MATERIAL SCIENCES CORP
Form DEFM14A
February 20, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Under Rule 14a-12

MATERIAL SCIENCES CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

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

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

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Dear Stockholder:

The Board of Directors of Material Sciences Corporation (MSC) has adopted, and MSC has entered into, an Agreement and Plan of Merger (the Merger Agreement), dated as of January 8, 2014, among MSC, Zink Acquisition Holdings Inc. (Parent) and Zink Acquisition Merger Sub Inc. (Merger Sub), a wholly owned subsidiary of Parent, which provides for the merger of Merger Sub with and into MSC, with MSC surviving the merger as a wholly owned subsidiary of Parent (the Merger). Parent and Merger Sub are affiliates of New Star Metals Inc. If the Merger is completed, each share of MSC common stock that you own will be converted into the right to receive $12.75 in cash, without interest and less applicable withholding taxes, unless you exercise and perfect your appraisal rights under the Delaware General Corporation Law as more fully described in the accompanying proxy statement.

You will be asked, at a special meeting of MSC s stockholders, to consider and vote on a proposal to adopt the Merger Agreement.

At the special meeting, you also will be asked to consider and vote upon a proposal to approve, by an advisory vote, the compensation that may be paid or become payable to or on behalf of MSC s named executive officers that is based on or otherwise relates to the Merger and the agreements and understandings pursuant to which such compensation may be paid or become payable, as disclosed in the accompanying proxy statement under the heading The Merger Interests of Executive Officers and Directors of MSC in the Merger; Executive Compensation that May Be Paid or Become Payable in Connection with the Merger.

You will also be asked to approve the adjournment of the special meeting, if necessary or appropriate, for the solicitation of additional proxies in the event that there are not sufficient votes at the time of the special meeting to adopt the Merger Agreement.

After careful consideration, our Board of Directors adopted the Merger Agreement and the transactions contemplated by the Merger Agreement and declared that the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement are advisable, fair to and in the best interests of MSC and its stockholders. **The Board of Directors of MSC unanimously recommends that you vote FOR adoption of the Merger Agreement, FOR approval, by non-binding advisory vote, of the compensation that may be paid or become payable to our named executive officers that is based on or otherwise relates to the Merger, and FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.**

The proxy statement accompanying this letter provides you with information about the Merger and the special meeting of MSC s stockholders. MSC encourages you to read the entire proxy statement carefully, including the attached Annexes. You may also obtain more information about MSC from documents MSC has filed with the Securities and Exchange Commission.

This proxy statement is dated February 20, 2014, and is first being mailed to stockholders of MSC on or about February 21, 2014.

Your vote is important. Adoption of the Merger Agreement requires the affirmative vote of the holders of a majority of the outstanding shares of MSC common stock entitled to vote thereon. The failure of any stockholder to vote will have the same effect as a vote against adopting the Merger Agreement. Accordingly, whether or not you plan to attend the special meeting, you are requested to promptly vote your shares by completing, signing and dating the enclosed proxy card and returning it in the envelope provided, or by voting over the telephone or over the Internet as instructed in these materials. If you sign, date and mail your proxy card without indicating how you wish to vote, the shares represented by your properly signed proxy will be voted FOR adoption of the Merger Agreement, FOR

approval (on an advisory basis) of the executive compensation that may be paid or become payable in connection with the Merger and FOR adjourning the special meeting, if necessary or appropriate, to solicit additional proxies.

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If your shares of MSC common stock are held in street name by your bank, brokerage firm or other nominee, you should have received voting instructions with these materials from that organization. You should instruct such organization to vote your shares following the procedures they provided. Please note that if you are a beneficial owner and wish to vote in person at the special meeting, you must provide a legal proxy from your bank, brokerage firm or other nominee at the special meeting. Failure to instruct your bank, brokerage firm or other nominee to vote your shares will have the same effect as voting AGAINST the adoption of the Merger Agreement.

Voting by proxy will not prevent you from voting your shares in person if you subsequently choose to attend the special meeting.

If you have any questions or need assistance voting your shares of MSC common stock, please contact Morrow & Co., LLC, MSC s proxy solicitation agent, by calling toll-free at (800) 662-5200 or collect at (203) 658-9400, or e-mailing MASC.info@morrowco.com.

Thank you for your cooperation and continued support.

Sincerely,

JOHN P. REILLY

Non-Executive Chairman of the Board

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES REGULATORY AGENCY HAS APPROVED OR DISAPPROVED THE MERGER, PASSED UPON THE MERITS OR FAIRNESS OF THE MERGER OR PASSED UPON THE ADEQUACY OR ACCURACY OF THE DISCLOSURE IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD MARCH 20, 2014

To the Stockholders of Material Sciences Corporation:

A special meeting of the stockholders of Material Sciences Corporation (MSC), a Delaware corporation, will be held at 10:00 a.m., local time, on March 20, 2014, at MSC s principal executive offices located at 2200 East Pratt Boulevard, Elk Grove Village, Illinois 60007 for the following purposes:

1. **Adoption of the Merger Agreement.** To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of January 8, 2014, among MSC, Zink Acquisition Holdings Inc. (Parent) and Zink Acquisition Merger Sub Inc. (Merger Sub), a wholly owned subsidiary of Parent, as it may be amended from time to time (the Merger Agreement). Pursuant to the Merger Agreement, Merger Sub will be merged with and into MSC, with MSC surviving the merger as a wholly owned subsidiary of Parent (the Merger);

2. **Approval of Executive Compensation that May Be Paid or Become Payable in Connection with the Merger.** To consider and vote on a proposal to approve, by a non-binding advisory vote, the compensation that may be paid or become payable to or on behalf of MSC s named executive officers that is based on or otherwise relates to the Merger and the agreements and understandings pursuant to which such compensation may be paid or become payable, as disclosed in the accompanying proxy statement under the heading The Merger Interests of Executive Officers and Directors of MSC in the Merger; Executive Compensation that May Be Paid or Become Payable in Connection with the Merger ;

3. **Adjournment of the Special Meeting.** To approve the adjournment of the special meeting or any adjournment or postponement thereof, if necessary or appropriate, for the solicitation of additional proxies in the event that there are not sufficient votes at the time of the special meeting to adopt the Merger Agreement; and

4. To transact such other business as may properly come before the special meeting or any adjournment or postponement thereof by or at the direction of MSC s board of directors.

The Board of Directors of MSC unanimously recommends that you vote FOR adoption of the Merger Agreement, FOR approval, by non-binding advisory vote, of the compensation that may be paid or become payable to our named executive officers that is based on or otherwise relates to the Merger, and FOR adjourning the special meeting, if necessary or appropriate, to solicit additional proxies.

Only stockholders of record at the close of business on February 18, 2014 are entitled to notice of and to vote at the special meeting and at any adjournment of the special meeting. A list of stockholders entitled to vote at the special meeting will be available for inspection by stockholders of record during business hours at MSC s principal executive offices located at 2200 East Pratt Boulevard, Elk Grove Village, Illinois 60007 for ten days prior to the date of the special meeting and will also be available at the special meeting. All stockholders of record are cordially invited to attend the special meeting in person. To ensure your representation at the meeting in case you cannot attend, you are urged to vote your shares by completing, signing, dating and returning the enclosed proxy card as promptly as possible in the postage prepaid envelope enclosed for that purpose or submitting your proxy by telephone or through the Internet in accordance with the instructions contained in the accompanying proxy statement under the heading Questions and Answers About the Merger How do I vote? Any stockholder attending the special meeting may vote in person even if he or she has returned or otherwise submitted a proxy card.

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Stockholders of MSC that do not vote in favor of adopting the Merger Agreement will have the right to seek appraisal of the fair value of their shares if the Merger is completed, but only if they submit a written demand for appraisal to MSC prior to the time the vote is taken on the Merger Agreement and comply with all other requirements of the Delaware General Corporation Law (DGCL). A copy of the applicable DGCL statutory provisions is included as Annex C to the accompanying proxy statement, and a summary of these provisions can be found under the heading Appraisal Rights in the accompanying proxy statement.

The adoption of the Merger Agreement requires the affirmative vote of the holders of a majority of the outstanding shares of MSC common stock entitled to vote thereon. The failure to vote will have the same effect as a vote against adopting the Merger Agreement. Even if you plan to attend the special meeting in person, please complete, sign, date and return the enclosed proxy or vote over the telephone or the Internet as instructed in these materials as promptly as possible to ensure that your shares will be represented at the special meeting if you are unable to attend. If you do attend the special meeting and wish to vote in person, you may withdraw your proxy and vote in person. If you sign, date and mail your proxy card without indicating how you wish to vote, the shares represented by your properly signed proxy will be voted FOR the adoption of the Merger Agreement, FOR the approval, by an advisory vote, of the executive compensation that may be paid or become payable in connection with the Merger, and FOR adjourning the special meeting, if necessary or appropriate, to solicit additional proxies. If you fail to return your proxy card, the effect will be that your shares will not be counted for purposes of determining whether a quorum is present at the special meeting and will effectively be counted as a vote against the adoption of the Merger Agreement.

If your shares of MSC common stock are held in street name by your bank, brokerage firm or other nominee, you should have received voting instructions with these materials from that organization. You should instruct such organization to vote your shares following the procedures they provided. Please note that if you are a beneficial owner and wish to vote in person at the special meeting, you must provide a legal proxy from your bank, brokerage firm or other nominee at the special meeting. Failure to instruct your bank, brokerage firm or other nominee to vote your shares will have the same effect as voting AGAINST the adoption of the Merger Agreement.

IF YOU PLAN TO ATTEND:

Please note that space limitations make it necessary to limit attendance to stockholders of MSC. Registration will begin at 9:00 a.m., local time, and seating will begin at 9:45 a.m., local time. Each stockholder may be asked to present valid picture identification, such as a driver s license or passport. Stockholders holding stock through a bank, brokerage firm or other nominee (street name holders) will need to bring a copy of the voting instruction card or a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices and certain other electronic devices will not be permitted at the meeting.

By Order of the Board of Directors,

James D. Pawlak

Vice President, Chief Financial Officer,

Corporate Controller and Corporate Secretary

Elk Grove Village, Illinois

February 20, 2014

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PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by Material Sciences Corporation (MSC, the Company, we, us o our), on behalf of MSC s Board of Directors (the Board), to be used at a special meeting of stockholders, which will be held on March 20, 2014 at 10:00 a.m., local time, at MSC s principal executive offices located at 2200 East Pratt Boulevard, Elk Grove Village, Illinois 60007. The purpose of the special meeting is for our stockholders to consider and vote upon the adoption of the Agreement and Plan of Merger, dated as of January 8, 2014, among MSC, Zink Acquisition Holdings Inc. (Parent) and Zink Acquisition Merger Sub Inc. (Merger Sub), a wholly owned subsidiary of Parent, as it may be amended from time to time (the Merger Agreement). Parent and Merger Sub are subsidiaries of New Star Metals Inc. (New Star). Pursuant to the Merger Agreement, Merger Sub will be merged with and into MSC (the Merger), with MSC surviving the merger as a wholly owned subsidiary of Parent (the Surviving Corporation). A copy of the Merger Agreement is attached to this proxy statement as Annex A. This proxy statement and the accompanying proxy card are being mailed to stockholders on or about February 21, 2014.

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SUMMARY

This summary highlights selected information from this proxy statement. It may not contain all of the information that is important to you. You are urged to read carefully the entire proxy statement and the other documents referred to in this proxy statement in order to fully understand the Merger Agreement and the proposed Merger. Each item in this summary refers to the page of this proxy statement on which that subject is discussed in more detail. You may obtain the information incorporated by reference in this proxy statement without charge by following the instructions in the section titled Where You Can Find More Information on page 95 of this proxy statement.

Parties to the Merger (see page 25)

Material Sciences Corporation

MSC, a Delaware corporation, is a leading provider of material-based solutions for acoustical and coated applications. The Company uses its expertise in materials, which it leverages through relationships and a network of partners, to solve customer-specific problems. The principal trading market for MSC common stock (NASDAQ: MASC) is the NASDAQ Capital Market (NASDAQ). MSC s principal executive offices are located at 2200 East Pratt Boulevard, Elk Grove Village, Illinois 60007, and MSC s telephone number is (847) 439-2210.

Zink Acquisition Holdings Inc.

Zink Acquisition Holdings Inc., which we refer to as Parent, is a Delaware corporation and was formed by New Star solely for the purpose of entering into the Merger Agreement and completing the transactions contemplated by the Merger Agreement and related financing transactions. Parent has not engaged in any business except for activities incidental to its formation and as contemplated by the Merger Agreement and the related financing transactions. Upon the consummation of the Merger, Parent will own all of the outstanding shares of MSC common stock, and MSC will be a wholly owned subsidiary of Parent. Parent s principal executive offices are located at 1400 Civic Place, Suite 250, Southlake, Texas 76092. Its telephone number is (817) 488-7775.

New Star provides steel processing, building products and supply chain management across a diverse array of end markets. Based in the Chicago area, New Star Metals operates through its four divisions: Electric Coating Technologies, Premier Resource Group, World Class Corrugating and Canfield Coating.

Zink Acquisition Merger Sub Inc.

Zink Acquisition Merger Sub Inc., which we refer to as Merger Sub, is a Delaware corporation and is a wholly owned subsidiary of Parent. Merger Sub was formed by Parent solely for the purpose of entering into the Merger Agreement and completing the transactions contemplated by the Merger Agreement and the related financing transactions. Merger Sub has not engaged in any business except for activities incidental to its formation and as contemplated by the Merger Agreement and the related financing transactions. Upon completion of the Merger, Merger Sub will cease to exist. Merger Sub s principal executive offices are located at 1400 Civic Place, Suite 250, Southlake, Texas 76092. Its telephone

number is (817) 488-7775.

Stockholder Votes (see page 21)

You are being asked to vote to (i) adopt the Merger Agreement, pursuant to which MSC would be acquired by Parent; (ii) approve, by a non-binding advisory vote, the compensation that may be paid or become payable to or on behalf of MSC s named executive officers that is based on or otherwise relates to the Merger and the

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agreements and understandings pursuant to which such compensation may be paid or become payable; and (iii) approve the adjournment of the special meeting, if necessary or appropriate, for the solicitation of additional proxies in the event that there are not sufficient votes at the time of the special meeting to adopt the Merger Agreement. Adoption of the Merger Agreement requires the affirmative vote of the holders of a majority of the shares of MSC common stock outstanding at the close of business on the record date (the Stockholder Approval), as described herein. Approval of the executive compensation that may be paid or become payable in connection with the Merger and approval of the adjournment of the special meeting, if necessary or appropriate, for the solicitation of additional proxies in the event that there are not sufficient votes at the time of the special meeting to adopt the Merger Agreement each requires the affirmative vote of a majority of the shares of MSC common stock present in person or represented by proxy at the special meeting and entitled to vote thereon.

Price for Your Shares (see page 64)

Upon completion of the Merger, holders of shares of MSC common stock will receive $12.75 per share in cash, without interest and less applicable withholding taxes (the Per Share Merger Consideration), other than shares held by stockholders who properly demand and perfect appraisal rights under the Delaware General Corporation Law (the DGCL).

Treatment of Equity Awards, Phantom Stock Units and the Employee Stock Purchase Plan (see page 64)

Options to purchase shares of MSC common stock, restricted stock and phantom stock units outstanding at the effective time of the Merger, and MSC s Employee Stock Purchase Plan, will be treated as follows under the Merger Agreement:

- *Stock Options*. Immediately prior to the effective time of the Merger, each outstanding stock option, whether or not vested, will become fully vested and exercisable and, at the effective time of the Merger, will be cancelled and converted into the right to receive a cash payment equal to the excess, if any, of $12.75 over such option s exercise price. Each outstanding stock option that has an exercise price equal to or greater than $12.75 will be cancelled without the right to receive any consideration.

- *Restricted Stock*. Immediately prior to the effective time of the Merger, each outstanding share of MSC restricted stock, whether or not vested, will become free of all restrictions, fully vested and transferable and, at the effective time of the Merger, other than shares held by stockholders who properly demand and perfect appraisal rights under the DGCL, will be cancelled and converted into the right to receive $12.75 in cash, without interest and less applicable withholding taxes, under the same terms and conditions as apply to the receipt of the Per Share Merger Consideration by holders of shares of the Company s common stock generally.

- *Phantom Stock Units*. In connection with the consummation of the Merger, MSC is required to redeem each outstanding phantom stock unit held by members of the Board, in accordance with the terms of the grant agreements therefor, at the same $12.75 Per Share Merger Consideration (without interest and less applicable withholding taxes) in cash payable to stockholders of MSC in the Merger.

- *Employee Stock Purchase Plan*. Pursuant to the Merger Agreement, the Company will take all action necessary to suspend or terminate the Material Sciences Corporation 2007 Employee Stock Purchase Plan (the Stock Purchase Plan), in accordance with the suspension and termination provisions of the Stock Purchase Plan, effective as of February 28, 2014 (i.e., the end of the current purchase period). Effective as of such suspension or termination, no additional purchase periods will commence, and no additional purchases of shares of MSC common stock will be permitted, under the Stock Purchase Plan.

Board Recommendation; Reasons for the Merger (see page 34)

After consideration of various factors, including those described in the section titled The Merger Recommendation of the Board; Reasons for the Merger, the Board unanimously determined that it is advisable

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and in the best interests of MSC and its stockholders to consummate the Merger and the other transactions contemplated by the Merger Agreement, and unanimously recommends that stockholders vote **FOR** the proposal to adopt the Merger Agreement, **FOR** the approval, by a non-binding advisory vote, of the executive compensation that may be paid or become payable in connection with the Merger and **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies. In making this determination, the Board considered various factors described in the section titled The Merger The Recommendation of the Board; Reasons for the Merger.

In considering the recommendation of the Board with respect to the proposal to adopt the Merger Agreement, you should be aware that our directors and executive officers may have interests in the Merger that may be different from, or in addition to, yours. The Board was aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Merger, and in recommending that the Merger Agreement be adopted by the stockholders of the Company. See the section titled The Merger Interests of Executive Officers and Directors of MSC in the Merger; Executive Compensation that May Be Paid or Become Payable in Connection with the Merger beginning on page 37.

Opinion of MSC s Financial Advisor (see page 45)

In connection with the Merger, the Company s financial advisor, Robert W. Baird & Co. Incorporated (Baird), delivered an oral opinion, subsequently confirmed in writing, to the Board, based upon and subject to the qualifications, limitations, procedures and assumptions stated in its written opinion and as of the date of the opinion, as to the fairness, from a financial point of view, to MSC s stockholders (other than Parent and its affiliates) of the Per Share Merger Consideration to be paid to those stockholders in the Merger.

The full text of the written opinion, which describes the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached to this proxy statement as Annex B and is incorporated herein by reference. You should read the opinion carefully in its entirety. Baird s opinion was provided to the Board (solely in its capacity as the Board) in connection with its evaluation of the Per Share Merger Consideration from a financial point of view. Baird s opinion did not address any other aspects or implications of the Merger and did not constitute a recommendation to the Board, any holder of shares of MSC common stock or any other person as to how such person should vote or act with respect to the Merger Agreement or any other matter.

Financing (see page 56)

Parent and Merger Sub estimate that the total amount of funds necessary to pay the consideration under the Merger Agreement, and the fees and expenses related to the Merger, is approximately $150 million. On January 8, 2014, New Star Metals Holdings LLC (New Star Holdings) entered into (i) a binding debt commitment letter, dated January 8, 2014, with GSO Capital Partners LP (the GSO Debt Commitment Letter), which provides for a $160 million senior secured term loan facility for New Star Holdings, New Star and its subsidiaries, and (ii) a binding debt commitment letter, dated January 8, 2014, from PNC Bank, National Association (the PNC Debt Commitment Letter and, together with the GSO Debt Commitment Letter, the Debt Commitment Letters), which provides for a $90 million senior secured revolving credit facility for New Star Holdings, New Star and its subsidiaries. The funding under each of the Debt Commitment Letters, which is subject to certain conditions, will be used to fund part of the cash consideration for the Merger and related fees and expenses. Also on January 8, 2014, Insight Equity II LP (Insight II) entered into a binding equity commitment letter with New Star (the Insight Equity Commitment Letter) pursuant to which Insight II committed to purchase, at or immediately prior to the consummation of the Merger, $15 million of equity securities of New Star in the aggregate, and New Star entered into a binding equity commitment letter with Parent (the New Star Equity Commitment Letter and, together with the Insight Equity Commitment Letter, the

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Equity Commitment Letters) pursuant to which New Star committed to purchase, at or immediately prior to the consummation of the Merger, $15 million of equity securities of Parent, in order to allow Parent to fund a portion of the aggregate consideration and to pay fees and expenses related to the Merger. Of the $265 million to be raised under the Debt Commitment Letters and the Equity Commitment Letters, approximately $85 million will be used to refinance existing indebtedness of Parent. Parent and Merger Sub have represented that, with the aggregate proceeds of this debt and equity financing, they will have sufficient funds at the closing of the Merger to fund the payment of the consideration for the Merger, and the fees and expenses related to the Merger. For a more complete description of Parent s financing for the Merger, see the section titled The Merger Financing.

The Special Meeting of MSC s Stockholders (see page 20)

- *Date, Time and Place*. The special meeting will be held at 10:00 a.m., local time, on March 20, 2014, at MSC s principal executive offices located at 2200 East Pratt Boulevard, Elk Grove Village, Illinois 60007.

- *Who Can Vote at the Meeting*. All stockholders of record of shares of MSC common stock as of the record date, which was the close of business on February 18, 2014, are entitled to receive notice of the special meeting or any adjournments of the special meeting. Each holder of MSC common stock will be entitled to cast one vote on each matter presented at the special meeting for each share of MSC common stock that such holder owned as of the record date. On the record date, there were 10,331,549 shares of MSC common stock outstanding. The presence, in person or by proxy, of holders of a majority of the outstanding shares of MSC common stock will constitute a quorum for purposes of the special meeting. Shares held in street name whose nominees are not provided with voting instructions by the beneficial owner (which we refer to as broker non-votes) will not be voted at the special meeting but will be counted as part of the quorum. If you own shares that are registered in the name of someone else, such as a broker, you need to direct that person to vote those shares or obtain an authorization from them and vote the shares yourself at the special meeting.

- *Vote Required*. The adoption of the Merger Agreement requires the affirmative vote of the holders of a majority of the shares of MSC common stock outstanding at the close of business on the record date described above. A failure to vote or a vote to abstain has the same effect as a vote AGAINST approval of the Merger Agreement. Each of Frank L. Hohmann III, a member of the Board, and Privet Fund LP and Privet Fund Management LLC (collectively, Privet), which collectively beneficially own shares of MSC s common stock representing approximately 19% of the outstanding shares, has entered into a voting agreement (each, a Voting Agreement and, collectively, the Voting Agreements) with Parent. Pursuant to each Voting Agreement, the stockholder party thereto has agreed, among other things, to vote shares beneficially owned by such stockholder (and has granted Parent an irrevocable proxy with respect to such matters) in favor of the adoption of the Merger Agreement. Ryan J. Levenson, a member of the Board, is the managing member of Privet Fund Management LLC. Approval of the executive compensation that may be paid or become payable in connection with the Merger and approval of the adjournment of the special meeting, if necessary or appropriate, for the solicitation of additional proxies in the event that there are not sufficient votes at the time of the special meeting to adopt the Merger Agreement each requires the affirmative vote of a majority of the shares of MSC common stock present in person or represented by proxy at the special meeting and entitled to vote thereon. A failure to vote will have no effect on the proposal to approve the Merger-related executive compensation or the proposal to adjourn the special meeting, if necessary or appropriate, and a vote to abstain will have the same effect as a vote AGAINST such proposals.

- *Procedure for Voting*. You can vote shares you hold of record by attending the special meeting and voting in person, by mailing the enclosed proxy card, or by voting over the telephone or over the Internet in accordance with the instructions in the section titled Questions and Answers About the

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Merger How do I vote? If you sign and return a proxy card without giving voting instructions, your shares will be voted FOR adoption of the Merger Agreement, FOR approval (on a non-binding advisory basis) of the executive compensation that may be paid or become payable in connection with the Merger and FOR adjourning the special meeting, if necessary or appropriate, to solicit additional proxies. If your shares of MSC common stock are held in street name by a bank, brokerage firm or other nominee, you should instruct your bank, broker or other nominee on how to vote your shares using the instructions provided by your bank, broker or other nominee. If you do not instruct your bank, broker or other nominee to vote your shares, your shares will not be voted.

- *How to Revoke Your Proxy*. You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must either advise MSC s Corporate Secretary in writing, deliver a proxy dated after the date of the proxy you wish to revoke, or attend the meeting and vote your shares in person. Merely attending the special meeting will not constitute revocation of your proxy. If you have instructed your broker to vote your shares, you must follow the directions provided by your broker to change those instructions.

Procedure for Receiving the Per Share Merger Consideration (see page 65)

Parent will appoint a paying agent to coordinate the payment of the cash Per Share Merger Consideration in respect of shares of MSC common stock following the Merger. If you own shares of MSC common stock that are held in street name by your bank, brokerage firm or other nominee, you will receive instructions from your bank, brokerage firm or other nominee as to how to surrender your street name shares and receive cash for those shares. If you hold certificated shares, the paying agent will send you written instructions for surrendering your certificates and obtaining the cash Per Share Merger Consideration at or shortly after the date on which MSC completes the Merger. Do not send in your share certificates now.

Material U.S. Federal Income Tax Consequences of the Merger to U.S. Holders (see page 59)

The receipt of cash in exchange for MSC common stock will be a taxable transaction for U.S. federal income tax purposes and may also be taxable under applicable state, local, foreign or other tax laws. In general, U.S. holders of MSC common stock who receive cash in exchange for their shares pursuant to the Merger Agreement will recognize a gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the holder s adjusted tax basis in the shares exchanged and the amount of cash received (determined before the deduction of any applicable withholding taxes). *Tax matters are very complex, and the tax consequences of the Merger to you will depend on the facts of your own situation. You are urged to read the discussion in the section titled The Merger Material U.S. Federal Income Tax Consequences of the Merger to U.S. Holders beginning on page 59 and to consult your tax advisor as to the U.S. federal income tax consequences of the Merger, as well as the effects of state, local and non-U.S. tax laws or any other U.S. federal tax laws.*

Required Antitrust Approvals (see page 60)

Under the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), the Merger may not be consummated until notification and report forms have been filed with the Antitrust Division of the U.S. Department of Justice (the Antitrust Division) and the Federal Trade Commission (the FTC) by Parent and MSC, and the applicable waiting period has expired or been terminated. Parent and MSC filed the notification and report forms under the HSR Act with the FTC and the Antitrust Division on January 23, 2014, and requested early termination of the waiting period. Termination of the waiting period was granted on February 10, 2014.

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Parent and MSC have determined that the Merger does not require the filing of information with, or obtaining the approval of, antitrust or competition authorities under any foreign merger control statutes or regulations.

Solicitation of Other Offers (the Go-Shop Provision) (see page 72)

From the date of the Merger Agreement until 11:59 p.m. (Chicago time) on February 12, 2014 (the Go-Shop Period), MSC and its representatives were permitted to solicit or engage in discussions or negotiations with any third party regarding a proposal to acquire MSC or a significant interest in MSC, and to continue discussions or negotiations until 11:59 p.m. (Chicago time) on February 27, 2014, with any third party that made an acquisition proposal during the Go-Shop Period which MSC s Board of Directors determined constituted or could reasonably be expected to lead to a superior proposal (as defined in the section titled The Merger Agreement Other Acquisition Proposals). MSC did not receive any alternative acquisition proposals during the Go-Shop Period.

Now that the Go-Shop Period has expired, the Merger Agreement contains restrictions on MSC s ability to solicit or engage in discussions or negotiations with any third party regarding a proposal to acquire MSC or a significant interest in MSC. Under certain limited circumstances, the Company may respond to an acquisition proposal that did not result from a breach of the non-solicitation provisions of the Merger Agreement and terminate the Merger Agreement to enter into an acquisition agreement with respect to a superior proposal. In the event that MSC terminates the Merger Agreement to enter into an acquisition agreement with respect to a superior proposal, MSC will be required to pay Parent a termination fee. See the section titled The Merger Agreement Termination Fees and Reimbursement of Expenses.

Conditions to the Merger (see page 77)

Each party s obligation to complete the Merger is subject to the satisfaction or waiver of various conditions, including the following:

- the approval of the Merger Agreement by MSC s stockholders;
- the expiration or termination of the waiting period under the HSR Act and under any other applicable antitrust law; and
- the absence of any injunctions or other legal prohibitions preventing the consummation of the Merger.

The obligation of Parent and Merger Sub to complete the Merger is subject to the satisfaction or their waiver of certain additional conditions, including the following:

- the accuracy of MSC s representations and warranties in the Merger Agreement to varying standards depending on the representation and warranty;
- MSC s performance of its obligations contained in the Merger Agreement in all material respects;

- no Company Material Adverse Effect has occurred (as defined in the section titled The Merger Agreement Representations and Warranties); and

- the delivery to Parent of an officer s certificate from MSC confirming that the conditions described in the immediately preceding three bullets have been satisfied.

MSC s obligation to complete the Merger is subject to the satisfaction or its waiver of certain additional conditions, including the following:

- the accuracy of Parent s and Merger Sub s representations and warranties in the Merger Agreement, unless such inaccuracies, individually or in the aggregate, would not prevent, materially delay or materially impede the ability of Parent or Merger Sub to consummate the Merger and the other transactions contemplated by the Merger Agreement;

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- each of Parent s and Merger Sub s performance of its obligations contained in the Merger Agreement in all material respects; and

- the delivery to MSC of an officer s certificate from Parent confirming that the conditions described in the immediately preceding two bullets have been satisfied.

Termination of the Merger Agreement (see page 78)

The Merger Agreement can be terminated under certain circumstances, including:

- by mutual written consent of MSC and Parent;

- by either Parent or MSC, if:

  - the Merger has not been consummated on or before July 8, 2014;

  - the Stockholder Approval is not obtained at the special meeting or any postponement or adjournment thereof; or

  - there is an order permanently restraining, enjoining or otherwise prohibiting the consummation of the Merger.

- by MSC if:

  - MSC enters into an alternative acquisition agreement with respect to a superior proposal immediately prior to, or substantially concurrently with, the termination of the Merger Agreement, provided that MSC pays the applicable termination fee and complies with certain other requirements;

  - either of Parent or Merger Sub materially breaches or fails to perform any of its representations, warranties, covenants or agreements in the Merger Agreement such that the conditions to MSC s obligation to complete the Merger would not be satisfied, and such breach is not cured by Parent or Merger Sub within certain time periods;

  - a change of recommendation occurs (as described in the section titled The Merger Agreement Other Acquisition Proposals), provided that MSC pays the applicable termination fee and complies with certain other requirements; or

  - if the Merger is not consummated within three business days after the conditions to the obligations of Parent and Merger Sub to complete the Merger have been satisfied.

- by Parent if:

- a change of recommendation occurs, the Board approves, recommends or enters into an agreement with respect to another acquisition proposal, MSC breaches, in any material respect, the non-solicitation provisions (as described in The Merger Agreement Other Acquisition Proposals), MSC fails to include the Board recommendation in this proxy statement, the Board authorizes any of the foregoing or the Board fails to recommend against a tender offer within 10 business days after its public announcement or commencement;

- MSC materially breaches or fails to perform any of its representations, warranties, covenants or agreements in the Merger Agreement such that the conditions to Parent s and Merger Sub s obligations to complete the Merger would not be satisfied, and such breach is not cured within certain time periods; or

- there has been a Company Material Adverse Effect (as defined in the section titled The Merger Agreement Representations and Warranties).

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Termination Fees and Expenses (see page 80)

Upon termination of the Merger Agreement under specified circumstances, including with respect to the Company s entry into an agreement with respect to a superior proposal, the Company will be required to pay Parent a termination fee of $4.0 million, or $2.5 million depending on the circumstances, or reimburse certain expenses of Parent up to $1.25 million. The Merger Agreement also provides that Parent will be required to pay the Company a reverse termination fee of $8.5 million under certain specified circumstances set forth in the Merger Agreement. See the section titled The Merger Agreement Termination Fees and Reimbursement of Expenses.

Interests of MSC s Directors and Executive Officers in the Merger (see page 37)

You should be aware that some of MSC s directors and executive officers have interests in the Merger that are different from, or are in addition to, the interests of MSC s stockholders generally. The Board was aware of and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement, and in recommending that the Merger Agreement be adopted by our stockholders. These interests relate to, among other things, equity awards held by such persons; severance arrangements with MSC s executive officers; indemnification of MSC s directors and officers by the Surviving Corporation following the Merger; and the possibility of continuing employment of certain executive officers with the Surviving Corporation. For a more complete description of the interests of our directors and executive officers in the Merger, see The Merger Interests of Executive Officers and Directors of MSC in the Merger; Executive Compensation that May Be Paid or Become Payable in Connection with the Merger.

Appraisal Rights (see page 83)

If certain criteria are satisfied, the DGCL provides you with the right to seek an appraisal of your shares, provided that you perfect those rights in the manner provided for in the DGCL. This means that if you are not satisfied with the amount you are receiving in the Merger, you may be entitled to have the value of your shares determined by the Delaware Court of Chancery and to receive payment based on that valuation. The amount you ultimately receive as a dissenting stockholder in an appraisal proceeding may be more, the same as or less than the amount you would be entitled to receive under the terms of the Merger Agreement. Annex C to this proxy statement contains the full text of Section 262 of the DGCL, which relates to appraisal rights. Your failure to follow exactly the procedures specified under the DGCL may result in the loss of your appraisal rights. We encourage you to read these provisions carefully and in their entirety.

Shares Held by Directors and Executive Officers (see page 88)

As of the close of business on February 18, 2014, the directors and executive officers of MSC on such date were deemed to beneficially own an aggregate of 2,433,714 shares of MSC common stock, which represented approximately 22.8% of the shares of MSC common stock outstanding on that date. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the SEC) as described in the section titled Security Ownership of Certain Beneficial Owners and Management.

Delisting and Deregistration (see page 61)

If the Merger is completed, MSC s common stock will be delisted from NASDAQ and deregistered under the Securities Exchange Act of 1934, as amended (the Exchange Act). As such, we would no longer file reports with the SEC on account of our common stock.

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MSC s Stock Price (see page 87)

Shares of MSC s common stock are listed on NASDAQ under the trading symbol MASC. On January 8, 2014, which was the last trading day before the announcement of the Merger, the closing price for MSC s common stock was $11.22 per share. On February 18, 2014, which was the most recent practicable date before this proxy statement was mailed to stockholders, the closing price for MSC s common stock was $12.74 per share.

Questions

If you have additional questions about the Merger or other matters discussed in this proxy statement after reading this proxy statement, you should contact Morrow & Co., LLC, MSC s proxy solicitation agent (Morrow). The address of Morrow is 470 West Avenue, Stamford, CT 06902. If you would like additional copies of this proxy statement, without charge, or if you have questions about the Merger, including the procedures for voting your shares, you can call Morrow toll-free at (800) 662-5200 or collect at (203) 658-9400, or you can e-mail Morrow at MASC.info@morrowco.com.

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QUESTIONS AND ANSWERS ABOUT THE MERGER

The following questions and answers address briefly some questions you may have regarding the special meeting and the proposed Merger. These questions and answers may not address all questions that may be important to you as a stockholder of MSC. Please refer to the more detailed information contained elsewhere in this proxy statement, including the Annexes and the documents we refer to or incorporate by reference in this proxy statement.

Q: Why am I receiving these materials?

A: You are receiving this proxy statement and the proxy card because you own shares of MSC common stock. The Board is providing these proxy materials to give you information for use in determining how to vote in connection with the special meeting.

The Merger and Related Transactions

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of MSC by Parent pursuant to the Merger Agreement. Once the Merger Agreement has been adopted by MSC s stockholders and the other closing conditions under the Merger Agreement have been satisfied or waived (other than those which, by their nature, are to be satisfied at the closing of the Merger), Merger Sub will merge with and into MSC. MSC will be the surviving corporation in the Merger and will become wholly owned by Parent. Parent and Merger Sub are affiliates of New Star. The Merger Agreement is attached as Annex A to this proxy statement.

Q: As an MSC stockholder, what will I receive in the Merger?

A: If the Merger is completed, you will be entitled to receive $12.75 in cash, without interest and less applicable withholding taxes, for each share of MSC common stock that you own immediately prior to the effective time of the Merger, unless you exercise and perfect your appraisal rights under the DGCL.

Q: How are stock options and restricted stock treated in the Merger?

A: Immediately prior to the effective time of the Merger, each outstanding stock option, whether or not vested, will become fully vested and exercisable and, at the effective time of the Merger, will be cancelled and converted into the right to receive the option s spread value in cash (i.e., a cash payment equal to the excess, if any, of $12.75 over such option s exercise price). Each outstanding stock option that has an exercise price equal to or greater than $12.75 will be cancelled without the right to receive any cash payment or other consideration. Immediately prior to the effective time of the Merger, each outstanding share of MSC restricted stock, whether or not vested, will become free of all restrictions, fully vested and transferable and, at the effective time of the Merger, other than shares held by stockholders who properly demand and perfect appraisal rights under the DGCL, will be cancelled and converted into the right to receive $12.75 in cash, without interest and less applicable withholding taxes under the same terms and conditions as apply to the receipt of the Per Share Merger Consideration by holders of shares of MSC s common stock generally.

Q: What happens if the Merger is not completed?

A: If the Merger Agreement is not adopted by MSC s stockholders or if the Merger is not completed for any other reason, you will not receive any payment for your shares of MSC common stock in connection with the Merger. Instead, MSC will remain a publicly traded company and its common stock will continue to be listed and traded on NASDAQ. The Merger Agreement contains certain termination rights for MSC and Parent. Upon termination of the Merger Agreement under specified circumstances, including with respect to the Company s entry into an agreement with respect to a superior proposal, the Company will be required

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to pay Parent a termination fee of $4.0 million, or $2.5 million depending on the circumstances, or reimburse certain expenses of Parent up to $1.25 million. The Merger Agreement also provides that Parent will be required to pay the Company a reverse termination fee of $8.5 million under certain specified circumstances set forth in the Merger Agreement. See The Merger Agreement Termination Fees and Reimbursement of Expenses.

Q: What effects will the Merger have on the Company?

A: Upon completion of the Merger, MSC will cease to be a publicly traded company and will be a wholly owned subsidiary of Parent. As a result, you will no longer have any monetary interest in our future performance. Following completion of the Merger, the registration of our common stock and our reporting obligations with respect to our common stock under the Exchange Act are expected to be terminated and shares of MSC s common stock will no longer be listed on NASDAQ.

Q: Is completion of the Merger subject to any conditions?

A: Yes. Consummation of the Merger is subject to customary conditions, including the approval of the Merger by the holders of a majority of the outstanding shares of common stock of the Company entitled to vote on the Merger and the expiration or termination of the waiting period applicable to the consummation of the Merger under the HSR Act. For a more complete description of the conditions that must be satisfied or waived prior to completion of the Merger, see the section titled The Merger Agreement Conditions to the Merger.

Q: What are the United States federal income tax consequences of the Merger to holders of MSC common stock?

A: The receipt of cash in exchange for MSC common stock will be a taxable transaction for U.S. federal income tax purposes and may also be taxable under applicable state, local, foreign or other tax laws. In general, U.S. holders of MSC common stock who receive cash in exchange for their shares pursuant to the Merger will recognize a gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the holder s adjusted tax basis in the shares exchanged and the amount of cash received (determined before the deduction of any applicable withholding taxes). *Tax matters are very complex, and the tax consequences of the Merger to you will depend on the facts of your own situation. You are urged to read the discussion in the section titled The Merger Material U.S. Federal Income Tax Consequences of the Merger to U.S. Holders beginning on page 59 for a more detailed description of U.S. federal income tax consequences of the Merger and to consult your tax advisor as to the U.S. federal income tax consequences of the Merger, as well as the effects of state, local and non-U.S. tax laws or any other U.S. federal tax laws.*

Q: When do you expect the Merger to be completed?

A: MSC and Parent are working to complete the Merger as quickly as possible after the special meeting. However, the exact timing and likelihood of completion of the Merger cannot be predicted because the Merger is subject to certain conditions, including adoption of the Merger Agreement by our stockholders and receipt of regulatory approvals. Neither MSC nor Parent or Merger Sub is obligated to complete the Merger unless the applicable closing conditions in the Merger Agreement have been satisfied or waived. See The Merger Agreement Conditions to the Merger.

Q: Do any MSC directors or officers have interests in the Merger that may differ from or be in addition to my interests as a stockholder?

A: Yes. In considering the recommendation of the Board with respect to the adoption of the Merger Agreement, you should be aware that our directors and executive officers may have interests in the Merger that are different from, or in addition to, the interests of our stockholders generally. The Board was aware of

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and considered these interests, among other matters, in evaluating and negotiating the Merger Agreement and the Merger, and in recommending that the Merger Agreement be adopted by our stockholders. See The Merger Interests of Executive Officers and Directors of MSC in the Merger; Executive Compensation that May Be Paid or Become Payable in Connection with the Merger.

The Special Meeting

Q: Where and when is the special meeting?

A: The special meeting will take place at 10:00 a.m., local time, on March 20, 2014, at MSC s principal executive offices located at 2200 East Pratt Boulevard, Elk Grove Village, Illinois 60007.

Q: Who is eligible to vote?

A: Holders of MSC common stock as of the close of business on February 18, 2014, the record date for the special meeting, are eligible to vote.

Q: How many votes do MSC s stockholders have?

A: Each holder of MSC common stock has one vote for each share of MSC common stock that such holder owned at the close of business on February 18, 2014, the record date for the special meeting. As of the record date for the special meeting, 10,331,549 shares of MSC common stock were issued and outstanding.

Q: What vote of MSC s stockholders is required to approve the Merger Agreement and the other matters being decided at the special meeting?

A: The following are the vote requirements for the proposals:

- *Adoption of the Merger Agreement*. In order to complete the Merger, holders of a majority of the outstanding shares of MSC common stock entitled to vote thereon must vote FOR the adoption of the Merger Agreement.

Because the affirmative vote required to approve the proposal to adopt the Merger Agreement is based upon the total number of outstanding shares of MSC common stock, if you fail to submit a proxy or vote in person at the special meeting, or abstain, or if your shares are held in street name and you do not provide your bank, brokerage firm or other nominee with voting instructions on the proposal, as applicable, this will have the same effect as a vote AGAINST the proposal to adopt the Merger Agreement.

- *Advisory vote approving the executive compensation that may be paid or become payable in connection with the Merger*.

In order to approve, by an advisory (non-binding) vote, the executive compensation that may be paid or become payable in connection with the Merger, holders of a majority of the shares present in person or represented by proxy at the special meeting and entitled to vote thereon must vote FOR the approval, by an advisory (non-binding) vote, of the executive compensation that may be paid or become payable in connection with the Merger.

If you fail to submit a proxy or vote in person at the special meeting, or if your shares are held in street name and you do not provide your bank, brokerage firm or other nominee with voting instructions on the issue, as applicable, the shares of MSC common stock held by you or your broker will not be counted in respect of, and will not have an effect on, the proposal to approve the executive compensation that may be paid or become payable in connection with the Merger. If you abstain, the shares of MSC common stock held by you will have the same effect as a vote against the proposal to approve the executive compensation that may be paid or become payable in connection with the Merger.

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- *Adjournment (if necessary).* The affirmative vote of the holders of a majority of the shares present in person or represented by proxy at the special meeting and entitled to vote thereon will be required to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

If you fail to submit a proxy or vote in person at the special meeting, or if your shares are held in street name and you do not provide your bank, brokerage firm or other nominee with voting instructions on the issue, as applicable, the shares of MSC common stock held by you or your broker will not be counted in respect of, and will not have an effect on, the proposal to adjourn the special meeting. If you abstain, the shares of MSC common stock held by you or your broker will have the same effect as a vote against the proposal to adjourn the special meeting.

Q: Why am I being asked to cast an advisory (non-binding) vote to approve the executive compensation that may be paid or become payable in connection with the Merger?

A: The SEC has adopted rules that require MSC to seek an advisory (non-binding) vote with respect to certain payments that may be paid or become payable to MSC s named executive officers in connection with the Merger.

Q: What will happen if the stockholders do not approve the executive compensation that may be paid or become payable in connection with the Merger?

A: Approval of the executive compensation that may be paid or become payable in connection with the Merger is not a condition to the completion of the Merger. The vote with respect to the executive compensation that may be paid or become payable in connection with the Merger is an advisory vote and will not be binding on MSC. Therefore, if the other requisite stockholder approvals are obtained and the Merger is completed, the amounts that may be paid or become payable as executive compensation in connection with the Merger will still be paid to MSC s executive officers as long as any other conditions applicable thereto are satisfied.

Q: What constitutes a quorum for the special meeting?

A: A quorum of stockholders is required in order to transact business at the special meeting. A majority of the outstanding shares of MSC common stock entitled to vote being present in person or represented by proxy constitutes a quorum for the special meeting. If you are a stockholder of record and you submit a properly executed proxy card by mail, submit your proxy by telephone or via the Internet or vote in person at the special meeting, then your shares of MSC common stock will be counted as part of the quorum. If you are a street name holder of shares and you provide your bank, brokerage firm or other nominee with instructions as to how to vote your shares or obtain a legal proxy from such broker or nominee to vote your shares in person at the special meeting, then your shares will be counted as part of the quorum. Broker non-votes will be counted as part of the quorum. All shares of MSC common stock held by stockholders that are present in person or represented by proxy and entitled to vote at the special meeting, regardless of how such shares are voted or whether such stockholders abstain from voting, will be counted as part of the quorum.

Q: How does MSC s Board recommend that I vote?

A: The Board unanimously determined that it is advisable and in the best interests of MSC and its stockholders to consummate the Merger and the other transactions contemplated by the Merger Agreement, and recommends that stockholders vote **FOR** the proposal to adopt the Merger Agreement, **FOR** the approval, by advisory (non-binding) vote, of the executive compensation that may be paid or become payable in connection with the Merger and **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies. The Board is soliciting stockholder votes consistent with the Board s recommendation. You should read the section titled The Merger The Recommendation of the Board; Reasons for the Merger for a discussion of the factors that the Board considered in deciding to recommend voting for adoption of the Merger Agreement.

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Q: Have any stockholders already agreed to adopt the Merger Agreement?

A: Each of Frank L. Hohmann III, a member of the Board, and Privet, which collectively beneficially own shares of the Company s common stock representing approximately 19% of the outstanding shares of the Company s common stock, has entered into a Voting Agreement with Parent, pursuant to which such stockholder has agreed, among other things, to vote shares beneficially owned by such stockholder (and has granted Parent an irrevocable proxy with respect to such matters) in favor of the adoption of the Merger Agreement.

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

A: If your shares of MSC common stock are registered directly in your name with MSC s transfer agent, you are considered, with respect to those shares of MSC common stock, as the stockholder of record. If you are a stockholder of record, this proxy statement and your proxy card have been sent directly to you by MSC.

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

Q: How do I vote?

A: If you are a stockholder of record, you may vote in person at the special meeting, vote by proxy using the enclosed proxy card, vote by proxy over the telephone, or vote by proxy on the Internet. If you vote by proxy, your shares will be voted as you specify on the proxy card, over the telephone or on the Internet. Whether or not you plan to attend the meeting, MSC urges you to vote by proxy to ensure your vote is counted. You may still attend the special meeting and vote in person if you have already voted by proxy.

- To vote in person, come to the special meeting and you will be given a ballot when you arrive.
- To vote using the enclosed proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the enclosed return envelope. If you return your signed proxy card to MSC before the special meeting, MSC will vote your shares as you direct.
- To vote over the telephone, dial the toll-free telephone number located on the enclosed proxy card using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m., Eastern Time, on March 19, 2014 to be counted.
- To vote on the Internet, go to the web address located on the enclosed proxy card to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m., Eastern Time, on March 19, 2014 to be counted.

If you are a beneficial owner and your shares of common stock are held in street name by your bank, brokerage firm or other nominee, you should have received voting instructions with these proxy materials from that organization rather than MSC. You should instruct such organization to vote your shares following the procedures they provided. Please note that if you are a beneficial owner and wish to vote in person at the special meeting, you must provide a legal proxy from your bank, brokerage firm or other nominee at the special meeting.

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MSC provides Internet proxy voting to allow you to vote your shares online, with procedures designed to ensure the authenticity and correctness of your proxy vote instructions. However, please be aware that you must bear any costs associated with your Internet access, such as usage charges from Internet access providers and telephone companies.

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

A: Brokers that hold shares in street name for their customers which are the beneficial owners of those shares typically have the authority to only vote on certain routine items in the event that they have not received instructions from beneficial owners. When a proposal is not a routine matter and a broker has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm may not vote the shares on that proposal since it does not have discretionary authority to vote those shares on that matter. A broker non-vote is submitted when a broker returns a proxy card and indicates that, with respect to a particular matter, it is not voting a specified number of shares on that matter, as it has not received voting instructions with respect to those shares from the beneficial owner and does not have discretionary authority to vote those shares on such matter. While broker non-votes are considered present, in person or represented by proxy, for purposes of determining whether a quorum is present at the special meeting, they will not be considered entitled to vote at the special meeting with respect to the matters to which they apply. Broker non-votes with respect to the special meeting will have the same effect as a vote AGAINST the proposal to adopt the Merger Agreement, and will not have any effect on the proposal to approve the Merger-related executive compensation or on the proposal to adjourn the special meeting.

Q: May I vote in person?

A: If you are the stockholder of record of shares of MSC common stock, you have the right to vote in person at the special meeting with respect to those shares. If you are the beneficial owner of shares of MSC common stock, you are invited to attend the special meeting. However, if you are not the stockholder of record with respect to any shares of MSC common stock, you may not vote those shares in person at the special meeting, unless you obtain a legal proxy from your broker, bank or other nominee giving you the right to vote such shares at the special meeting. *Even if you plan to attend the special meeting as a stockholder of record, we recommend that you also submit your proxy card or voting instructions as described in the above Q&A titled How do I vote? so that your vote will be counted if you later decide not to, or are unable to, attend the special meeting.*

Q: Can I change my vote after I have delivered my proxy?

A: Yes. If you are a stockholder of record, you can change your vote at any time before your proxy is voted at the special meeting by properly submitting a later-dated proxy either by mail, Internet or telephone or attending the special meeting in person and voting. You also may revoke your proxy by delivering notice of revocation to MSC s Corporate Secretary at 2200 East Pratt Boulevard, Elk Grove Village, Illinois 60007, Attention: Corporate Secretary, prior to the vote at the special meeting. If your shares of MSC common stock are held in street name, you must contact your bank, brokerage firm or other nominee to revoke your proxy.

Q: What happens if I sell or otherwise transfer my shares of MSC common stock before the special meeting?

A: The record date for the special meeting is earlier than the date of the special meeting and the date the Merger is expected to be completed. If you sell or otherwise transfer your shares of MSC common stock after the record date but before the special meeting, you will retain your right to vote at the special meeting, but you will transfer your right to receive the Per Share Merger Consideration. Even if you sell or otherwise

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transfer your shares of MSC common stock after the record date, we urge you to complete, sign, date and return the enclosed proxy or submit your proxy card via the Internet or telephone.

Q: What does it mean if I receive more than one set of materials?

A: This means you own shares of MSC common stock that are registered under different names. For example, you may own some shares directly as a stockholder of record and other shares through a broker or you may own shares through more than one broker. In these situations, you will receive multiple sets of proxy materials. You must complete, sign, date and return each of the proxy cards that you receive, or vote all of your shares by telephone or via the Internet in accordance with the instructions above in order to vote all of the shares you own. Each proxy card you receive comes with its own prepaid return envelope and control number(s); if you vote by mail, make sure you return each proxy card in the return envelope that accompanies that proxy card, and if you vote by telephone or via the Internet, use the control number(s) on each proxy card.

Q: Am I entitled to appraisal rights under the DGCL instead of receiving the Per Share Merger Consideration for my shares of MSC common stock?

A: Yes. As a holder of MSC common stock, you are entitled to exercise appraisal rights under Section 262 of the DGCL in connection with the Merger if you take certain actions and meet certain conditions. See Appraisal Rights and Annex C of this proxy statement for more information.

Q: Should I send in my stock certificates now?

A: No. After the date of completion of the Merger, if you hold certificated shares, you will receive a letter of transmittal with instructions informing you how to send in your stock certificates to Parent s paying agent in order to receive the Per Share Merger Consideration. You should use the letter of transmittal to exchange stock certificates for the Per Share Merger Consideration to which you are entitled as a result of the Merger. **Do not send any stock certificates with your proxy.**

If you own shares of MSC common stock that are held in street name by your bank, brokerage firm or other nominee, you will receive instructions from your bank, brokerage firm or other nominee as to how to surrender your shares held in street name and receive the Per Share Merger Consideration for those shares following the completion of the Merger.

Q: How can I receive the Per Share Merger Consideration if I do not know where my stock certificate is?

A: The materials the paying agent will send you after completion of the Merger will include the procedures that you must follow if you have misplaced your stock certificate. These will include an affidavit that you will need to sign attesting to the loss of your certificate and an indemnity agreement that you will enter into with Parent. In addition, you may also have to provide a bond in order to cover any potential losses.

Q: What do I need to do now?

A: Please read this proxy statement carefully, including its Annexes, to consider how the Merger affects you and how you should vote on each of the proposals to be considered at the special meeting. After you read this proxy statement, you should complete, sign and date your proxy card and mail it in the enclosed return envelope or submit your proxy by telephone or via the Internet as soon as possible so that your shares can be voted at the special meeting of MSC s stockholders. If you sign, date and mail your proxy card without indicating how you wish to vote, the shares represented by your properly signed proxy will be voted **FOR** the adoption of the Merger Agreement, **FOR**

the approval, by non-binding advisory vote, of the executive compensation that may be paid or become payable in connection with the Merger, and **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

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Q: Who can help answer my questions?

A: The information provided above in the question-and-answer format is for your convenience only and is merely a summary of some of the information in this proxy statement. You should carefully read the entire proxy statement, including its Annexes. If you would like additional copies of this proxy statement, without charge, or if you have questions about the Merger, including the procedures for voting your shares, you should contact Morrow & Co., LLC, MSC s proxy solicitation agent. The address of Morrow is 470 West Avenue, Stamford, CT 06902. You can call Morrow toll-free at (800) 662-5200 or collect at (203) 658-9400, or you can e-mail Morrow at MASC.info@morrowco.com.

You should also consult your legal, tax and/or financial advisors with respect to any aspect of the Merger, the Merger Agreement or other matters discussed in this proxy statement.

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CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (PSLRA), including statements regarding the proposed Merger, the expected timing of completion of the Merger, current expectations of MSC about its prospects and opportunities and other expectations, beliefs, plans, intentions and strategies of MSC. The Company has tried to identify these statements by using words such as expect, anticipate, believe, could, would, should, estimate, intend, may, plan, predict, guidance, projection and will and similar terms and phrases, but such words, terms and phrases are not the exclusive means of identifying such statements. For each of these statements, MSC claims the protection of the safe harbor for forward-looking statements contained in the PSLRA. Actual results, performance and achievements could differ materially from those expressed in, or implied by, these forward-looking statements due to a variety of risks, uncertainties and other factors, including, but not limited to, the following: uncertainties as to the timing of the Merger, including the possibility that the Merger may be delayed or may not be completed at all; the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement, including a termination under circumstances that could require MSC to pay Parent a termination fee of $4.0 million, or $2.5 million depending on the circumstances, or reimburse certain expenses of Parent up to $1.25 million; the inability to complete the Merger due to the failure to obtain stockholder approval or the failure to satisfy other conditions to completion of the Merger; the possibility that alternative acquisition proposals will be made; the possibility that the transaction may otherwise be delayed or may not be completed at all; risks related to any litigation (including, but not limited to, any litigation relating to the Merger itself) in which MSC is currently or may become involved; the failure of Parent and its affiliates to obtain the necessary financing arrangements set forth in the debt and equity commitment letters delivered pursuant to the Merger Agreement; the disruption of management s attention from the Company s ongoing business operations due to the Merger, including the potential adverse effect on MSC s business and operations because of certain covenants MSC agreed to in the Merger Agreement; the effect of the announcement of the Merger on the Company s relationships with its customers, operating results and business generally; the amount of the costs, fees and expenses related to the Merger; the loss, or changes in the operations, financial condition, or results of operations of one or more of the Company s significant customers or suppliers; uncertainty in the industries in which the Company operates most significantly the automotive industry, which generates the majority of the Company s sales; the Company s ability to respond to competitive factors including domestic and foreign competition for both acoustical and coated applications, and pricing pressures; the rate of acceptance of the Company s acoustical products for brake shims, engine components and body panel parts by vehicle manufacturers in North America, Europe and Asia; changes in vehicle production levels or the loss of business with respect to a vehicle model for which it is a significant supplier; the Company s ability to provide cost-effective solutions to our customers mass reduction challenges; supply shortages or price increases in raw material, energy and commodities; labor disputes involving Material Sciences or its significant customers or suppliers; risks, costs, recoveries and penalties associated with past and present manufacturing operations; the effects of local and national economic, credit and capital market conditions; and other risk factors set forth from time to time in the Company s other filings with the SEC, including the disclosures under Risk Factors in those filings.

For a detailed discussion of factors that could affect MSC s future operating results, see MSC s filings with the SEC, including the disclosures under Risk Factors in those filings. Any forward-looking statements speak only as of the date on which the statements were made. Except as expressly required by the federal securities laws, MSC undertakes no obligation to update or revise any forward-looking statements to reflect events or circumstances occurring after the date of this proxy statement. You should carefully consider the cautionary statements contained or referred to in this section in connection with any subsequent written or oral forward-looking statements that may be issued by MSC or persons acting on MSC s behalf.

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THE SPECIAL MEETING

Date, Time and Place of the Special Meeting

The special meeting will take place at 10:00 a.m., local time, on March 20, 2014, at MSC s principal executive offices located at 2200 East Pratt Boulevard, Elk Grove Village, Illinois 60007.

Purpose of the Special Meeting

At the special meeting, MSC s stockholders will be asked to consider and vote upon:

- a proposal to adopt the Merger Agreement;
- a proposal to approve, by an advisory (non-binding) vote, the executive compensation that may be paid or become payable in connection with the Merger; and
- a proposal to adjourn the special meeting, if necessary or appropriate, for the solicitation of additional proxies in the event that there are not sufficient votes at the time of the special meeting to adopt the Merger Agreement.

MSC does not expect that any matter other than the proposals listed above will be brought before the special meeting. If, however, other matters are properly brought before the special meeting, or any adjournment or postponement of the special meeting, the persons named as proxies will vote in accordance with their judgment on such matters.

MSC Board Recommendation

The Board unanimously determined that it is advisable and in the best interests of MSC and its stockholders to consummate the Merger and the other transactions contemplated by the Merger Agreement, and recommends that the stockholders vote **FOR** the proposal to adopt the Merger Agreement, **FOR** the proposal to approve, by a non-binding advisory vote, the executive compensation that may be paid or become payable in connection with the Merger and **FOR** the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

Who Can Vote at the Special Meeting

Only holders of record of MSC common stock as of the close of business on February 18, 2014, which is the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting. If you own shares that are registered in the name of someone else, such as a

broker, you need to direct that person to vote those shares or obtain an authorization from them and vote the shares yourself at the special meeting. On the record date, there were 10,331,549 shares of MSC common stock outstanding.

Quorum

To conduct business at the special meeting, there must be a sufficient number of shares of MSC common stock represented (in person or by proxy) to constitute a quorum. A majority of the outstanding shares of MSC common stock entitled to vote being present in person or represented by proxy constitutes a quorum for the special meeting. If you are a stockholder of record and you submit a properly executed proxy card by mail, submit your proxy by telephone or via the Internet or vote in person at the special meeting, then your shares of MSC common stock will be counted as part of the quorum. If you are a street name holder of shares and you provide your bank, brokerage firm or other nominee with instructions as to how to vote your shares or obtain a legal proxy from such broker or nominee to vote your shares in person at the special meeting, then your shares will be counted as part of the quorum. Broker non-votes will be counted as part of the quorum. All shares of MSC common stock held by stockholders that are present in person or represented by proxy and entitled to vote

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at the special meeting, regardless of how such shares are voted or whether such stockholders abstain from voting, will be counted as part of the quorum. If a quorum shall fail to attend the meeting, the stockholders entitled to vote at the special meeting, present in person or by proxy, may adjourn the meeting to another place, date or time.

Vote Required

The approval of the proposal to adopt the Merger Agreement requires MSC to obtain the affirmative vote of a majority of the outstanding shares of MSC common stock entitled to vote thereon. For the proposal to adopt the Merger Agreement, you may vote FOR, AGAINST or ABSTAIN. Abstentions will not be counted as votes cast in favor of the proposal to adopt the Merger Agreement, but they will count for the purpose of determining whether a quorum is present. **If you fail to submit a proxy, fail to vote in person at the special meeting, or abstain, it will have the same effect as a vote AGAINST the proposal to adopt the Merger Agreement**.

If your shares of MSC common stock are registered directly in your name with MSC s transfer agent, you are considered, with respect to those shares of MSC common stock, the stockholder of record. This proxy statement and proxy card have been sent directly to you by MSC.

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

Brokers that hold shares in street name for their customers which are the beneficial owners of those shares typically have the authority to only vote on certain routine items in the event that they have not received instructions from beneficial owners. When a proposal is not a routine matter and a broker has not received voting instructions from the beneficial owner of the shares with respect to that proposal, the brokerage firm may not vote the shares on that proposal since it does not have discretionary authority to vote those shares on that matter. A broker non-vote is submitted when a broker returns a proxy card and indicates that, with respect to a particular matter, it is not voting a specified number of shares on that matter, as it has not received voting instructions with respect to those shares from the beneficial owner and does not have discretionary authority to vote those shares on such matter. While broker non-votes are considered present, in person or represented by proxy, for purposes of determining whether a quorum is present at the special meeting, they will not be considered entitled to vote at the special meeting with respect to the matters to which they apply. Broker non-votes with respect to the special meeting will have the same effect as a vote AGAINST the proposal to adopt the Merger Agreement, and will not have any effect on the proposal to approve the Merger-related executive compensation or on the proposal to adjourn the special meeting.

The affirmative vote of a majority of the shares of MSC common stock present in person or represented by proxy at the special meeting and entitled to vote thereon will be required to approve, by a non-binding advisory vote, the executive compensation that may be paid or become payable in connection with the Merger. For the proposal to approve the executive compensation that may be paid or become payable in connection with the Merger, you may vote FOR, AGAINST or ABSTAIN. If you fail to submit a proxy or vote in person at the special meeting, or if your shares are held in street name and you do not provide your bank, brokerage firm or other nominee with voting instructions on the issue, as applicable, the shares of MSC common stock held by you or your broker will not be counted in respect of, and will not have an effect on, the proposal to approve the Merger-related executive compensation. If you abstain, the shares of MSC common stock held by you will have

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the same effect as a vote AGAINST the proposal to approve the executive compensation that may be paid or become payable in connection with the Merger.

The affirmative vote of a majority of the shares of MSC common stock present in person or represented by proxy at the special meeting and entitled to vote thereon will be required to approve the adjournment of the special meeting, if necessary or appropriate, for the solicitation of additional proxies, whether or not a quorum is present. For the proposal to adjourn the special meeting, if necessary or appropriate, you may vote FOR, AGAINST or ABSTAIN. If you fail to submit a proxy or vote in person at the special meeting, or if your shares are held in street name and you do not provide your bank, brokerage firm or other nominee with voting instructions on the issue, as applicable, the shares of MSC common stock held by you or your broker will not be counted in respect of, and will not have an effect on, the proposal to adjourn the special meeting. If you abstain, the shares of MSC common stock held by you will have the same effect as a vote AGAINST the proposal to adjourn the special meeting.

If you are a stockholder of record, you may vote in person at the special meeting, vote by proxy using the enclosed proxy card, vote by proxy by telephone, or vote by proxy via the Internet. If you vote by proxy, your shares will be voted as you specify on the proxy card, by telephone or via the Internet. Whether or not you plan to attend the meeting, MSC urges you to vote by proxy to ensure your vote is counted if you decide not to, or are unable to, attend the special meeting. You may still attend the special meeting and vote in person if you have already voted by proxy.

To summarize, you may vote as follows:

- To vote in person, come to the special meeting and you will be given a ballot when you arrive.
- To vote using the enclosed proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the enclosed return envelope. If you return your signed proxy card to MSC before the special meeting, the designated proxies will vote your shares as you direct.
- To vote by telephone, dial the toll-free telephone number located on the enclosed proxy card using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m., Eastern Time, on March 19, 2014 to be counted.
- To vote via the Internet, go to the web address located on the enclosed proxy card to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m., Eastern Time, on March 19, 2014 to be counted.

If you are a beneficial owner and your shares of common stock are held in street name by your bank, brokerage firm or other nominee, you should have received voting instructions with these proxy materials from that organization rather than MSC. You should instruct your bank, brokerage firm or other nominee to vote your shares following the procedures provided by that organization. Please note that if you are a beneficial owner and wish to vote in person at the special meeting, you must provide a legal proxy from your bank, brokerage firm or other nominee at the special meeting.

Please refer to the instructions on your proxy or voting instruction card to determine the deadlines for submitting a proxy by telephone or via the Internet. If you choose to submit your proxy by mailing a proxy card, your proxy card must be filed with our Corporate Secretary by the time the special meeting begins. **Please do NOT send in your stock certificates with your proxy card.** If you are a holder of stock certificates, when

the Merger is completed, a separate letter of transmittal will be mailed to you that will enable you to receive the Per Share Merger Consideration in exchange for your stock certificates.

If you vote by proxy, regardless of the method you choose to vote, the individuals named on the enclosed proxy card, and each of them, with full power of substitution, or other proxies named by you, will vote your

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shares of MSC common stock in the way that you indicate. When completing the Internet or telephone processes or the proxy card, you may specify whether your shares of MSC common stock should be voted FOR or AGAINST or to ABSTAIN from voting on all, some or none of the specific items of business to come before the special meeting.

If you properly sign your proxy card but do not mark the boxes showing how your shares of our common stock should be voted on a matter, the shares of MSC common stock represented by your properly signed proxy will be voted FOR the adoption of the Merger Agreement, FOR the approval of the proposal to approve, by non-binding advisory vote, the executive compensation that may be paid or become payable in connection with the Merger, and FOR the approval of the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies.

It is important that you submit a proxy to vote your shares of MSC common stock promptly. Whether or not you plan to attend the special meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid envelope or submit your proxy by telephone or via the Internet. Stockholders who attend the special meeting may revoke their proxies by voting in person.

Proxies and Revocation

Any stockholder of record entitled to vote at the special meeting may submit a proxy by telephone, via the Internet, or by returning the enclosed proxy card in the accompanying prepaid reply envelope, or may vote in person at the special meeting. If your shares of MSC common stock are held in street name by your bank, brokerage firm or other nominee, you should instruct your bank, brokerage firm or other nominee on how to vote your shares of MSC common stock using the instructions provided by your bank, brokerage firm or other nominee.

You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must either advise MSC s Corporate Secretary in writing at 2200 East Pratt Boulevard, Elk Grove Village, Illinois 60007, deliver a proxy dated after the date of the proxy you wish to revoke, or attend the special meeting and vote your shares in person. Please note that to be effective, your new proxy card, Internet or telephonic voting instructions or written notice of revocation must be received by MSC s Corporate Secretary prior to the special meeting and, in the case of Internet or telephonic voting instructions, must be received by 11:59 p.m., Eastern Time, on March 19, 2014. Attendance at the special meeting will not by itself constitute revocation of a proxy. If you have instructed your broker to vote your shares, you must follow the directions provided by your broker to change those instructions.

Adjournments

Although it is not currently expected, the special meeting may be adjourned for the purpose of soliciting additional proxies if there are insufficient votes at the time of the special meeting to approve the adoption of the Merger Agreement. If a quorum is present at the meeting, any such adjournment must be approved by the affirmative vote of the majority of the votes cast at the special meeting. If no instructions are indicated on your proxy card, your shares of common stock will be voted FOR the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies.

Any adjournment of the special meeting for the purpose of soliciting additional proxies will allow MSC s stockholders who have already sent in their proxies to revoke them at any time before voting occurs at the special meeting, as adjourned. Under the Merger Agreement, MSC is

permitted to adjourn or postpone the special meeting in the following cases:

- with the consent of Parent in its sole discretion;

- for the absence of a quorum;

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- to the extent necessary to ensure that any supplement or amendment to the proxy statement required under applicable law is provided to the holders of shares of MSC common stock within a reasonable period of time in advance of the special meeting;

- to allow reasonable additional time to solicit additional proxies;

- to the extent required by law or any court of competent jurisdiction; or

- if the Company has provided a written notice to Parent that it intends to make a change of recommendation or enter into an alternative acquisition proposal in connection with a superior proposal and the applicable notice period has not yet expired.

Rights of Stockholders Who Object to the Merger

Stockholders of MSC are entitled to appraisal rights under the DGCL in connection with the Merger. This means that you are entitled to have the value of your shares determined by the Delaware Court of Chancery and to receive payment based on that valuation. The ultimate amount you receive as a dissenting stockholder in an appraisal proceeding may be more than, the same as or less than the amount you would have received under the Merger Agreement.

To exercise your appraisal rights, you must submit a written demand for appraisal to the Company before the vote is taken on the Merger Agreement, you must not vote in favor of the proposal to adopt the Merger Agreement and you must continuously hold your shares of MSC common stock from the date you make the demand for appraisal through the effective date of the Merger. Merely voting against adoption of the Merger Agreement will not preserve your appraisal rights, which require you to take all steps provided under the DGCL. Your failure to follow exactly the procedures specified under the DGCL may result in the loss of your appraisal rights. See Appraisal Rights and the full text of Section 262 of the DGCL, which relates to appraisal rights, reproduced in its entirety as Annex C to this proxy statement. If you hold your shares of MSC common stock through a bank, brokerage firm or other nominee and you wish to exercise appraisal rights, you should consult with your bank, brokerage firm or other nominee to determine the appropriate procedures for the making of a demand for appraisal by your bank, brokerage firm or nominee. In view of the complexity of the DGCL, stockholders who may wish to pursue appraisal rights should consult their legal and financial advisors.

Solicitation of Proxies

MSC will pay all of the costs of this proxy solicitation. In addition to soliciting proxies by mail, directors and officers of MSC may solicit proxies personally and by telephone, e-mail or otherwise. None of these persons will receive additional or special compensation for soliciting proxies. MSC will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners of shares of MSC common stock and obtaining their voting instructions.

MSC has engaged Morrow & Co., LLC to assist in the solicitation of proxies for the special meeting. MSC will pay Morrow a fee of approximately $8,500, plus reimbursement of out-of-pocket expenses. You can call Morrow toll-free at (800) 662-5200 or collect at (203) 658-9400, or you can e-mail Morrow at MASC.info@morrowco.com.

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THE PARTIES TO THE MERGER

Material Sciences Corporation

MSC, a Delaware corporation, is a leading provider of material-based solutions for acoustical and coated applications. The Company uses its expertise in materials, which it leverages through relationships and a network of partners, to solve customer-specific problems. The principal trading market for MSC common stock (NASDAQ: MASC) is the NASDAQ Capital Market. MSC s principal executive offices are located at 2200 East Pratt Boulevard, Elk Grove Village, Illinois 60007, and MSC s telephone number is (847) 439-2210. Additional information regarding MSC is contained in MSC s filings with the SEC. See Where You Can Find More Information beginning on page 95.

Zink Acquisition Holdings Inc.

Zink Acquisition Holdings Inc., which we refer to as Parent, is a Delaware corporation and was formed by New Star solely for the purpose of entering into the Merger Agreement and completing the transactions contemplated by the Merger Agreement and related financing transactions. Parent has not engaged in any business except for activities incidental to its formation and as contemplated by the Merger Agreement and the related financing transactions. Upon the consummation of the Merger, Parent will own all of the outstanding shares of MSC common stock, and MSC will be a wholly owned subsidiary of Parent. Parent s principal executive offices are located at 1400 Civic Place, Suite 250, Southlake, Texas 76092. Its telephone number is (817) 488-7775.

New Star provides steel processing, building products and supply chain management across a diverse array of end markets. Based in the Chicago area, New Star Metals operates through its four divisions: Electric Coating Technologies, Premier Resource Group, World Class Corrugating and Canfield Coating.

Zink Acquisition Merger Sub Inc.

Zink Acquisition Merger Sub Inc., which we refer to as Merger Sub, is a Delaware corporation and is a wholly owned subsidiary of Parent. Merger Sub was formed by Parent solely for the purpose of entering into the Merger Agreement and completing the transactions contemplated by the Merger Agreement and the related financing transactions. Merger Sub has not engaged in any business except for activities incidental to its formation and as contemplated by the Merger Agreement and the related financing transactions. Upon completion of the Merger, Merger Sub will cease to exist. Merger Sub s principal executive offices are located at 1400 Civic Place, Suite 250, Southlake, Texas 76092. Its telephone number is (817) 488-7775.

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THE MERGER

(PROPOSAL 1)

The following is a discussion of the Merger, including the process undertaken by MSC and the Board in identifying and determining whether to engage in the proposed transaction. This discussion of the Merger is qualified by reference to the Merger Agreement, which is attached to this proxy statement as Annex A. You should read the entire Merger Agreement carefully as it is the legal document that governs the Merger.

Background of the Merger

The Board, together with senior management, regularly evaluates MSC s business strategy, strategic alternatives, prospects for growth and opportunities to maximize value for MSC s stockholders.

On October 9, 2012, Clifford Nastas, MSC s Chief Executive Officer, met with Pat Murley, New Star s Chief Executive Officer, to express MSC s potential interest in acquiring New Star s Electric Coating Technologies business. Mr. Murley subsequently responded that New Star was not interested in selling this business.

On July 10, 2013, MSC released financial results for the fiscal 2014 first quarter ended May 31, 2013. Net sales declined 17.6% versus the same period of the prior year, and net income declined 36%.

On July 31, 2013, Mr. Nastas met with Jack Waterstreet, Executive Vice President of New Star, and Mr. Waterstreet expressed a potential interest by New Star to acquire MSC.

On August 27, 2013, Mr. Nastas received a letter from Mr. Waterstreet providing a preliminary indication of interest in acquiring MSC at a valuation of $11.75 per share. In the letter, Mr. Waterstreet outlined the contemplated structure as the acquisition of 100% of the equity of MSC and the funding of the acquisition through a combination of debt and equity financing. Mr. Waterstreet indicated in the letter that New Star had retained financial and legal advisors, Moelis & Company (Moelis) and Hunton & Williams LLP (Hunton), respectively, for the transaction. Finally, the letter requested that New Star be permitted to conduct its due diligence.

On September 4, 2013, the Board held a telephonic meeting to discuss the August 27 letter, which James Pawlak, MSC s Chief Financial Officer, and representatives of Katten Muchin Rosenman LLP, MSC s outside legal counsel (Katten), also attended. At this meeting, the Board authorized Mr. Nastas to request additional information from New Star such as its potential financing sources, diligence requirements, and transaction timeline for the Board to begin to evaluate the proposal. The Board confirmed that there were no conflicts of interest between New Star and its affiliates and any of the Board members. In addition, the Board authorized Mr. Nastas to interview potential financial advisors to assist the Board in its evaluation of the offer. Management of MSC was currently in the process of preparing a strategic plan to present to the Board at a regularly scheduled October Board meeting, but the Board requested that MSC management accelerate the preparation of the three year strategic plan so that the Board could better analyze the proposal set forth in the letter in light of management s standalone outlook for the Company. At this meeting, Katten discussed the fiduciary duties applicable to the Board in general and in the context of the letter from Mr. Waterstreet.

Following the September 4th Board meeting, Mr. Nastas requested additional information from New Star related to its proposal. On September 9, 2013, Mr. Waterstreet provided to Mr. Nastas a list of New Star s initial business diligence requests, a list of New Star s third party diligence service providers, and a proposed detailed timeline for New Star to complete its diligence. Mr. Nastas then provided this information to the Board.

On September 10, 2013, Mr. Nastas met separately with a representative of Baird and with a representative of another financial advisory firm to discuss potential engagement as a financial advisor to the Board, and invited representatives of Baird and the other advisory firm to meet with the Board on September 16, 2013.

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On September 11, 2013, the Board held a telephonic meeting to again discuss the August 27 letter and the related additional materials from New Star, with Mr. Pawlak and representatives of Katten also in attendance. At this meeting, Mr. Pawlak reviewed with the Board a preliminary financial analysis of the proposed $11.75 per share price. Mr. Nastas and Mr. Pawlak also presented to the Board a financial forecast for MSC s 2014 fiscal year and a preliminary discounted cash flow valuation analysis. The Board then reviewed the materials provided by New Star to MSC on September 9, and the Board confirmed no conflicts of interest between MSC and New Star s advisors. Mr. Nastas also updated the Board on his meetings with potential financial advisors. The Board directed Mr. Nastas to continue the engagement process for a financial advisor and to provide New Star with an update that MSC was evaluating the proposal and retaining advisors.

Also at the September 11, 2013 Board meeting, John Reilly, Chairman of the Board, informed the Board of a conversation he had recently had with representatives of Party A regarding their potential interest in a strategic business combination between MSC and Party A. The Board directed Mr. Reilly and Mr. Nastas to schedule a meeting with Party A to explore a potential business combination.

On September 16, 2013, the Board held a meeting for the purpose of selecting a financial advisor. Immediately preceding the meeting the Board met separately with representatives of Baird and another financial advisory firm. The representatives of Baird met with the Board and discussed with them Baird s credentials, the engagement professionals, the New Star proposal, advisory fee proposals, and possible next steps. The representatives of the other financial advisory firm also met with the Board and discussed their credentials, the engagement professionals, the New Star proposal, advisory fee proposals and possible next steps. Following these presentations, the Board discussed each firm s credentials and experience, and the Board determined to engage Baird as its financial advisor.

On September 25, 2013, the Board held a telephonic meeting that Mr. Pawlak and representatives of Katten also attended. The meeting was called at the request of Board member Ryan Levenson to consider the formation of a special committee of the Board to serve as the main point of contact for, and to coordinate activities with, the Board s advisors and MSC s management with respect to a proposed transaction. Frank Hohmann, chairman of the Compensation, Organization and Corporate Governance Committee of the Board (the COCG Committee), reviewed discussions with the other members of the COCG Committee with respect to the scope of powers, membership and compensation of the proposed special committee. Based on these discussions, Mr. Hohmann noted that the COCG Committee recommended that the Board form a special committee. Following discussion by the Board on authority, composition and compensation of a special committee, the Board formed a special committee consisting of Dominick Schiano, as chairman, Mr. Levenson and John Reilly to assist with and coordinate activities with the Board s advisors and MSC s management with respect to the proposal from New Star and other strategic alternatives (the Special Committee). The Board resolved not to pay the members of the Special Committee any compensation.

On September 26, 2013, MSC executed an engagement letter with Baird.

On September 30, 2013, the Special Committee held a telephonic meeting, which representatives of Baird also attended, to establish procedures and a schedule in order for it to carry out its mandate. The Special Committee also discussed how to respond to New Star and the next steps for discussions with Party A. The Special Committee concluded that it would discuss how to respond to New Star at the next regularly scheduled Board meeting to be held on October 2 and 3, 2013.

On October 2, 2013, the Board held an in person meeting that Mr. Pawlak also attended and representatives of Baird and Katten attended telephonically. Representatives of Baird updated the Board on their work relating to the Company since the last Board meeting, discussed the Company s updated current year financial forecast, discussed preliminary Company valuation ranges and suggested proposed next steps with New Star. Although the Board was not considering a sale of MSC prior to New Star submitting its offer, the Board authorized moving forward with discussions with New Star to determine whether such a transaction might be in the best interests of

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MSC s stockholders. The Board also requested that New Star be asked to submit a revised indication of interest and to increase its proposed price. The Board also directed the Special Committee to contact Party A and request a formal written proposal. Finally, the Special Committee reported to the Board on its actions taken to date, and the Board conducted regularly scheduled business, including, among other things, review of quarterly results and the strategic plan prepared by MSC management.

On October 4, 2013, a Baird representative had a discussion with Mr. Waterstreet and another officer of New Star. The Baird representative conveyed the Board s desire for a higher price and asked that New Star submit a revised indication of interest. The Baird representative informed the New Star officers that, subject to New Star executing a customary non-disclosure agreement, MSC would provide certain non-public information and management would make a presentation to New Star to assist New Star in preparing a revised proposal.

On October 7 and 14, 2013, the Special Committee held telephonic meetings, which representatives of Baird also attended. A Baird representative reported on his discussions with representatives of New Star. The Special Committee discussed MSC s updated forecast for 2014, the contents of the proposed management presentation to be made to New Star and the contemplated contents of the non-public information to be provided to New Star. Finally, Mr. Reilly reported he had left a message for representatives of Party A.

During the weeks of October 7 and 14, 2013, MSC management, representatives of Baird and Katten and representatives of New Star and Hunton negotiated the terms of a non-disclosure agreement, and on October 20, 2013, MSC and New Star executed a non-disclosure agreement. The non-disclosure agreement between MSC and New Star contains a standstill provision (a standstill) preventing New Star, for a period of eighteen months, from offering to purchase shares of MSC or taking certain other actions with respect to seeking control of MSC without the written invitation of MSC. In addition, the non-disclosure agreement contains a provision stating that New Star is not permitted to ask for a waiver of the standstill (a no-ask, no-waiver provision). Following execution of the non-disclosure agreement, representatives of Baird provided New Star with MSC s historical and management s most recent financial projections for MSC based upon MSC s most current strategic plan.

On October 10, 2013, MSC released financial results for the fiscal 2014 second quarter ended August 31, 2013. Net sales declined 8% versus the same period last year, and net income declined 23%.

On October 16, 2013, Party A delivered a letter to the Board with an indication of interest in a potential stock for stock, no premium merger of Party A and MSC. The letter proposed that Party A would merge with and into MSC, with MSC being the surviving corporation and shareholders of Party A receiving shares of MSC, and that MSC, in connection with such merger, would declare a dividend to its legacy stockholders of all of its existing cash and assume Party A s debt. Also, the letter proposed that Party A and its affiliates would assume a majority of the seats on the board of directors of the combined entity. Party A is a private company owned by a private equity investor.

On October 21, 2013, the Special Committee held a telephonic meeting that representatives of Baird also attended. The Special Committee discussed the contents of the proposed management presentation and the proposal from Party A. The Special Committee requested that Baird assist the Board in its evaluation of the Party A proposal at an upcoming meeting.

On October 22, 2013, on the evening prior to the management presentation by MSC, representatives of Baird and MSC met with representatives of New Star, and on October 23, 2013, MSC management delivered a management presentation to representatives of New Star.

On October 28, 2013, the Special Committee held a telephonic meeting that Mr. Nastas, Mr. Pawlak and representatives of Baird also attended. Mr. Nastas and a representative of Baird reported on the management

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presentation made to New Star, and a Baird representative discussed the progress of ongoing due diligence by New Star. The Special Committee also directed the Baird representatives to reiterate to New Star that it would need to increase its proposed price of $11.75 per share.

On November 1, 2013, MSC received a letter from New Star that maintained the $11.75 per share price noting MSC s decrease in financial performance and stock price since New Star s initial proposal, and outlined a timeline for completion of business due diligence and next steps for third party service provider confirmatory due diligence.

On November 4, 2013, the Board held a telephonic meeting that Mr. Pawlak and representatives of Baird and Katten also attended. Representatives of Baird and members of the Special Committee updated the Board on the status of the discussions with New Star and Party A since the last Board meeting on October 2, 2013. The Board discussed the revised indication of interest from New Star and discussed the Board s desire for an increase in the purchase price in order for the Board to continue to consider a transaction, given that MSC was not otherwise exploring a sale. The Board directed Baird to continue discussions with New Star in an effort to increase the price and indicate that further due diligence would not be authorized unless New Star increased its price. The Board discussed the proposal from Party A.

During the weeks of November 4 and November 11, 2013, representatives of Baird and New Star had numerous conversations about diligence and valuation. On November 14, 2013, New Star orally conveyed to a representative of Baird that New Star was willing to increase its purchase price to $12.75 per share. After numerous further discussions between representatives of Baird and New Star, New Star stated that $12.75 per share represented its best and final offer, assuming that an acceptable merger agreement could be negotiated. New Star indicated that if the price was acceptable, New Star anticipated being able to complete confirmatory due diligence and sign a merger agreement in a 30-day time period.

On November 15, 2013, the Special Committee held a telephonic meeting that Mr. Nastas, Mr. Pawlak and representatives of Baird also attended. A Baird representative updated the Special Committee on his discussion with Mr. Waterstreet and the increased bid of $12.75 per share, which New Star indicated was its best and final offer. The Special Committee discussed with the Baird representatives whether a further price increase should be sought, and concluded that New Star had made its best and final offer. In light of the Company s declining performance and the challenges and risks of continuing the Company s standalone strategy and immediate prospects of the Company and after discussions with representatives of Baird, the Special Committee determined to recommend to the Board that MSC pursue a transaction with New Star at a purchase price of $12.75 per share. The Special Committee also discussed the potential transaction proposed by Party A.

On November 18, 2013, the Board held a telephonic meeting that Mr. Pawlak and representatives of Baird and Katten also attended. A representative of Baird informed the Board of the increased $12.75 per share purchase price offered by New Star and relayed New Star s position that this represented New Star s best and final offer. A representative of Baird discussed Baird s preliminary evaluation of the $12.75 per share price. Mr. Schiano advised the Board that the Special Committee recommended pursuing a transaction with New Star at the $12.75 per share price in light of the Board s views of the challenges and risks of continuing the Company s standalone strategy and immediate prospects of the Company. Following discussions on the revised New Star bid, the Board authorized MSC management and its advisors to pursue a transaction with New Star at the $12.75 per share price by permitting New Star to commence confirmatory due diligence and the negotiation of a definitive merger agreement.

At the November 18, 2013 telephonic meeting the Board also discussed the proposal of a merger transaction with Party A. Representatives of Baird discussed the terms of the proposed transactions with New Star and Party A. The Board determined that Mr. Schiano should contact Party A to see if it had an interest in making an all-cash offer for MSC. Finally, representatives of Katten advised the Board of its fiduciary duties, in general and in connection with the proposals from New Star and Party A. The Board discussed potential market checks and

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concluded that any transaction that the Board would approve would require the flexibility for the Board to pursue an alternative transaction that is in the best interests of the MSC stockholders. Finally, the Board instructed Baird to prepare a list of other possible strategic acquirors.

On November 19, 2013, New Star delivered a letter to a representative of Baird with New Star s proposal to acquire 100% of the equity of MSC for $12.75 per share and that this price was a best and final price.

On November 20, 2013, Mr. Schiano had a discussion with a representative of Party A. Mr. Schiano stated that if Party A was interested in a strategic transaction with MSC, Party A should make an all cash offer to acquire MSC. The representative of Party A indicated that the request would be discussed internally by Party A.

Also, on November 20, representatives of Katten and Hunton discussed the drafting of a definitive agreement. A representative of Baird had expressed to New Star the Board s desire for the transaction to be structured as a tender offer and that a go-shop provision would need to be included in any merger agreement. Hunton indicated they had begun preparation of a definitive agreement with a contemplated structure as a one-step merger (i.e., no tender offer) and no go-shop provision.

On November 24, 2013 and December 2, 2013, the Special Committee held telephonic meetings that Mr. Nastas, Mr. Pawlak and representatives of Baird and Katten also attended. Representatives of Baird reported on the status of New Star s due diligence and the progress in satisfying New Star s requests for information. MSC management reported on the progress on the updated internal forecast for the remainder of the 2014 fiscal year. Representatives of Katten reported on their discussions with Hunton regarding the structure of the transaction. In addition, Mr. Schiano reported on his November 20 discussion with Party A, but that no further communication from Party A had been received since that date. Finally, the Special Committee reviewed a list of potential strategic acquisition parties prepared by Baird with the assistance of management and the Special Committee members. It was the Special Committee members view that contacting such parties would not be productive, and carried risks to the New Star transaction and to the ongoing business of the Company. The Special Committee determined that the list should be provided to the Board for discussion at the next scheduled meeting on December 5, 2013.

On December 5, 2013, the Board held a telephonic meeting that Mr. Pawlak and representatives of Baird and Katten also attended. At the meeting, representatives of Baird discussed the progress of New Star s diligence and the proposed sources of financing for New Star s funding of the merger consideration. Representatives of Baird reported that New Star planned to finance the transaction by increasing New Star s existing asset-backed revolving credit facility and using additional debt financing in the form of a term loan with a third party lender. A Baird representative discussed with the Board that: (i) commitment letters from the sources of debt financing had not been provided; (ii) Hunton would be providing a draft definitive agreement; and (iii) he had conveyed to New Star that a go-shop period (i.e., a period of time after the execution of a definitive agreement during which MSC is permitted to solicit or engage in discussions or negotiations with third parties regarding a proposal to acquire MSC or a significant interest in MSC) would be imperative in order for the Board to support a transaction with New Star. Mr. Nastas and Mr. Pawlak discussed MSC s year-to-date performance compared against the forecast and the upcoming site visits by representatives of New Star to certain MSC facilities. Mr. Schiano reported that there had been no response from Party A since his request for them to submit an all cash offer if they were interested in a combination. Finally, the Board discussed the list of potential acquirors prepared by representatives of Baird with the assistance of MSC management and the members of the Special Committee, which included Party A, and the probable interest and strategic logic with respect to each of the parties. The Board discussed the risk of compromising the potential transaction with New Star by contacting the parties on the list. The Board concluded that MSC should continue to pursue a transaction with New Star without contacting other potential acquirors, but that the inclusion of a go-shop period in the definitive agreement would need to be a condition to entering into any definitive agreement with New Star. The Board directed its advisors to continue to report to, and take direction from, the Special Committee on developments and comments on the draft definitive agreement once it was received. Mr. Schiano, as Chair of the Special Committee would have

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discretion as he determined to seek additional direction from the Special Committee and the Board as a whole in connection with, and to direct, the negotiations of the definitive agreement, provided the definitive agreement would in all events be subject to the review and approval of the entire Board.

Also on December 5, 2013, Hunton provided a draft merger agreement to Katten reflecting a one-step merger transaction with no go-shop period. Over the next few days, Hunton and Katten discussed the structure of the potential transaction and New Star agreed that it would consider structuring the transaction as a tender offer, but continued to resist a go-shop period. New Star directed Hunton to prepare a draft of the merger agreement that was structured as a tender offer. While awaiting this revised draft merger agreement, Katten and MSC management began reviewing and revising the representations and warranties in the initial draft merger agreement and began preparing related disclosure schedules.

On December 12, 2013, representatives of New Star and Hunton and representatives of Baird and Katten held a conference call to discuss the structure of the transaction. New Star expressed a strong preference for a one-step merger transaction, but indicated that Hunton would provide a draft reflecting a tender offer structure. New Star also expressed a position that it would only be willing to accept a go-shop period in the context of the one-step merger transaction. On December 13, 2013, Katten received a draft merger agreement from Hunton providing for a tender offer transaction that did not include a go-shop period and was otherwise identical to the one-step merger agreement, except for provisions related to a tender offer. Katten prepared and delivered to the Special Committee a summary of the material issues in the draft merger agreement for the Special Committee that included, among other things, (i) identities of the parties to the merger agreement, (ii) the limited financing covenants, (iii) the absence of a go-shop period, (iv) a five business day match right period, (v) a buyer favorable formulation of the definition of material adverse effect, (vi) a $4.0 million MSC termination fee accompanied in all instances by up to $2 million of expense reimbursement with no credit against the termination fee and (vii) a reverse termination fee of only $5 million.

On December 16, 2013, the Special Committee held a telephonic meeting that Mr. Nastas, Mr. Pawlak and representatives of Baird and Katten also attended. Representatives of Baird updated the Special Committee on the status of New Star s due diligence and that substantially all requests had been satisfied. Mr. Nastas and Mr. Pawlak also updated the Special Committee on the performance of MSC through November as compared to the MSC forecast. Representatives of Katten then discussed the summary of material issues in the draft merger agreement that was previously provided to the members of the Special Committee. The Special Committee and the advisors discussed these issues and Katten was directed to deliver the summary to the Board prior to its upcoming meeting on December 20, 2013. Also, the Special Committee discussed the pros and cons of a one-step versus a tender offer and merger transaction and concluded that the advisors should engage New Star s advisors in negotiating a one-step merger transaction if progress could be made on the issues raised by Hunton s initial draft of the merger agreement. However, the Special Committee directed Baird and Katten not to engage in negotiations with respect to the draft merger agreement, other than with respect to representations and warranties, until drafts of the debt financing commitments were received and such drafts were in a form acceptable to MSC.

On December 19, 2013, at the direction of the Special Committee, Katten provided to Hunton a markup of the representations and warranties set forth in the draft merger agreement and an initial draft of the disclosure schedules. Over the course of the next day, Hunton provided a draft of its proposed voting agreement to be executed by certain stockholders of MSC.

On December 20, 2013, the Board held a telephonic meeting that Mr. Pawlak and representatives of Baird and Katten also attended. The Special Committee reported to the Board that there were delays from New Star s proposed 30-day timeline due to negotiations between the parties on the structure of the transaction and delays in delivery of third party debt financing commitments. Representatives of Baird and Katten then discussed certain issues raised by the draft merger agreement. Following discussion on the structure of the transaction, the Board directed its advisors to engage with New Star with respect to a one-step merger transaction, so long as New Star

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was flexible with respect to the other issues raised by its proposed draft merger agreement, including the necessity of a go-shop period, provided the advisors should not engage with New Star s advisors until the draft debt financing commitments were received and such drafts were in a form acceptable to MSC.

Between December 23 and 26, 2013, the proposed lenders to New Star provided their draft debt financing commitments. Katten reviewed and prepared markups of these debt financing commitments to limit the conditionality on funding.

On December 26, 2013, the Special Committee held a telephonic meeting that Mr. Pawlak and representatives of Baird and Katten also attended. Representatives of Baird and Katten discussed the terms of the debt financing commitments and the sources and uses of funds for the transaction. Representatives of Baird stated that New Star noted in its communications transmitting the debt commitment letters that the drafts were not complete and numerous conditions on funding were to be deleted. After discussion among the members of the Special Committee on these items, the Special Committee directed Katten to send to Hunton revised drafts of the merger agreement and the debt financing commitments. As directed, on December 26, Katten sent to Hunton revised drafts of the debt financing commitments, and on December 27, Katten sent to Hunton a revised draft of the merger agreement that was not structured as a tender offer but did include (i) New Star as the entity that is Parent, (ii) a go-shop provision with a 40-day go-shop period, no subsequent end date, and a $2 million termination fee payable by MSC for a transaction with an excluded party, (iii) a $4 million termination fee payable by MSC for transactions outside of the go-shop period or for certain other termination events, and (iv) up to a $1.5 million dollar expense reimbursement payable by MSC only in the event of a termination due to MSC s breach of the merger agreement.

On December 29, 2013, Hunton delivered to Katten revised drafts of the disclosure schedules and the representations and warranties. On December 30, 2013, Hunton delivered to Katten drafts of the equity commitment and limited guaranty. On December 31, 2013, Katten delivered to Hunton a revised draft of the voting agreement, and Hunton delivered a fully revised draft of the merger agreement.

On January 2, 2014, Katten circulated to the members of the Special Committee a summary of key issues outstanding on the merger agreement, including, among others (i) the identities of the parties to the merger agreement, (ii) the financing covenants and lack of third party beneficiary rights for MSC under the equity commitment letters, (iii) that New Star would accept a 30 day go-shop period with a 10-day subsequent end date, (iv) the fiduciary out provisions, including a four business day match right period, (v) a $3 million termination fee payable by MSC for a transaction with an excluded party prior to the excluded party end date, (vi) expense reimbursement of up to $1.5 million payable by MSC with a $4.0 million termination fee payable by MSC in numerous instances and (vii) a reverse termination fee of $6 million. The Special Committee held telephonic meetings with representatives of Baird and Katten on January 2, 2014 in the morning and in the afternoon. During the morning meeting, the Special Committee discussed the key issues in the merger agreement as outlined in the summary prepared by Katten. The Special Committee directed Baird and Katten to have a call with New Star, Moelis and Hunton on these issues and report back to the Special Committee in the afternoon. During the afternoon call, representatives of Baird and Katten reported on the discussions with New Star and Hunton. The Special Committee directed Katten to return a revised draft of the merger agreement to Hunton substantially maintaining MSC s positions on the key points discussed. On January 2, Katten delivered a revised draft of the merger agreement to Hunton, as directed, and revised drafts of the equity financing commitment and limited guaranty.

During the course of January 3, 2014, Hunton delivered revised drafts of the debt financing commitments that were substantially in the form proposed by Katten. In addition, Hunton delivered a summary of certain threshold issues that New Star wanted to resolve before engaging more broadly on the remaining issues in the merger agreement, including (i) the identity of Parent, with New Star proposing a newly formed entity as Parent and New Star and Insight II serving as guarantors under the limited guaranty, (ii) the amount of the reverse termination fee, with New Star proposing $7 million, (iii) that any damages for which New Star could be liable under the merger

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agreement be limited to the amount of the reverse termination fee and (iv) the duration of the go-shop period, with New Star proposing a 35-day go-shop period with a 15-day subsequent end date and a reduced termination fee of $2.5 million for MSC for a transaction with an excluded party prior to the excluded party end date. Finally, on January 3, 2014, Katten delivered a revised draft of the disclosure schedules to Hunton.

The Special Committee held a telephonic meeting on the morning of January 4, 2014, with representatives of Baird and Katten participating, to discuss the threshold issues provided by New Star. After lengthy discussion on the issues, the Special Committee directed Baird to communicate the following to Moelis: (i) New Star would not need to be a party to the merger agreement, but it and Insight II must guaranty the payment of the reverse termination fee, which would serve as the damages cap, and MSC must have third party beneficiary rights under the equity commitment letters, (ii) the go-shop period must be 35 days with a 15-day subsequent end date and (iii) a termination fee package consisting of a $9.5 million reverse termination fee and a $4.5 million Company termination fee that would be reduced to $2.5 million for a transaction with an excluded party prior to the excluded party end date with no additional expense reimbursement in any instance.

Later on January 4, 2014, representatives of Baird and Moelis held a call to discuss these threshold issues. The parties agreed in principal with the exception of the termination fee package, which would need to be discussed internally by New Star. With the exception of the termination fee package, during January 4, 2014, Katten and Hunton had extensive discussions to negotiate the remaining issues on the merger agreement. On January 5, 2014, Hunton delivered a revised draft of the merger agreement to Katten based on these negotiations. Katten subsequently prepared a summary of the remaining issues and delivered it to the Special Committee on January 5, 2014, and Katten also prepared revised drafts of the merger agreement, equity financing commitments and limited guaranty that were delivered to Hunton on January 6, 2014.

In the afternoon of January 6, 2014, representatives of Moelis called representatives of Baird and delivered a proposal with a reverse termination fee of $8 million and a termination fee for the Company of $4.0 million. Over the next 24 hours, the parties continued to negotiate the remaining open issues on the merger agreement, including the reverse termination fee amount, and the ancillary documents. Through the course of negotiations, the parties agreed to a reverse termination fee of $8.5 million, a $2.5 million termination fee payable by MSC for a transaction with an excluded party prior to the excluded party end date, a termination fee payable by MSC of $4.0 million for termination under other circumstances with expense reimbursement of $1.25 million only in one instance (with a credit against any termination fee payable in that instance), and finalized the terms of the merger agreement and ancillary documents. Hunton delivered a revised draft of the merger agreement and ancillary documents to Katten that were promptly reviewed, finalized and delivered to the Board.

On January 8, 2014, the Board held a telephonic meeting that Mr. Pawlak and representatives of Baird and Katten attended. Representatives of Katten provided an overview of the Board s fiduciary duties, both generally and in the context of taking action with respect to the proposed transaction. The representatives of Katten then reviewed the structure and terms of the proposed transaction, the merger agreement and the ancillary documents, including the financing commitments and limited guaranty. Representatives of Baird discussed the financing in the proposed transaction, the terms of the go-shop, and the go-shop process that would commence upon execution of the merger agreement. Finally, representatives of Baird presented Baird s financial analysis of the merger consideration offered by New Star to MSC s stockholders (other than Parent and its affiliates). Baird then delivered to the Board its oral opinion (which was subsequently confirmed in writing) as of such date and subject to the qualifications, limitations, procedures and assumptions to be set forth in its written opinion, as to the fairness, from a financial point of view, to MSC s stockholders (other than Parent and its affiliates) of the $12.75 per share merger consideration to be received by those stockholders. Representatives from Katten then also discussed certain items related to the proposed transaction with New Star, including amendments to the by-laws and to certain officers severance and change in control agreements, press release, employee communications, and a Current Report on Form 8-K. Following consideration of various matters and discussion, the Board unanimously adopted resolutions approving the Merger Agreement and recommending the Merger with New Star and the other business related to the Merger Agreement.

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Following such meeting, in the evening of January 8, 2014, the Merger Agreement was signed. Prior to the opening of the financial markets in the United States on January 9, 2014, MSC and New Star issued a joint press release announcing the execution of the Merger Agreement.

Under the terms of the Merger Agreement, until 11:59 p.m., Chicago time, on February 12, 2014, MSC was permitted to initiate, solicit and encourage alternative acquisition proposals from third parties, provide nonpublic information to third parties pursuant to acceptable confidentiality agreements and participate in discussions and negotiations with third parties regarding alternative acquisition proposals (the go-shop). Representatives of Baird commenced the go-shop process on behalf of MSC on January 9, 2014. Baird contacted a total of 174 parties, including 38 strategic parties and 136 financial sponsors, during the go-shop period to inquire whether they would be interested in exploring a transaction with MSC. Party A was one of the parties contacted and it expressed no interest in exploring a transaction with MSC.

During the go-shop period, 11 entities, including three strategic parties and eight financial sponsors, signed confidentiality agreements to receive non-public information concerning MSC. Consistent with the terms of the Merger Agreement, these confidentiality agreements contained terms no less favorable to MSC than those contained in the non-disclosure agreement between MSC and New Star. These agreements therefore contained a standstill and a no-ask, no waiver provision. In addition, pursuant to the terms of the Merger Agreement, after the expiration of the go-shop period for all potential bidders other than an Excluded Party, and after the Excluded Party End Date for an Excluded Party (as such terms are defined in the Merger Agreement), MSC cannot grant a waiver or release of any standstill or similar agreement. Neither the existence of a standstill or a no-ask, no waiver provision nor MSC s obligations under the Merger Agreement not to waive or release any standstill or similar agreement after the go-shop period prevented MSC from contacting potential bidders and seeking an alternative acquisition proposal during the go-shop period or from seeking an alternative acquisition proposal after the expiration of the go-shop period and before the Excluded Party End Date from an Excluded Party.

MSC did not receive any alternative acquisition proposals during the go-shop period, including from any of the 11 parties who signed confidentiality agreements, each of whom indicated that it was not interested in making an alternative acquisition proposal that might constitute a superior proposal. Nobody is, therefore, defined as an Excluded Party under the Merger Agreement, and, consistent with the terms of the Merger Agreement and the confidentiality agreements signed with certain potential bidders, none of the potential bidders who signed a confidentiality agreement can make an alternative acquisition proposal that might constitute a superior proposal or request that MSC grant a waiver of the standstill in order to make an alternative acquisition proposal that might constitute a superior proposal.

The Recommendation of the Board; Reasons for the Merger

The Board, at a meeting held on January 8, 2014, unanimously determined that it was in the best interests of the Company and its stockholders for the Company to enter into the Merger Agreement and approved and declared advisable the Merger Agreement and the transactions contemplated thereby, including the Merger. The Board also directed that the adoption of the Merger Agreement be submitted to a vote at a meeting of the stockholders of the Company with the recommendation of the Board that the stockholders of the Company adopt the Merger Agreement.

In the course of its deliberations, the Board considered a number of factors, including the following:

- *Cash Consideration.* The Per Share Merger Consideration to be paid to holders of shares of MSC s common stock is cash, giving such holders an opportunity to immediately realize value for their investment in the Company and providing liquidity and certainty of value. The Board also considered the fact that the Per Share Merger Consideration of $12.75 per share represents a premium of approximately 13.8% over the closing price per share of the common stock on January 7, 2014, and a

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premium of approximately 27.8% over the volume-weighted average share price of the common stock during the 90-day period prior January 7, 2014.

- *Terms of the Merger Agreement.* The Board considered the terms and conditions of the Merger Agreement, including, but not limited to:

  - MSC s ability during the Go-Shop Period beginning on the date of the Merger Agreement and continuing until 11:59 p.m., Chicago time, on February 12, 2014 to initiate, solicit and encourage any inquiry or the making of acquisition proposals from third parties, including by providing third parties with nonpublic information pursuant to acceptable confidentiality agreements, and to engage or enter into, continue or otherwise participate in discussions or negotiations with any person with respect to any acquisition proposal;

  - following the expiration of the Go-Shop Period and prior to obtaining Stockholder Approval, to consider and respond, in certain circumstances and in accordance with the procedures set forth in the Merger Agreement, to an unsolicited third party proposal to acquire the Company that is, or would reasonably be expected to result in, a Superior Proposal (as defined in the Merger Agreement);

  - the ability of the Board to (i) change its recommendation in favor of the Merger and/or terminate the Merger Agreement prior to obtaining Stockholder Approval under certain circumstances in order to enter into a binding written agreement concerning a transaction that constitutes a superior proposal, if the Board determines in good faith that the failure to change its recommendation and/or terminate the Merger Agreement would be inconsistent with its fiduciary duties, and (ii) change its recommendation in favor of the Merger prior to obtaining Stockholder Approval, in the absence of a superior proposal, if a material event, fact or circumstance that affects MSC occurs that was not known prior to the date of the Merger Agreement that becomes known to the Board after the date of the Merger Agreement and the Board determines in good faith that the failure to change its recommendation would be inconsistent with its fiduciary duties;

  - the parties representations, warranties and covenants, the conditions to their obligations to complete the Merger and their ability to terminate the Merger Agreement, after consultation with legal counsel, were considered to be reasonable and consistent with precedents deemed relevant;

  - the $4 million termination fee, and the $2.5 million fee in connection with entering into an alternative acquisition agreement with an excluded party prior to the excluded party end date (as defined in the Merger Agreement), and reimbursement of certain expenses of Parent up to $1.25 million that could be payable to Parent upon the termination of the Merger Agreement for certain reasons set forth therein, which the Board believed were reasonable in the context of break-up fees and expense reimbursements that were payable in other comparable transactions and would not preclude acceptance of a superior proposal; and

  - the $8.5 million reverse termination fee that could be payable by Parent to the Company under certain circumstances set forth in the Merger Agreement.

- *Prospects as an Independent Public Company*. The Board considered the Company s prospects if it were to remain an independent public company.

- *Historical Information and Projections.* The Board considered historical information and projections concerning the Company s business, financial performance and condition, operations, products, product development efforts, management and competitive position.

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Financial Market Conditions and Stock Prices. The Board considered current financial market conditions and historical market prices, volatility and trading information with respect to the common stock of the Company.

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- *Company and Industry Risks*. The Board considered the inherent risks of the Company s industry and business, as reflected in the risk factors disclosed in the Company s filings with the SEC to which the Company and its stockholders would remain subject if the Company remains an independent public company.

- *Opinion and Analyses of the Company s Financial Advisor*. The Board considered Baird s financial analyses with respect to the $12.75 Per Share Merger Consideration and its opinion to the Board, as of January 8, 2014, and based upon and subject to the various assumptions made, procedures followed, matters considered and limitations on the review undertaken as set forth in the written opinion, as to the fairness, from a financial point of view, to the Company s stockholders (other than Parent and its affiliates) of the Per Share Merger Consideration of $12.75 per share of MSC common stock in cash to be received by those stockholders pursuant to the Merger, as more fully described in the section titled Opinion of the Company s Financial Advisor.

- *Limited Guaranty and Equity Commitments*. The Board considered that in connection with the execution of the Merger Agreement:

  - New Star and Insight II provided MSC with a limited guarantee in favor of MSC guaranteeing, jointly and severally, the payment of Parent s cash reverse termination fee in the event it is payable by Parent; and

  - Insight II entered into the Insight Equity Commitment Letter pursuant to which Insight II committed to purchase, at or immediately prior to the consummation of the Merger, $15 million of equity securities of New Star in the aggregate, and New Star entered into the New Star Equity Commitment Letter pursuant to which New Star committed to purchase, at or immediately prior to the consummation of the Merger, $15 million of equity securities of Parent, in order to allow Parent to fund a portion of the aggregate consideration and to pay fees and expenses related to the Merger, and that MSC is a third party beneficiary of such equity commitment letters.

- *Likelihood of Completion.* The Board considered its understanding that the Merger would likely be completed, based on, among other things, the fact that New Star and Insight II provided the limited guaranty and equity financing commitments, the limited conditions to Parent and Merger Sub s obligation to complete the Merger and the absence of significant regulatory approvals necessary to complete the Merger that could potentially prevent or materially delay the Merger or require significant effort by, or resources of, the parties to the Merger Agreement. The Board also considered that, in connection with the execution of the Merger Agreement, PNC Bank, National Association and GSO Capital Partners LP had delivered binding commitment letters and that the terms of these commitment letters, including the limited number and the nature of the conditions to the consummation of the debt financings, increased the likelihood that the debt financings would be completed.

- *Appraisal Rights*. The Board considered the availability of appraisal rights under the DGCL to stockholders who do not vote in favor of the Merger and comply with all of the required procedures under the DGCL, including the fact that such stockholders will have the right to demand appraisal and payment of the fair value of their shares of common stock as determined by the Delaware Court of Chancery.

The Board also considered a number of uncertainties, risks and negative factors in its deliberations concerning the transactions contemplated by the Merger Agreement. These negative factors included the following:

- *Effect of Failure to Complete the Merger*. The Board considered the possibility that the Merger might be materially delayed or might not be consummated and the adverse effects that a material delay or failure to consummate the Merger could have on (1) the Company s business, operations and financial performance, (2) the Company s relationships with customers, suppliers and other business partners and with key employees, and (3) the progress of certain business and product development initiatives, and

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the market price for MSC s common stock. The Board considered the risk of loss of key employees, disruption in normal business relationships and substantial distraction of management attention while the Merger is pending.

- *Requirement for Financing*. The Board considered the fact that Parent requires financing to complete the Merger, and the ongoing uncertainty in the financing markets generally, which the Board believed was mitigated by the debt commitment letters and equity commitment letters obtained by Parent described under The Merger Financing, and the related remedies available to the Company.

- *Limited Remedies*. The Board considered the fact that MSC s remedy in the event of a breach of the Merger Agreement by Parent or Merger Sub or other circumstances may be limited to receipt of the reverse termination fee, and that if the Merger Agreement is terminated under certain circumstances MSC may not be entitled to a reverse termination fee at all.

- *Interests of Directors and Officers*. The Board considered the fact that the Company s directors and executive officers may have interests in the transaction that are different from, or in addition to, those of the Company s other stockholders.

- *Disruption of Operations*. The Board considered the risk of disruptions to the operation of the Company s business, including the risk that the operations of the Company would be disrupted by employee concerns or departures and any adverse impact on its ability to attract new personnel, or changes to or termination of the Company s relationships with its customers, suppliers and/or other business partners, following announcement of the Merger.

- *No Participation in Future Growth or Earnings*. The Board considered the fact that the Company s stockholders will not participate in future earnings or growth of the Company following the Merger and will not benefit from any appreciation in value of the Surviving Corporation.

- *Interim Restrictions on Business*. The Board considered the fact that the Merger Agreement restricts the Company s ability to conduct its business to the extent that the Merger Agreement requires the Company to obtain Parent s consent to engage in a variety of actions prior to the consummation of the Merger.

The Board concluded that, overall, the potential benefits of the Merger to the Company and its stockholders outweighed the risks, uncertainties, restrictions and other reasons not to consummate the Merger.

The foregoing discussion of the information and factors considered by the Board is not intended to be exhaustive but includes the material factors considered by the Board. In view of the complexity and wide variety of factors considered, the Board did not find it useful to and did not attempt to quantify, rank or otherwise assign weights to these factors. In considering the factors described above, individual members of the Board may have given different weights to different factors.

*The Board unanimously determined that the Merger Agreement, and the terms of the Merger and the other transactions contemplated by the Merger Agreement, are advisable, fair to and in the best interests of the Company and its stockholders, and unanimously recommends that stockholders vote **FOR** the proposal to adopt the Merger Agreement. When you consider the Board s recommendation, you should be aware that our directors may have interests in the Merger that may be different from, or in addition to, your interests. These interests are described in The Merger Interests of Executive Officers and Directors of MSC in the Merger; Executive Compensation That May Be Paid or Become Payable in Connection with the Merger.*

Interests of Executive Officers and Directors of MSC in the Merger; Executive Compensation that May Be Paid or Become Payable in Connection with the Merger

In considering the recommendation of the Board with respect to the Merger, MSC stockholders should be aware that certain executive officers and directors of MSC have interests in the Merger that may be different

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from, or in addition to, the interests of MSC stockholders generally. The Board was aware of the interests described below and considered them, among other matters, when approving the Merger Agreement and recommending that MSC stockholders vote to adopt the Merger Agreement.

Prior to the execution of the Merger Agreement there were no agreements among New Star, Parent or any of their respective affiliates, on the one hand, and any executive officer or director of the Company, on the other hand, regarding the terms of any possible post-acquisition employment or other roles of such individuals with Parent or the Surviving Corporation.

Treatment of Stock Options

As of February 18, 2014, our executive officers and directors held options to purchase an aggregate of 559,984 shares of Company common stock granted under the Company s equity incentive plans, of which options with respect to (1) an aggregate of 192,484 shares are vested but unexercised and (2) an aggregate of 367,500 shares are not vested. On March 1, 2014, outstanding options held by our executive officers with respect to an aggregate of 150,000 shares of Company common stock will vest and become exercisable pursuant to their terms. Pursuant to the terms of the Merger Agreement, immediately prior to the effective time of the Merger, each outstanding stock option, whether or not vested, will become fully vested and exercisable and, at the effective time of the Merger, will be cancelled and converted into the right to receive a cash payment equal to the excess, if any, of $12.75 over such option s exercise price. Each outstanding stock option that has an exercise price equal to or greater than $12.75 will be cancelled without the right to receive any consideration.

The following table sets forth the proceeds resulting from the Merger, assuming completion of the Merger on February 18, 2014, relating to outstanding and unexercised stock options, vested or unvested, held by our executive officers and non-employee directors:

Name	Proceeds from Vested Stock Options ($)	Proceeds from Unvested Stock Options ($)	Total Proceeds from Stock Options ($)
Executive Officers			
Clifford D. Nastas	645,000	630,000	1,275,000
Michael R. Wilson	354,127	262,500	616,627
James D. Pawlak	407,296	367,500	774,796
Matthew M. Murphy	407,877	288,750	696,627
Directors			
Terry L. Bernander			
Frank L. Hohmann III			
Ryan J. Levenson			
Samuel Licavoli			
Patrick J. McDonnell			
John P. Reilly			
Dominick J. Schiano			

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Treatment of Restricted Stock

As of February 18, 2014, our executive officers and directors held an aggregate of 55,425 shares of Company restricted stock granted under the Company s equity incentive plans. On February 28, 2014, an aggregate of 10,000 shares of MSC restricted stock held by Mr. Nastas will vest pursuant to the terms of the applicable incentive plan and award agreement. On March 8, 2014, an aggregate of 900 shares of MSC restricted stock held by Mr. Nastas will vest pursuant to the terms of the applicable incentive plan and award agreement. In addition, if the Merger does not occur prior to March 1, 2014, in accordance with the 2012 Long-Term Incentive Plan for Non-Employee Directors and the Material Sciences Corporation 2012 Incentive Compensation Plan, the Company intends to make, on March 1, 2014, its regularly scheduled grant on the first day of each fiscal quarter to each non-employee director of a number of shares of MSC restricted stock equal to the quotient of $8,500 divided by the closing sale price of MSC common stock on the day preceding the grant date. Immediately prior to the effective time of the Merger, each outstanding share of MSC restricted stock will become free of all restrictions, fully vested and transferable and, at the effective time of the Merger, other than shares held by stockholders who properly demand and perfect appraisal rights under the DGCL, will be cancelled and converted into the right to receive $12.75 in cash, without interest and less applicable withholding taxes, under the same terms and conditions as apply to the receipt of the Per Share Merger Consideration by holders of shares of the Company s common stock generally.

The following table sets forth the proceeds resulting from the Merger, assuming completion of the Merger on February 18, 2014, relating to outstanding shares of Company restricted stock held by our executive officers and non-employee directors:

Name	Number of Shares of Restricted Stock	Proceeds from Restricted Stock ($)
Executive Officers		
Clifford D. Nastas	20,900	266,475
Michael R. Wilson		
James D. Pawlak		
Matthew M. Murphy		
Directors		
Terry L. Bernander	5,324	67,881
Frank L. Hohmann III	5,324	67,881
Ryan J. Levenson	2,581	32,908
Samuel Licavoli	5,324	67,881
Patrick J. McDonnell	5,324	67,881
John P. Reilly	5,324	67,881
Dominick J. Schiano	5,324	67,881

Treatment of Phantom Stock Units

The Board adopted the Fiscal Year 2006 Long-Term Incentive Plan for Non-Employee Directors effective March 1, 2005 (which plan was terminated in June 2012 and replaced by the 2012 Long-Term Incentive Plan for Non-Employee Directors). The plan provided for phantom stock units (payable only in cash) to be granted to each non-employee director on the first trading day on or after March 1, June 1, September 1 and December 1 of

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each fiscal year. Each unit represents the number of shares of MSC common stock equal to the quotient of $8,500 divided by the closing sale price of MSC common stock on the trading day preceding the grant date (rounded up to the nearest whole number of shares). In connection with the consummation of the Merger (and the termination of the members of the Board concurrently therewith), MSC is required to redeem each outstanding phantom stock unit held by members of the Board, in accordance with the terms of the grant agreements therefor and the Fiscal Year 2006 Long-Term Incentive Plan for Non-Employee Directors, at the same $12.75 Per Share Merger Consideration (without interest and less applicable withholding taxes) in cash payable to holders of common stock of MSC in the Merger. In addition, on March 1, 2014, an aggregate of 50,496 phantom stock units are scheduled to be, and will be, redeemed, in accordance with the terms of the grant agreements therefor and the Fiscal Year 2006 Long-Term Incentive Plan for Non-Employee Directors, at a price per phantom stock unit equal to the average closing sales price for MSC s common stock for the 30 consecutive trading days ending on March 1, 2014.

The following table sets forth the proceeds resulting from the Merger, assuming completion of the Merger on February 18, 2014, relating to outstanding phantom stock units held by our non-employee directors:

	Number of Phantom Stock Units	Proceeds from Phantom Stock Units ($)
Terry L. Bernander	43,554	555,314
Frank L. Hohmann III	43,554	555,314
Samuel Licavoli	43,554	555,314
Patrick J. McDonnell	43,554	555,314
John P. Reilly	43,554	555,314
Dominick J. Schiano	43,554	555,314

Severance and Change in Control Agreements

The Company entered into a severance and change in control agreement (as amended and in effect from time to time, each, a Severance Agreement and, collectively, the Severance Agreements) with (1) Clifford D. Nastas, Chief Executive Officer of MSC, which originally became effective on July 1, 2007, and was modified and reissued on July 1, 2011, (2) Michael R. Wilson, Vice President, Global Operations of the Company, which originally became effective on February 1, 2008, and was modified and reissued on July 1, 2011, (3) James D. Pawlak, Vice President, Chief Financial Officer, Corporate Controller and Corporate Secretary of MSC, which originally became effective on February 10, 2010, and was modified and reissued on July 1, 2011, and (4) Matthew M. Murphy, Vice President, Sales and Marketing of the Company, which originally became effective on April 24, 2008, and was modified and reissued on July 1, 2011. Each of the Severance Agreements entered into between the Company and the Company s executive officers was amended on January 8, 2014 in connection with MSC s entry into the Merger Agreement. The Severance Agreements have a term of one year and are automatically renewable for successive one-year terms unless either party gives written notice at least 60 days prior to the expiration of the then current term that such party seeks to terminate the agreement as of June 30 of the then current year.

The Severance Agreements provide that if, within 15 months of a change in control, the executive s employment with the Company is terminated by the Company for any reason other than for cause, death or disability, or if the executive terminates his employment in the event of a constructive discharge, the executive will be entitled to receive the sum of all accrued but unpaid salary and accrued but unused paid time off as of the date of termination and severance in the amount of 1.5 times the sum of (1) the greater of the executive s annual rate of salary as of (a) the date or event upon which the amount of compensation is being determined, or (b) the

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date that is 30 days prior to the date of a change in control, plus (2) the greater of (x) the cash amount paid or earned by the executive under the Company s management incentive plan for the most recently completed fiscal year preceding the date or event upon which the amount of compensation is being determined, or (y) the amount earned during the current fiscal year, but not yet paid, in which the triggering event takes place (such sum, the Compensation Amount). The Severance Agreements also provide that if, prior to a change in control, the executive s employment with the Company is terminated by the Company for any reason other than for cause, death or disability, or if the executive terminates his employment in the event of a constructive discharge, the executive will be entitled to receive severance benefits in the amount of 1.0 times such executive s Compensation Amount.

The executives are also entitled to outplacement and other benefits, including the continuation of medical, dental, prescription drug and vision benefits, under the Severance Agreements, and are required, as a condition to receiving any payments or other benefits under the Severance Agreements, to agree to be bound by (1) non-solicitation covenants for a period of two years following the date of termination, and (2) non-competition covenants for periods ranging from twelve months (for terminations apart from a change in control) to eighteen months (for terminations occurring within 15 months after a change in control).

The definitions of cause, change in control, constructive discharge and disability under the Severance Agreements are as follows:

Cause means, with respect to the executive, one or more of the following: (1) the executive s commission of a felony or other crime involving moral turpitude or the commission of any other act or omission involving dishonesty, disloyalty or fraud with respect to the Company or any of its affiliates or any of their customers or suppliers, (2) the executive s reporting to work under the influence of alcohol or illegal drugs, the use of illegal drugs (whether or not at the workplace) or other conduct causing the Company or any of its affiliates public disgrace or disrepute or economic harm, (3) failure by the executive to perform duties as reasonably directed by such Company officer or other employee to whom the executive primarily reports (or, with respect to the Chief Executive Officer, the Board), (4) any act or omission aiding or abetting a competitor, supplier or customer of the Company or any of its subsidiaries to the disadvantage or detriment of the Company and its affiliates, (5) breach of fiduciary duty, negligence or misconduct with respect to the Company or any of its affiliates, or (6) if the executive is covered by an employment agreement with the Company or an affiliate, any breach of such agreement which is not cured to the Company s Chief Executive Officer s (or, with respect to such Chief Executive Officer, the Board s) reasonable satisfaction within fifteen days after written notice thereof to the executive.

Change in Control means (1) the acquisition by any person or persons acting in concert, of beneficial ownership (as defined in Rule 13d-3 under the Exchange Act, directly or indirectly, of more than fifty percent of the outstanding stock of the Company (calculated as provided in paragraph (d) of Rule 13d-3 under the Exchange Act in the case of rights to acquire stock); or (2) the consummation of (a) any consolidation or merger of the Company, other than a consolidation or merger of the Company in which holders of its common stock immediately prior to the consolidation or merger hold proportionately at least a majority of the outstanding common stock of the continuing or surviving corporation; or (b) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company (Transfer Transaction), except where (i) the Company owns all of the outstanding equity of the transferee entity or (ii) the holders of the Company s common stock immediately prior to the Transfer Transaction own proportionately at least a majority of the outstanding equity of the transferee entity, immediately after the Transfer Transaction; or (c) any consolidation or merger of the Company where, after the consolidation or merger, one person owns one hundred percent of the shares of common stock of the Company (except where the holders of the Company s common stock immediately prior to such merger or consolidation own proportionately at least a majority of the outstanding equity of such person immediately after such consolidation or merger).

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For purposes of the Severance Agreements, the consummation of the Merger would constitute a Change in Control.

Constructive discharge means the occurrence, without the express written consent of the executive, of any one of the following events: (1) the assignment to the executive of any duties significantly inconsistent with the executive s position and status with the Company or a substantial adverse alteration in the nature or status of the executive s employment responsibilities from those in existence on the date hereof; (2) the relocation of the executive s office or job location to a location not within 75 miles of the executive s present office or job location, except for required travel on the Company s business to an extent substantially consistent with the executive s present business travel obligations; (3) the liquidation, dissolution, consolidation or merger of the Company, or transfer of all or substantially all of its assets, other than a transaction or series of transactions in which the resulting or surviving transferee entity assumes the applicable Severance Agreement and all obligations and undertakings thereunder by operation of law or otherwise; or (4) a substantial reduction in the executive s compensation, other than a reduction that is part of an overall reduction in the compensation of all officers of the Company. For purposes of the Severance Agreements, a substantial reduction in the executive s compensation shall be deemed to have occurred if, at any time during the term thereof, the executive s compensation is reduced below eighty-five percent of his compensation as of the effective date of his Severance Agreement.

An event shall not be considered a constructive discharge unless the executive provides written notice to the Company specifying the event relied upon for constructive discharge within sixty days after the occurrence of such event. Within thirty days of receiving such written notice from the executive, the Company may cure or cause to be cured the event upon which the executive claims a constructive discharge and no constructive discharge shall have been considered to have occurred with respect to such event. The Company and the executive, upon mutual written agreement, may waive any of the provisions listed above which would otherwise constitute a constructive discharge.

Disability means a mental or physical illness that entitles the executive to receive benefits under the long-term disability plan of the Company, or, if there is no such plan or the executive is not covered by such a plan or the executive is not an employee of the Company, a mental or physical illness that renders the executive totally and permanently incapable of performing the executive s duties for the Company, as determined by the Compensation, Organization and Corporate Governance Committee of the Board. Notwithstanding the foregoing, no condition shall qualify as a disability for purposes of the Severance Agreement if it is the result of (1) a willfully self-inflicted injury or willfully self-induced sickness; or (2) an injury or disease contracted, suffered or incurred while participating in a criminal offence.

For additional information regarding the arrangements between the Company and Messrs. Nastas, Wilson, Pawlak and Murphy, see Advisory Vote Regarding Certain Executive Compensation that may be Paid or become Payable in connection with the Merger Golden Parachute Compensation.

Indemnification of Executive Officers and Directors

Section 145 of the DGCL provides that a Delaware corporation may indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person was an officer, director, employee or agent of such corporation, or is or was serving at the request of such person as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation s best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. A Delaware corporation also may indemnify any persons who are, or

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are threatened to be made, a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person was a director, officer, employee or agent of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation s best interests, except that a corporation may not indemnify any person in respect of any claim, issue or matter as to which such person is adjudged to be liable to the corporation unless an appropriate court determines that, despite the adjudication of liability, such person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper. Expenses incurred by any officer or director in defending any such action, suit or proceeding in advance of its final disposition shall be paid by the corporation upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified by the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses which such officer or director has actually and reasonably incurred.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability for any (1) breach of the director s duty of loyalty to the corporation or its stockholders; (2) act or omission not in good faith or that involves intentional misconduct or a knowing violation of law; (3) liability under Section 174 of the DGCL (which relates to unlawful payment of dividends and unlawful stock purchases or redemptions); or (4) transaction from which the director derives an improper personal benefit.

Each of the Company s Restated Certificate of Incorporation (the Certificate of Incorporation) and the Company s bylaws provide that the Company shall indemnify its directors and officers to the fullest extent permitted by the DGCL. In addition, the Certificate of Incorporation limits the liability of directors to the full extent permitted by Section 102(b)(7) of the DGCL.

The Company has also entered into indemnification agreements with each of its directors and executive officers (each an Indemnified Party). These agreements require the Company, among other things, to indemnify and hold harmless each Indemnified Party to the fullest extent authorized by Delaware law against any expenses, judgments and other liabilities actually and reasonably incurred by such Indemnified Party in connection with any threatened, pending or completed action or proceeding by reason of the fact that such Indemnified Party is or was a director or officer of the Company, or is or was serving at the request of the Company as a director, officer, employee, fiduciary or agent of another entity. Notwithstanding the foregoing, the indemnification agreements provide that the Company may only indemnify an Indemnified Party in connection with a proceeding initiated by such Indemnified Party if such proceeding was authorized by the Board. The indemnification agreements further require that, in the event of a proceeding against an Indemnified Party that may give rise to a right of indemnification, the Company shall advance reasonable expenses to an Indemnified Party for the defense of such proceeding, following a written request by such Indemnified Party upon receipt of (1) an undertaking to repay such advanced amount if it is ultimately determined by final judgment of a court of competent jurisdiction that such Indemnified Party is not entitled to be indemnified, and (2) satisfactory documentation as to the amount of the expenses. If the Company denies a written request for indemnification or advancement of expenses, or if payment in full pursuant to such request is not made within 30 days after response by the Company, the right to indemnification or advancement of expenses will be enforceable by the Indemnified Party in any court of competent jurisdiction (with costs and expenses incurred in connection with successfully establishing the Indemnified Party s right to indemnification subject to indemnification by the Company). The indemnification agreements further require the Company to use its reasonable efforts to provide an Indemnified Party with directors and officers insurance coverage no less advantageous than that then in effect for directors and officers of the Company generally.

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Pursuant to the Merger Agreement, Parent agreed that, during the period commencing at the effective time of the Merger and ending on the sixth anniversary thereof, the certificate of incorporation and bylaws of the Surviving Corporation, and the governing documents of each of its subsidiaries, contain will contain provisions no less favorable with respect to indemnification, advancement of expenses and exculpation of directors and officers than are set forth in the certificate of incorporation or bylaws of the Company or the governing documents of its applicable subsidiary as in effect on the date of the Merger Agreement.

The Merger Agreement further provides that during the period commencing at the effective time of the Merger and ending on the sixth anniversary thereof, the Surviving Corporation shall indemnify and hold harmless, to the fullest extent permitted under applicable law (and shall also advance expenses as incurred to the fullest extent permitted under applicable law upon receipt of an undertaking by or on behalf of a director or officer of the Company to repay such amount if it shall ultimately be determined that such director or officer is not entitled to be indemnified), each person who was as of the date of the Merger Agreement, has been at any time prior to such date or who becomes prior to the effective time of the Merger a director or officer of the Company or any of its subsidiaries against any fees, costs or expenses (including reasonable attorneys fees and disbursements), judgments, fines, losses, claims, damages, liabilities or amounts paid in settlement incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or related to such director or officer s service as a director, officer, employee or agent of the Company or any of its subsidiaries or services performed by such director or officer at the request of the Company or any of its subsidiaries; provided, however, that if, at any time prior to the six-year anniversary of the effective time of the Merger, any such director or officer delivers to the Surviving Corporation a written notice asserting a claim for indemnification under the Merger Agreement, then the foregoing obligations of the Surviving Corporation to indemnify, hold harmless and advance expenses to any such director or officer in respect of the claim asserted in such notice shall survive the six-year anniversary of the effective time of the Merger until such time as such claim is fully and finally resolved.

In addition, the Merger Agreement provides that the Company will use commercially reasonable best efforts prior to the effective time of the Merger to purchase a six-year non-cancellable prepaid tail policy, with terms, conditions, retentions and limits of liability that are at least as favorable to the beneficiaries thereof as provided in the Company s existing directors and officers insurance policies and the Company s existing fiduciary liability insurance policies (the D&O Insurance) as of the date of the Merger Agreement, with respect to matters existing or occurring at or prior to the effective time of the Merger, covering, without limitation, the transactions contemplated by the Merger Agreement. In no event, however, will the Surviving Corporation be required to expend more than an amount per year in excess of 300% of the most recent annual premiums paid by the Company for the D&O Insurance to maintain insurance as otherwise required by the Merger Agreement. In the event annual premiums necessary to maintain the insurance coverage described above exceed such limit, the Surviving Corporation will be required to use commercially reasonable best efforts to maintain as much coverage as reasonably practicable for a cost not exceeding such limit. The Merger Agreement provides that the Company will not purchase the tail policy without the prior written consent of Parent.

If the Company fails for any reason to obtain the tail policy prior to the effective time of the Merger, the Surviving Corporation will maintain in effect for at least six years from the effective time of the Merger, at no expense to the beneficiaries thereof, the D&O Insurance, with terms, conditions, retentions and limits of liability that are at least as favorable to the beneficiaries thereof as provided as of the date of the Merger Agreement, with respect to matters existing or occurring at or prior to the effective time of the Merger (including the transactions contemplated by the Merger Agreement), subject to similar qualifications described above.

Termination of the Stock Purchase Plan

Pursuant to the Merger Agreement, the Company will take all action necessary to suspend or terminate the Stock Purchase Plan, in accordance with the suspension and termination provisions of the Stock Purchase Plan, effective as of February 28, 2014 (i.e., the end of the current purchase period). Effective as of such suspension or

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termination, no additional purchase periods will commence, and no additional purchases of shares of MSC common stock shall be permitted, under the Stock Purchase Plan.

Continuing Employment with the Surviving Corporation

As of the date of this proxy statement, there are no agreements among New Star, Parent or any of their respective affiliates, on the one hand, and any executive officer or director of the Company, on the other hand, regarding the terms of any possible post-acquisition employment or other roles of such individuals with Parent or the Surviving Corporation. Parent may request certain of the Company s executive officers to continue their employment with the Surviving Corporation on an interim or long-term basis, with compensation and other terms of such employment to be negotiated between Parent and/or the Surviving Corporation and such executive officers. See Severance and Change in Control Agreements above for a description of the benefits each executive officer will receive in the event his employment with the Surviving Corporation is terminated by the Surviving Corporation in connection with, or within a specified period of time after, the consummation of the Merger.

Opinion of the Company s Financial Advisor

The Company engaged Baird to act as its financial advisor in connection with the Merger, and to render an opinion to the Board (solely in its capacity as such) as to the fairness, from a financial point of view, to the holders of MSC common stock (other than Parent and its affiliates) of the Per Share Merger Consideration to be received by such holders in the Merger. As a part of Baird s engagement, Baird was requested by the Company to solicit third party indications of interest in acquiring all or any part of the Company following MSC s entry into the Merger Agreement. As such, upon execution of the Merger Agreement, Baird began a process to solicit acquisition proposals from potential third-party acquirors during the 35-day go-shop period provided under the terms of the Merger Agreement.

On January 8, 2014, Baird rendered its oral opinion, which opinion was subsequently confirmed in a written opinion dated January 8, 2014, to the Board to the effect that, subject to various assumptions, qualifications and limitations set forth in its written opinion, as of such date, the Per Share Merger Consideration of $12.75 in cash to be paid by Parent to the stockholders of the Company in the Merger was fair, from a financial point of view, to the holders of MSC common stock (other than Parent and its affiliates).

As a matter of policy, Baird s opinion was approved by a fairness committee, a majority of the members of which were not involved in providing financial advisory services on Baird s behalf to the Company in connection with the Merger.

The full text of Baird s written opinion, dated January 8, 2014, which sets forth the assumptions made, general procedures followed, matters considered and limitations on the scope of review undertaken by Baird in rendering its opinion, is attached as Annex B to this proxy statement and is incorporated herein by reference. Baird s opinion is directed only to the fairness of the Per Share Merger Consideration, as of the date of the opinion and from a financial point of view, to the holders of MSC common stock (other than Parent and its affiliates) and does not constitute a recommendation to any stockholder of the Company or any other person as to how such person should vote or act with respect to the Merger. Baird s opinion expresses no opinion about the fairness of any amount or nature of the compensation (including any allocation of the Per Share Merger Consideration) payable to any of the Company s creditors, officers, directors or employees, or any class of such persons, or to any particular stockholder relative to the Per Share Merger Consideration payable to the holders of MSC common stock. Baird was not asked to express, and its opinion does not express, any opinion with respect to any of the other financial or non-financial terms, conditions, determinations or actions with respect to the Merger. The summary of Baird s opinion set forth below is qualified in its entirety by reference to the full text of such opinion attached as Annex B to this proxy statement. The Company s stockholders are urged to read the opinion carefully in its entirety.

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In conducting Baird s investigation and analyses and in arriving at its opinion, Baird reviewed such information and took into account such financial and economic factors, investment banking procedures and considerations Baird deemed relevant under the circumstances. In that connection, and subject to the various assumptions, qualifications and limitations set forth in its opinion, Baird, among other things: (i) reviewed certain internal information, primarily financial in nature, including the Forecasts furnished to Baird, and prepared, by the Company s management for purposes of Baird s analyses; (ii) reviewed certain publicly available information, including, but not limited to, the Company s recent filings with the SEC and equity analyst research reports covering the Company prepared by various research firms, including earnings estimates for the Company for the fiscal year ending February 28, 2014; (iii) reviewed the principal financial terms of the draft Merger Agreement dated January 8, 2014 (the Draft Agreement) in the form presented to the Board as they related to Baird s analysis; (iv) compared the financial position and operating results of the Company with those of certain other publicly traded companies Baird deemed relevant; (v) compared the historical market prices, trading activity and market trading multiples of MSC common stock with those of certain other publicly traded companies Baird deemed relevant; (vi) compared the proposed Per Share Merger Consideration payable by Parent to stockholders of MSC (other than Parent and its affiliates) in the Merger with the reported implied enterprise value of certain other business combinations Baird deemed relevant; and (vii) considered the estimated present values of the forecasted cash flows of the Company reflected in the Forecasts. Baird also held discussions with members of the Company s senior management concerning the Company s historical and then-current financial condition and operating results, as well as the future prospects of the Company. Baird also considered such other information, financial studies, analyses and investigations and financial, economic and market criteria which Baird deemed relevant in arriving at its opinion.

In arriving at its opinion, Baird assumed and relied upon, without independent verification, the accuracy and completeness of all of the financial and other information that was publicly available or provided to Baird by or on behalf of the Company. Baird did not independently verify any information that was publicly available or supplied by the Company concerning the Merger that formed a substantial basis for Baird s opinion. Baird was not engaged to independently verify, did not assume any responsibility to verify, assumed no liability for, and expressed no opinion on any such information, and assumed, without independent verification, that the Company was not aware of any information prepared by it or its advisors that might be material to its opinion that was not provided to Baird. Baird assumed, without independent verification, that: (i) all material assets and liabilities (contingent or otherwise, known or unknown) of the Company were as set forth in the Company s financial statements provided to Baird; (ii) the financial statements of the Company provided to Baird presented fairly the results of operations, cash flows and financial condition of the Company for the periods, and as of the dates, indicated and were prepared in conformity with U.S. generally accepted accounting principles consistently applied; (iii) the Forecasts for the Company were reasonably prepared on bases reflecting the best available estimates and good faith judgments of the Company s senior management as to the future performance of the Company, and Baird relied, without independent verification, upon such Forecasts in the preparation of its opinion, although Baird expressed no opinion with respect to the Forecasts or any judgments, estimates, assumptions or bases on which they were based, and Baird assumed, without independent verification, that the Forecasts used in Baird s analyses will be realized in the amounts and on the time schedule contemplated; (iv) the Merger will be consummated in accordance with the terms and conditions of the Draft Agreement without any amendment thereto and without waiver by any party of any of the conditions to their respective obligations thereunder; (v) the representations and warranties contained in the Draft Agreement were true and correct and that each party will perform all of the covenants and agreements required to be performed by it under the Draft Agreement; and (vi) all corporate, governmental, regulatory or other consents and approvals (contractual or otherwise) required to consummate the Merger had been, or will be, obtained without the need for any changes to the Per Share Merger Consideration or other financial terms or conditions of the Merger or that would otherwise materially affect the Company or Baird s analyses. Baird relied, without independent verification, as to all legal matters regarding the Merger on the advice of legal counsel to the Company. In conducting its review, Baird did not undertake or obtain an independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise, known or unknown) or solvency of the Company nor did Baird make a physical inspection of the properties or facilities of the Company. Baird did not consider any expenses or

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potential adjustments to the Per Share Merger Consideration relating to the Merger as part of its analyses. In each case above, Baird made the assumptions and took the actions or inactions described above with the knowledge and consent of the Board.

Baird s opinion is based upon economic, monetary and market conditions as in effect on, and the information made available to Baird as of, the date of the opinion, and Baird s opinion does not predict or take into account any changes which may occur, or information which may become available, after the date thereof. It should be understood that subsequent developments may affect Baird s opinion, and Baird does not have any obligation to update, revise or reaffirm its opinion. Furthermore, Baird did not express any opinion as to the price or trading range at which any of the Company s securities (including MSC s common stock) will trade following the date of the opinion or as to the effect of the Merger (or announcement thereof) on such price or trading range. Such price and trading range may be affected by a number of factors, including but not limited to: (i) dispositions of MSC common stock by stockholders within a short period of time after, or other market effects resulting from, the announcement and/or effective date of the Merger; (ii) changes in prevailing interest rates and other factors which generally influence the price of securities; (iii) adverse changes in the current capital markets; (iv) the occurrence of adverse changes in the financial condition, business, assets, results of operations or prospects of the Company or in the Company s industry; (v) actions by, or restrictions of, federal, state or other governmental agencies or regulatory authorities; and (vi) whether or not the Merger is timely completed on terms and conditions that are acceptable to all parties to the Merger.

Baird s opinion does not address the relative merits or risks of: (i) the Merger, the Merger Agreement or any other agreements or other matters provided for, or contemplated by, the Merger Agreement; (ii) any other transactions that may be, or might have been, available as an alternative to the Merger; or (iii) the Merger compared to any other potential alternative transactions or business strategies considered by the Board and, accordingly, Baird relied upon discussions with the senior management of the Company with respect to the availability and consequences of any alternatives to the Merger. Baird s opinion does not constitute a recommendation to the Board, any stockholder of the Company or any other person as to how such person should vote or act with respect to the Merger.

The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion does not necessarily lend itself to summary description. Baird arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion. Accordingly, Baird believes that its analyses must be considered as a whole and that selecting portions of its analyses and factors or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, Baird considered industry performance; general business, economic, market and financial conditions, and other matters existing as of the date of its opinion, many of which are beyond the Company s control. No company, business or transaction reviewed is identical to the Company or the Merger. An evaluation of these analyses is not entirely mathematical. Rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or other values of the companies, business segments or transactions reviewed. Any estimates contained in Baird s analyses are not necessarily indicative of actual values, which may be significantly more or less favorable than as set forth therein. Estimates of values of companies do not purport to be appraisals or to necessarily reflect the prices at which companies may actually be sold. Because such estimates are inherently subject to uncertainty, Baird does not assume responsibility for their accuracy.

Baird was not requested to, and it did not, recommend the Per Share Merger Consideration. The type and amount of the Per Share Merger Consideration was determined through negotiations between the Company and

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Parent, and the decision to enter into the Merger Agreement was solely that of the Board. Baird s opinion was only one of many factors considered by the Board in its evaluation of the Merger and should not be viewed as determinative of the views of the Board or management of the Company with respect to the Merger or the Per Share Merger Consideration.

The following is a summary of the material financial analyses performed by Baird in connection with rendering its opinion, which is qualified in its entirety by reference to the full text of such opinion attached as Annex B to this proxy statement and to the other disclosures contained in this section. In preparing its opinion, Baird performed a variety of financial and comparative analyses, including those described below. The following summary, however, does not purport to be a complete description of the financial analyses performed by Baird. The order of analyses described does not indicate the relative importance or weight given to the analyses performed by Baird, and Baird did not assign any particular weight or importance to any particular analysis. Some of the summaries of the financial analyses include information presented in a tabular format. These tables must be read together with the full text of each summary and alone are not a complete description of Baird s financial analyses. Except as otherwise noted, the following quantitative information is based on market and financial data as it existed on or before January 6, 2014 and is not necessarily indicative of current market conditions.

Implied Valuation and Transaction Multiples

Based on the Per Share Merger Consideration, Baird calculated the implied equity purchase price (defined as the Per Share Merger Consideration multiplied by the total number of diluted shares of common stock of the Company outstanding, including phantom stock units and gross shares issuable upon the exercise of stock options, less assumed option proceeds) to be $139.1 million. In addition, Baird calculated the implied total purchase price (defined as the equity purchase price plus the book value of the Company s total debt-like liabilities, less cash and cash equivalents, each as reflected on the Company s balance sheet as of November 30, 2013) to be $106.6 million. Baird then calculated the multiples of the total purchase price to the Company s last twelve months (LTM) ended November 30, 2013, estimated calendar year 2013 and projected calendar year 2014 revenue; adjusted earnings before interest, taxes, depreciation and amortization (EBITDA); and adjusted earnings before interest and taxes (EBIT), as provided by the senior management of the Company. Adjustments taken to arrive at adjusted EBITDA and adjusted EBIT include non-recurring items specified by management, including but not limited to pension and environmental expenses, gain on sale of assets, impairment charges, restructuring costs, certain product development costs and incentive plan adjustments. Baird also calculated the multiples of the Per Share Merger Consideration to the Company s LTM, estimated calendar year 2013 and projected calendar year 2014 adjusted fully diluted earnings per share based on information provided by the senior management of the Company and assuming the total number of diluted shares of common stock of the Company outstanding. These transaction multiples are summarized in the table below.

	LTM November 30, 2013	Calendar Year 2013E	Calendar Year 2014P
Revenue	0.9x	0.9x	0.8x
Adj. EBITDA	9.5	9.5	7.0
Adj. EBIT	15.0	14.7	9.7
Fully Diluted Adj. Earnings Per Share (EPS)	29.9	29.3	19.4

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Selected Publicly Traded Company Analysis

Baird reviewed certain publicly available financial information and stock market information for certain publicly traded companies that Baird deemed generally relevant for comparative purposes. The group of selected publicly traded companies reviewed is listed below.

- Core Molding Technologies, Inc.
- Friedman Industries, Incorporated
- Lydall, Inc.
- Shiloh Industries, Inc.
- SIFCO Industries, Inc.
- STRATTEC Security Corporation
- Superior Industries International, Inc.
- Tower International, Inc.
- UFP Technologies, Inc.

Baird selected these companies based on a review of publicly traded companies that, in Baird s professional judgment, possessed a combination of operating, margin, size and end market characteristics representative of companies in the industry in which the Company operates. Baird noted that none of the companies reviewed is identical to the Company and that, accordingly, the analysis of such companies necessarily involves complex considerations and judgments concerning differences in the business, operating and financial characteristics of each company and other factors that affect the public market values of such companies.

For each company, Baird calculated the equity market value (defined as the market price per share of each company s common stock multiplied by the total number of diluted common shares outstanding of such company, including net shares issuable upon the exercise of stock options and warrants). In addition, Baird calculated the total market value (defined as the equity market value plus the book value of each company s total debt-like liabilities, preferred stock and minority interests, less cash, cash equivalents and marketable securities). Baird calculated the multiples of each company s total market value to its LTM (ended September 30, 2013 for all companies except Shiloh Industries, Inc., which ended October 31, 2013), estimated calendar year 2013 and projected calendar year 2014 revenue, adjusted EBITDA and adjusted EBIT. Baird also calculated multiples of each company s price per share to its LTM and to its estimated calendar year 2013 and projected calendar year 2014 adjusted fully diluted earnings per share. Baird then compared the transaction multiples implied in the Merger with the corresponding trading multiples for the selected companies. Stock market and historical financial information for the selected companies was based on publicly available information as of January 6, 2014, and projected financial information, when it existed, was based on publicly available research reports as of such date and mean consensus estimates as compiled by S&P Capital IQ. A summary of the implied multiples is provided in the table below.

	Implied Transaction Multiple	Selected Company Multiples			
		Low	Mean	Median	High
Revenue					
LTM	0.9x	0.4x	0.7x	0.6x	1.5x
CY 2013E	0.9	0.5	0.6	0.5	1.1
CY 2014P	0.8	0.5	0.6	0.5	1.1
Adj. EBITDA					
LTM	9.5x	5.2x	6.8x	6.6x	9.1x
CY 2013E	9.5	5.0	6.2	6.4	7.6
CY 2014P	7.0	4.7	5.6	5.6	6.7

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	Implied Transaction Multiple	Selected Company Multiples			
		Low	Mean	Median	High
Adj. EBIT					
LTM	15.0x	7.4x	10.2x	9.8x	13.1x
CY 2013E	14.7	7.2	9.8	9.6	11.9
CY 2014P	9.7	7.0	8.7	8.5	11.0
Fully Diluted Adj. EPS					
LTM	29.9x	11.3x	16.2x	15.4x	26.3x
CY 2013E	29.3	9.7	15.0	12.3	24.3
CY 2014P	19.4	7.8	14.3	13.3	22.8

In addition, Baird calculated the implied per share equity values of MSC common stock based on the trading multiples of the selected public companies shown in the table above and compared such values to the Per Share Merger Consideration. The implied per share equity values, based on the multiples that Baird deemed relevant, are summarized in the table below.

	Implied MSC Equity Value Per Share			
	Low	Mean	Median	High
Revenue				
LTM	$ 7.02	$ 10.63	$ 9.38	$ 17.92
CY 2013E	8.27	9.72	8.53	14.57
CY 2014P	8.69	10.41	8.85	15.24
Adj. EBITDA				
LTM	$ 8.49	$ 10.06	$ 9.88	$ 12.33
CY 2013E	8.30	9.54	9.71	10.89
CY 2014P	9.62	10.90	10.85	12.30
Adj. EBIT				
LTM	$ 7.96	$ 9.74	$ 9.53	$ 11.61
CY 2013E	7.96	9.61	9.47	10.98
CY 2014P	10.11	11.81	11.57	13.99
Fully Diluted Adj. EPS				
LTM	$ 4.82	$ 6.90	$ 6.57	$ 11.20
CY 2013E	4.24	6.54	5.37	10.58
CY 2014P	5.16	9.40	8.72	15.01
Avg. Equity Value per Share	$ 7.55	$ 9.61	$ 9.04	$ 13.05

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Selected Transaction Analysis

Baird reviewed certain publicly available financial information concerning completed acquisition transactions that Baird deemed relevant. The group of selected acquisition transactions is listed below.

Date Announced	Target	Acquiror
10/16/2012	· Carolina Commercial Heat Treating, Inc.	· Bodycote plc
10/09/2012	· Cytec Industries Inc., Coating Resins Business	· Advent International Corporation
04/02/2012	· Curtiss-Wright Corp., Heat Treatment Business	· Bodycote plc
01/17/2012	· Deloro Stellite Holdings 1 Limited	· Kennametal Inc.
03/04/2010	· Delta plc	· Valmont Industries, Inc.
03/31/2008	· AAA Galvanizing-Joliet, Inc.	· AZZ incorporated
06/24/2007	· Cumerio SA	· Norddeutsche Affinerie AG

Baird chose these acquisition transactions based on a review of completed acquisition transactions that, in its professional judgment, involved target companies possessing a combination of size, product and operating characteristics which were representative of companies in the industry in which the Company operates. Baird noted that none of the acquisition transactions or subject target companies reviewed is identical to the Merger or the Company, respectively, and that, accordingly, the analysis of such acquisition transactions necessarily involves complex considerations and judgments concerning differences in the business, operating and financial characteristics of each subject target company and each acquisition transaction and other factors that affect the values implied in such acquisition transactions.

For each transaction, Baird calculated the implied total purchase price (defined as the equity purchase price plus the book value of each target company s total debt-like liabilities, preferred stock and minority interests, less cash, cash equivalents and marketable securities). Baird calculated the multiples of each target company s implied total purchase price to its LTM revenue, adjusted EBITDA and adjusted EBIT. A summary of the implied multiples is provided in the tables below.

	Implied LTM Acquisition Transaction Multiple*	Selected Acquisition Multiples			
		Low	Mean	Median	High
Revenue	0.9x	0.3x	1.1x	1.3x	1.9x
Adj. EBITDA	9.5	3.9	6.7	7.8	8.0
Adj. EBIT	15.0	4.6	7.7	6.8	10.9

* Calculated based on estimated November 30, 2013 LTM revenue, adjusted EBITDA and adjusted EBIT as provided by Company management.

In addition, Baird calculated the implied per share equity values of MSC common stock based on the acquisition transaction multiples of the selected acquisition transactions shown in the table above and compared such values to the Per Share Merger Consideration. The implied per share equity values, based on the multiples that Baird deemed relevant, are summarized in the table below.

	Implied MSC Equity Value Per Share			
	Low	Mean	Median	High
Revenue (LTM)	$ 6.11	$ 14.44	$ 16.00	$ 22.73

Adj. EBITDA (LTM)	7.20	9.94	11.07	11.23
Adj. EBIT (LTM)	6.16	8.17	7.58	10.17
Avg. Equity Value per Share	$ 6.49	$ 10.85	$ 11.55	$ 14.71

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Discounted Cash Flow Analysis

Baird performed a discounted cash flow analysis utilizing the Company s projected unlevered free cash flows (defined as after-tax operating income, using a tax rate of 35% based on Company management s expectations, plus depreciation and amortization, less increases in net working capital (excluding cash and debt), less capital expenditures) from the periods including the fourth quarter of fiscal year 2014 through fiscal year 2019, as provided by the Company s senior management. Baird has assumed that the Company will realize its projected unlevered free cash flows for purposes of the discounted cash flow analysis. In such analysis, Baird calculated the present values of the unlevered free cash flows from the periods including the fourth quarter of fiscal year 2014 through fiscal year 2019 by discounting such amounts at rates ranging from 18.5% to 21.5%, which are estimates of the Company s weighted average cost of capital based on the selected publicly traded companies and include a small company size premium of 8.9% as estimated by Ibbotson Associates. Baird calculated the present values of the free cash flows beyond fiscal year 2019 by assuming terminal values ranging from 5.5x to 6.5x fiscal year 2019 adjusted EBITDA, determined by Baird in its professional judgment based on the selected companies, as well as the Company s historical trading multiples, and discounting the resulting terminal values at rates ranging from 18.5% to 21.5%. The summation of the present values of the unlevered free cash flows and the present values of the terminal values produced equity values ranging from $11.86 to $14.11 per share. Baird compared these implied per share equity values with the Per Share Merger Consideration.

Supplemental Price Activity Information

Although not an integral part of its analyses, Baird reviewed certain historical price and trading activity of MSC common stock with the Board and noted that the high and low closing prices for MSC common stock were $11.81 and $5.80, respectively, over the last three years as of January 6, 2014. Baird also noted that MSC s common stock price rose approximately 16% over the last twelve months and approximately 74% over the last three years.

Baird also calculated the premiums that the Per Share Merger Consideration represented over the closing market price of MSC common stock for various time periods ranging from one day to 360 days prior to January 6, 2014, based on the Per Share Merger Consideration. These premiums, along with selected acquisition premiums of all U.S. target announced transactions with an enterprise value between $50 million and $500 million (excluding premiums less than 0% and greater than 100%) between January 6, 2014 and the prior 360 days, that Baird identified, are summarized in the table below.

	As of January 6, 2014		Selected Acquisition Premiums			
	Stock Price	Implied Transaction Premium	Low	Mean	Median	High
1-Day Prior	$ 11.80	8.1%	0.9%	30.6%	24.6%	96.3%
7-Days Prior	$ 11.65	9.4%	1.0%	31.5%	28.4%	84.2%
30-Days Prior	$ 10.24	24.5%	0.3%	35.0%	33.1%	96.8%
180-Days Prior	$ 10.07	26.6%	2.2%	46.0%	43.7%	93.4%
360-Days Prior	$ 10.11	26.1%	1.0%	46.3%	40.3%	96.9%

Additional Information about Baird and Its Engagement

As part of its investment banking business, Baird is engaged in the evaluation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and

valuations for estate, corporate and other purposes. Pursuant to an engagement letter, dated September 26, 2013, entered into with the Company, the Company has agreed to pay to Baird a transaction fee equal to 1.67% of the transaction value for its services

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contingent upon the consummation of the Merger, estimated to be approximately $1.8 million; however $25,000 of which was paid 45 days after execution of the engagement letter, another $25,000 of which was paid 90 days after execution of the engagement letter, $400,000 of which will be paid in connection with the delivery of Baird s opinion (and is payable regardless of the conclusions reached in such opinion or whether the Merger is consummated) and the remainder of which is payable contingent upon the consummation of the Merger. In the event that the Company should be entitled to receive any reverse termination fee payable by Parent, then the Company shall pay to Baird in cash an additional fee equal to the lesser of: (1) 20% of the amount of such reverse termination fee net of any expenses or costs incurred by or on behalf of the Company in connection with the negotiation of such payment or any dispute arising with respect thereto or (2) the fee otherwise payable to Baird had the Merger been consummated. In addition, the Company has agreed to reimburse Baird for certain of its expenses and to indemnify Baird against certain liabilities that may arise out of its engagement, including liabilities under the federal securities laws. Baird will not receive any other payment or compensation contingent upon the successful completion of the Merger.

Within the past two years, Baird has had no material relationship with the Company, Parent, any other party to the Merger, or any of their affiliates and no such relationship is mutually understood to be contemplated in which it is intended that Baird would receive any compensation. However, Baird served as a co-manager in connection with an initial public offering of securities by Emerge Energy Services LP (Emerge Energy), a company controlled by Insight Equity Holdings LLC (Insight Equity), an affiliate of Insight II, that was completed in May 2013, for which Baird received standard underwriting compensation in the approximate amount of $375,000. In its capacity as a co-manager for Emerge Energy s initial public offering, Baird sold an aggregate of 375,000 common units of Emerge Energy out of the total offering of 7.5 million common units. Nobody from Baird who performed services in connection with Emerge Energy s initial public offering performed services for MSC in connection with any aspect of the transactions described herein.

Baird is a full service securities firm. As such, in the ordinary course of its business, Baird may from time to time provide investment banking, advisory, brokerage and other services to clients that may be competitors or suppliers to, or customers, employees or security holders of, the Company or Parent or that may otherwise participate or be involved in the same or a similar business or industry as the Company or Parent. Baird may also from time to time trade the securities of the Company (including MSC common stock) for its own account or for the accounts of its customers and, accordingly, may at any time hold long or short positions or effect transactions in such securities.

Certain Financial Projections

In connection with the Board s evaluation of a possible transaction, the Company s management prepared certain forecasts through February 28, 2014, and a five-year projection through February 28, 2019, concerning the business and operations of the Company (the Forecasts). In the course of negotiations relating to the Merger, the Company s management provided the Forecasts to Parent and met with Parent to discuss the Forecasts and the underlying assumptions. The Company s management also provided Baird with the Forecasts for its use in connection with the rendering of its opinion to the Board and performing its related financial analyses. The Company has included the material portions of the Forecasts below in order to give its stockholders access to this information as well. The risks inherent in the Forecasts were considered by the Board and discussed in management s meetings with Parent and representatives of Baird.

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The Company s management employed the following key assumptions in preparing the Forecasts summarized in the table below, which were provided to the Board, Baird and Parent:

Financial Forecasts

($ in millions)	2014E	2014 E Stub (1)	2015P	2016P	2017P	2018P	2019P
Net Sales	$ 115.7	$ 28.9	$ 128.1	$ 154.9	$ 175.7	$ 184.5	$ 193.8
Gross Profit	$ 25.1	$ 6.9	$ 29.4	$ 37.0	$ 44.9	$ 47.7	$ 50.5
Adjusted EBITDA (2)	$ 12.6	$ 4.0	$ 15.7	$ 22.4	$ 29.3	$ 31.1	$ 33.1
Depreciation & Amortization	$ 3.9	$ 0.9	$ 4.3	$ 4.5	$ 4.3	$ 4.5	$ 4.7
Capital Expenditures	$ 5.5	$ 1.0	$ 3.5	$ 3.5	$ 3.5	$ 3.5	$ 3.5
(Increase)/Decrease in Net Working Capital	$ (2.6)	$ (0.5)	$ (2.5)	$ (5.4)	$ (4.2)	$ (1.8)	$ (1.8)

(1) Stub period represents December 2013 through February 2014.

(2) Presented on a non-GAAP basis as described below. MSC also estimated that it incurred certain costs as a public company that some potential buyers would not incur such as costs of being a public company, pension expense, non-cash stock compensation expense and certain other non-recurring items. These cost estimates totaled approximately $1.7 million in 2014, $1.9 million in 2015, $1.7 million in 2016 and $1.8 million in 2017.

Unlevered free cash flow was derived from the estimates and projections relating to the Company s Adjusted EBITDA, or earnings before interest expense, income taxes, depreciation and amortization expense (adjusted to take into account certain non-recurring items), prepared by the Company (and made available to Parent and Baird) in order to calculate the Company s tax affected operating income, which were further adjusted to arrive at unlevered free cash flow. The unlevered free cash flow information is summarized below.

($ in millions)	2014E Stub (1)	2015P	2016P	2017P	2018P	2019P
Adjusted EBITDA (2)	$ 4.0	$ 15.7	$ 22.4	$ 29.3	$ 31.1	$ 33.1
Less:						
Depreciation & Amortization	$ (0.9)	$ (4.3)	$ (4.5)	$ (4.3)	$ (4.5)	$ (4.7)
Adjusted EBIT (2)	$ 3.1	$ 11.4	$ 18.0	$ 25.0	$ 26.6	$ 28.4
Tax Rate	35%	35%	35%	35%	35%	35%
Tax-affected EBIT (2)	**$ 2.0**	**$ 7.4**	**$ 11.7**	**$ 16.3**	**$ 17.3**	**$ 18.5**
Plus:						
Depreciation and Amortization	$ 0.9	$ 4.3	$ 4.5	$ 4.3	$ 4.5	$ 4.7
Less:						
CapEx	$ (1.0)	$ (3.5)	$ (3.5)	$ (3.5)	$ (3.5)	$ (3.5)
(Increase)/Decrease in Working Capital	$ (0.5)	$ (2.5)	$ (5.4)	$ (4.2)	$ (1.8)	$ (1.8)
Unlevered Free Cash Flow (2)	**$ 1.4**	**$ 5.7**	**$ 7.3**	**$ 12.9**	**$ 16.5**	**$ 17.9**

(1) Stub period represents December 2013 through February 2014.

(2) Presented on a non-GAAP basis. In the course of preparing the Forecasts, the Company did not develop estimates as to unlevered free cash flow. The unlevered free cash flow was calculated based upon the

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Forecasts provided by the Company, as set forth above, as Adjusted EBITDA less depreciation and amortization, less taxes, plus depreciation and amortization, less capital expenditures, less increases in net working capital. The Company did not deliver estimates as to unlevered free cash flows to Parent.

The Company does not typically make public any forecasts as to future performance or earnings. The Company s financial forecasts are generally prepared solely for internal use, such as budgeting and other management decisions. The Forecasts are not being included in this proxy statement to influence your decision whether to vote for or against the proposal to adopt the Merger Agreement, but are being included in this proxy statement because this information was provided to Parent, and was part of the information considered by the Board in evaluating the transaction with Parent. The Forecasts also were provided to the Company s financial advisor. The Forecasts were not prepared with a view toward public disclosure of any kind. The Forecasts also were not prepared in compliance with the published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants regarding projections or forecasts. The Company s independent registered public accounting firm has not examined, compiled or otherwise applied procedures to the Forecasts and, accordingly, assumes no responsibility for them.

The Forecasts do not purport to present operations in accordance with U.S. generally accepted accounting principles (GAAP). Adjusted EBITDA is defined as earnings before interest expense, income taxes, depreciation and amortization expense (EBITDA), adjusted to take into account non-recurring items specified by management, including but not limited to pension and environmental expenses, gain on sale of assets, impairment charges, restructuring costs, certain product development costs and incentive plan adjustments. Adjusted EBITDA is not a financial measure pursuant to GAAP and should not be considered in isolation. Adjusted EBITDA has limitations as an analytical tool because, among other things, Adjusted EBITDA: (1) does not reflect the Company s cash expenditures or future requirements for capital expenditures; (2) does not reflect changes in, or cash requirements for, the Company s working capital needs; (3) does not reflect cash requirements for income taxes; (4) EBITDA does not reflect interest expense for the Company s corporate indebtedness; and (5) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced, and Adjusted EBITDA does not reflect any cash requirements for these replacements. The Company s stockholders are encouraged to review the Company s GAAP consolidated financial statements included in its periodic reports filed with the SEC, and the Company s stockholders should not rely solely or primarily on Adjusted EBITDA or any other single financial measure to evaluate the Company s liquidity or financial performance calculated and presented in accordance with GAAP.

The Forecasts reflect numerous estimates and assumptions made by the Company s management at the time they were prepared regarding industry performance, general business, economic, regulatory, market and financial conditions and other future events, as well as matters specific to the Company s business, all of which are difficult to predict and many of which are beyond the Company s control. The Forecasts also reflect subjective judgments made by the Company s management which are susceptible to multiple interpretations and periodic revisions based on actual experience and business developments. Accordingly, there can be no assurance that the assumptions, estimates and judgments made in preparing the Forecasts will prove accurate or that any of the Forecasts will be realized. In addition, the Forecasts cover multiple years and such information by its nature becomes less predictive with each successive year.

The Forecasts will be affected by our ability to achieve strategic goals, objectives and targets over the applicable periods. The assumptions upon which the Forecasts were based necessarily involve judgments with respect to, among other things, future economic, competitive and regulatory conditions and financial market conditions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. The Forecasts also reflect assumptions as to certain business decisions that are subject to change. The inclusion of the Forecasts in this proxy statement should not be regarded as an indication that any of the Company, Parent or their respective affiliates or representatives considered or consider the Forecasts to be a prediction of actual future events, and the Forecasts should not be relied upon as such. The Forecasts do not take into account any circumstances or events occurring after the date they were prepared, including the transactions

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contemplated by the Merger Agreement. Further, the Forecasts do not take into account the effect of any failure of the Merger to occur and should not be viewed as accurate or continuing in that context. None of the Company, Parent or any of their respective affiliates or representatives intends to update or otherwise revise the Forecasts to reflect circumstances existing or arising after the date the Forecasts were generated or to reflect the occurrence of future events, even in the event that any or all of the assumptions, estimates and judgments underlying the Forecasts are shown to be in error or the Forecasts otherwise become inaccurate.

The Forecasts are subject to substantial risks and uncertainties that could cause actual results to differ materially from the forecasted results, including important factors described below and under the heading Risk Factors in the Company s Annual Report on Form 10-K for the year ended February 28, 2013, and in the Company s Quarterly Report on Form 10-Q for the quarterly period ended November 30, 2013. All forecasts contained in this proxy statement are forward-looking statements, and these and other forward-looking statements are expressly qualified in their entirety by the risks described or referred to above in Cautionary Statement Concerning Forward-Looking Statements.

The Company s stockholders are cautioned not to place undue reliance, if any, on the Forecasts included in this proxy statement.

Financing

Parent and Merger Sub estimate that the total amount of funds required to complete the Merger and pay the fees and expenses related to the Merger will be approximately $150 million. Parent expects to fund this amount through a combination of equity and debt financing (which are described in this section). The financing commitments obtained by Parent are subject to certain conditions, including conditions that relate directly to the Merger Agreement. We cannot assure you that the amounts committed under the financing commitments will be sufficient to complete the Merger. Those amounts might be insufficient if, among other things, one or more of the parties to the financing commitments fails to fund the committed amounts in breach of such financing commitments and/or if any of the conditions to such financing are not satisfied. Although obtaining the proceeds of any financing, including the financing under the equity and debt commitments described below, is not a condition to the completion of the Merger, the failure of Parent to obtain any portion of the equity and debt financing (or alternative financing) is likely to result in the failure of the Merger to be completed. In that case, Parent may be obligated to pay MSC a reverse termination fee of $8.5 million. The obligation of Parent to pay the reverse termination fee is guaranteed by New Star and Insight II, as described below under the heading The Merger Limited Guaranty.

Equity Financing

On January 8, 2014, Insight II entered into the Insight Equity Commitment Letter with New Star, pursuant to which Insight II committed to purchase, at or immediately prior to the consummation of the Merger, $15 million of equity securities of New Star in the aggregate, and New Star entered into the New Star Equity Commitment Letter with Parent, pursuant to which New Star committed to purchase, at or immediately prior to the consummation of the Merger, $15 million of equity securities of Parent, in order to allow Parent to fund a portion of the aggregate consideration and to pay fees and expenses related to the Merger. The obligations of Insight II and New Star under the Equity Commitment Letters are subject to, among other things, the following conditions:

- the satisfaction or waiver of each of the conditions to the obligations of Parent and Merger Sub to complete the Merger (other than any conditions that by their nature are to be satisfied at the closing of the Merger, but subject to the satisfaction of such conditions); and

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the concurrent funding of the financing contemplated under the Debt Commitment Letters (as defined below) (or any alternative financing permitted by the Merger Agreement), or confirmation that the financing contemplated under the Debt Commitment Letters (or alternative financing) will be funded at the closing of the Merger if the equity commitment is funded at the closing.

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The Equity Commitment Letters will terminate upon the earliest to occur of (i) the closing of the Merger or (ii) the termination of the Merger Agreement in accordance with its terms. MSC is an express third-party beneficiary of the Equity Commitment Letters and has the right, under the circumstances in which MSC would be permitted by the Merger Agreement to obtain specific performance, to seek specific performance to enforce the obligations of Insight II and New Star under the Equity Commitment Letters.

Debt Financing

In connection with Parent and Merger Sub s entry into the Merger Agreement, on January 8, 2014, New Star Holdings entered into (i) the GSO Debt Commitment Letter with GSO Capital Partners LP, which provides for a $160 million senior secured term loan facility for New Star Holdings, New Star and its subsidiaries (the Term Loan Facility), and (ii) the PNC Debt Commitment Letter with PNC Bank, National Association, which provides for a $90 million senior secured revolving credit facility for New Star Holdings, New Star and its subsidiaries (the Revolving Credit Facility and, together with the Term Loan Facility, the Credit Facilities).

Upon consummation of the Merger, the co-borrowers under the Credit Facilities are expected to be New Star Holdings, New Star and its subsidiaries, including MSC (collectively, the Borrowers). The Credit Facilities are expected to be guaranteed by certain subsidiaries of the Borrowers. The Term Loan Facility will be secured by (i) a first priority security interest in and lien on substantially all of the assets (excluding accounts receivable and inventory and general intangibles, contract rights, all rights to the payment of money, instruments, documents and chattel paper related to accounts receivable or inventory) of New Star Holdings, MSC and each subsidiary guarantor (collectively, the Loan Parties), (ii) a pledge of all stock of the Loan Parties (other than New Star Holdings), and (iii) subject to an intercreditor agreement with the parties to the Revolving Credit Facility, a second priority security interest and lien on all of the assets of the Loan Parties securing the Revolving Credit Facility (including, without limitation, accounts receivable and inventory and general intangibles, contract rights, all rights to the payment of money, instruments, documents and chattel paper related to accounts receivable or inventory). The Revolving Credit Facility is expected to be secured by (1) a first priority security interest in and lien on the accounts receivable, inventory and general intangibles, contract rights, rights to the payment of money, instruments, documents and chattel paper related to accounts receivable or inventory of the Loan Parties, and (2) subject to an intercreditor agreement with the parties to the Term Loan Facility, a second priority security interest in (A) the stock of the Loan Parties (other than New Star Holdings) and (B) all of the assets of the Loan Parties securing the Term Loan Facility.

Borrowings under the Term Loan Facility will bear interest at an annual rate of LIBOR plus 8.00%, subject to a 1.25% LIBOR floor. Borrowings under the Revolving Credit Facility will bear interest at either (i) a floating base rate equal to the highest of (A) the annual prime rate announced by PNC Bank, National Association, (B) the Federal Funds Open Rate plus 0.5% and (C) the one-month LIBOR rate plus 1%, plus a margin of 1.5%, or (ii) the one, two or three month LIBOR rate plus a margin of 2.5%.

Conditions to Debt Financing

The Credit Facilities contemplated by the Debt Commitment Letters are subject to certain closing conditions, including, without limitation:

- since the execution of the Debt Commitment Letters, there has been no occurrence of a Material Adverse Event (as defined in the Merger Agreement);
- execution and delivery of definitive loan documentation;

- payment of applicable fees and expenses;

- the accuracy of certain representations and warranties in the Merger Agreement and the definitive loan documentation;

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- consummation of the Merger and related transactions in accordance with the Merger Agreement substantially concurrently with the closing under the Credit Facilities;

- the absence of any waivers, modifications or consents with respect to the Merger Agreement that are materially adverse to the lenders under the Credit Facilities;

- evidence that all actions necessary to perfect and protect the security interests of the lenders under the Credit Facilities have been or will be taken simultaneously with the closing under the Credit Facilities; and

- delivery of certain customary closing documents (including, among other things, legal opinions, officers certificates, resolutions, insurance certificates, and guarantees).

In addition, the closing of the Term Loan Facility contemplated by the GSO Debt Commitment Letter is subject to the receipt by GSO Capital Partners LP of satisfactory evidence of the consummation of the equity financing described above, and the closing of the Revolving Credit Facility contemplated by the PNC Debt Commitment Letter is subject to the conditions that (i) the ultimate borrower under the Revolving Credit Facility has minimum excess revolving credit availability of $10 million at the closing of the Revolving Credit Facility and (ii) PNC Bank, National Association has received evidence of insurance coverage reasonably satisfactory thereto, and a lender s loss payee endorsement, naming PNC Bank, National Association as loss payee or as an additional insured, as applicable.

The commitment under the GSO Debt Commitment Letter will expire upon the earliest of (i) the date the definitive documentation for the Term Loan Facility becomes effective, (ii) June 7, 2014, and (iii) the date the parties mutually determine to terminate the GSO Debt Commitment Letter. The commitment under the PNC Debt Commitment Letter will expire upon the earliest of (i) the date the definitive documentation for the Revolving Credit Facility becomes effective, (ii) April 6, 2014, and (iii) the date New Star Holdings gives written notice of its decision to terminate the PNC Debt Commitment Letter. See The Merger Agreement Financing; Cooperation for a description of Parent s obligations to use its commercially reasonable best efforts to obtain the equity and debt financing on the terms and conditions described in the Equity Commitment Letters and the Debt Commitment Letters.

Although the debt financing described in this proxy statement is not subject to due diligence or a market out provision, which would have allowed lenders not to fund their commitments if certain conditions in the financial markets prevail, there is still a risk that such debt financing may not be funded when required. Under the Merger Agreement, if any portion of the debt financing becomes unavailable on the terms and conditions contemplated in the Debt Commitment Letters, Parent must use its commercially reasonable best efforts to promptly arrange and obtain any such portion from alternative sources on terms not materially less favorable to Parent than those set forth in the Debt Commitment Letters (taking into account flex provisions) (as determined in the sole discretion of Parent).

The documentation governing the debt financing has not been finalized and, accordingly, the actual terms may differ from those described in this proxy statement.

Limited Guaranty

New Star and Insight II have entered into a limited guaranty in favor of the Company, pursuant to which New Star and Insight II have agreed to guarantee certain payment obligations of Parent and Merger Sub pursuant to the Merger Agreement, including the payment of the $8.5 million reverse termination fee, if any, that may become payable by Parent to the Company pursuant to the Merger Agreement. The liability of New Star

and Insight II under the limited guaranty is limited to the $8.5 million amount of the reverse termination fee.

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Voting Agreements and Irrevocable Proxies

In connection with the parties entry into the Merger Agreement, each of Frank L. Hohmann III, a member of the Board, and Privet Fund LP and Privet Fund Management LLC (collectively, Privet), entered into a voting agreement (each, a Voting Agreement and, collectively, the Voting Agreements). Ryan J. Levenson, a member of the Board, is the managing member of Privet Fund Management LLC.

Pursuant to each Voting Agreement, the stockholder party to such Voting Agreement has agreed to vote shares beneficially owned by such stockholder (and such stockholder has granted Parent an irrevocable proxy with respect to such matters): (1) FOR the adoption of the Merger Agreement, (2) AGAINST any acquisition proposal (as defined in the Merger Agreement) or any other proposal made in opposition of the adoption of the Merger Agreement, and (3) AGAINST any agreement or action that is intended to, or that could reasonably be expected to, prevent, materially impede, interfere with or delay the consummation of the Merger. The Voting Agreements will terminate upon the first to occur of (a) the effective time of the Merger, (b) the termination of the Merger Agreement in accordance with its terms, (c) the date of any material modification, waiver or amendment of the Merger Agreement that affects adversely the consideration payable to the Company s stockholders pursuant to the Merger Agreement, and (d) the mutual written consent of Parent and the stockholder party thereto.

As of February 18, 2014, Mr. Hohmann was the beneficial owner of an aggregate of 1,008,861 shares of MSC common stock that were subject to a Voting Agreement and Privet was the beneficial owner of an aggregate of 951,996 shares of MSC common stock that were subject to a Voting Agreement, collectively representing approximately 19% of the outstanding shares of the Company s common stock.

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

The following discussion summarizes the material U.S. federal income tax considerations that may be relevant to U.S. Holders (as defined below) of MSC common stock whose shares will be converted into cash in the Merger and who will not own (actually or constructively) any shares of MSC common stock after the Merger. This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), treasury regulations, administrative decisions and rulings of the Internal Revenue Service (the IRS), court decisions, and other applicable authorities, all as in effect as of the date hereof, all of which are subject to change (possibly with retroactive effect) and all of which are subject to differing interpretation, which could result in U.S. federal income tax consequences different from those discussed below.

This discussion does not address all aspects of U.S. federal income taxation that may be relevant to beneficial holders of MSC common stock in light of their particular circumstances or to persons subject to special treatment under the U.S. federal income tax laws. In particular, this discussion deals only with persons that beneficially hold shares of MSC common stock as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). Except as expressly provided below, this discussion does not address the tax treatment of special classes of persons, such as banks, insurance companies, tax-exempt organizations, financial institutions, broker-dealers, traders in securities, regulated investment companies, real estate investment trusts, S corporations, persons holding shares of MSC common stock as part of a hedge, straddle or other risk reduction, constructive sale, conversion transaction, or other integrated transaction, U.S. expatriates, U.S. Holders whose functional currency is not the U.S. dollar, U.S. Holders who exercise appraisal rights, U.S. Holders that beneficially own stock of Parent, and persons who acquired shares of MSC common stock as compensation, pursuant to the exercise of MSC options or otherwise in connection with the performance of services to MSC or any of its affiliates. This discussion does not address any state, local or non-U.S. tax considerations or alternative minimum tax or non-U.S. federal income tax considerations or any other U.S. federal tax laws, including the estate and gift tax laws and the tax on certain net investment income imposed under Section 1411 of the Code. Furthermore, this discussion does not discuss the U.S. federal income tax consequences to a beneficial owner of MSC common stock who, for United States federal income tax purposes, is a non-resident alien individual, a foreign corporation, a foreign partnership or a foreign estate or trust.

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For purposes of the following discussion, a U.S. Holder means a beneficial owner of MSC common stock that is:

- a citizen or resident of the United States;
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- any trust if (i) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) it has a valid election in place to be treated as a U.S. person.

If a partnership, or an entity treated as a partnership for U.S. federal income tax purposes, holds shares of MSC common stock, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. This discussion does not address the tax treatment of partnerships or persons who hold their shares of MSC common stock through partnerships for U.S. federal income tax purposes. A partner in a partnership holding shares of MSC common stock should consult its tax advisor regarding the consequences to them of the Merger.

Each holder of MSC common stock is urged to consult his, her or its own tax advisor regarding the specific U.S. federal, state, local and non-U.S. tax consequences of the Merger.

The exchange of shares of MSC common stock for cash pursuant to the Merger generally will be a taxable transaction to U.S. Holders for U.S. federal income tax purposes. A U.S. Holder of MSC common stock that exchanges such common stock in the Merger for cash should recognize a capital gain or loss equal to the difference, if any, between the amount of cash received in the Merger (determined before the deduction of any applicable withholding taxes) in exchange for such common stock and the U.S. Holder s adjusted basis in such common stock. Gain or loss should be determined separately for each identifiable block of shares of MSC common stock (generally, such stock acquired at different prices or at different times). Such gain or loss should be capital gain or loss and should be long-term capital gain or loss if the U.S. Holder s holding period for such shares is more than one year at the time of the Merger. The deductibility of capital losses is subject to certain limitations.

Cash payments received by a U.S. Holder in exchange for such U.S. Holder s MSC common stock in the Merger may be subject to information reporting, and may be subject to backup withholding at the applicable rate (currently 28%), unless the U.S. Holder or other payee (i) provides a valid taxpayer identification number on IRS Form W-9 (or other appropriate withholding form) and complies with certain certification procedures or (ii) otherwise establishes an exemption from backup withholding. Backup withholding is not an additional U.S. federal income tax, rather any amounts withheld may be credited against the U.S. Holder s federal income tax liability, and if the backup withholding results in an overpayment of taxes, a refund may be obtained from the IRS, provided that the required information is timely furnished to the IRS.

The discussion set forth above is included for general information only. Each beneficial owner of shares of MSC common stock should consult his, her or its own tax advisor as to the U.S. federal income tax consequences of the Merger, as well as the effects of state, local and non-U.S. tax laws or any other U.S. federal tax laws.

Required Antitrust Approvals

The Merger is subject to the HSR Act, which provides that certain acquisition transactions may not be consummated unless certain information has been furnished to the Antitrust Division and the FTC and certain waiting period requirements have been satisfied.

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On January 23, 2014, each of Parent and MSC filed under the HSR Act a Notification and Report Form for Certain Mergers and Acquisitions with the Antitrust Division and the FTC in connection with the acquisition of shares of MSC common stock pursuant to the Merger. The filings were subject to a 30-day initial waiting period, for which early termination was requested. Termination of the waiting period was granted on February 10, 2014.

The FTC and the Antitrust Division frequently scrutinize the legality under the Antitrust Laws (as defined below) of transactions such as Parent s acquisition of shares of MSC common stock pursuant to the Merger. At any time before or after the consummation of the Merger, either or both the Antitrust Division or the FTC could take such action under the Antitrust Laws as it deems or they deem necessary or desirable in the public interest, including seeking to enjoin the acquisition of shares pursuant to the Merger or otherwise seeking divestiture of substantial assets of Parent or its subsidiaries. Private parties, as well as state governments, may also bring legal action under the Antitrust Laws under certain circumstances. While Parent and MSC believe that the consummation of the Merger will not violate any Antitrust Laws, there can be no assurance that a challenge to the Merger on antitrust grounds will not be made or, if a challenge is made, what the result will be. If any such action is threatened or commenced by the FTC, the Antitrust Division or any state or any other person, Parent may not be obligated to consummate the Merger.

As used in this proxy statement, Antitrust Laws means and includes the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, as amended, and all other U.S. federal and state statutes, rules, regulations, orders, decrees, administrative and judicial doctrines, and other laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

Parent and MSC have determined that the Merger does not require the filing of information with, or obtaining the approval of, antitrust or competition authorities under any foreign merger control statutes or regulations.

Litigation Related to the Merger

MSC and members of the Board were named as defendants in a purported class action brought by an alleged MSC stockholder on January 15, 2014. The lawsuit, which named us, our directors, Parent, Merger Sub, New Star and Insight Equity as defendants, was filed in the Court of Chancery of the State of Delaware and is captioned *Hilary Coyne v. Material Sciences Corporation., et al., Case No. 9257*. The action, purportedly brought on behalf of a class of our stockholders, asserted claims that our directors purportedly breached their fiduciary duties to our stockholders in connection with the proposed Merger. The action further claimed that New Star and Insight Equity aided and abetted those alleged breaches of fiduciary duties. The plaintiff in the action sought equitable relief, including an injunction preventing the consummation of the Merger, rescission in the event the Merger is consummated, and an award of attorneys and other fees and costs. We believe that the claims were without merit, and on February 12, 2014, the plaintiff in the lawsuit filed a notice of dismissal without prejudice which the Court granted on February 13, 2014.

Delisting and Deregistration of Our Common Stock

If the Merger is completed, MSC s common stock will be delisted from, and no longer traded on, NASDAQ and will be deregistered under the Exchange Act. Following the closing of the Merger, MSC will no longer be a public company and, as such, we will no longer file reports with the SEC.

Effects on the Company if the Merger is not Completed

If the Merger Agreement is not adopted by our stockholders or if the Merger is not completed for any other reason, our stockholders will not receive any payment for their shares of MSC common stock pursuant to the Merger Agreement. Instead, we will remain a public company and MSC common stock will continue to be

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registered under the Exchange Act and quoted on NASDAQ. In addition, if the Merger is not completed, we expect that our management will operate our business in a manner similar to that in which it is being operated today and that our stockholders will continue to be subject to the same risks and opportunities to which they currently are subject, including, among other things, the nature of the industry on which our business largely depends, and general industry, economic, regulatory and market conditions.

If the Merger is not completed, there can be no assurance as to the effect of these risks and opportunities on the future value of your shares of MSC common stock. In the event the Merger is not completed, the Board will continue to evaluate and review our business operations, prospects and capitalization, make such changes as are deemed appropriate and seek to identify acquisitions, joint ventures or strategic alternatives to enhance stockholder value. If the Merger Agreement is not adopted by MSC s stockholders, or if the Merger is not completed for any other reason, there can be no assurance that any other transaction acceptable to MSC will be offered or that MSC s business, prospects or results of operations will not be adversely impacted.

Upon termination of the Merger Agreement under specified circumstances, including with respect to the Company s entry into an agreement with respect to a superior proposal, the Company will be required to pay Parent a termination fee of $4.0 million, or $2.5 million depending on the circumstances, or reimburse certain expenses of Parent up to $1.25 million. The Merger Agreement also provides that Parent will be required to pay the Company a reverse termination fee of $8.5 million under certain specified circumstances set forth in the Merger Agreement. See The Merger Agreement Termination Fees and Reimbursement of Expenses.

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THE MERGER AGREEMENT

The following is a summary of the material terms and conditions of the Merger Agreement. The description in this section and elsewhere in this proxy statement is qualified in its entirety by reference to the complete text of the Merger Agreement, a copy of which is attached as Annex A, and is incorporated by reference into this proxy statement. This summary does not purport to be complete and may not contain all of the information about the Merger Agreement that is important to you. We encourage you to read the Merger Agreement carefully and in its entirety because it is the legal document that governs the Merger.

The Merger Agreement and this summary of its terms have been included to provide you with information regarding the terms of the Merger Agreement and the transactions contemplated thereby and is not intended to modify or supplement any factual disclosures about the Company in the Company s public reports filed with the SEC. In particular, the Merger Agreement and this summary of its terms are not intended to be, and should not be relied upon as, disclosures regarding any facts or circumstances relating to the Company, Parent, Merger Sub, their respective subsidiaries and affiliates or any other party. The representations, warranties and covenants contained in the Merger Agreement have been negotiated only for the purpose of the Merger Agreement and are intended solely for the benefit of the parties thereto. In many cases, these representations, warranties and covenants are subject to limitations agreed upon by the parties and are qualified by certain supplemental disclosures provided by the parties to one another in connection with the execution of the Merger Agreement. Furthermore, many of the representations and warranties in the Merger Agreement are the result of a negotiated allocation of contractual risk among the parties and, taken in isolation, do not necessarily reflect facts about the Company, Parent, Merger Sub, their respective subsidiaries and affiliates or any other party. Likewise, any references to materiality contained in the representations and warranties may not correspond to concepts of materiality applicable to investors or stockholders. Finally, information concerning the subject matter of the representations and warranties may change after the date of the Merger Agreement and these changes may not have been fully reflected in this proxy statement.

The Merger

The Merger Agreement provides that at the effective time of the Merger, Merger Sub will be merged with and into MSC. As a result of the Merger, the separate corporate existence of Merger Sub will cease and MSC will continue as the Surviving Corporation following the Merger as a wholly owned subsidiary of Parent.

At the effective time of the Merger, the certificate of incorporation and bylaws of MSC will be amended and restated as a result of the Merger so as to read in their entirety as set forth in the respective forms attached as exhibits to the Merger Agreement and, as so amended, shall be the certificate of incorporation and bylaws of the Surviving Corporation, until duly amended as provided therein or by applicable law.

After the effective time of the Merger, the directors of Merger Sub immediately prior to the effective time of the Merger will be the directors of the Surviving Corporation, until their successors are duly elected or appointed and qualified in accordance with applicable law and the terms of the certificate of incorporation and bylaws of the Surviving Corporation.

After the effective time of the Merger, the officers of MSC immediately prior to the effective time of the Merger will be the officers of the Surviving Corporation, until their successors are duly elected or appointed and qualified in accordance with applicable law and the terms of the certificate of incorporation and bylaws of the Surviving Corporation.

Closing and Effective Time of the Merger

The closing of the Merger will take place no later than the third business day after the date on which the conditions to closing of the Merger (described in The Merger Agreement Conditions to the Merger) have

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been satisfied or waived (other than the conditions that by their nature are to be satisfied at the closing of the Merger, but subject to the satisfaction or waiver of those conditions), unless another date is agreed to in writing by the parties to the Merger Agreement.

At the closing, the parties will file a certificate of merger with the Secretary of State of the State of Delaware. The effective time of the Merger will occur on the date that such certificate of merger is duly filed (or such later time as mutually agreed to by MSC and Parent and as specified in the certificate of merger).

Merger Consideration

At the effective time of the Merger, each outstanding share of MSC s common stock (other than (1) shares owned by Parent, Merger Sub, or any other wholly owned subsidiary of Parent, (2) shares owned by MSC as treasury stock or by any of its wholly owned subsidiaries, (3) shares that are also shares of MSC restricted stock and (4) shares owned by persons who properly exercise appraisal rights under Delaware law) will be automatically converted into the right to receive the Per Share Merger Consideration, without interest. All such shares of common stock converted into the right to receive the Per Share Merger Consideration will no longer be outstanding and will automatically be cancelled and will cease to exist, and holders of shares of MSC common stock immediately prior to the effective time of the Merger will cease to have any rights as a stockholder, except the right to receive the Per Share Merger Consideration, without interest.

Shares of MSC s common stock held by MSC as treasury stock or by any of its wholly owned subsidiaries or owned by Parent, Merger Sub or any other wholly owned subsidiary of Parent will be cancelled and no payment will be made with respect to those shares. Shares of MSC s common stock held by stockholders who did not vote in favor of the Merger (or consent thereto in writing) and who have properly exercised their appraisal rights for such shares in accordance with Section 262 of the DGCL will be entitled to payment of the appraised value of such shares in accordance with Section 262 of the DGCL. If, after the effective time of the Merger, any such stockholder fails to perfect, withdraws or otherwise loses such stockholder s rights to appraisal pursuant to Section 262 of the DGCL, that stockholder s shares will be converted into and become exchangeable for the right to receive $12.75 per share in cash without interest and less applicable withholding taxes. See the section titled Appraisal Rights for more information on exercising your appraisal rights.

Treatment of Outstanding MSC Stock Options and Restricted Stock and the Employee Stock Purchase Plan

MSC Stock Options

Immediately prior to the effective time of the Merger, each outstanding and unexercised option to purchase shares of MSC common stock, whether or not vested, will become fully vested and exercisable and, at the effective time, each such option not exercised will be cancelled and automatically converted into the right to receive the option s spread value in cash (*i.e.*, a cash payment equal to the excess, if any, of $12.75 over such option s exercise price), without interest. Each outstanding option that has an exercise price equal to or greater than $12.75 will be cancelled without the right to receive any cash payment or other consideration.

MSC Restricted Stock

Immediately prior to the effective time of the Merger, each outstanding share of MSC restricted stock, whether or not vested, will become free of all restrictions, fully vested and transferable and, at the effective time, will be cancelled and converted into the right to receive $12.75 in cash without interest under the same terms and conditions as apply to the receipt of Per Share Merger Consideration by holders of MSC common stock generally. If any stockholder holding shares of MSC restricted stock was seeking appraisal rights, but ceases to be seeking appraisal rights, Parent will pay to the holder of such shares of MSC restricted stock $12.75 per share in cash without interest and less applicable withholding taxes.

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Employee Stock Purchase Plan

MSC will take all action necessary to suspend or terminate the Material Sciences Corporation 2007 Employee Stock Purchase Plan, in accordance with the suspension and termination provisions set forth therein, effective as of the end of the current purchase period, which such purchase period expires on February 28, 2014. Effective as of such suspension or termination, no additional purchase periods will commence, and no additional purchases of common stock will be permitted.

Payment Procedures

Immediately prior to the effective time of the Merger, Parent will appoint a paying agent for the payment of the Per Share Merger Consideration in exchange for each share of MSC s common stock and will deposit with the paying agent the consideration to be paid under the Merger Agreement with respect to MSC common stock. Promptly after the effective time of the Merger, but not later than three business days after the effective time of the Merger, Parent will cause the paying agent to mail to each holder of record of MSC common stock at the effective time of the Merger (other than MSC and its subsidiaries, Parent, Merger Sub, any subsidiary of Parent, holders of MSC restricted stock, and persons who properly exercise appraisal rights under Delaware law) a letter of transmittal and instructions for use in such exchange.

Stockholders should not return their stock certificates with the enclosed proxy card and should not forward stock certificates to the paying agent without a letter of transmittal.

Upon (i) surrender of the stock certificate together with a properly completed letter of transmittal, or (ii) in the case of uncertificated shares the receipt of an agent s message by the paying agent or other evidence of transfer of uncertificated shares as the paying agent may reasonably request, the holder of such shares will be entitled to receive $12.75 per share and such shares will be cancelled. Until so surrendered, each such certificate or uncertificated share will represent after the effective time of the Merger only the right to receive the Per Share Merger Consideration, without interest.

In the event of a transfer of ownership of shares of common stock that is not registered in the transfer records of MSC, payment to be delivered upon compliance with the procedures described above may be made to the transferee if the applicable letter of transmittal is accompanied by all documents reasonably required by the Surviving Corporation to evidence and effect such transfer and to evidence that any applicable stock transfer taxes have been paid or are not applicable.

If you have lost a certificate, or if it has been stolen or destroyed, then before you will be entitled to receive the Per Share Merger Consideration, you must (i) make an affidavit of the loss, theft or destruction, (ii) deliver an indemnity agreement reasonably acceptable to Parent, and (iii) if required by the Surviving Corporation, post a bond in a reasonable amount as directed by Parent as indemnity against any claim that may be made against it with respect to such certificate.

From and after the effective time of the Merger, there will be no further registration of transfers of shares of MSC s common stock that were outstanding prior to the effective time of the Merger. If, after the effective time of the Merger, certificated or uncertificated shares of MSC common stock are presented to the Surviving Corporation or the paying agent, they will be canceled and exchanged for the Per Share Merger Consideration. Any portion of the merger consideration made available to the paying agent that remains unclaimed one year after the effective time of the Merger will be returned to the Surviving Corporation, upon request, and any holder who has not exchanged shares of MSC s common

stock prior to that time may thereafter look only to the Surviving Corporation and Parent for payment of the merger consideration due to such holder, without any interest thereon. None of MSC, Parent, the Surviving Corporation or the paying agent will be liable to any holder of shares of MSC s common stock for any merger consideration paid to a public official pursuant to applicable abandoned property, escheat or similar laws.

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Financing; Cooperation

Parent and Merger Sub will each use its commercially reasonable best efforts to obtain equity financing on the terms and conditions described in the Equity Commitment Letters. Neither Parent nor Merger Sub will amend, alter or waive, or agree to amend, alter or waive, any term of the Equity Commitment Letters, without the prior written consent of MSC.

Parent will use its commercially reasonable best efforts to obtain debt financing on the terms and conditions described in the Debt Commitment Letters (including flex provisions). Parent will not permit any amendment or modification to be made to, or any waiver of any provision or remedy under, such Debt Commitment Letters, without the prior written consent of MSC, if such amendment, modification or waiver (i) reduces the aggregate amount of the debt financing, unless the equity financing is increased by a corresponding amount on terms no less favorable in any material respect or (ii) imposes new or additional conditions or otherwise amends, modifies or expands any of the conditions to the receipt of the debt financing in a manner that would reasonably be expected to delay or prevent the closing of the Merger or the funding the debt financing. However, Parent and Merger Sub may amend the Debt Commitment Letters to add lenders, lead arrangers, bookrunners, syndication agents or similar entities that have not executed the Debt Commitment Letters, if the addition of such additional parties, individually or in the aggregate, would not prevent, materially delay or materially impede the availability of the debt financing or the consummation of the transactions contemplated by the Merger Agreement, and enter into additional financing commitment letters with respect to the debt financing of the transactions contemplated by the Merger Agreement so long as the commitment letters do not contain any new or additional conditions other than those set forth in the Debt Commitment Letters or terms that could reasonably be expected to prevent, delay or impede the closing of the Merger or the funding of the debt financing and if such commitments are reduced, the Equity Commitment Letters are increased by an amount corresponding to such reduction.

Parent will also use its commercially reasonable best efforts to:

- maintain in effect the Debt Commitment Letters pursuant to their terms;
- satisfy, perform and observe on a timely basis all conditions and, in all material respects, all covenants applicable to Parent or Merger Sub in the Debt Commitment Letters;
- negotiate in good faith and enter into definitive agreements with respect to the debt financing on the terms and conditions (including any flex provisions) contemplated by the Debt Commitment Letters;
- upon satisfaction of the conditions contained in the Equity Commitment Letters and Debt Commitment Letters, consummate the financing at or prior to closing of the Merger; and
- refrain from using any proceeds of the debt financing as a dividend to Parent s stockholders, if necessary.

Parent is required to give MSC prompt notice of:

- any material breach or default (or any event or circumstance that, with or without notice, lapse of time or both, could reasonably be expected to give rise to any material breach or default) by any party to any financing commitment or definitive document related to the financing; and

- the receipt of any written notice or other written communication from any party to any financing commitment or any definitive document related to the financing with respect to any material breach or default, termination or repudiation by any party to any financing commitment or any definitive document related to the financing or any provisions of the financing commitments or any definitive document related to the financing.

If any portion of the debt financing becomes unavailable on the terms and conditions previously contemplated under the Debt Commitment Letters, Parent will use its commercially reasonable best efforts to

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promptly arrange and obtain alternative financing in an amount sufficient to consummate the Merger with terms and conditions not materially less favorable to Parent than the original terms (taking into account flex provisions). The obtaining of the financing, or any alternative financing, is not a condition to the closing of the Merger.

At Parent s sole expense, MSC has agreed to use its commercially reasonable best efforts to provide Parent and Merger Sub with cooperation in connection with the financing of the Merger including: (i) participating in a reasonable number of meetings, presentations, road shows, due diligence sessions, and drafting sessions; (ii) assisting Parent and Merger Sub with the preparation of customary offering memoranda, bank information memoranda, and similar documents relating to the debt financing; (iii) delivery to Parent, Merger Sub and their financing sources of all information with respect to the business, operations, financial condition, projections and prospects of MSC and its subsidiaries as may be reasonably requested by Parent; (iv) participation by senior management of MSC in the negotiation of, and the execution and delivery of, the definitive agreements contemplated by the Debt Commitment Letters; (v) providing and executing documents as may be reasonably requested by Parent; (vi) executing and delivering customary pledge and security documents, affidavits of title, estoppels and ground lease estoppels and consents, and otherwise facilitating the pledge of collateral; (vii) cooperating with marketing efforts of Parent, Merger Sub and their financing sources for all or any portion of the debt financing; (viii) using commercially reasonable efforts to obtain accountant s comfort letters and legal opinions from MSC s current outside legal counsel reasonably requested by Parent; and (ix) using commercially reasonable best efforts to arrange for customary payoff letters, lien terminations and instruments of discharge in connection with the repayment of outstanding Indebtedness of MSC and its subsidiaries, as contemplated by the financing commitments. Upon MSC s written request, Parent will promptly reimburse MSC for its out-of-pocket costs and expenses (including reasonable attorney s fees) incurred and documented in connection with the foregoing cooperation. Additionally, Parent will indemnify MSC, its subsidiaries, and their respective representatives against any losses incurred in connection with the arrangement of the financing and any information used in connection therewith, except such information provided by MSC or its subsidiaries.

Representations and Warranties

The Merger Agreement contains representations and warranties made by MSC, Parent and Merger Sub to each other as of specific dates. The statements embodied in those representations and warranties were made for purposes of the Merger Agreement and are subject to qualifications and limitations agreed to by the parties in connection with negotiating the terms of the Merger Agreement. In addition, some of those representations and warranties made as of a specific date may be subject to a contractual standard of materiality different from that generally applicable to stockholders or may have been used for the purpose of allocating risk between the parties to the Merger Agreement rather than establishing matters as facts. For the foregoing reasons, you should not rely on the representations and warranties as statements of factual information.

The representations and warranties made by MSC to Parent and Merger Sub include representations and warranties relating to, among other things:

- due organization, existence, good standing and qualification to do business of MSC and its subsidiaries;
- the capitalization of MSC and its subsidiaries and the absence of preemptive or other similar rights, repurchase or redemption obligations, or voting agreements;
- the absence of encumbrances on MSC s ownership of the equity interests of its subsidiaries;
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MSC s corporate power and authority to execute, deliver and perform, and to consummate the transactions contemplated by, the Merger Agreement, and the enforceability of the Merger Agreement against MSC;

- the adoption, approval, and declaration of advisability of the Merger Agreement and the transactions contemplated by the Merger Agreement by the Board, and the recommendation of approval of the Merger Agreement and the transactions contemplated by the Merger Agreement by the Board to the stockholders;

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- the receipt by MSC s Board of a fairness opinion from Baird;

- the absence of required action or filings with governmental authorities other than the filing of this proxy statement and the certificate of merger and other filings and actions taken to comply with applicable antitrust laws, securities laws, and NASDAQ rules;

- the absence of violations of or conflicts with MSC s organizational documents, applicable laws, or material contracts as a result of the execution of the Merger Agreement and consummation of the Merger;

- MSC s SEC filings since February 28, 2010 and the financial statements included therein, including the accuracy and compliance with GAAP of such financial statements;

- MSC s compliance with certain securities laws and listing rules, including, among other things, its disclosure controls and procedures and internal control over financial reporting, compliance with the Sarbanes-Oxley Act of 2002 and the listing rules of NASDAQ;

- the absence of a Company Material Adverse Effect (as defined below) and certain other changes, and the ordinary course operations of MSC from August 31, 2013 to the date of the Merger Agreement;

- the absence of legal proceedings pending or threatened against MSC or its subsidiaries;

- the absence of liabilities, required by GAAP to be disclosed on a balance sheet, not disclosed in MSC s financial statements, other than those incurred in the ordinary course of business or as related to the Merger Agreement;

- material contracts and the absence of any defaults thereunder;

- employee benefit plans and the absence of additional payments and benefits to employees as a result of the Merger Agreement and the transactions contemplated thereby;

- compliance with applicable laws and license requirements, compliance with anticorruption laws and the absence of governmental orders or investigations against MSC or its subsidiaries;

- the absence of antitakeover provisions affecting MSC;

- compliance with applicable environmental laws and other environmental matters;

- compliance with applicable tax laws and other tax-related matters;

- compliance with applicable laws related to employment and labor practices and the absence of legal claims and disputes relating to labor and employment matters;

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various matters related to MSC s intellectual property and practices related thereto, including, among other things, sufficiency of rights and ownership in MSC s intellectual property, the absence of legal claims relating to or liens on intellectual property, MSC s use of and licenses the intellectual property of others and MSC s safeguarding of its intellectual property;

- the effectiveness of MSC s insurance policies;
- MSC s owned and leased real property;
- good title and valid interests in MSC s personal property, free and clear of any liens;
- the accuracy of the information provided by MSC for inclusion in this proxy statement;
- affiliate and related party transactions;
- MSC s significant customers and suppliers;
- absence of product recalls and product liability claims;
- MSC s information technology systems;

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- broker s fees and commissions; and

- MSC s joint ventures.

Many of MSC s representations and warranties are qualified as to, among other things, materiality or Company Material Adverse Effect. For the purposes of the Merger Agreement, a Company Material Adverse Effect means any change, event, circumstance or occurrence that has, or would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the financial condition, business, operations, assets, results of operations of MSC and its subsidiaries, taken as a whole. However, none of the following will constitute or be taken into account in determining whether a Company Material Adverse Effect has occurred or would reasonably be expected to occur:

- changes generally affecting the economy, credit, securities, or financial markets or political conditions in the United States or elsewhere in the world, including any suspension of trading in securities generally on any securities exchange or over-the-counter market and changes in interest rates, exchange rates, stock, bond and/or debt prices;

- changes that are the result of acts of war (whether or not declared), armed hostilities, sabotage or terrorism, or any escalation or worsening of any such acts of war (whether or not declared), armed hostilities, sabotage or terrorism;

- epidemics, pandemics, earthquakes, tsunamis, hurricanes, tornadoes, floods, mudslides, wild fires or other natural disasters, or weather conditions;

- changes that are the result of factors generally affecting the industries in which MSC and its subsidiaries operate;

- changes or prospective changes in any law, GAAP or rules and policies of the Public Company Accounting Oversight Board or interpretation or enforcement thereof after the date hereof;

- any failure by MSC to meet any internal or public projections or forecasts or estimates of revenues, earnings or other financial performance or results of operations for any period (it being understood that the exception in this clause shall not prevent or otherwise affect a determination that any change, event, circumstance or occurrence underlying such failure has resulted in, or contributed to, a Company Material Adverse Effect);

- any actions taken or failure to take action, in each case, to which Parent has approved, consented to or requested in writing, or the failure to take any action that is prohibited by the Merger Agreement;

- any decline in the price or trading volume of MSC s common stock on NASDAQ (it being understood that the exception in this clause shall not prevent or otherwise affect a determination that any change, event, circumstance or occurrence underlying such decline has resulted in, or contributed to, a Company Material Adverse Effect); and

- changes attributable to any loss of, or change in, the relationship of MSC or any of its subsidiaries, contractual or otherwise, with its customers, suppliers, vendors, lenders, or employees arising out of the execution, delivery or performance of the Merger Agreement, the consummation of the transactions contemplated by the Merger Agreement or the announcement of any of the foregoing.

In the case of each of the first five bullets above, the exceptions provided for in each such bullet do not apply, to the extent any such change, event, circumstances or occurrence has a materially disproportionate adverse effect on MSC and its subsidiaries, taken as a whole, as compared

to other companies operating in the industries in which MSC and its subsidiaries operate.

The representations and warranties made by Parent and Merger Sub to MSC include representations and warranties relating to, among other things:

- due organization, existence and good standing of Parent and Merger Sub;

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- Parent and Merger Sub s corporate power and authority to execute, deliver and perform, and to consummate the transactions contemplated by, the Merger Agreement, and the enforceability of the Merger Agreement against them;

- the absence of required action or filings with governmental authorities other than the filing of the certificate of merger and other filings and actions taken to comply with applicable antitrust laws and, securities laws;

- the absence of conflicts with, or violations of, the organizational documents of Parent and Merger Sub, applicable laws or other material agreements to which they are a party as a result of the Merger Agreement and consummation of the Merger;

- the absence of any legal proceedings pending or threatened against Parent or any of its subsidiaries and the absence of any orders to which Parent or any of its subsidiaries are subject and, in each case, that would reasonably be expected to prevent, materially delay or materially impede the ability of Parent or Merger Sub consummate the Merger and the other transactions contemplated by the Merger Agreement;

- the enforceability of the Equity Commitment Letters and the Debt Commitment Letters, the absence of any default thereunder and the absence of conditions precedent related to the funding of the financing other than as set forth in the financing commitments;

- the sufficiency of funds in the financing arrangements contemplated by the Equity Commitment Letters and the Debt Commitment Letters to pay the consideration related to the Merger and all other payment obligations of Parent or Merger Sub under the Merger Agreement;

- Parent s ownership of all of the outstanding capital stock of Merger Sub and the absence of other business activities of Merger Sub;

- broker s fees and commissions;

- the solvency of Parent and the Surviving Corporation as of the effective time of the Merger;

- the execution and enforceability of the limited guaranty by New Star and Insight II (as described in The Merger Limited Guaranty) and the absence of any default thereunder;

- that Parent and Merger Sub do not own any shares of MSC s common stock;

- the accuracy of the information provided by Parent or Merger Sub for inclusion in this proxy statement; and

- the absence of any written agreements between Parent and its affiliates, on the one hand, and any director, officer or employee of MSC, on the other hand, relating to the transactions contemplated by the Merger Agreement or the operations of MSC after the effective time of the Merger, other than the Voting Agreements.

Conduct of Business Pending the Merger

Under the Merger Agreement, MSC has agreed that, subject to certain exceptions, from the date of the Merger Agreement until the effective time of the Merger, MSC will, and will cause each of its subsidiaries to conduct their respective businesses in the ordinary course and use their respective commercially reasonable best efforts to preserve their respective business organizations intact and maintain existing relations and goodwill with governmental entities, customers, suppliers, employees and business associates.

MSC has also agreed that from the date of the Merger Agreement until the effective time of the Merger and subject to certain exceptions, it will not and it will not permit any of its subsidiaries to:

- amend or otherwise change its governing documents;

- merge or consolidate with any other person or restructure, reorganize or completely or partially liquidate MSC or any of its subsidiaries;

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