their respective Representatives to cooperate with each other after the Closing to ensure the orderly transition of the ownership of the Company and control of the Business to the Buyer and to minimize any disruption to the Business that might result from the transactions contemplated hereby.

3.2 Records/Personnel

(a) The Seller may, after the Closing, retain copies of the Records, including Records stored on computer disks or any other storage medium, as the Seller is reasonably likely to need to meet accounting, auditing and Tax requirements or any Legal Requirement. The Buyer shall retain, and shall cause the Company to retain, the Records for a period of at least five (5) years after the Closing. Following the expiration of such five (5) year period, the Buyer and the Company may dispose of such Records; provided that, Buyer or the Company shall notify the Seller of their intent to dispose of such records and, if requested by the Seller, the Buyer shall deliver, and shall cause the Company to deliver, to the Seller, at the Seller's expense, any of such Records as the Seller may reasonably request. During the period in which the Buyer and the Company maintain such Records, upon reasonable notice and request by the Seller, the Buyer shall permit, and shall cause the Company to permit, during normal business hours, any Representative of the Seller to examine, copy and make extracts from all Records, all without cost, surcharge or expense to the Seller other than reasonable copy charges, as the Seller is reasonably likely to need in connection with any accounting, auditing or Tax requirements or any Legal Requirement or in connection with any claims or Proceedings, including, but not limited to, any financial reporting obligation and in connection with any other such matter as may be reasonably requested by the Seller.

(b) The Buyer shall also cause the Company to make employees of the Company available to the Seller and its Representatives at such employee's normal business location and during such employee's normal business hours to provide such assistance to the Seller as may be reasonably requested by the Seller from time to time in connection with the Seller's involvement in the Company, as follows:

(i) To reasonably assist, as requested, in responding to inquiries from or audits by or required by any Governmental Body or to assist, as requested, in connection with any Legal Requirement, including preparation of responses and other required documents;

(ii) To provide reasonable support and information as necessary in connection with any accounting requirements or to prepare appropriate financial statements;

(iii) To provide reasonable support and information necessary for preparing Tax Returns for periods prior to and including the years ending on or prior to the Effective Time;

(iv) To provide reasonable support and information to respond to any Tax inquiries, audits or other Proceedings for any period or partial period prior to the Effective Time; and

(v) To provide other reasonable assistance of a similar nature as may be reasonably required by Seller.

3.3 Publicity

The parties agree that no public release or announcement concerning the transactions contemplated hereby shall be issued by any party hereto or such party's Affiliates without the prior consent of the other parties hereto, except: (a) in any documents utilized in connection with the Buyer's financing for the transactions contemplated herein but only after such financial Representatives have been informed of the confidential nature of such information and this transaction and the Buyer shall take reasonable efforts to cause such financial Representatives to not disclose the same and shall be responsible for disclosure by such financial Representatives; (b) as such release or announcement may be required by applicable Legal Requirements, in which case the party required to make the release or announcement shall allow the other party reasonable time to comment on such release or announcement in advance of such issuance and (c) the Seller may make internal announcements to the Company's employees so long as they are not inconsistent with any of the terms of the transaction set forth in this Agreement and provided that Seller coordinates with Buyer regarding the timing and nature of such announcements.

3.4 Employees; Benefit Plans.

During the period commencing on the Closing Date and ending on the date which is 12 months (a) following the Closing Date (or if earlier, the date of the employee's termination of employment with the Company), the Buyer shall and shall cause the Company to provide each employee who remains employed immediately after the Closing ("Company Continuing Employee") with: (i) base salary or hourly wages which are no less than the base salary or hourly wages provided by the Company immediately prior to the Closing; (ii) target bonus opportunities (excluding equity-based compensation), if any, which are no less than the target bonus opportunities (excluding equity-based compensation) provided by the Company immediately prior to the Closing; (iii) retirement and welfare benefits that are no less favorable in the aggregate than those provided by the Company immediately prior to the Closing; and (iv) severance benefits that are no less favorable than the practice, plan or policy in effect for such Company Continuing Employee immediately prior to the Closing.

(b) With respect to any employee benefit plan maintained by the Buyer or its Affiliates (collectively, "Buyer Benefit Plans") in which any Company Continuing Employees will participate effective as of the Closing, the Buyer shall, or shall cause its Affiliates to: (i) waive all active-at-work requirements, waiting periods, evidence of insurability requirements, coverage exclusions, pre-existing condition limitations on coverage (except for long-term disability insurance), or similar limitations with respect to participation and coverage requirements applicable to each such Company Continuing Employee; (ii) recognize all service of such Company Continuing Employee with the Company for eligibility, vesting and accrual purposes to the same extent said service was recognized under a similar Plan as of the Closing Date; provided, however that the foregoing shall not apply to the extent it would result in a duplication of benefits.

(c) This Section 7.4 shall be binding upon and inure solely to the benefit of each of the parties to this Agreement, and nothing in this Section 7.4, express or implied, shall confer upon any other Person any rights or remedies of any nature whatsoever under or by reason of this Section 7.4. Nothing contained herein, express or implied, shall be construed to establish, amend or modify any benefit plan, program, agreement or arrangement. The parties hereto acknowledge and agree that the terms set forth in this Section 7.4 shall not create any right in any employee or any other Person to any continued employment with the Company, the Buyer or any of their respective Affiliates or compensation or benefits of any nature or kind whatsoever.

3.5 Execution of Additional Documents

. From time to time after the Closing, as and when requested by a party hereto, each party hereto shall execute and deliver, or cause to be executed and delivered, all such documents and instruments, and shall take, or cause to be taken, all such further or other actions as such other party may reasonably deem necessary to consummate the transactions contemplated by this Agreement and the Ancillary Agreements.

ARTICLE IV **Restrictive Covenants**

4.1 Non-Competition

. In consideration of the mutual covenants provided for herein and the compensation to be paid to the Seller at the Closing, for a period of five (5) years from the Closing Date, (the "Non-Compete Period") Seller, except as an employee or consultant to the Company, Buyer and/or any of their Affiliates, shall not engage, directly or indirectly, in the business of designing, manufacturing, marketing, modifying, distributing or selling of refrigeration systems for use in medical, clinical, research and scientific laboratory applications (the "Restricted Business") worldwide; provided, however, that Seller may acquire or otherwise own less than a five percent (5%) equity interest in a publicly held enterprise engaged in the Restricted Business as long as Seller does not render advice or assistance to such enterprise. In addition, during the Non-Compete Period, Seller shall not, directly or indirectly, persuade or attempt to persuade any employee of the Company to leave the Company's employ, or to become employed by any Person other than the Company for the purpose of engaging in the Restricted Business; provided that the foregoing shall not restrict the Seller from (i) soliciting employees through general solicitations or (ii) soliciting employees through use of a recruiting firm provided that the Seller did not instruct the recruiting firm to

approach employees of the Company. Seller agrees that the provisions of this Section 8.1 are reasonable and necessary for Buyer's protection and that if any portion thereof shall be held contrary to law or invalid or unenforceable in any respect in any jurisdiction, or as to one or more periods of time, geographic area, areas of business activities, or any part thereof, the remaining provisions shall not be affected but shall remain in full force and effect and that any such invalid or unenforceable provision shall be deemed, without further action on the part of any Person, modified and limited to the extent necessary to render the same valid and enforceable in such jurisdiction. Seller further agrees that the remedies at law in the event of a breach of or a default under this Section 8.1 would be insufficient and that Buyer shall be entitled to the immediate grant of equitable relief including, but not limited to, the remedy of specific performance to enjoin any breach, or the continuation of any breach, of the provisions of this Section 8.1.

4.2 Non-Disclosure of Confidential Information

4.3 . Seller acknowledges that, except in performing his duties as an employee or consultant to the Company, Buyer and/or any of their Affiliates, Seller shall not, at any time during the five (5) year period following the Closing Date, disclose any Confidential Information to anyone other than to Representatives of the Company or the Buyer (except for any such Confidential Information which is required to be disclosed by Seller in connection with any Proceeding or pursuant to any Legal Requirement, and then only after Seller has given written notice to the Buyer (to the extent practicable and legally permissible) of the intention to disclose such Confidential Information and has given the Buyer a reasonable opportunity to contest the need for such disclosure, and Seller shall cooperate with the Buyer, at the Buyer's expense, in connection with any such contest)

. In addition to all other legal remedies available to the Buyer for the enforcement of the covenants of this Section 8.2, Seller further agrees that the remedies at law in the event of a breach of or a default under this Section 8.2 would be insufficient and that Buyer shall be entitled to the immediate grant of equitable relief including, but not limited to, the remedy of specific performance to enjoin any breach, or the continuation of any breach, of the provisions of this Section 8.2.

ARTICLE V **Indemnification**

5.1 Indemnification by the Seller

. Subject to the limitations, conditions and restrictions set forth in this Agreement, the Seller shall indemnify the Buyer and its Affiliates (including, after the Closing, the Company) (collectively, the "Buyer Indemnified Parties") and hold each of them harmless from and against any and all Losses of or against the Buyer Indemnified Parties to the extent resulting from or arising out of:

- (a) any breach of any representation or warranty made by the Seller in this Agreement;
- (b) any breach or non-fulfillment of any covenant of the Seller contained in this Agreement;
- (c) any liability arising out of the Cook County Litigation or any other claims that may arise from those facts and circumstances underlying such litigation (provided, however, that notwithstanding Section 9.3(b)(i) below, Seller shall retain the exclusive right to control the defense of such litigation and/or other claims); or
- (d) any claim for Taxes related to Pre-Closing Tax Period including but not limited to any Taxes associated with Transaction Tax Deductions.

5.2 Indemnification by the Buyer

. Subject to the limitations, conditions and restrictions set forth in this Agreement, the Buyer shall indemnify the Seller and its Affiliates and agents (excluding, after the Closing, the Company) (collectively, the "Seller Indemnified Parties") and hold each of them harmless from and

against any and all Losses of or against the Seller Indemnified Parties to the extent resulting from or arising out of:

- (a) any breach of any representation or warranty made by the Buyer in this Agreement;
- (b) any claim for Taxes associated with Post-Closing Tax Period; or
- (c) any breach or non-fulfillment of any covenant of the Buyer contained in this Agreement.

5.3 Procedure Relative to Indemnification

(a) In the event that any party hereto shall claim that it is entitled to be indemnified pursuant to the terms of this Article IX, such party (the “Claiming Party”) shall promptly notify the party or parties against which the claim is made (the “Indemnifying Party”) in writing of such claim (a “Claim Notice”) promptly after the Claiming Party receives notice of any action, Proceeding, demand, assessment, claim, loss, liability or damages, whether or not involving any claim of a third party (a “Third Party Claim”), that may reasonably be expected to result in a claim for indemnification by the Claiming Party against the Indemnifying Party. The Claim Notice shall specify the basis of such indemnification claim including the specifics regarding any breach of representation, warranty or covenant claimed by the Claiming Party and the Losses incurred by, or anticipated to be incurred by, the Claiming Party on account thereof. If such Losses are final and liquidated in amount, the Claim Notice shall so state and such amount shall be deemed the amount of the claim of the Claiming Party. If such Losses are not final and liquidated, the Claim Notice shall so state and, if reasonably possible, the Claiming Party shall make a good faith estimate of the indemnifiable Losses it expects to sustain and in such event a claim shall be deemed asserted against the Indemnifying Party on behalf of the Claiming Party, but no payment shall be made on account thereof until the amount of such claim is liquidated and the Losses are finally determined.

(b) The following provisions shall apply to claims of the Claiming Party which are based upon a Third Party Claim (including any form of Proceeding filed or instituted by any Governmental Body):

(i) The Indemnifying Party shall have the right (which right may be exercised by providing notice to the Claiming Party), upon receipt of the Claim Notice and at its expense, to defend such Third Party Claim in its own name or, if necessary, in the name of the Claiming Party; provided, however, that if, in addition to the claim for which indemnification under this Article IX is being sought, the Third Party Claim involves a matter with respect to which the Claiming Party agrees in writing that it is not entitled to indemnification hereunder, such matter shall be within the sole responsibility and expense of the Claiming Party and its counsel. The Claiming Party will cooperate with and make available to the Indemnifying Party such assistance (including, without limitation, access to employees) and materials as may be reasonably requested of the Claiming Party, and the Claiming Party shall have the right, at the Claiming Party’s expense, to participate in the defense. The Indemnifying Party shall not have the right to settle and compromise such claim or consent to the entry of any Order with respect to such claim without the consent of the Claiming Party (which consent shall not be unreasonably withheld, conditioned or delayed) unless the following shall apply: (A) such settlement provides the Claiming Party with a full release from such Third Party Claim; and (B) the sole relief provided in such settlement is monetary damages that are paid in full by the Indemnifying Party.

(ii) In the event the Indemnifying Party shall notify the Claiming Party that the Indemnifying Party does not wish to defend the Third Party Claim, then the Claiming Party shall have the right to conduct a defense against such Third Party Claim and shall have the right to settle and compromise such Third Party Claim or consent to the entry of any Order with respect to such Third Party Claim only with the consent of the Indemnifying Party (which consent shall not be unreasonably withheld, conditioned or delayed).

(c) Once the amount of any claim under this Article IX is liquidated and the

claim is finally determined, subject to Section 9.4, below, the Claiming Party shall be entitled to pursue each and every remedy available to it at law or in equity to enforce the indemnification provisions of this Article IX, and in the event that there is a (i) final and non-appealable Order from a court of competent jurisdiction or (ii) a final determination through a mutually agreed upon dispute resolution process determining that the Indemnifying Party is obligated to indemnify the Claiming Party for such claim, the Indemnifying Party agrees to pay all reasonable and documented costs, expenses and fees, including reasonable and documented attorneys' fees, which are incurred by the Claiming Party in attempting to enforce its indemnification rights under this Article IX, which the Indemnifying Party and the Claiming Party agree are due to the Claiming Party or which a court, arbitrator or other judicial body determines are due to the Claiming Party.

In the event that there is a (i) final and non-appealable Order from a court of competent jurisdiction or (ii) a final determination through a mutually agreed upon dispute resolution process determining that the Indemnifying Party is not obligated to indemnify the Claiming Party for such claim, the Claiming Party agrees to pay all reasonable and documented costs, expenses and fees, including reasonable and documented attorneys' fees, which have been incurred by the Indemnifying Party in defending and/or disputing the claim for indemnification by the Claiming Party under this Article IX.

(d) Notwithstanding anything to the contrary in this Section 9.3, with respect to the Cook County Litigation, as between Buyer and Seller, the Seller shall have the right, post-Closing, to control, contest, defend, or litigate the Cook County Litigation and the Buyer's consent shall not be required for Seller to take any action related thereto in the name of and on behalf of the Company. To the extent reasonably practicable, however, Seller shall consult with the Buyer prior to taking any material action with respect to the Cook County Litigation or any other claims that may arise from the facts and circumstances underlying such litigation.

5.4 Limits on Indemnification

(a) Basket Amount. Notwithstanding anything contained in this Agreement to the contrary, the Seller shall not be obligated to indemnify any Buyer Indemnified Party with respect to any Losses pursuant to Section 9.1(a), above, unless and until the aggregate Losses from all claims with respect thereto exceed, in the aggregate, Three Hundred Ten Thousand Dollars (\$310,000) (the "Basket Amount"), and then indemnification hereunder shall be only to the extent such Losses exceed the Basket Amount. The parties agree that the Basket Amount is to serve as a "deductible" for indemnification.

(b) Maximum Amount of Indemnification. Notwithstanding anything contained in this Agreement to the contrary, but subject in all respects to Section 9.4(c), below, in no event shall the Seller's aggregate obligation to provide indemnification for Losses under Section 9.1(a), above, exceed Ten percent (10%) of the Base Purchase Price, that is Three Million One Hundred Thousand Dollars (\$3,100,000).

(c) Limitations Not Applicable to Certain Representations. Notwithstanding anything contained in this Agreement to the contrary, the limitations set forth in Section 9.4(b) shall not apply to limit the indemnification to which the Buyer Indemnified Parties may be entitled for Losses arising from any breach of the Fundamental Company Representations, the Fundamental Seller Representations, the representation and warranty in Section 4.1.17 (Environmental Matters) or pursuant to Section 9.1(d) (Taxes for Pre-Closing Tax Period); provided, however, that in no event shall the Seller's obligation to provide indemnification for Losses under this Article IX exceed \$31,000,000 less any of the Holdback Amount not paid to Seller.

5.5 Survival

Each of the warranties and representations of the Seller and the Buyer contained in this Agreement and in the Ancillary Agreements shall survive the Closing until the eighteen (18) month anniversary of the Closing Date; provided, however, that (i) except as set forth in clause (ii) below, the representations and warranties contained in Section 4.1.17 (Environmental Matters) shall survive the Closing until the three (3) year anniversary of the Closing Date, (ii) the representations

and warranties contained in Section 4.1.12 (Taxes) and Section 4.1.17 solely with respect to any matters pertaining to the property previously occupied by the Company at 1840 Industrial Drive, Libertyville, Illinois shall survive the Closing for the applicable statute of limitations period and (iii) the Fundamental Company Representations, the Fundamental Seller Representations, the Fundamental Buyer Representations or a claim in respect of Fraud shall survive the Closing indefinitely. All of the covenants of the Seller and the Buyer contained in this Agreement or in any Ancillary Agreement shall survive after the Closing in accordance with their terms. Any claim for indemnification hereunder which is made in writing prior to the expiration of the applicable survival period, and the rights of indemnity with respect thereto, shall survive such expiration until resolved or judicially determined and any claim for indemnification not submitted in writing to the Indemnifying Party prior to the expiration of the applicable survival period shall be deemed to have been waived and shall be absolutely and forever barred and unenforceable, null and void, and of no force or effect whatsoever, and the Indemnifying Party shall have no further liability with respect thereto.

5.6 Escrow Account

(a) The Seller's obligation to provide indemnification under this Article IX shall be first satisfied from the Escrow Account in accordance with the Escrow Agreement. In the event that any such indemnification obligation is not able to be satisfied from the Escrow Account, then the Seller shall pay to the Buyer Indemnified Parties the amount not satisfied from the Escrow Account, by wire transfer of immediately available funds to an account or accounts designated in writing by such Buyer Indemnified Party.

(b) On the date that is six (6) months following the Closing Date, the Buyer and the Seller shall deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release to the Seller an amount equal to the difference between (i) one fourth (1/4) of the Escrow Amount minus (ii) any amounts previously paid to any Buyer Indemnified Party and any amounts then subject to a Claim Notice. On the date that is twelve (12) months following the Closing Date, the Buyer and the Seller shall deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release to the Seller an amount equal to the difference between (x) one fourth (1/4) of the Escrow Amount minus (y) any amounts paid to any Buyer Indemnified Party since the date that was the six (6) months following the Closing Date and any amounts then subject to a Claim Notice. On the date that is eighteen (18) months following the Closing Date, the Buyer and the Seller shall deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release to the Seller all funds remaining in the Escrow Account minus any amounts then subject to a Claim Notice. Promptly upon (and in any event within three (3) Business Days of) the resolution of any matter set forth in a Claim Notice, the Buyer and the Seller shall deliver joint written instructions to the Escrow Agent instructing the Escrow Agent to release to the Seller all funds remaining in the Escrow Account minus any amounts then remaining subject to a Claim Notice.

5.7 Losses Net of Insurance and Tax Benefits

. With respect to any matter covered by this Article IX, the Claiming Party shall assert all claims under all applicable insurance policies and any indemnification claim shall be net of any insurance proceeds received by the Claiming Party (net of any deductible amounts and costs of collection), and, to the extent that insurance proceeds are collected by the Claiming Party after an indemnification claim has been settled, the Claiming Party will restore the Indemnifying Party to the same economic position as would have existed had such insurance proceeds been collected prior to the settlement of such claim. In addition, the amounts for which an Indemnifying Party shall be liable under this Article IX shall be net of any Tax benefit actually realized by the Claiming Party as a result of the facts and circumstances giving rise to the liability of the Indemnifying Party.

5.8 Assignment; Reimbursement

(a) If any of the Losses for which an Indemnifying Party is responsible under this Article IX are recoverable or reasonably likely to be recoverable against any third party at the time that payment is made hereunder (or at the time there is a credit against the Basket Amount hereunder), the Claiming Party shall assign any and all rights that it may have to recover such Losses to the Indemnifying Party or, if such rights are not assignable for any reason, the Claiming Party shall attempt in good faith to collect any and all such Losses on account thereof from such third party for the benefit of the Indemnifying Party. The Claiming Party shall reimburse the Indemnifying Party for any and all Losses paid by the Indemnifying Party to the Claiming Party pursuant to this Agreement to the extent such amount is subsequently paid to the Claiming Party by any Person other than the Indemnifying Party.

5.9 Mitigation

. No Person shall be entitled to indemnification hereunder for the amount of Losses in excess of the amount of such Losses which would have been incurred but for the failure of such Person to take or commence to take commercially reasonable actions to mitigate such Losses upon becoming aware of any claim.

5.10 Tax Representations

. Notwithstanding anything contained in this Agreement to the contrary, the Buyer Indemnified Parties shall not be entitled to recover for any breach of Section 4.1.12 (Taxes), above, or Article X, below, for any Tax attributable to a period (or portion thereof) beginning after the Closing.

5.11 No Duplication of Warranties

. Notwithstanding anything contained in this Agreement to the contrary, (a) the Buyer Indemnified Parties may not assert multiple claims under Section 9.1, above, in order to recover duplicative Losses in respect of a single set of facts or circumstances under more than one representation or warranty in this Agreement whether such facts or circumstances would give rise to a breach of more than one representation or warranty in this Agreement, and (b) the Buyer Indemnified Parties may not assert any claim under Section 9.1, above, for any item of Losses in the event and to the extent the Buyer has already received recovery of such item as a result of a Working Capital Adjustment or to the extent the Buyer received credit for a reserve for such item in the preparation of the Final Pricing Statement.

5.12 Sole Remedy

. The sole remedy of the Buyer and the Seller for any and all claims with respect to the transactions contemplated by this Agreement and the Ancillary Agreements (except for any injunctive relief to which a party may be entitled pursuant to Article VIII) shall be the indemnity set forth in this Article IX, and neither the Buyer Indemnified Parties nor the Seller Indemnified Parties will have any other entitlement, remedy or recourse, whether in contract, tort or otherwise, against the other parties with respect to the transactions contemplated by this Agreement and the Ancillary Agreements, all of such remedies, entitlements and recourse being expressly waived by the parties hereto to the fullest extent permitted by Legal Requirements; provided however, the foregoing shall not apply to any Losses arising from Fraud by the Seller. The provisions of this Section 9.12, however, shall not in any way limit Buyer's recourse, at law or equity, on account of any breaches of the Employment Agreements or the Varnfield Lease.

ARTICLE VI **Tax Matters**

6.1 Tax Returns

(a) After the Closing Date, the Buyer and the Company will cause the Company to be included in the Buyer's affiliated group pursuant to Treasury Regulations Section 1.1502-75 and will join together in filing a consolidated federal income Tax Return. The Seller

shall be responsible for preparing and filing all income Tax Returns with respect to the activity of the Company for any taxable period ending on or prior to the Closing Date, all such Tax Returns shall report the Transaction Tax Deductions in such a taxable period, and the Seller hereby covenants and agrees to pay all income Tax shown on such income Tax Returns (except to the extent such income Tax is reflected in the calculation of the Working Capital Amount). The parties hereby agree that all Transaction Expenses shall be paid as of or on the Closing Date and shall not result in any payables for the Company after the Closing.

(b) With respect to Tax Returns that are required to be filed by or with respect to the Company for Straddle Periods (“Straddle Returns”), such Straddle Returns shall be prepared in a manner consistent with past practice (unless otherwise required by law). Buyer shall deliver, at least 30 days prior to the due date for filing such Straddle Return (including extension), to the Seller a statement setting forth the amount of Tax allocated to the Seller pursuant to Section 10.7 (the “Tax Statement”) and copies of such Straddle Return. The Seller shall have the right to review such Straddle Return and the Tax Statement prior to the filing of such Straddle Return and, within ten days after the date of receipt by Seller of any Straddle Return, to request in writing any reasonable changes to such Straddle Return. Seller and Buyer agree to consult and resolve in good faith any issue arising as a result of the review of such Straddle Return and the Tax Statement and mutually to consent to the filing as promptly as possible of such Straddle Return. In the event the parties are unable to resolve any dispute within ten days after Buyer has received Seller’s written request for changes, then any disputed issues shall be immediately submitted to the Independent Accounting Firm selected pursuant to Section 2.5(c) to resolve in a final binding matter prior to the due date for such Straddle Return. The fees and expenses of the Independent Accounting Firm shall be shared equally between Seller and Buyer.

(c) The Buyer shall be responsible for preparing and filing all Tax Returns that relate to the Taxes of the Company other than those described in this Section 10.1(a) and (b) and shall pay all Taxes shown as due by the Company on such Tax Returns.

6.2 Certain Taxes

. All transfer, documentary, sales, use, stamp, registration and similar Taxes and fees (including any penalties and interest) attributable to the Seller’s sale of the Subject Securities to the Buyer pursuant to this Agreement shall be paid 50% each by the Seller and Buyer when due, and the Buyer shall, at its own expense, file all necessary Tax Returns and other documentation with respect to all such transfer, documentary, sales, use, stamp, registration and other Taxes and fees, and, if required by applicable Legal Requirements, the Seller shall join in the execution of any such Tax Returns and other documentation.

6.3 Tax Proceedings

. In the event that the Buyer or any of its Affiliates, including the Company, receives any oral or written communication regarding any pending or threatened examination, audit, claim, adjustment or other Proceeding with respect to the liability of the Company or the Seller for Taxes for any period for which the Seller is liable under this Agreement (a “Tax Claim”), the Buyer will, within twenty (20) calendar days, notify the Seller in writing thereof (provided, however, that any failure by Buyer to provide timely written notice shall not prejudice Buyer’s entitlement to indemnification so long as Buyer can demonstrate that (i) Seller was aware of such Tax Claim within such notice period or (ii) the failure to provide timely notice has not prejudiced Seller’s ability to contest any such Tax Claim). If the Seller is liable under this Agreement for such Taxes, the Seller will be entitled, at the Seller’s sole expense and with counsel of its own choosing, in accordance with Article IX, above, to control or settle the contest of any Tax Claim. The Seller will keep the Buyer fully and timely informed with respect to the commencement, status and nature of any Tax Claim. The Buyer and its Affiliates, including the Company, will cooperate fully with the Seller in handling any such Tax Claim. The Buyer will provide, or cause to be provided to the Seller or its designee, all necessary authorizations, including powers of attorney, to control any Tax Claim which the Seller is entitled to control in connection with this Section 10.3.

6.4 Cooperation on Tax Matters

. The Buyer and the Seller shall cooperate fully in connection with the filing of Tax Returns and any audit, litigation or other Proceeding with respect to Taxes, including, without limitation, by providing or causing to be provided to the Seller any powers of attorney that the Seller reasonably requests for the purposes of filing any income Tax Return or participating in any Proceeding. Such cooperation shall include the retention and the provision of records and information reasonably relevant to any such audit, litigation, or other Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Buyer and the Seller agree (a) to retain all books and records with respect to Tax matters pertinent to the Company relating to any taxable period beginning prior to the Closing Date until expiration of the statute of limitations (and, to the extent notified by Buyer or Seller, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (b) to give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other party to this Agreement so requests, the Buyer or the Seller, as the case may be, shall allow the other party to take possession of such books and records. The Buyer and the Seller agree, upon reasonable request, to use commercially reasonable efforts to obtain any certificate or other document from any Governmental Body or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including with respect to the transactions contemplated herein).

6.5 Refunds. The Seller shall be entitled to any refund or credit of Taxes (including any interest paid thereon) of the Company for any Pre-Closing Tax Period. The Seller shall prepare and file at its sole cost and Buyer shall cause the Company, or relevant entity, to sign, on a timely basis for the receipt of any refund to which the Seller is entitled under this Section 10.5, including the filing of any amended Tax Return and IRS Form 1139 (and analogous forms under state or local law) that carries back net operating losses of the Company that arose in a Pre-Closing Tax Period. In addition, the Seller shall prepare and file at its sole cost and Buyer shall cause the Company to sign IRS Form 4466 (and analogous forms under state or local law), if applicable, in respect of the Company's tax year ending on the Closing Date no later than due date for the filing of such Tax Returns. Within four (4) Business Days after receipt or use by the Buyer or the Company or any of their subsidiaries or Affiliates of any Tax refund, Tax credit or Tax benefit to which the Seller is entitled, Buyer or the Company shall, or shall cause the applicable subsidiary or Affiliate to, deliver and pay over, by wire transfer of immediately available funds, such Tax refunds to the Seller. The Buyer will, and will cause the Company and its subsidiaries to, execute such documents, take reasonable additional actions and otherwise reasonably cooperate as may be necessary for the Buyer, the Company and their subsidiaries to perfect their rights in and obtain all Tax refunds for which any such Person is eligible and to which the Seller or the Company are entitled. None of the Buyer or the Company shall, or shall permit any of their respective subsidiaries to, forfeit, fail to collect or otherwise minimize any Tax refund to which the Seller would be entitled, whether through any election to carry forward a net operating loss under Section 172(b)(3) of the Code (or any analogous or similar state or local law) or otherwise.

6.6 Tax Benefits. The Buyer and/or the Company and its Affiliates shall pay to the Seller any Transaction Tax Benefit (as defined below) realized. For this purpose, a Transaction Tax Benefit is any reduction in the Buyer and/or the Company's or its Affiliate's Tax liability in any Post-Closing Tax Period resulting from the carryforward of any Transaction Tax Deductions from Pre-Closing Tax Periods to such Post-Closing Tax Period. A Transaction Tax Benefit shall be deemed to be realized in a Post-Closing Tax Period if, and to the extent that, (1) the Buyer, the Company's and its Affiliate's liability for Taxes for such Post-Closing Tax Period, calculated by excluding the carryforward of Transaction Tax Deductions from Pre-Closing Tax Periods to such Post-Closing Tax Period, exceeds (2) the Buyer and/or the Company's and its Affiliate's liability for Taxes for such Post-Closing Tax Period, calculated by taking into account the carryforward of Transaction Tax Deductions from Pre-Closing Tax Periods to such Post-Closing Tax Period. A Transaction Tax Benefit shall be calculated at the time the Buyer and/or the Company or its Affiliates file Tax Returns for such Post-Closing Tax Periods, and not when estimated Taxes are paid. The Buyer shall prepare and submit to the Seller within five (5) days after the filing of any Tax Return for a Post-Closing Tax Period a schedule (along with all back-up calculations) setting forth the Transaction Tax Benefit calculation for Seller's review, comment, and consent. The Buyer and/or the Company and its Affiliates shall timely and properly deliver all such documents, forms and other information as Seller may reasonably request which relate to the calculation of the

Transaction Tax Benefit amount. If, within thirty (30) days after receiving the Buyer's schedule, the Seller notifies the Buyer that the Seller disputes any item(s) reflected on such schedule, the Buyer and the Seller shall cooperate in good faith to resolve any dispute. If the Buyer and Seller fail to reach an agreement within thirty (30) days after the Seller notifies Buyer that the Seller disputes any item(s) reflected on Buyer's schedule, the determination of the disputed item or items shall be made by the Independent Accounting Firm, whose decision shall be final and whose fees shall be shared equally by the Buyer, on the one hand, and the Seller on the other hand.

6.7 Straddle Periods. In the case of any Straddle Period, the amount of Taxes allocable to the portion of the Straddle Period ending on the Closing Date shall be deemed to be:

(a) In the case of Taxes imposed on a periodic basis (such as real or personal property Taxes), the amount of such Taxes for the entire period (or, in the case of such Taxes determined on an arrears basis, the amount of such Taxes for the immediately preceding period) multiplied by a fraction, the numerator of which is the number of calendar days in the Straddle Period ending on and including the Closing Date and the denominator of which is the number of calendar days in the entire relevant Straddle Period; and

(b) In the case of Taxes not described in (a) above (such as franchise Taxes, Taxes that are based upon or related to income or receipts, based upon occupancy or imposed in connection with any sale or other transfer or assignment of property (real or personal, tangible or intangible)), the amount of any such Taxes shall be determined as if such taxable period ended as of the close of business on the Closing Date.

6.8 Restricted Actions

. Without the prior written consent of the Seller, neither the Buyer nor any Affiliate thereof shall: (a) file, re-file, supplement, or amend any Tax Returns with respect to the activity of the Company for any taxable period ending on or prior to the Closing Date, (b) voluntarily approach any taxing authority regarding any Taxes or Tax Returns with respect to the activity of the Company that were originally due on or prior to the Closing Date, or (c) take any action relating to Taxes that could create a Tax liability for the Company or the Seller for any taxable period ending on or prior to the Closing Date.

6.9 Conflict. To the extent there is any conflict between the provisions of the Article X and Article IX, the provisions of this Article X shall control.

ARTICLE VII **Definitions**

"Affiliate" means, with respect to any Person, another Person controlled by, under the control of or under common control with, that Person.

"Agreement" means this Stock Purchase Agreement (including the Disclosure Schedules), as the same may be amended or modified from time to time.

"Ancillary Agreements" means, with respect to any party, the agreements, documents and instruments to be executed and delivered by such party pursuant to this Agreement.

"Balance Sheet Date" means December 31, 2015.

"Base Purchase Price" has the meaning set forth in Section 2.2, above.

"Basket Amount" has the meaning set forth in Section 9.4(a), above.

"Business" has the meaning set forth in the Recitals, above.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks located in Charleston, South Carolina are authorized or required by law to close.

"Buyer" has the meaning set forth in the Preamble, above.

“Buyer Indemnified Parties” has the meaning set forth in Section 9.1, above.

“Cash” means, with respect to the Company, as of any date and time, the amount of cash and bank deposits as reflected in the Company’s bank and money market account statements as of such date and time and shall include money market funds, money market instruments and any demand deposits and shall be reduced by the amounts of any unpaid checks, drafts and wire transfers outstanding and/or issued on such date, calculated in accordance with GAAP. For the avoidance of doubt, Cash shall (i) be calculated net of issued but uncleared checks and drafts, (ii) include checks and drafts received by the Company or deposited for the accounts of the Company, and (iii) be calculated net of overdrawn accounts. Cash shall also include marketable securities held by the Company. Cash shall specifically exclude accounts receivable of the Company.

“Claim Notice” has the meaning set forth in Section 9.3(a), above.

“Claiming Party” has the meaning set forth in Section 9.3(a), above.

“Closing” has the meaning set forth in Section 2.1, above.

“Closing Date” means the date on which the Closing occurs.

“Closing Financial Statements” has the meaning set forth in Section 2.5(b), above.

“Closing Purchase Price” has the meaning set forth in Section 2.2, above.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor law.

“Company” has the meaning set forth in the Recitals, above.

“Confidential Information” shall mean all non-public and all proprietary information relating to the Company and its customers, products and services, including, without limitation, the following: (i) all information and records concerning products or services provided to customers or procured from suppliers; (ii) all information concerning pricing and cost policies, the prices charged to customers or paid to suppliers, the volume or orders of customers and with suppliers and other information concerning the transactions with customers and suppliers or proposed customers and suppliers; (iii) the customer lists; (iv) financial information; (v) information concerning salaries or wages paid to, the work records of and other personnel information relative to employees; (vi) information concerning the marketing programs or strategies; and (vii) confidential information of other Persons which the Company is required to maintain in confidence. The term “Confidential Information” shall not include information which is or becomes in the public domain without any violation by the party disclosing such information of a contractual, legal or fiduciary obligation to the Company.

“Consents” means approval, ratification, waiver authorization or agreements, from the parties to those Material Contracts which by their terms terminate, are modified, have payments or other obligations which may be accelerated or specifically require consent of another party upon a change of control of the Company, consenting to the change of control contemplated under this Agreement, as described on **Exhibit 3.1(f)**.

“Contract” means any agreement, contract, obligation, promise or undertaking (whether oral or written) that is legally binding.

“Cook County Litigation” means AO Claim No. 13-2609-12 *Doe v. Northwestern, et al* LBBS File No. 29509-280.

“Disclosure Schedules” means the schedules delivered by the Seller in connection with the execution and delivery of this Agreement and collectively labeled the “Disclosure Schedules,” as more fully described in Article VI, above.

“Effective Time” has the meaning set forth in Section 2.1, above.

“Employment Agreements” has the meaning set forth in Section 3.1(g), above.

“Encumbrance” and “Encumbrances” means any mortgage, pledge, security interest, charge, claim, community property interest, equitable interest, title defect, title retention agreement, voting trust agreement, lien or similar restriction or limitation of any kind, including a restriction on use, the right to vote, sell or otherwise dispose of any capital stock receipt of income or exercise of any attribute of ownership (other than restrictions on transfers imposed by federal or state securities laws).

“Environmental Claim” means any investigation, notice, violation, demand, allegation, action, suit, injunction, order, consent decree, costs, damages, liability, obligation, judgment, award, assessment, expense, loss, penalty, fine, lien, proceeding or claim (whether administrative, judicial or private in nature) arising (i) pursuant to, or in connection with, an actual or alleged violation of any Environmental Law or Occupational Safety and Health Law, (ii) in connection with any Hazardous Substances, (iii) from any abatement, removal, remedial, corrective or other response action in connection with Hazardous Substances, Environmental Law or other Order of a Governmental Body, or (iv) from any damage, injury or harm to natural resources, wildlife or the environment.

“Environmental Law” means any Legal Requirement in effect as of the Closing Date that requires (i) advising appropriate authorities, employees, and the public of intended or actual releases of Hazardous Materials, violations of discharge limits, or other prohibitions and of the commencements of activities, such as resource extraction or construction, that could have significant impact on the Environment; (ii) preventing or reducing to acceptable levels the release of Hazardous Materials into the Environment; (iii) reducing the quantities, preventing the release, or minimizing the hazardous characteristics of wastes that are generated; (iv) assuring that products do not present unreasonable risks to human health or the Environment when used or disposed of; (v) the cleaning up of Hazardous Materials that have been released, preventing the Threat of Release, or paying the costs of such cleanup or prevention; (vi) the treatment, storage, disposal, generation and transportation of industrial, toxic or Hazardous Materials; (vii) the prevention of any release or Threat of Release into the Environment of Hazardous Materials; (viii) the protection of wildlife, marine sanctuaries and wetlands, including without limitation all endangered and threatened species; (ix) the closure or removal of underground and other storage tanks or vessels, abandoned, disposed or discarded barrels, containers and other closed receptacles; and (x) any procedures relating to the manufacture, processing, use, distribution, treatment, storage, disposal, transportation or handling of Hazardous Materials.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, or any successor law, and the rules and regulations promulgated thereunder.

“Escrow Account” has the meaning set forth in Section 2.4(c), above.

“Escrow Agent” means Branch Banking and Trust Company.

“Escrow Agreement” has the meaning set forth in Section 3.1(e), above.

“Escrow Amount” means an amount equal to Three Million One Hundred Thousand Dollars (\$3,100,000).

“Estimated Pricing Statement” has the meaning set forth in Section 2.4(a), above.

“Estimated Closing Purchase Price” has the meaning set forth in Section 2.4(b), above.

“Facilities” has the meaning set forth in Section 4.1.8(b) above.

“Final Closing Purchase Price” has the meaning set forth in Section 2.5(b), above.

“Final Pricing Statement” has the meaning set forth in Section 2.5(b), above.

“Financial Statements” means the draft reviewed balance sheet and statements of earnings, and statements of cash flow of the Company as of and for the fiscal year ending December 31, 2015 as prepared by Elliott Davis Decosimo LLP, and the balance sheet of the Company as of August 31, 2016 and related statements of income and cash flow of the Company

for the 8-month period then ended.

“Fraud” means intentional or willful misrepresentation in respect of the representations and warranties set forth in Articles III, IV or V, as applicable, with actual knowledge (as opposed to imputed or constructive knowledge) that such statements were false when made and it could reasonably be expected that the other party would rely thereon to its detriment.

“Fundamental Buyer Representations” means the representations and warranties contained in Section 5.1 (Authority), Section 5.3 (Organizational Matters), and Section 5.5 (Brokers; Agents).

“Fundamental Company Representations” means the representations and warranties contained in Section 4.1.2 (Restrictions on Transfer), Section 4.1.3 (Organizational Matters), Section 4.1.5 (Capitalization), Section 4.1.12 (Taxes) and Section 4.1.22 (Brokers; Agents).

“Fundamental Seller Representations” means the representations and warranties contained in Section 4.2.1 (Title to Subject Securities), Section 4.2.2 (Authority) and Section 4.2.4 (Restrictions on Transfer).

“GAAP” means United States generally accepted accounting principles as in effect from time to time prior to the Closing Date.

“Governmental Authorization” means any approval, Consent, license, permit, waiver or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

“Governmental Body” means any (i) nation, state, county, city, town, village, district or other jurisdiction of any nature, (ii) federal, state, local, municipal, foreign or other government, (iii) governmental or quasi-governmental authority of any nature (including any governmental agency, branch, department, official or entity and any court or other tribunal), or (iv) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

“Guarantee” means, with respect to any Person, (i) any guarantee of the payment or performance of, or any contingent obligation in respect of, any Indebtedness or other obligation of any other Person (except for endorsement of drafts for deposit and collection in the Ordinary Course of Business), or (ii) any other arrangement whereby credit is extended to any other Person on the basis of any promise or undertaking of such Person (A) to pay the Indebtedness of such other Person, (B) to purchase or lease assets under circumstances that would enable such other Person to discharge one or more of its obligations, or (C) to maintain the capital, working capital, solvency or general financial condition of such other Person.

“Hazardous Substances or Hazardous Materials” means, and shall include, any substance, chemical, compound, product, solid, gas, liquid, waste, byproduct, material, pollutant or contaminant regulated under Environmental Law, including, without limitation, asbestos, PCB’s, radon and urea formaldehyde foam, petroleum and petroleum products.

“Holdback Amount” means Six Million Dollars (\$6,000,000).

“Indebtedness” of any Person means, without duplication, any liability of any Person, whether or not to an Affiliate or related person, (i) for borrowed money (whether short-term or long-term, current or non-current, but excluding, for the avoidance of doubt, accounts payable incurred in the Ordinary Course of Business), (ii) under any reimbursement obligation relating to a letter of credit drawn upon, banker’s acceptance or note purchase facility, (iii) evidenced by a bond, note, debenture or similar instrument (including a purchase money obligation), (iv) in respect of interest, fees or other charges in respect of any indebtedness described in the foregoing clauses (i) through (iii), and (v) all indebtedness referred to in the foregoing clauses (i) through (iv), that constitute a Guarantee by such Person.

“Indemnifying Party” has the meaning set forth in Section 9.3(a), above.

“Independent Accounting Firm” has the meaning set forth in Section 2.5(c), above.

“Intellectual Property” means collectively, (i) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all foreign or domestic design patents, utility patents and pending applications therefor and all renewals, reissues, reexaminations, divisionals, continuations, continuations in part and extensions thereof, (ii) all registered and unregistered trademarks, service marks, trade names, trade dress, logos and all internet domain name registrations and all applications, registrations and renewals in connection therewith, (iii) all published and unpublished works of authorship, copyrights (registered or unregistered), databases, web sites, computer source code, executable code, programs and other software (including all machine readable code, printed listings of code, documentation and related property and information, whether embodied in software, firmware or otherwise) and all applications, registrations and renewals in connection therewith (if any), and (iv) all trade secrets, know how, inventions and other confidential proprietary technical, business and other information including production processes and techniques, research and development information, technology, drawings, specifications, designs, plans, proposals, technical data, copyrightable technical data, financial marketing and business data and customer and supplier lists and information.

“IRS” means the United States Internal Revenue Service.

“Knowledge of the Seller” and “Seller’s Knowledge” means the Seller’s actual knowledge after reasonable inquiry of and investigation by the Senior Management Team.

“Leased Real Property” means property currently leased, used or occupied by the Company pursuant to a real property lease.

“Legal Requirement” means any applicable federal, state, local, municipal, foreign, international, multinational or other administrative order, constitution, law, ordinance, principle of common law, regulation, statute or treaty, including but not limited to the U.S. Foreign Corrupt Practices Act, in effect as of the Closing Date.

“Licenses” means all licenses, franchises and permits (i) granted to the Company which create rights in the Company regarding any Intellectual Property owned by third parties, or (ii) granted by the Company which creates rights in any third party regarding any Owned Intellectual Property.

“Losses” means all out-of-pocket damages, losses, deficiencies, liabilities, claims, actions, demands, judgments, fines, fees, costs and expenses (including, without limitation, reasonable attorneys’ and accountants’ fees only with respect to fees incurred in connection with a Third Party Claim), and shall exclude punitive, speculative, lost profit, diminution in value, consequential and special damages of any nature and any other damages based on any type of multiple.

“Lower Net Working Capital Target” means the Target Net Working Capital minus \$300,000.

“Material Adverse Effect” means a violation, inaccuracy, breach, default, failure to comply, change in circumstance, loss, effect, fact, agreement, arrangement, commitment, understanding or obligation which, as a result of the occurrence or existence thereof, has a material adverse effect on the business, operations, properties, financial condition, assets or results of operations of the Company taken as a whole, or that has a material, adverse effect on the ability of the Company to perform its obligations under this Agreement or any Ancillary Agreement or to consummate the transactions contemplated herein. For purposes of this definition, “Material Adverse Effect” shall be deemed to occur whenever the effect of the changes in question would exceed Three Hundred and Ten Thousand Dollars (\$310,000) individually or in the aggregate on an ongoing annualized basis. However, a Material Adverse Effect, when used with respect to the Company, does not include a material adverse effect or impact on the business, operations, properties, financial condition, assets or results of operations of the Company that is caused by (i) one or more downturns in the economy, the securities markets, the financing markets or the credit markets in general which does not disproportionately affect the Company relative to other participants in the industry in which the Company operates, (ii) one or more downturns in the

industries in which the Company operate which does not disproportionately affect the Company relative to other participants in the industry in which the Company operates, (iii) geopolitical conditions, acts of war, armed hostilities, sabotage or terrorism, or any escalation or worsening of any such conditions, acts of war, armed hostilities, sabotage or terrorism threatened or underway as of the date of this Agreement, (iv) changes in applicable Legal Requirements, rules or regulations or any interpretation of the foregoing which does not disproportionately affect the Company relative to other participants in the industry in which the Company operates, (v) changes in GAAP or (vi) the effect of any action or any failure to act contemplated by this Agreement.

“Material Contract” means any outstanding Contract (i) with a Top Customer (excluding any closed purchase orders or open purchase orders having a remaining delivery obligation of product valued less than \$100,000), (ii) with a Top Supplier, (iii) which creates an Encumbrance on the Subject Securities, or any property or asset of the Company, (iv) which constitutes a real property lease, (v) which constitutes a License under which the Company is subject to receive, or obligated to pay, as the case may be, fees (including support and maintenance fees) of more than Twenty-Five Thousand Dollars (\$25,000) per annum following the Closing (excluding shrink wrap, click wrap, click through or similar licenses with respect to off-the-shelf or generally available personal computer software), (vi) between the Company and Seller or any Affiliate of Seller, (vii) involving any strategic, joint venture, partnership or similar agreement, (viii) containing covenants that in any way purport to restrict the business activity of the Company or limit the freedom of the Company to engage in any line of business or to compete with any Person (excluding confidentiality agreements and nondisclosure agreements entered into in the Ordinary Course of Business), (ix) governing the borrowing of money or the repayment of Indebtedness by the Company or any Guarantee by the Company, (x) granting to any Person a first refusal, a first offer or similar preferential right to purchase or acquire any right, asset or property of the Company or the Subject Securities, (xi) involving a distributor, sales representative, consultant or broker arrangement under which the Company is obligated to pay more than Twenty-Five Thousand Dollars (\$25,000) per year and which by its express terms is not terminable by the Company at will or by giving notice of sixty (60) days or less, without liability other than payment for services rendered through the termination date, (xii) involving the acquisition or disposition by the Company of any business enterprise or product line whether via stock or asset purchase or otherwise during the last three (3) years (or longer if any contingent liability to the Company remains in effect).

“Occupational Safety and Health Law” means any Legal Requirement designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, and any program designed to provide safe and healthful working conditions.

“Order” means any award, decision, injunction, judgment, order, ruling, subpoena or verdict, entered, issued, made or rendered by any court, administrative agency or other Governmental Body or by any arbitrator.

“Ordinary Course of Business” means any action taken by a Person if such action is consistent with the past practices of such Person and in the ordinary course of the normal day-to-day operations of such Person.

“Organizational Documents” means, with respect to any entity, the certificate of incorporation, articles of incorporation, by laws, articles of organization, certificate of formation, partnership agreement, limited liability company agreement, formation agreement and other similar organizational documents of such entity (in each case, as amended through the date of this Agreement).

“Owned Intellectual Property” means all Intellectual Property owned by the Company.

“Leased Real Property” means all real property leased by the Company.

“Pension Plan” means any employee pension benefit plan (as defined in ERISA Section 3(2)) that the Company maintains or to which the Company contributes or has any obligation to contribute for the benefit of any employee or terminated employee of the Company.

“Permitted Liens” means (i) liens for Taxes, assessments or other governmental charges

not yet due and payable or are being contested in good faith, (ii) mechanics', workmen's, repairmen's, warehousemen's, carriers' or other like liens arising or incurred in the Ordinary Course of Business if the underlying obligations are not past due or are being contested in good faith, (iii) any interest or title of a lessor under an operating lease or capitalized lease or of any licensor or licensee under a license, (iv) encumbrances and restrictions on real property (including easements, covenants, rights of way and similar restrictions of record) that do not materially interfere with the Company's present uses or occupancy of such real property, (v) liens which would not, individually or in the aggregate, interfere in any material respect with the conduct of business as currently conducted, (vi) liens granted to any lender at the Closing in connection with any financing by Buyer of the transactions contemplated hereby, (vii) zoning, building codes and other land use laws regulating the use or occupancy of real property or the activities conducted thereon which are imposed by any Governmental Body having jurisdiction over such real property and which are not violated by the current use or occupancy of such real property or the operation of the business of the Company or any violation of which would not have a Material Adverse Effect, (viii) liens of lessors under real property leases, and (ix) liens which will be released or terminated at the Closing.

"Person" means any individual, corporation, general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union or other entity or Governmental Body.

"Plan" means each Pension Plan, each Welfare Plan and each compensation or employment program, including, but not limited to, incentive compensation, stock option, bonus, severance, deferred compensation and supplemental executive compensation plans that the Company maintains or to which the Company contributes or has any obligation to contribute for the benefit of any employee or terminated employee of the Company.

"Post-Closing Tax Period" means any taxable year or period that begins after the Closing Date and, with respect to any taxable period beginning on or before the Closing Date and ending after the Closing Date, the portion of such of such period beginning on the day after the Closing Date.

"Pre-Closing Tax Period" means any taxable year or period that ends on (and including) or before the Closing Date and, with respect to any taxable period beginning on or before the Closing Date and ending after the Closing Date, the portion of such of such period ending on and including the Closing Date.

"Proceeding" means any action, arbitration, hearing, investigation, litigation or suit (whether civil, criminal or administrative) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

"Records" means all books, records, manuals and other materials and information of the Company, including, without limitation, customer records, personnel and payroll records, accounting records, purchase and sale records, price lists, correspondence, quality control records and all research and development files, wherever located.

"Representative" means, with respect to a particular Person, any director, officer, employee, agent, consultant, advisor or other representative of such Person, including legal counsel, accountants and financial advisors.

"Restricted Business" has the meaning set forth in Section 8.1, above.

"Seller Indemnified Parties" has the meaning set forth in Section 9.2, above.

"Seller" has the meaning set forth in the Preamble, above.

"Senior Management Team" means Laura Steiner and R. Andrew Brothers.

"Straddle Period" means any taxable period that begins on or before and ends after the Closing Date.

“Subject Securities” has the meaning set forth in the Recitals, above.

“Target Net Working Capital” means Five Million Nine Hundred Fifty Thousand Dollars (\$5,950,000).

“Tax” and **“Taxes”** means all federal, state, local, foreign and other income, sales, use, ad valorem, transfer property, gross receipts, excise, withholding, social security, unemployment and employment, occupation, disability, severance, service, license, payroll, franchise, net worth, transfer, alternative and add-on minimum tax, estimated, stamp, capital stock, environmental, windfall profits tax, custom, import, duty, value added, premium, registration and recording taxes or other taxes, fees, assessments or charges of any kind, together with any interest, fines, any penalties, or additions with respect thereto, and the term **“Tax”** means any one of the foregoing Taxes imposed by the United States or any state, local or foreign government or subdivision or agency thereof, whether computed on a separate, consolidated, unitary, combined or any other basis which is a liability of the Company for any period occurring prior to the Closing Date.

“Tax Claim” has the meaning set forth in Section 10.3, above.

“Tax Returns” means all returns, amendments, informational returns, forms, reports and statements (including elections, declarations, disclosures, schedules and estimates) filed by the Company in respect of any Taxes.

“Third Party Claim” has the meaning set forth in Section 9.3(a), above.

“Threatened” means a claim, Proceeding, or dispute, if any demand or statement has been made in writing, or to Seller’s Knowledge verbally, or any notice has been given in writing, or to Seller’s Knowledge verbally, that would lead a prudent Person to conclude that such a claim, Proceeding, or dispute is likely to be asserted, commenced, taken, or otherwise pursued in the future.

“Top Customer” has the meaning set forth in Section 4.1.20, above.

“Top Supplier” has the meaning set forth in Section 4.1.20, above.

“Transaction Bonuses” has the meaning set forth in Section 2.4(e), above.

“Transaction Expenses” means only the sum of (i) any unpaid fees, costs and expenses incurred by the Company prior to the Closing in connection with the drafting, negotiation, execution and delivery of this Agreement and the other certificates, documents or agreements contemplated by this Agreement and the consummation of the transactions contemplated herein and therein including legal and accounting fees (but, for the avoidance of doubt, not to include any fees and expenses incurred by or on behalf of the Buyer or any of its Affiliates as determined immediately prior to the Closing), and (ii) any closing or other transaction fees payable by the Company immediately prior to the Closing as a result of the transactions contemplated herein including but not limited to any special bonuses contemplated by Seller to employees of the Company (other than the Transaction Bonuses).

“Transaction Tax Deductions” means without duplication, any item of credit, deduction, or loss attributable to (a) the amount of any Transaction Bonuses, including any stay bonuses, sales bonuses, change of control payments, severance payments, retention payments or similar payments made by the Company at or prior to the Closing or owing as a result of the transactions contemplated hereby, (b) the fees, expenses and interest (including amounts treated as interest for U.S. federal income tax purposes and any breakage fees or accelerated deferred financing fees) incurred by the Company with respect to the payment of Indebtedness in connection with the transactions contemplated by this Agreement, (c) the amount of Transaction Expenses that are deductible by the Company for U.S. federal income tax purposes, including the amount of any transaction costs of the Company with respect to the transactions contemplated hereby that were paid on or prior to the Closing Date that are deductible for U.S. federal income tax purposes, and (d) the amount of any employment Taxes with respect to compensatory amounts paid by the Company in connection with the transactions contemplated by this Agreement; provided that, in connection with the foregoing, the Seller shall cause the Company to make an election under

With a Copy To: R. Andrew Brothers, CPA
125 Varnfield Dr.
Summerville, SC 29483
E-Mail: abrothers@horizonscientific.com

And with a Copy To: Neil K. Haimm
Drinker Biddle & Reath LLP
One Logan Square, Suite 2000
Philadelphia, PA 19103
Fax No. (215) 988-2757
E-Mail: neil.haimm@dbr.com

8.3 Entire Agreement

. THIS AGREEMENT (INCLUDING THE DISCLOSURE SCHEDULES AND EXHIBITS) AND THE ANCILLARY AGREEMENTS CONSTITUTE THE ENTIRE AGREEMENT AMONG THE PARTIES RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT, AND ALL PRIOR AGREEMENTS, CORRESPONDENCE, DISCUSSIONS AND UNDERSTANDINGS OF THE PARTIES (WHETHER ORAL OR WRITTEN) ARE SUPERSEDED, IT BEING THE INTENTION OF THE PARTIES THAT THIS AGREEMENT WILL SERVE AS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE TERMS OF THEIR AGREEMENT WITH RESPECT TO THE SUBJECT MATTER HEREOF. THE PARTIES AGREE THAT THERE HAVE NOT BEEN AND THERE ARE NO OTHER AGREEMENTS, REPRESENTATIONS OR WARRANTIES BETWEEN THE PARTIES WITH RESPECT TO THE SUBJECT MATTER SET FORTH IN THIS AGREEMENT OTHER THAN THOSE SET FORTH IN THIS AGREEMENT, AND THAT THE PARTIES ARE NOT RELYING UPON ANY AGREEMENTS, REPRESENTATIONS OR WARRANTIES THAT ARE NOT SET FORTH IN THIS AGREEMENT. NO AMENDMENT, WAIVER OR MODIFICATION TO OR UNDER THIS AGREEMENT WILL BE VALID UNLESS IN WRITING AND SIGNED BY AN AUTHORIZED SIGNATORY OF THE PARTY OR PARTIES AFFECTED THEREBY.

8.4 Parties in Interest

. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and their respective heirs, successors, legal representatives and permitted assigns, and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

8.5 Construction

. The parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties and no presumption of burden of proof shall arise favoring or disfavoring either party by virtue of the authorship of any of the provisions of this Agreement. The word "including" shall mean including without limitation.

8.6 Assignment

. This Agreement and the rights hereunder shall not be assignable or transferable by any party without the prior written consent of the other parties.

8.7 Paragraph Headings

. The headings in this Agreement are for purposes of convenience and ease of reference only and shall not be construed to limit or otherwise affect the meaning of any part of this Agreement.

8.8 Severability

. The parties agree that if any provision of this Agreement shall under any circumstances

be deemed invalid or inoperative, this Agreement shall be construed with the invalid or inoperative provision deleted, and the rights and obligations of the parties shall be construed and enforced accordingly.

8.9 Governing Law; Venue

. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to principles and conflicts of law. The parties hereby irrevocably and unconditionally consent to submit to the exclusive jurisdiction of the courts of the United States of America located in the State of Delaware for any actions, suits or proceedings arising out of or relating to this Agreement and the transactions contemplated hereby (and agree not to commence any action, suit or proceeding relating thereto except in such courts). The parties hereby irrevocably and unconditionally waive any objection to the laying of venue on any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in the courts of the United States of America located in the State of Delaware, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

8.10 Use of Terms

. In this Agreement (a) the words “hereof”, “herein”, “hereto”, “hereunder” and words of similar import may refer to this Agreement as a whole and not merely to a specific section, paragraph or clause in which the respective word appears, (b) words importing gender include the other genders as appropriate, and (c) any terms defined in this Agreement may, unless the context otherwise requires, be used in the singular or the plural depending on the reference.

8.11 Counterparts; Electronic Copy

. This Agreement and any Ancillary Agreement may be executed in one or more counterparts, all of which shall be considered but one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other party. A facsimile or portable document signature of this Agreement and any Ancillary Agreement shall be as effective as an original.

8.12 Waiver of Jury Trial

. EACH OF THE BUYER AND SELLER HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THE ACTIONS OF THE BUYER, THE SELLER OR THE SELLER REPRESENTATIVE IN THE NEGOTIATION, ADMINISTRATION, PERFORMANCE AND ENFORCEMENT OF THIS AGREEMENT.

8.13 Retention of Counsel. In any dispute or proceeding arising under or in connection with this Agreement, including Article IX, Seller shall have the right, at his election, to retain the firm of Drinker Biddle & Reath LLP to represent him in such matter, and Buyer, for itself, the Company and each of their respective post-Closing Affiliates, hereby irrevocably waives and consents to any such representation in any such matter and the communication by such counsel to Seller in connection with any such representation of any fact known to such counsel arising by reason of such counsel’s prior representation of Seller or the Company. Buyer, for itself, the Company, their respective post-Closing Affiliates and its and their respective successors and assigns, hereby irrevocably acknowledges and agrees that all communications between Seller and its counsel, including Drinker Biddle & Reath LLP, made in connection with the negotiation, preparation, execution, delivery and closing under, or any dispute or proceeding arising under or in connection with, this Agreement which, immediately prior to the Closing, would be deemed to be privileged communications of Seller or the Company and/or its counsel and would not be subject to disclosure to Buyer in connection with any process relating to a dispute arising under or in connection with this Agreement or otherwise, shall continue after the Closing to be privileged communications with such counsel, and none of Buyer, the Company, their respective post-

Closing Affiliates or any Person purporting to act on behalf of or through Buyer, the Company or their respective post-Closing Affiliates shall seek to obtain the same by any process on the grounds that the privilege attaching to such communications belongs to Buyer or the Company and not Seller. Other than as explicitly set forth in this Section, the parties acknowledge that any attorney-client privilege attaching as a result of legal counsel representing the Company prior to the Closing shall survive the Closing and continue to be a privilege of the Company and not Seller after the Closing.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Stock Purchase Agreement as of the day, month and year first above written.

SELLER:

/s/ Gregory J. Deutschmann

Gregory J. Deutschmann

BUYER:

STANDEX INTERNATIONAL CORPORATION

Alan J. Glass

By:

Name: Alan J. Glass

Title: Vice President, Chief Legal Officer
& Secretary

[Signature Page to Stock Purchase Agreement]

EMPLOYMENT AGREEMENT

THIS IS AN AGREEMENT made and entered into as of October 17, 2016 (the “Effective Date”), by and between Horizon Scientific, Inc., a South Carolina corporation with business offices at 125 Varnfield Drive, Summerville, SC (“Employer” or the “Company”), and Gregory J. Deutschmann (“Employee”) having a residential address of 739 Olde Central Way, Mount Pleasant, SC 29464.

WHEREAS, Employee has been and is now employed with Employer; and

WHEREAS, Standex International Corporation (“Standex”) has entered into a Stock Purchase Agreement (the “Purchase Agreement”) with the stockholders of the Employer pursuant to which Standex will acquire all of the issued and outstanding stock of the Employer, and maintain Employer as a wholly owned subsidiary of Standex on and after the closing date listed in the Purchase Agreement, if certain conditions are fulfilled; and

WHEREAS, one of the conditions of the Purchase Agreement is the execution of this Employment Agreement by Employee and Employer contemporaneously with the closing of the transaction contemplated by the Purchase Agreement; and

WHEREAS, both Employer and Employee are desirous of entering into this Agreement for the mutual benefits contained herein and in order to satisfy the aforesaid condition and facilitate the consummation of the transaction contemplated in the Purchase Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Employment/Employment Term/Best Efforts.

Employer and Employee agree to enter into this Agreement for the confirmation of the continuation of Employee’s employment with the Employer as of the date hereof and ending October [13], 2019 (the “Employment Contract Term”), on a full-time basis in the capacity of President, Standex Scientific Refrigeration, a unit of the Standex Food Service Equipment Group, subject to the direction and control of the Group President of the Standex Foodservice Equipment Group and/or Standex executive management. In such capacity, Employee shall have general management and oversight responsibility for Standex Scientific Refrigeration, a unit to be formed through the combination and integration (the “Integration”) of the businesses of the Employer and the existing scientific refrigeration business of Standex’s Nor-Lake, Incorporated subsidiary. In this regard, subject to the direction of Standex senior management, Employee shall focus his efforts on success of the Integration and on profitably growing Standex Scientific Refrigeration.

Employee agrees to faithfully and diligently use his best efforts to perform his duties and obligations in this position, including but not limited to best efforts to maintain and enhance customer relationships with all customers of Standex Scientific Refrigeration. Said employment shall be subject to and governed by the terms and conditions herein set forth. After the expiration of the Employment Contract Term, Employee shall be extended the then standard form of employment agreement in effect for Presidents of other Standex business units substantially in the form attached (the “Standard Agreement”) which will have an initial term running through June 30, 2020 with automatic renewals for consecutive one year periods unless terminated in accordance with the provisions thereof.

2. Compensation; Fringe Benefits; Long Term Incentive Compensation.

Salary. As compensation for the full-time performance of services hereunder during the Employment Contract Term, Employee shall receive a salary of Two Hundred Fifty Thousand Dollars (\$250,000) per year, payable in semi-monthly installments pursuant to regular Employer payroll practices, which salary shall be subject to statutory withholding. Employee shall be entitled to receive such increases in this minimum base salary, as shall be determined under Standex’s customary practices as are in use from time to time. For the avoidance of doubt, the salary set forth in this Section 2(a) in connection with Employee’s employment during the Employment Contract Term is an absolute obligation of Employer and shall be paid or provided by Employer to Employee throughout the Employment Contract Term, except to the extent the Employment Contract Term is first terminated by the Employee pursuant to Section 6(a) hereof or by the Company pursuant to Section 6(b), (c) or (d) hereof.

Participation in Executive Compensation Program. From and after October [14], 2016, Employee shall be eligible to participate in the Standex executive compensation program, as it is administered by the Compensation Committee of Standex's Board of Directors (the "Compensation Committee"). All grants, incentive payments and awards shall be governed by the terms of the Standex 2008 Long Term Incentive Plan and any amendments. The following benefits under such program shall be provided to Employee:

- (i) Annual Incentive. Employee shall receive an annual cash incentive bonus opportunity payable each September after the close of the Company's June 30 fiscal year, at a target of 50% of base compensation and variable from 0% to 200% of target based on the achievement of certain financial and strategic metrics set by the Compensation Committee. For the fiscal year ending June 30, 2017 only, Employee agrees that such cash incentive shall be pro-rated from the actual effective date of this Agreement of fiscal year performance, due to his employment inception date. Starting in fiscal 2018, Employee may elect to defer a portion of his cash incentive payment into the receipt of discounted restricted stock units under the terms of the Company's Management Stock Purchase Program (a component plan under the terms of the Standex 2008 Long Term Incentive Plan).
- (ii) Long Term Incentive Plan. Employee is eligible to participate in the Standex Long Term Incentive Plan, which provides equity awards currently through a combination of both restricted stock grants and performance share units. Employee's target award as a percentage of base salary shall be 50%, and the level of achievement with respect to the performance share units shall vary from 0% to 200% of target based on the achievement of certain financial metrics set by the Compensation Committee of the Board of Directors of Standex. An initial grant having such target value shall be awarded to Employee on the closing date of the transaction contemplated by the Purchase Agreement.
- (iii) Automobile Allowance. Employee shall be eligible to receive an automobile allowance equal to \$16,250 per year payable in equal installments through the year at such time as payroll payments are made.
- (iv) Other Benefit Plans and Programs. Employee shall be eligible to participate in such other defined contribution retirement benefit plans as are made available, from time to time, to executive management employees of Standex.
- (v) Benefit Plans/Fringe Benefits. Employee (and his eligible dependents) shall be entitled to participate in such medical, dental, life insurance, vacation, and other usual and customary benefit plans as are made available to employees of the Employer, which may be amended from time to time or replaced by Standex.

Non-Compete.

Employee covenants and agrees that during the Employment Contract Term (the "Non-Compete Period"), he shall not engage, directly or indirectly, in the business of designing, manufacturing, marketing, modifying, distributing or selling refrigeration systems for use in medical, clinical, research and scientific laboratory applications (the "Restricted Business") worldwide; provided, however, that he may acquire or otherwise own less than a five percent (5%) equity interest in a publicly held enterprise engaged in the Restricted Business as long as he does not render advice or assistance to such enterprise. In addition, during the Non-Compete Period, Employee shall not, directly or indirectly, persuade or attempt to persuade any employee of the Standex Scientific Unit to leave the employment of Standex and its subsidiaries, or to become employed by any person other than Standex and its subsidiaries for the purpose of engaging in the Restricted Business; provided that the foregoing shall not restrict the Employee from (i) soliciting employees through general solicitations or (ii) soliciting employees through use of a recruiting firm provided that the Employee did not instruct the recruiting firm to approach employees of the Company. Employee agrees that the provisions of this Section 3 are reasonable and necessary for Employer's and Standex's reasonable protection and that if any portion thereof shall be held contrary to law or invalid or unenforceable in any respect in any jurisdiction, or as to one or more periods of time, geographic area, areas of business activities, or any part thereof, the remaining provisions shall not be affected but shall remain in full force and effect and that any such invalid or unenforceable

provision shall be deemed, without further action on the part of any person, modified and limited to the extent necessary to render the same valid and enforceable in such jurisdiction. Employee further agrees that the remedies at law in the event of a breach of or a default under this Section 3 may be insufficient and that Employer and/or Standex shall be entitled to seek the immediate grant of equitable relief including, but not limited to, the remedy of specific performance to enjoin any breach, or the continuation of any breach, of the provisions of this Section 3.

It is the intention of the parties that, upon expiration of the Employment Contract Term the non-competition and non-solicitation covenants set forth in this Agreement shall terminate and be of no further force and effect and upon the execution of the Standard Agreement the non-competition and non-solicitation covenants set forth in the Standard Agreement shall apply. It is the mutual intention of the parties that the non-compete/non-solicitation provisions of this Section 3 and the non-compete/non-solicitation provisions in the Standard Agreement, once executed, supplement and are distinct and separate obligations from those non-competition and non-solicitation provisions of the Purchase Agreement, and the obligations set forth in the Purchase Agreement shall not in any way limit or be limited by the obligations set forth in this Agreement or in the Standard Agreement. In addition, on the first day of Employee's employment hereunder and as a condition of the signing of this Agreement, Employee shall be required to sign the standard Standex International Corporation Invention and Trade Secret Agreement. It is the intention of the parties that the non-competition and non-solicitation covenants set forth herein and in the Standard Agreement shall take precedence over such provisions in the Invention and Trade Secret Agreement.

4. Trade Secrets. During the Employee's employment with Employer and/or Standex and/or its subsidiaries and thereafter, Employee agrees that he will not disclose to others, except as necessary in his performance of his duties for Employer, or use for his own benefit any trade secrets or confidential information of a technical, commercial, financial or other nature pertaining to the business of Standex, or pertaining to any of Standex's clients, customers, consultants, licensees or affiliates, which information has been acquired by the Employee during the period of his employment, unless such trade secrets or confidential information (i) become generally made known or available to the public through no fault or affirmative action of the Employee or (ii) become known to the Employee through a source other than the Employer, which source was not known by the Employee to be subject to an obligation of confidentiality to the Employer .

Upon termination of his employment with Employer, Employee shall deliver to Employer and/or Standex all notes, memoranda, notebooks, drawings, records, documents and reproductions thereof kept by Employee or in his possession, whether prepared by his or others, used in or pertaining to any of the processes, apparatus or products of Standex and its subsidiaries, to the extent reasonably practical to do so, it being hereby acknowledged that all such items are the sole property of Standex and its subsidiaries. If, following termination of employment with Employer, Employee discovers any notes, memoranda, notebooks, drawings, records, documents, he shall promptly deliver them to Employer and/or Standex.

5. Intellectual Property. During the Employee's employment with Employer and/or Standex and/or its subsidiaries, the Employer, Employee, or the Employer and Employee jointly, may create, develop or reduce to practice inventions, discoveries, improvements, methods, designs, processes, works of authorship, know-how, show-how, formulas or ideas (collectively "Intellectual Property"), whether or not patentable, copyrightable, capable of trade secret or other legal protection. Any and all Intellectual Property developed by Employee, either alone or in conjunction with others, at any time or at any place during the Employee's employment with Employer and/or Standex and/or its subsidiaries whether or not reduced to writing or practice during such respective term, which is within the scope of his employment services and relates to the business in which the Employer is engaged or in which, to the knowledge of the Employee, the Employer intends to engage, or which were developed or made in whole or in part using Employer facilities, resources or property, or at Employer's expense, shall be the exclusive property of the Employer. Employee shall promptly disclose any such inventions to the Employer, and, at the request and expense of the Employer, shall assign all of his rights, title and interest in the same to the Employer. Employee, at the Employer's cost and expense, agrees to fully cooperate with the Employer and to sign all instruments necessary or desirable and take such other action as the Employer may request in connection with the filing, prosecution and enforcement of any patent or other rights in and to the Intellectual Property in the United States or any foreign country. Employee hereby appoints Employer as Employee's attorney-in-fact to execute and deliver any such instruments on Employee's behalf in the event Employee fails or refuses to do so within a

reasonable time following Employer's request.

All copyrightable work created by Employee during the Employee's employment with Employer and/or Standex and/or its subsidiaries is specially commissioned by Employer as "work made for hire" as defined in Section 101 of the Copyright Act of 1976, and Employer shall be considered the sole author of any such copyrightable work. In the event that such copyrightable work is not considered work made for hire for any reason, Employee hereby grants, assigns, and transfers to the Employer all right, title and interest in such copyrightable work and will assist the Employer and its nominees in every way, at the Employer's expense, to secure, maintain and defend for the Employer's benefit copyrights and any extensions and renewals thereof on any and all such work including translations thereof in any and all countries, such work to be and to remain the exclusive property of the Employer whether copyrighted or not.

6. Termination. This Agreement shall terminate upon any of the following events:

Not-for-Cause Termination. Either the Employer or the Employee shall have the right to terminate this Agreement by giving the other party thirty (30) days advance written notice (the "Notice Period"), at any time during the Term, stating his/its intention to terminate the Agreement. Such termination will be effective at the end of the Notice Period. In the event of notice of termination, the provisions of Section 7 shall apply.

Death: Employee's employment shall terminate upon his death, and all liability of Employer shall thereupon cease except for compensation for past services remaining unpaid and for any benefits due to Employee's estate or others under the terms of any benefit plan of Employer then in effect in which Employee participated.

Disability: In the event that Employee becomes substantially disabled (as verified by appropriate medical certification) during the term of this Agreement for a period of six consecutive months so that he is unable to perform the services as contemplated herein, then Employer, at its option, may terminate Employee's employment upon written notification to Employee at any time during the continuation of such inability, and the provisions of Section 7 shall apply. Until such termination option is exercised, Employee will continue to receive his full salary and fringe benefits.

Material Breach: In the event of the commission of any material breach of the terms of this Agreement by the Employee, Standex may cause this Agreement to be terminated on ten (10) days' prior written notice. Standex may remove Employee from all duties and authority commencing on the first day of any such notice period, however, payment of compensation and participation in all benefits shall continue through the last day of such notice period. For purposes of this Agreement, material breach shall be defined as:

- (i) an act or acts of dishonesty on the Employee's part which are intended to result in his substantial personal enrichment at the expense of the Employer; or
- (ii) the Employee willfully, deliberately and continuously fails to materially and substantially perform his duties hereunder and which result in material detriment to Standex (other than such failure resulting from the Employee's incapacity due to physical or mental disability) after demand for substantial performance is given by the Employer to the Employee specifically identifying the manner in which the Employer believes the Employee has not materially and substantially performed his duties hereunder and the Employee has had at least thirty (30) days to improve his performance; or
- (iii) the Employee willfully and deliberately fails to comply with the Employer's code of conduct, financial corporate policies or other significant, written corporate policies of the Employer.

Resignation for Good Reason. The Employee shall have the right to terminate this Agreement upon ten (10) days' prior written notice for Good Reason. "Good Reason" shall be defined as any of the following occurring without the Employee's written consent:

- (i) a material breach of this Agreement by the Employer;

- (ii) the relocation of Employee's principle place of employment more than fifty (50) miles from the Employee's current place of employment;
- (iii) a substantial reduction by the Employer of the Employee's job responsibilities which is not connected to the Employee's illness or disability; or
- (iv) a reduction of the Employee's base salary or target annual cash incentive bonus percentage.

7. **Severance.** Notwithstanding anything else contained in this Agreement, in the event that Employee's employment is terminated prior to the end of the Employment Contract Term by Employer pursuant to Section 6(a) of this Agreement or by Employee under Section 6(e), the Employee shall receive severance pay equal to base salary for the greater of (i) the remainder of the Employment Contract Term or (ii) twelve (12) months following termination of employment.

Severance will be paid in accordance with normal and customary payroll practices of the Employer. The aggregate severance will be based on the Employee's then current, annual base compensation. No severance shall be due if Employee is terminated pursuant to Sections 6 (b), (c) or (d) herein.

8. **Accelerated Stock Vesting upon Separation from Employment.** Upon Employee's departure from Standex employment pursuant to Section 6(e) or, after the expiration of the Employment Contract Term, upon Employee's departure from Standex employment, for any reason other than those reasons set forth in Section 6(d), all Standex unvested stock that has been granted to Employee during the Employment Contract Term, but which has not yet reached its vesting date under the terms of such grant(s), shall immediately vest on the date of the Employee's last day of employment, regardless of the terms of such grant(s) (the "Accelerated Awards"). This accelerated vesting shall only occur after the Employment Contract Term has expired, and in the event that none of the conditions in Section 6(d) herein are present. For the sake of clarity, this accelerated vesting shall not apply to any equity awards made to Employee subsequent to the Employment Contract Term.

For purposes of calculating the number of shares to be vested and distributed pursuant to the Accelerated Awards, the following shall apply:

- (i) All restricted stock units shall vest on a one-to-one basis based on the number of shares underlying the outstanding restricted stock units and such shares shall be distributed as soon as reasonably practicable upon such vesting; and
- (ii) The number of performance stock units that vest shall be the actual number of such units that are achieved during the performance period provided for with respect to the underlying award agreements as determined by the Compensation Committee of the Standex Board of Directors at the conclusion of the applicable performance period. Distribution of shares underlying the actual achieved performance share units shall be made as soon as reasonably practicable after the Compensation Committee's performance determination.

9. **Waiver of Breach.** The waiver by either party of a breach of any provision of this Agreement by the other party shall not operate or be construed as a waiver of any subsequent breach by the other party. No waiver shall be valid unless in writing and signed by Employee or by an authorized officer of Employer.

10. **Notices.** Any notice to be given pursuant to this Agreement shall be sent by certified mail, postage prepaid, to the parties at the following addresses or at such other address as either party may from time to time in writing designate:

To Employee:

Gregory J. Deutschmann
739 Olde Central Way
Mount Pleasant, SC 29464

With a copy (which shall not constitute notice) to:

Drinker Biddle & Reath LLP

One Logan Square, 20th Floor
Philadelphia, PA 19103-6996
Attn: Neil Haimm: neil.haimm@dbr.com
Fax: (215) 988-2757

To Employer:

c/o Standex International Corporation
11 Keewaydin Drive #300
Salem, New Hampshire 03079
Attention: Legal Department

11. Entire Agreement; Amendment. This Agreement supersedes any employment understanding or agreement, which may have been previously made by Employer with Employee, and this Agreement represents all the terms and conditions and the entire agreement between the parties hereto with respect to such employment. This Agreement may be modified or amended only by written documents signed by Employer and Employee.

12. Assignments; Survival. This Agreement is personal between Employer and Employee and may not be assigned; provided, however, that Employer shall have the absolute right at any time, or from time to time, to sell or otherwise dispose of its assets or any part thereof, to reconstitute the same into one or more subsidiary corporations or divisions or to merge, consolidate or enter into similar transactions. In the event of any such assignment, the term "Employer" as used herein shall mean and include such successor company or corporation.

The parties acknowledge and agree that the obligations contained in Sections 3, 4, 5, 7, 8, 12 and 13 shall survive the termination of this Agreement in accordance with their respective terms.

13. Governing Law; Binding Nature of Agreement. This Agreement shall be governed by, and construed in accordance with, the laws of the State of South Carolina notwithstanding the choice of law provisions. This Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective heirs, executors, administrators, successors and assigns to the extent set forth herein. Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement shall be brought in any Federal court of competent jurisdiction and each of the parties consents to the jurisdiction of such courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid therein. Process in any action or proceeding referred to in the preceding sentence may be served on any party anywhere in the world.

14. Covenants Severable. In the event that any covenant of this Agreement shall be determined invalid or unenforceable and the remaining provisions can be given effect, then such remaining provisions shall remain in full force and effect.

15. Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, Employer has caused this Agreement to be executed on its behalf by its authorized officers and Employee has executed this Agreement as of the day and year first above written.

Horizon Scientific, Inc.

/s/ Alan J. Glass

By: _____
Alan J. Glass
Its: Vice President & Secretary

/s/ Gregory J. Deutschmann

Gregory J. Deutschmann

[Signature Page to Deutschmann Employment Agreement]

RULE 13a-14(a) CERTIFICATION

I, David Dunbar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Standex International Corporation for the quarter ending December 31, 2016;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 3, 2017

/s/ David Dunbar

David Dunbar
President/Chief Executive Officer

RULE 13a-14(a) CERTIFICATION

I, Thomas D. DeByle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Standex International Corporation for the quarter ending December 31, 2016;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 3, 2017

/s/ Thomas D. DeByle

Thomas D. DeByle
Vice President/Chief Financial Officer

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C. Sec. 1350)
With Respect to the Standex International Corporation
Quarterly Report on Form 10-Q
For the Fiscal Quarter Ended December 31, 2016

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned Chief Executive Officer and Chief Financial Officer respectively of Standex International Corporation, a Delaware corporation (the “Company”) do hereby certify that:

1. The Company’s Quarterly Report on Form 10-Q for the fiscal quarter ended December 31, 2016 (the “Form 10-Q”) fully complies with the requirements of Section 13(a) or 15(d) as applicable, of the Securities Exchange Act of 1934, as amended; and
2. Information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 3, 2017

/s/ David Dunbar

David Dunbar
Chief Executive Officer

Dated: February 3, 2017

/s/ Thomas D. DeByle

Thomas D. DeByle
Chief Financial Officer

