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

FORM 10-Q

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

For the quarterly period ended: **September 27, 2008**

or

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

For the transition period from _____ to _____

Commission File Number: **000-03905**

Transcat, Inc.

(Exact name of registrant as specified in its charter)

Ohio

(State or other jurisdiction of
incorporation or organization)

16-0874418

(I.R.S. Employer Identification No.)

35 Vantage Point Drive, Rochester, New York 14624

(Address of principal executive offices) (Zip Code)

(585) 352-7777

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The number of shares of common stock, par value \$0.50 per share, of the registrant outstanding as of November 5, 2008 was 7,365,486.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(In Thousands, Except Per Share Amounts)

	(Unaudited) Second Quarter Ended		(Unaudited) Six Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Product Sales	\$ 12,954	\$ 11,219	\$ 25,265	\$ 22,146
Service Revenue	5,656	5,406	11,198	10,669
Net Revenue	<u>18,610</u>	<u>16,625</u>	<u>36,463</u>	<u>32,815</u>
Cost of Products Sold	9,568	8,089	18,517	15,955
Cost of Services Sold	4,468	4,290	8,847	8,387
Total Cost of Products and Services Sold	<u>14,036</u>	<u>12,379</u>	<u>27,364</u>	<u>24,342</u>
Gross Profit	<u>4,574</u>	<u>4,246</u>	<u>9,099</u>	<u>8,473</u>
Selling, Marketing and Warehouse Expenses	2,122	2,018	4,717	4,323
Administrative Expenses	1,713	1,634	3,255	3,107
Total Operating Expenses	<u>3,835</u>	<u>3,652</u>	<u>7,972</u>	<u>7,430</u>
Operating Income	<u>739</u>	<u>594</u>	<u>1,127</u>	<u>1,043</u>
Interest Expense	28	29	27	63
Other Expense, net	4	209	12	290
Total Other Expense	<u>32</u>	<u>238</u>	<u>39</u>	<u>353</u>
Income Before Income Taxes	707	356	1,088	690
Provision for Income Taxes	<u>277</u>	<u>162</u>	<u>430</u>	<u>258</u>
Net Income	430	194	658	432
Other Comprehensive (Loss) Income	<u>(11)</u>	<u>265</u>	<u>(3)</u>	<u>457</u>
Comprehensive Income	<u>\$ 419</u>	<u>\$ 459</u>	<u>\$ 655</u>	<u>\$ 889</u>
Basic Earnings Per Share	\$ 0.06	\$ 0.03	\$ 0.09	\$ 0.06
Average Shares Outstanding	7,282	7,127	7,239	7,099
Diluted Earnings Per Share	\$ 0.06	\$ 0.03	\$ 0.09	\$ 0.06
Average Shares Outstanding	7,511	7,577	7,453	7,474

See accompanying notes to consolidated financial statements.

TRANSCAT, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and Per Share Amounts)

	<u>(Unaudited)</u> September 27, 2008	March 29, 2008
ASSETS		
Current Assets:		
Cash	\$ 184	\$ 208
Accounts Receivable, less allowance for doubtful accounts of \$70 and \$56 as of September 27, 2008 and March 29, 2008, respectively	9,105	9,346
Other Receivables	938	370
Inventory, net	5,844	5,442
Prepaid Expenses and Other Current Assets	1,227	773
Deferred Tax Asset	462	248
Total Current Assets	17,760	16,387
Property and Equipment, net	3,563	3,211
Goodwill	7,460	2,967
Intangible Asset	1,191	-
Deferred Tax Asset	1,190	1,435
Other Assets	367	344
Total Assets	\$ 31,531	\$ 24,344
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 6,064	\$ 5,947
Accrued Compensation and Other Liabilities	2,921	2,489
Income Taxes Payable	296	62
Total Current Liabilities	9,281	8,498
Long-Term Debt	4,347	302
Other Liabilities	503	427
Total Liabilities	14,131	9,227
Shareholders' Equity:		
Common Stock, par value \$0.50 per share, 30,000,000 shares authorized; 7,633,694 and 7,446,223 shares issued as of September 27, 2008 and March 29, 2008, respectively; 7,357,912 and 7,170,441 shares outstanding as of September 27, 2008 and March 29, 2008, respectively	3,817	3,723
Capital in Excess of Par Value	8,183	6,649
Accumulated Other Comprehensive Income	433	436
Retained Earnings	5,955	5,297
Less: Treasury Stock, at cost, 275,782 shares as of September 27, 2008 and March 29, 2008	(988)	(988)
Total Shareholders' Equity	17,400	15,117
Total Liabilities and Shareholders' Equity	\$ 31,531	\$ 24,344

See accompanying notes to consolidated financial statements.

TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	(Unaudited)	
	Six Months Ended	
	September 27, 2008	September 29, 2007
Cash Flows from Operating Activities:		
Net Income	\$ 658	\$ 432
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Deferred Income Taxes	55	(85)
Depreciation and Amortization	772	788
Provision for (Recovery of) Accounts Receivable and Inventory Reserves	84	(63)
Stock-Based Compensation Expense	355	428
Changes in Assets and Liabilities:		
Accounts Receivable and Other Receivables	654	892
Inventory	(40)	749
Prepaid Expenses and Other Assets	(710)	(602)
Accounts Payable	(269)	104
Accrued Compensation and Other Liabilities	(601)	(595)
Income Taxes Payable	45	174
Net Cash Provided by Operating Activities	<u>1,003</u>	<u>2,222</u>
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(587)	(999)
Purchase of Westcon, Inc., net of cash acquired	(4,625)	-
Net Cash Used in Investing Activities	<u>(5,212)</u>	<u>(999)</u>
Cash Flows from Financing Activities:		
Chase Revolving Line of Credit, net	4,026	(1,576)
Issuance of Common Stock	119	160
Excess Tax Benefits Related to Stock-Based Compensation	41	-
Net Cash Provided by (Used in) Financing Activities	<u>4,186</u>	<u>(1,407)</u>
Effect of Exchange Rate Changes on Cash	<u>(1)</u>	<u>15</u>
Net Decrease in Cash	(24)	(169)
Cash at Beginning of Period	208	357
Cash at End of Period	<u>\$ 184</u>	<u>\$ 188</u>
Supplemental Disclosures of Cash Flow Activity:		
Cash paid during the period for:		
Interest	\$ 18	\$ 69
Income Taxes, net	\$ 260	\$ 177
Supplemental Disclosure of Non-Cash Investing Activity:		
Stock Issued in Connection with Business Acquisition	\$ 1,113	\$ -

See accompanying notes to consolidated financial statements.

TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In Thousands)
(Unaudited)

	Common Stock Issued \$0.50 Par Value		Capital In Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Stock Outstanding at Cost		Total
	Shares	Amount				Shares	Amount	
Balance as of March 29, 2008	7,446	\$ 3,723	\$ 6,649	\$ 436	\$ 5,297	276	\$ (988)	\$15,117
Issuance of Common Stock	188	94	1,138					1,232
Stock-Based Compensation			355					355
Tax Benefit from Stock-Based Compensation			41					41
Comprehensive Income:								
Currency Translation Adjustment				(7)				(7)
Unrecognized Prior Service Cost, net of tax				4				4
Net Income					658			658
Balance as of September 27, 2008	<u>7,634</u>	<u>\$ 3,817</u>	<u>\$ 8,183</u>	<u>\$ 433</u>	<u>\$ 5,955</u>	<u>276</u>	<u>\$ (988)</u>	<u>\$17,400</u>

See accompanying notes to consolidated financial statements.

TRANSCAT, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands, Except Per Share Amounts)
(Unaudited)

NOTE 1 – GENERAL

Description of Business: Transcat, Inc. (“Transcat” or the “Company”) is a leading global distributor of professional grade test and measurement instruments and a provider of calibration, 3-D metrology and repair services to the life science, manufacturing, utility and process industries.

Basis of Presentation: Transcat’s unaudited Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (“SEC”). Accordingly, the Consolidated Financial Statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of the Company’s management, all adjustments considered necessary for a fair presentation (consisting of normal recurring adjustments) have been included. The results for the interim periods are not necessarily indicative of the results to be expected for the fiscal year. The accompanying Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements as of and for the fiscal year ended March 29, 2008 (“fiscal year 2008”) contained in the Company’s 2008 Annual Report on Form 10-K filed with the SEC.

Principles of Consolidation: The Consolidated Financial Statements of Transcat include the accounts of Transcat and its wholly-owned subsidiaries, Transmation (Canada) Inc. and Westcon, Inc. (“Westcon”). All significant intercompany balances and transactions have been eliminated in consolidation.

On August 14, 2008, Transcat, through its wholly-owned subsidiary Transcat Acquisition Corp. (“Transcat Acquisition”), acquired Westcon, an Oregon corporation, by merger with and into Transcat Acquisition, which was the surviving entity. Concurrent with the closing of the merger, Transcat Acquisition’s name was changed to Westcon. See Note 5 for further information on the acquisition.

Stock-Based Compensation: In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 123 (revised 2004), Share-Based Payment (“SFAS 123R”), the Company measures the cost of services received in exchange for all equity awards granted, including stock options, warrants and restricted stock, based on the fair market value of the award as of the grant date. The Company uses the modified prospective application method to record compensation cost related to unvested stock awards as of March 25, 2006 by recognizing the unamortized grant date fair value of the awards over the remaining service periods of those awards with no change in historical reported earnings. Awards granted after March 25, 2006 are valued at fair value and are recognized on a straight line basis over the service periods of each award. Excess tax benefits from the exercise of stock awards are presented in the Consolidated Statements of Cash Flows as a financing activity. Excess tax benefits are realized benefits from tax deductions for exercised awards in excess of the deferred tax asset attributable to stock-based compensation costs for such awards. The Company did not have any stock-based compensation costs capitalized as part of an asset. The Company estimates forfeiture rates based on its historical experience.

The estimated fair value of the awards granted during the first six months of the fiscal year ending March 28, 2009 (“fiscal year 2009”) was calculated using the Black-Scholes-Merton pricing model (“Black-Scholes”), which produced a weighted average fair value of awards granted of \$4.02 per share. During the second quarter and the first six months of fiscal year 2009, the Company recorded non-cash stock-based compensation in the amount of \$0.2 million and \$0.4 million, respectively, in the Consolidated Statements of Operations and Comprehensive Income.

The following summarizes the assumptions used in the Black-Scholes model during the first six months of fiscal year 2009:

Expected life	6 years
Annualized volatility rate	61.3%
Risk-free rate of return	3.3%
Dividend rate	0.0%

The Black-Scholes model incorporates assumptions to value stock-based awards. The risk-free rate of return for periods within the contractual life of the award is based on a zero-coupon U.S. government instrument over the contractual term of the equity instrument. Expected volatility is based on historical volatility of the Company’s stock. The expected option term represents the period that stock-based awards are expected to be outstanding based on the simplified method provided in Staff Accounting Bulletin No. 107 (“SAB 107”), which averages an award’s weighted-average vesting period and expected term

for “plain vanilla” share options. Under SAB 107, options are considered to be “plain vanilla” if they have the following basic characteristics: granted “at-the-money”; exercisability is conditioned upon service through the vesting date; termination of service prior to vesting results in forfeiture; limited exercise period following termination of service; and options are non-transferable and non-hedgeable. In December 2007, the SEC issued Staff Accounting Bulletin No. 110 (“SAB 110”), which was effective January 1, 2008. SAB 110 expresses the views of the Staff of the SEC regarding extending the use of the simplified method, as discussed in SAB 107, in developing an estimate of the expected term of “plain vanilla” share options in accordance with SFAS 123R. The Company will continue to use the simplified method until it has the historical data necessary to provide a reasonable estimate of expected life in accordance with SAB 107, as amended by SAB 110. For the expected term, the Company has “plain vanilla” stock options, and therefore used a simple average of the vesting period and the contractual term for options granted subsequent to January 1, 2006 as permitted by SAB 107.

Foreign Currency Translation and Transactions: The accounts of Transmation (Canada) Inc. are maintained in the local currency and have been translated to United States dollars in accordance with SFAS No. 52, Foreign Currency Translation. Accordingly, the amounts representing assets and liabilities, except for equity, have been translated at the period-end rates of exchange and related sales and expense amounts have been translated at average rates of exchange during the period. Gains and losses arising from translation of Transmation (Canada) Inc.’s balance sheets into United States dollars are recorded directly to the accumulated other comprehensive income component of shareholders’ equity.

Transcat records foreign currency gains and losses on Canadian business transactions. The net foreign currency loss was less than \$0.1 million in the first six months of fiscal year 2009 and \$0.3 million in the first six months of fiscal year 2008. The Company periodically enters into foreign exchange forward contracts to reduce the risk that its earnings would be adversely affected by changes in currency exchange rates. The contracts are accounted for in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. The Company does not apply hedge accounting and therefore, the change in the fair value of the contracts, which totaled less than \$0.1 million during the second quarter and the first six months of fiscal year 2009, was recognized in current earnings as a component of other expense in the Consolidated Statements of Operations and Comprehensive Income. The change in the fair value of the contracts is offset by the change in fair value on the underlying accounts receivable being hedged. On September 27, 2008, the Company had a foreign exchange forward contract, set to mature in October 2008, outstanding in the notional amount of \$0.3 million. The Company does not use hedging arrangements for speculative purposes.

Earnings Per Share: Basic earnings per share of common stock is computed based on the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share of common stock reflect the assumed conversion of dilutive stock options, warrants, and unvested restricted stock awards. In computing the per share effect of assumed conversion, funds which would have been received from the exercise of options and warrants are considered to have been used to purchase shares of common stock at the average market prices during the period, and the resulting net additional shares of common stock are included in the calculation of average shares of common stock outstanding.

For the second quarter and the first six months of fiscal years 2009 and 2008, the net additional common stock equivalents had no effect on the calculation of dilutive earnings per share. The total number of dilutive and anti-dilutive common stock equivalents resulting from stock options, warrants and unvested restricted stock are summarized as follows:

	Second Quarter Ended		Six Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Shares Outstanding:				
Dilutive	229	450	214	375
Anti-dilutive	559	626	574	701
Total	<u>788</u>	<u>1,076</u>	<u>788</u>	<u>1,076</u>
Range of Exercise Prices per Share:				
Options	\$2.20-\$7.72	\$1.50-\$7.72	\$2.20-\$7.72	\$1.50-\$7.72
Warrants	\$2.83-\$5.80	\$1.50-\$5.80	\$2.83-\$5.80	\$1.50-\$5.80

Reclassification of Amounts: Certain reclassifications of financial information for the prior fiscal year have been made to conform to the presentation for the current fiscal year.

Recently Issued Accounting Pronouncements: In October 2008, the Financial Accounting Standards Board issued Staff Position No. FAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (“FSP 157-3”). FSP 157-3 applies to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with SFAS No. 157, Fair Value Measurements (“SFAS 157”). FSP 157-3 clarifies the application of SFAS 157 in determining the fair values of assets or liabilities in a market that is not active. FSP 157-3 is effective upon issuance, including prior periods for which financial statements have not been issued. The adoption of FSP 157-3 did not have a material impact on the Company’s Consolidated Financial Statements.

NOTE 2 – DEBT

Description. On August 14, 2008, Transcat amended its credit agreement (the “Chase Credit Agreement”) with JPMorgan Chase Bank, N.A. The amendment to the Chase Credit Agreement provides for an increase in the amount available under the revolving credit facility (the “Revolving Credit Facility”) from \$10 million to \$15 million, an extension of the maturity date from November 2009 to August 2011 and an increase in interest and commitment fees. All other terms were unchanged. As of September 27, 2008, \$4.3 million was outstanding and \$10.7 million was available under the Chase Credit Agreement.

Interest and Commitment Fees. Interest on the Revolving Credit Facility accrues, at Transcat’s election, at either a base rate (defined as the highest of prime, a three month certificate of deposit plus 1%, or the federal funds rate plus ½ of 1%) or the London Interbank Offered Rate, in each case, plus a margin. Commitment fees accrue based on the average daily amount of unused credit available on the Revolving Credit Facility. Interest and commitment fees are adjusted on a quarterly basis based upon the Company’s calculated leverage ratio, as defined in the Chase Credit Agreement. The Company’s interest rate for the first six months of fiscal year 2009 ranged from 3.0% to 4.6%. If the Chase Credit Agreement, as amended, had been in effect for the entire six month fiscal period ended September 27, 2008, the Company’s interest rate would have ranged from 3.3% to 4.8%.

Covenants. The Chase Credit Agreement has various financial and non-financial covenants with which the Company must comply, including a fixed charge ratio covenant and a leverage ratio covenant. The Company was in compliance with all loan covenants and requirements throughout the first six months of fiscal year 2009.

Other Terms. The Company has pledged all of its U.S. tangible and intangible personal property and the common stock of Transmation (Canada) Inc. and Westcon as collateral security for the loans made under the Revolving Credit Facility.

NOTE 3 – STOCK-BASED COMPENSATION

The Transcat, Inc. 2003 Incentive Plan (the “2003 Plan”), provides for, among other awards, grants of restricted stock and stock options to directors, officers and key employees to purchase common stock at no less than the fair market value at the date of grant. In addition, Transcat maintains a warrant plan for directors (the “Directors’ Warrant Plan”).

Stock Options: Options generally vest over a period of up to four years and expire up to ten years from the date of grant. Beginning in the second quarter of fiscal year 2008, options granted to executive officers vest using a graded schedule of 0% in the first year, 20% in each of the second and third years, and 60% in the fourth year. Prior options granted to executive officers vested equally over three years. The expense relating to these executive officer options is recognized on a straight-line basis over the requisite service period for the entire award.

The following table summarizes the stock options as of and for the first six months ended September 27, 2008:

	Number Of Shares	Weighted Average Price Per Share	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of March 29, 2008	656	\$ 5.64		
Granted	20	6.75		
Exercised	(1)	2.89		
Cancelled/Forfeited	(4)	6.35		
Outstanding as of September 27, 2008	671	5.68	8	\$ 1,068
Exercisable as of September 27, 2008	287	4.02	7	873

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company’s closing stock price on the last trading day of the second quarter of fiscal year 2009 and the exercise price, multiplied by the number of in-the-money stock options) that would have been received by the option holders had all option

holders exercised their options on September 27, 2008. The amount of aggregate intrinsic value will change based on the fair market value of the Company's stock.

Total unrecognized compensation cost related to non-vested stock options as of September 27, 2008 was \$1.2 million, which is expected to be recognized over a weighted average period of 2 years. The aggregate intrinsic value of stock options exercised during the first six months of fiscal year 2009 was less than \$0.1 million. Cash received from the exercise of options was less than \$0.1 million during the first six months of fiscal year 2009.

Restricted Stock: The 2003 Plan also allows the Company to grant stock awards. During the first six months of fiscal year 2009, the Company granted performance-based restricted stock awards in place of stock options as a primary component of executive compensation. The performance-based restricted stock awards vest after three years subject to certain cumulative diluted earnings per share growth over the eligible three-year period. During the second quarter of fiscal year 2009 and in conjunction with the acquisition of Westcon, the Company modified these awards by increasing the cumulative diluted earnings per share growth performance condition. The modification did not have an impact on the Company's Consolidated Financial Statements.

The following table summarizes stock awards as of and for the first six months ended September 27, 2008:

	<u>Number Of Shares</u>	<u>Weighted Average Price Per Share</u>
Unvested Balance as of March 29, 2008	—	\$ —
Granted	53	6.80
Vested	—	—
Unvested Balance as of September 27, 2008	<u>53</u>	6.80

Total expense relating to restricted stock awards, based on fair market value, was less than \$0.1 million in the first six months of fiscal year 2009. Unearned compensation totaled \$0.3 million as of September 27, 2008. The number of shares available for future grant under the 2003 Plan totaled 0.3 million at September 27, 2008.

Warrants: Under the Directors' Warrant Plan, as amended, warrants have been granted to non-employee directors to purchase common stock at the fair market value at the date of grant. Warrants vest over a three year period and expire in five years from the date of grant. All warrants authorized for issuance pursuant to the Directors' Warrant Plan have been granted. Warrants outstanding on September 27, 2008 continue to vest and be exercisable in accordance with the terms of the Directors' Warrant Plan.

The following table summarizes warrants as of and for the first six months ended September 27, 2008:

	<u>Number Of Shares</u>	<u>Weighted Average Price Per Share</u>	<u>Weighted Average Remaining Contractual Term (in years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding as of March 29, 2008	99	\$ 3.75		
Granted	—	—		
Exercised	(30)	2.55		
Cancelled/Forfeited	(4)	5.25		
Outstanding as of September 27, 2008	<u>65</u>	<u>4.23</u>	<u>2</u>	<u>\$ 179</u>
Exercisable as of September 27, 2008	<u>59</u>	<u>4.09</u>	<u>2</u>	<u>173</u>

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the Company's closing stock price on the last trading day of the second quarter of fiscal year 2009 and the exercise price, multiplied by the number of in-the-money warrants) that would have been received by the warrant holders had all warrant holders exercised their warrants on September 27, 2008. The amount of aggregate intrinsic value will change based on the fair market value of the Company's stock. The aggregate intrinsic value of warrants exercised during the first six months of fiscal year 2009 was \$0.1 million. Cash received from the exercise of warrants was \$0.1 million during the first six months of fiscal year 2009.

NOTE 4 – SEGMENT INFORMATION

Transcat has two reportable segments: Distribution Products (“Product”) and Calibration Services (“Service”). The Company has no inter-segment sales. The following table presents segment information for the second quarter and the six months ended September 27, 2008 and September 29, 2007:

	Second Quarter Ended		Six Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Net Revenue:				
Product Sales	\$ 12,954	\$ 11,219	\$ 25,265	\$ 22,146
Service Revenue	5,656	5,406	11,198	10,669
Total	<u>18,610</u>	<u>16,625</u>	<u>36,463</u>	<u>32,815</u>
Gross Profit:				
Product	3,386	3,130	6,748	6,191
Service	1,188	1,116	2,351	2,282
Total	<u>4,574</u>	<u>4,246</u>	<u>9,099</u>	<u>8,473</u>
Operating Expenses:				
Product	2,321	2,217	4,735	4,580
Service	1,514	1,435	3,237	2,850
Total	<u>3,835</u>	<u>3,652</u>	<u>7,972</u>	<u>7,430</u>
Operating Income	<u>739</u>	<u>594</u>	<u>1,127</u>	<u>1,043</u>
Unallocated Amounts:				
Other Expense, net	32	238	39	353
Provision for Income Taxes	277	162	430	258
Total	<u>309</u>	<u>400</u>	<u>469</u>	<u>611</u>
Net Income	<u>\$ 430</u>	<u>\$ 194</u>	<u>\$ 658</u>	<u>\$ 432</u>

NOTE 5 – ACQUISITION

On August 14, 2008, Transcat, through its wholly-owned subsidiary Transcat Acquisition, acquired Westcon pursuant to an Agreement and Plan of Merger (the “Merger Agreement”) with Westcon and its sole stockholder. Westcon is a distributor of professional grade test and measurement instruments and a provider of calibration and repair services to customers located primarily in the western region of the United States.

Pursuant to the Merger Agreement, Westcon merged with and into Transcat Acquisition. Concurrent with the closing of the merger, Transcat Acquisition’s name was changed to Westcon.

Under the terms of the Merger Agreement, Transcat paid an aggregate purchase price of approximately \$6.9 million, which was paid in a combination of the issuance of 150,000 shares of Transcat common stock valued at approximately \$1.1 million and approximately \$5.8 million in cash. A portion of the cash purchase price, aggregating \$0.5 million, was distributed to satisfy certain debt obligations of Westcon, with the remainder being paid to the sole stockholder. An additional contingent payment of up to \$1.4 million is subject to holdback restrictions and is intended to secure the obligations of Westcon and the sole stockholder for post-closing adjustments, reimbursement and indemnification under the terms of the Merger Agreement. This contingent payment is expected to be recorded as additional purchase price at the time the payment is certain.

In addition, Transcat and the sole stockholder entered into an Earn Out Agreement dated as of the closing of the merger. This agreement provides that the sole stockholder may be entitled to certain contingent earn out payments subject to continued employment and Westcon achieving certain post-closing gross profit and revenue targets. These potential future payments are expected to be recorded as compensation expense in the period earned.

The following is a summary of the preliminary purchase price allocation:

Purchase Price Paid:	
Cash Paid to Seller at Closing	\$ 4,216
Westcon Debt Paid by Transcat at Closing	466
Fair Value of Common Stock Issued	1,113
Cash Paid to Seller in November 2008	1,017
Direct Acquisition Costs	116
Total Purchase Price	<u>\$ 6,928</u>
Allocation of Purchase Price:	
Intangible Asset – Customer Base	\$ 1,206
Goodwill	4,498
	5,704
Plus: Current Assets	1,675
Non-Current Assets	274
Less: Current Liabilities	(658)
Non-Current Liabilities	(67)
Total Purchase Price	<u>\$ 6,928</u>

Assets and liabilities of the acquired business are recorded under the purchase method of accounting at their estimated fair values as of the date of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying net assets of the acquired business. Other intangible assets, namely customer base, represent an allocation of purchase price to identifiable intangible assets of the acquired business. Intangible assets are being amortized for financial reporting purposes on an accelerated basis over the estimated useful life of 10 years. Goodwill and the intangible assets are not deductible for tax purposes.

The primary reasons for the Company's acquisition of Westcon and the principal factors that contribute to the recognition of goodwill are the strengthening of the Company's presence in the western region of the United States and/or the synergies and related cost savings gained from the integration of the acquired operation.

The results of operations of Westcon are included in Transcat's consolidated operating results as of the date the business was acquired. The following unaudited pro forma results assume the acquisition occurred at the beginning of each period presented. The pro forma results do not purport to represent what the Company's results of operations actually would have been if the transactions set forth had occurred on the date indicated or what the Company's results of operations will be in future periods.

	(Unaudited)		(Unaudited)	
	Second Quarter Ended		Six Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
Net Revenue	\$19,614	\$19,731	\$39,613	\$37,875
Net Income	\$ 404	\$ 364	\$ 514	\$ 452
Basic Earnings Per Share	\$ 0.06	\$ 0.05	\$ 0.07	\$ 0.06
Diluted Earnings Per Share	\$ 0.05	\$ 0.05	\$ 0.07	\$ 0.06

NOTE 6 – COMMITMENTS

Concurrent with the acquisition of Westcon, the Company entered into an agreement to lease property in Portland, Oregon for Westcon's calibration laboratory. The facility, which is owned by an officer of the Company, the former sole stockholder of Westcon, is being leased under a non-cancelable operating lease over a three year period commencing on the acquisition date. The minimum future annual rental payments related to this lease are approximately \$0.1 million per year.

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

Forward-Looking Statements. This report and, in particular, the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this report, contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These include statements concerning expectations, estimates, and projections about the industry, management beliefs and assumptions of Transcat, Inc. ("Transcat", "we", "us", or "our"). Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", and variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to forecast. Therefore, our actual results may materially differ from those expressed or forecasted in any such forward-looking statements. When considering these risks, uncertainties and assumptions, you should keep in mind the cautionary statements elsewhere in this report and in any documents incorporated herein by reference. New risks and uncertainties arise from time to time and we cannot predict those events or how they may affect us. For a more detailed discussion of the risks and uncertainties that may affect Transcat's operating and financial results and its ability to achieve its financial objectives, interested parties should review the "Risk Factors" sections in Transcat's reports filed with the Securities and Exchange Commission, including the Annual Report on Form 10-K for the fiscal year ended March 29, 2008. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Accounts Receivable: Accounts receivable represent receivables from customers in the ordinary course of business. These amounts are recorded net of the allowance for doubtful accounts and returns in our Consolidated Balance Sheets. The allowance for doubtful accounts is based upon the expected collectibility of accounts receivable. We apply a specific formula to our accounts receivable aging, which may be adjusted on a specific account basis where the specific formula may not appropriately reserve for loss exposure. After all attempts to collect a receivable have failed, the receivable is written-off against the allowance for doubtful accounts. The returns reserve is calculated based upon the historical rate of returns applied to sales over a specific timeframe. The returns reserve will increase or decrease as a result of changes in the level of sales and/or the historical rate of returns.

Stock-Based Compensation. In accordance with Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, we measure the cost of services received in exchange for all equity awards granted, including stock options, warrants and restricted stock, based on the fair market value of the award as of the grant date. We use the modified prospective application method to record compensation cost related to unvested stock awards as of March 25, 2006 by recognizing the unamortized grant date fair value of these awards over the remaining service periods of those awards with no change in historical reported earnings. Awards granted after March 25, 2006 are valued at fair value and are recognized on a straight line basis over the service periods of each award. Excess tax benefits from the exercise of stock awards are presented in the Consolidated Statements of Cash Flows as a financing activity. Excess tax benefits are realized benefits from tax deductions for exercised awards in excess of the deferred tax asset attributable to stock-based compensation costs for such awards. We did not have any stock-based compensation costs capitalized as part of an asset. We estimate forfeiture rates based on our historical experience.

Options generally vest over a period of up to four years and expire up to ten years from the date of grant. Beginning in the second quarter of fiscal year 2008, options granted to executive officers vest using a graded schedule of 0% in the first year, 20% in each of the second and third years, and 60% in the fourth year. Prior options granted to executive officers vested equally over three years. The expense relating to these executive officer options is recognized on a straight-line basis over the requisite service period for the entire award.

During the first six months of fiscal year 2009, we granted performance-based restricted stock awards in place of options as a primary component of executive compensation. The performance-based restricted stock awards vest after three years subject to certain cumulative diluted earnings per share growth over the eligible three-year period. During the second quarter of fiscal year 2009 and in conjunction with the acquisition of Westcon, we modified these awards by increasing the cumulative diluted earnings per share growth performance condition. The modification did not have an impact on our Consolidated Financial Statements.

Revenue Recognition. Product sales are recorded when a product's title and risk of loss transfers to the customer. We recognize the majority of our service revenue based upon when the calibration or repair activity is performed and then shipped and/or delivered to the customer. Some of our service revenue is generated from managing customers' calibration programs in which we recognize revenue in equal amounts at fixed intervals. We generally invoice our customers for freight, shipping, and handling charges. Provisions for customer returns are provided for in the period the related revenues are recorded based upon historical data.

Reclassification of Amounts: Certain reclassifications of financial information for the prior fiscal year have been made to conform to the presentation for the current fiscal year.

RESULTS OF OPERATIONS

The following table sets forth, for the second quarter and the first six months of fiscal years 2009 and 2008, the components of our Consolidated Statements of Operations as a percentage of our net revenue (calculated on dollars in thousands).

	(Unaudited) Second Quarter Ended		(Unaudited) Six Months Ended	
	September 27, 2008	September 29, 2007	September 27, 2008	September 29, 2007
<i>As a Percentage of Net Revenue:</i>				
Product Sales	69.6%	67.5%	69.3%	67.5%
Service Revenue	30.4%	32.5%	30.7%	32.5%
Net Revenue	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Product Gross Profit	26.1%	27.9%	26.7%	28.0%
Service Gross Profit	21.0%	20.6%	21.0%	21.4%
Total Gross Profit	24.6%	25.5%	25.0%	25.8%
Selling, Marketing and Warehouse Expenses	11.4%	12.1%	12.9%	13.2%
Administrative Expenses	9.2%	9.8%	8.9%	9.5%
Total Operating Expenses	<u>20.6%</u>	<u>21.9%</u>	<u>21.8%</u>	<u>22.7%</u>
Operating Income	4.0%	3.6%	3.2%	3.1%
Interest Expense	0.2%	0.2%	0.1%	0.2%
Other Expense, net	—	1.3%	—	0.9%
Total Other Expense	<u>0.2%</u>	<u>1.5%</u>	<u>0.1%</u>	<u>1.1%</u>
Income Before Income Taxes	3.8%	2.1%	3.1%	2.0%
Provision for Income Taxes	<u>1.5%</u>	<u>1.0%</u>	<u>1.2%</u>	<u>0.8%</u>
Net Income	<u>2.3%</u>	<u>1.1%</u>	<u>1.9%</u>	<u>1.2%</u>

SECOND QUARTER ENDED SEPTEMBER 27, 2008 COMPARED TO SECOND QUARTER ENDED SEPTEMBER 29, 2007
(dollars in thousands):

Revenue:

	Second Quarter Ended	
	September 27, 2008	September 29, 2007
Net Revenue:		
Product Sales	\$ 12,954	\$ 11,219
Service Revenue	5,656	5,406
Total	<u>\$ 18,610</u>	<u>\$ 16,625</u>

Net revenue increased \$2.0 million, or 11.9%, from the second quarter of fiscal year 2008 to the second quarter of fiscal year 2009.

Our product net sales results accounted for 69.6% of our total net revenue in the second quarter of fiscal year 2009 and 67.5% of our total net revenue in the second quarter of fiscal year 2008. For the second quarter of fiscal year 2009, product sales increased \$1.7 million or 15.5% from the second quarter of fiscal year 2008. Product sales by Westcon, since the date of the acquisition, accounted for \$0.9 million of this increase. Exclusive of Westcon, our product sales increased 7.6% over the second quarter of fiscal year 2008. Our fiscal years 2009 and 2008 product sales growth in relation to prior fiscal year quarter comparisons is as follows:

	FY 2009		FY 2008			
	Q2	Q1	Q4	Q3	Q2	Q1
Product Sales Growth (Decline)	15.5%	12.7%	(2.4%)	5.8%	13.6%	3.7%

Our average product sales per business day increased to \$206 in the second quarter of fiscal year 2009, compared with \$178 in the second quarter of fiscal year 2008 primarily due to a combination of organic growth and the addition of Westcon in the second quarter of fiscal year 2009. Our product sales per business day for each fiscal quarter during the fiscal years 2009 and 2008 are as follows:

	FY 2009		FY 2008			
	Q2	Q1	Q4	Q3	Q2	Q1
Product Sales Per Business Day	\$206	\$192	\$197	\$213	\$178	\$171

In the second quarter of fiscal year 2009, our direct distribution channel grew 5.6% year-over-year. The primary drivers of this growth were incremental sales associated with Westcon and increased international sales. Organic sales to our direct U.S. customers were relatively consistent year-over-year, while sales to Canadian customers declined. As a result of the changing geographical customer mix from more profitable Canadian customers to less profitable international customers, our direct distribution channel gross profit percentage decreased 120 basis points from the second quarter of fiscal year 2008 to the second quarter of fiscal year 2009. Within our reseller channel, sales increased 77.6% for the quarter with a slight improvement in gross profit percentage. Approximately 32.5% of the reseller sales dollar growth is attributable to Westcon. As for our organic growth, we believe resellers continue to utilize us for our extensive availability to provide a broad range of new and existing products from within our inventory. As the depth of our products increases, we anticipate continued growth within this channel. The following table reflects the percentage of net sales and the approximate gross profit percentage for significant distribution product channels for the second quarter of fiscal years 2009 and 2008:

	FY 2009 Second Quarter		FY 2008 Second Quarter	
	Percent of Net Sales	Gross Profit % (1)	Percent of Net Sales	Gross Profit % (1)
Direct	77.6%	25.8%	84.9%	27.0%
Reseller	20.8%	18.2%	13.5%	18.0%
Freight Billed to Customers	1.6%		1.6%	
Total	<u>100.0%</u>		<u>100.0%</u>	

(1) Calculated as net sales less purchase costs divided by net sales.

Customer product orders include orders for products that we routinely stock in our inventory, customized products, and other products ordered less frequently, which we do not stock. Pending product shipments are primarily backorders, but also include products that are requested to be calibrated in our calibration laboratories prior to shipment, orders required to be shipped complete, and orders required to be shipped at a future date. Our total pending product shipments for the second quarter of fiscal year 2009 decreased by approximately \$0.3 million, or 17.2% from the second quarter of fiscal year 2008. This decrease is driven by a 21.1% decrease in the outstanding backorders balance, which can be attributed to a greater availability of products through our increased inventory levels. The following table reflects the percentage of total pending product shipments that are backorders at the end of the second quarter of fiscal year 2009 and our historical trend of total pending product shipments:

	FY 2009		FY 2008			
	Q2	Q1	Q4	Q3	Q2	Q1
Total Pending Product Shipments	\$1,398	\$1,366	\$1,419	\$1,411	\$1,689	\$1,678
% of Pending Product Shipments That are Backorders	70.7%	74.7%	81.5%	78.1%	74.1%	81.0%

Service revenue increased \$0.3 million, or 4.6%, from the second quarter of fiscal year 2008 to the second quarter of fiscal year 2009. Westcon contributed \$0.2 million in service revenue in the second quarter of fiscal year 2009. Organic service revenue was relatively flat in the second quarter of fiscal year 2009 compared with the same period of the prior fiscal year. Service revenue in the second quarter of fiscal year 2009 was negatively impacted by Hurricane Ike. In addition to the forced two week shutdown of our largest calibration laboratory and repair center in Houston during the storm and its aftermath, many of our customers in that area postponed or cancelled expected calibration service requests. Additionally, repair service requests, which can be unpredictable from quarter-to-quarter, were down 12.3% year-over-year.

The timing of calibration orders and service segment expenses can vary on a quarter-to-quarter basis based on the nature of a customers' business and calibration requirements. In general, a trailing twelve month trend provides a better indication of the progress of this segment. Service revenue for the twelve months ended September 27, 2008 was \$23.4 million, up 7.7% when compared with \$21.8 million for the twelve months ended September 29, 2007. Our fiscal years 2009 and 2008 service revenue growth in relation to prior fiscal year quarter comparisons is as follows:

	FY 2009		FY 2008			
	Q2	Q1	Q4	Q3	Q2	Q1
Service Revenue Growth	4.6%	5.3%	10.6%	9.9%	8.6%	5.6%

Within the calibration industry, there is a broad array of measurement disciplines making it costly and inefficient for any one provider to invest the needed capital for facilities, equipment and uniquely trained personnel necessary to perform all calibrations in-house. Our strategy has been to focus our investments in the core electrical, temperature, pressure and dimensional disciplines, and we have historically subcontracted 15% to 20% of our customers' equipment to outside vendors. In the second quarter of fiscal year 2009, 78.5% of service revenue was generated by our staff of technicians while 18.8% was subcontracted to outside vendors.

	FY 2009 Second Quarter		FY 2008 Second Quarter	
	Service Segment Revenue	% of Service Segment Revenue	Service Segment Revenue	% of Service Segment Revenue
In-House	\$ 4,441	78.5%	\$ 4,266	78.9%
Outsourced	1,065	18.8%	995	18.4%
Freight Billed to Customers	150	2.7%	145	2.7%
Total	\$ 5,656	100.0%	\$ 5,406	100.0%

Gross Profit:

	Second Quarter Ended	
	September 27, 2008	September 29, 2007
Gross Profit:		
Product	\$ 3,386	\$ 3,130
Service	1,188	1,116
Total	<u>\$ 4,574</u>	<u>\$ 4,246</u>

Total gross profit dollars increased 7.7% from the second quarter of fiscal year 2008 to the second quarter of fiscal year 2009. As a percentage of total net revenue, total gross profit declined 90 basis points for the same time period.

Gross profit for our products segment may be influenced by a number of factors including market channel mix, product mix and discounts to customers. Product gross profit in the second quarter of fiscal year 2009 was \$3.4 million, or 26.1% of total product sales, compared with \$3.1 million, or 27.9% of total product sales, in the second quarter of fiscal year 2008. The reduction in gross profit percentage was attributable to higher international and reseller sales, which have lower profit margin potential, combined with lower sales to Canadian customers, which typically have higher profit margins. The following table reflects the quarterly historical trend of our product gross profit as a percent of total product sales:

	FY 2009		FY 2008			
	Q2	Q1	Q4	Q3	Q2	Q1
Product Gross Profit % (1)	24.2%	23.9%	24.1%	25.1%	25.8%	24.6%
Other Income % (2)	1.9%	3.4%	3.0%	3.0%	2.1%	3.4%
Product Gross Profit %	<u>26.1%</u>	<u>27.3%</u>	<u>27.1%</u>	<u>28.1%</u>	<u>27.9%</u>	<u>28.0%</u>

(1) Calculated as net sales less purchase costs divided by net sales.

(2) Includes vendor rebates, cooperative advertising income, freight billed to customers, freight expenses, and direct shipping costs.

Service gross profit in the second quarter of fiscal year 2009 was \$1.2 million, or 21.0% of total service revenue, compared with \$1.1 million, or 20.6% of total service revenue, in the same period of the prior fiscal year. Cost control measures were implemented in the quarter to compensate for the lower than expected revenue growth, resulting in relatively flat service gross profit. In general, our gross profit percentage for calibration services fluctuates on a quarterly basis due to the seasonality of our revenues (our fiscal fourth quarter is generally our strongest) and the timing of operating costs associated with our calibration laboratory operations. The following table reflects our service gross profit growth in relation to prior fiscal year quarters:

	FY 2009		FY 2008			
	Q2	Q1	Q4	Q3	Q2	Q1
Service Gross Profit Dollar Growth (Decline)	6.5%	(0.3%)	32.5%	14.0%	5.0%	3.8%

Operating Expenses:

	Second Quarter Ended	
	September 27, 2008	September 29, 2007
Operating Expenses:		
Selling, Marketing and Warehouse	\$ 2,122	\$ 2,018
Administrative	1,713	1,634
Total	<u>\$ 3,835</u>	<u>\$ 3,652</u>

Operating expenses increased \$0.2 million, or 5.0%, from the second quarter of fiscal year 2008 to the second quarter of fiscal year 2009. Operating expenses as a percent of total revenue decreased from 22.0% in the second quarter of fiscal year 2008 to 20.6% in the second quarter fiscal year 2009. Selling, Marketing and Warehouse expenses increased to \$2.1 million

in the second quarter of fiscal year 2009 compared with \$2.0 million in the same period of the prior fiscal year, but were down from \$2.6 million in the first quarter of fiscal year 2009. Administrative expenses were \$1.7 million for the second quarter of fiscal year 2009, which included \$0.1 million in expenses for Westcon, compared with \$1.6 million for the second quarter of fiscal year 2008 and \$1.5 million in the first quarter of fiscal year 2009. Reduced expenses related to variable and stock-based compensation had a positive impact on both selling and administrative expenses compared with the first quarter of fiscal year 2009.

Other Expense:

	Second Quarter Ended	
	September 27, 2008	September 29, 2007
Other Expense:		
Interest Expense	\$ 28	\$ 29
Other Expense, net	4	209
Total	<u>\$ 32</u>	<u>\$ 238</u>

Interest expense in the second quarter of fiscal year 2009 was consistent with the interest expense in the second quarter of fiscal year 2008. Other expenses, consisting primarily of foreign currency net losses, decreased due to a reduction in our intercompany balances.

Taxes:

	Second Quarter Ended	
	September 27, 2008	September 29, 2007
Provision for Income Taxes	\$277	\$162

In the second quarter of fiscal year 2009, we recognized a \$0.3 million provision for income taxes, compared to a \$0.2 million provision in the second quarter of fiscal year 2008, as a result of an increase in income before income taxes. We continue to evaluate our tax provision on a quarterly basis and make adjustments, as deemed necessary, to our effective tax rate given changes in facts and circumstances expected for the entire fiscal year.

SIX MONTHS ENDED SEPTEMBER 27, 2008 COMPARED TO SIX MONTHS ENDED SEPTEMBER 29, 2007
(dollars in thousands):

Revenue:

	<u>Six Months Ended</u>	
	<u>September 27, 2008</u>	<u>September 29, 2007</u>
Net Revenue:		
Product Sales	\$ 25,265	\$ 22,146
Service Revenue	11,198	10,669
Total	<u>\$ 36,463</u>	<u>\$ 32,815</u>

Net revenue increased \$3.6 million, or 11.1%, from the first six months of fiscal year 2008 to the first six months of fiscal year 2009.

Our product net sales, which accounted for 69.3% of our total net revenue in the first six months of fiscal year 2009 and 67.5% of our total net revenue in the first six months of fiscal year 2008, have increased 14.1%. Exclusive of Westcon, product sales in the first six months of fiscal year 2009 were \$24.4 million, a 10.1% increase compared to the \$22.1 million in product sales in the first six months of fiscal year 2008. Total sales within our direct distribution channel increased 7.7% in the first six months of fiscal year 2009, with organic sales contributing 5.0% of this increase. This increase in organic sales is a result of growth in sales to our U.S. and international customers, partially offset by a decline in sales to our Canadian customers. The decline in Canadian sales, our most profitable channel, and lower margin sales by Westcon have had a negative impact on our overall direct channel gross margin. Our direct channel's gross profit as a percent of product sales has declined 110 basis points from the first six months of fiscal year 2008 to the first six months of fiscal year 2009.

Within our reseller channel, we experienced a 52.5% increase in total sales and a 40.2% increase in organic sales during the first six months of fiscal year 2009. We attribute this growth to our ability to provide resellers an extensive availability to a broad range of new and existing products from within our inventory. Our reseller sales growth did not come at the expense of declining profit margins within the channel. We experienced a profit margin improvement of 100 basis points in the first six months of fiscal year 2009 compared to the first six months of fiscal year 2008. The following table provides the percentage of net sales and the approximate gross profit percentage for significant distribution product channels for the first six months of fiscal years 2009 and 2008:

	<u>Six Months Ended September 27, 2008</u>		<u>Six Months Ended September 29, 2007</u>	
	<u>Percent of Net Sales</u>	<u>Gross Profit % (1)</u>	<u>Percent of Net Sales</u>	<u>Gross Profit % (1)</u>
Direct	79.7%	25.5%	84.4%	26.6%
Reseller	18.7%	17.9%	14.0%	16.9%
Freight Billed to Customers	1.6%		1.6%	
Total	<u>100.0%</u>		<u>100.0%</u>	

(1) Calculated as net sales less purchase costs divided by net sales.

Service revenue increased \$0.5 million, or 5.0%, from the first six months of fiscal year 2008 to the first six months of fiscal year 2009. Organic service revenue growth for the same time period was 3.0%. Service revenue in the first six months of fiscal year 2009 was negatively impacted by Hurricane Ike, which occurred in our fiscal second quarter, and a 13.7% decline in our repair business. In addition, within any six month period, while we may add new customers, we may also have customers from the prior year whose calibrations may not repeat during the same fiscal period for any number of factors. Among those factors are the variations in the timing of customer periodic calibrations on equipment, customer capital expenditures and customer outsourcing decisions.

Gross Profit:

	<u>Six Months Ended</u>	
	<u>September 27, 2008</u>	<u>September 29, 2007</u>
Gross Profit:		
Product	\$ 6,748	\$ 6,191
Service	2,351	2,282
Total	<u>\$ 9,099</u>	<u>\$ 8,473</u>

Total gross profit dollars increased 7.4% from the first six months of fiscal year 2008 to the first six months of fiscal year 2009. As a percentage of total net revenue, total gross profit declined 80 basis points for the same time period.

Product gross profit increased \$0.6 million, or 9.0%, from the first six months of fiscal year 2008 to the first six months of fiscal year 2009, primarily because of a 14.1% increase in product net sales. As a percent of product net sales, product gross profit decreased 130 basis points for the same time period. This is primarily attributable to higher international and reseller sales, which have lower profit potential, combined with lower sales to Canadian customers, which typically have higher profit margins.

Service gross profit increased approximately \$0.1 million, or 3.0%, from the first six months of fiscal year 2008 to the first six months of fiscal year 2009. As a percent of service revenue, service gross profit decreased 40 basis points from the first six months of fiscal year 2008 compared to the first six months of fiscal year 2009. In the first six months of fiscal year 2009, cost control measures were put into place to maintain relatively consistent service gross profit percentages, despite lower than expected revenue growth.

Operating Expenses:

	<u>Six Months Ended</u>	
	<u>September 27, 2008</u>	<u>September 29, 2007</u>
Operating Expenses:		
Selling, Marketing and Warehouse	\$ 4,717	\$ 4,323
Administrative	3,255	3,107
Total	<u>\$ 7,972</u>	<u>\$ 7,430</u>

Operating expenses increased \$0.5 million, or 7.3%, from the first six months of fiscal year 2008 to the first six months of fiscal year 2009. Selling, Marketing and Warehouse expenses increased \$0.4 million, or 9.1%, as a result of our strategic decision to invest in our sales and marketing infrastructure in order to drive future revenue growth. In doing so, we have added breadth and depth to our sales management team and further expanded our coverage of accounts nationally. Administrative expenses increased \$0.1 million, or 4.8%, from the first six months of fiscal year 2008 to the first six months of fiscal year 2009.

Other Expense:

	<u>Six Months Ended</u>	
	<u>September 27, 2008</u>	<u>September 29, 2007</u>
Other Expense:		
Interest Expense	\$ 27	\$ 63
Other Expense	12	290
Total	<u>\$ 39</u>	<u>\$ 353</u>

Interest expense decreased slightly from the first six months of fiscal year 2008 to the first six months of fiscal year 2009 as a result of our reduced debt prior to our acquisition of Westcon. Other expenses, consisting primarily of foreign currency net losses, decreased due to a reduction in our intercompany balances.

Taxes:

	<u>Six Months Ended</u>	
	<u>September 27, 2008</u>	<u>September 29, 2007</u>
Provision for Income Taxes	\$430	\$258

In the first six months of fiscal year 2009, we recognized a \$0.4 million provision for income taxes, compared to a \$0.3 million provision in the first six months of fiscal year 2008, as a result of an increase in income before income taxes. We continue to evaluate our tax provision on a quarterly basis and make adjustments, as deemed necessary, to our effective tax rate given changes in facts and circumstances expected for the entire fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

As of September 27, 2008, cash along with projected operating cash flows are expected to support our normal business operations and capital purchases for the foreseeable future.

Cash Flows. The following table is a summary of our Consolidated Statements of Cash Flows (in thousands):

	Six Months Ended	
	September 27, 2008	September 29, 2007
Cash Provided by (Used in):		
Operating Activities	\$ 1,003	\$ 2,222
Investing Activities	(5,212)	(999)
Financing Activities	4,186	(1,407)

Operating Activities: Cash provided by operating activities for the first six months of fiscal year 2009 was \$1.0 million compared to \$2.2 million of cash provided by operating activities in the first six months of fiscal year 2008. Significant working capital fluctuations were as follows:

- **Inventory/Accounts Payable:** An aggressive product sales and marketing campaign in affiliation with one of our primary test and measurement instrument suppliers and continued efforts to maintain on-hand inventory for our top-selling items contributed to our use of approximately \$0.3 million of operating cash during the first six months of fiscal year 2009 for inventory and accounts payable compared to \$0.9 million of cash provided in the first six months of fiscal year 2008.
- **Receivables:** We continue to generate positive operating cash flow and maintain strong collections on our accounts receivable. The following table illustrates our days sales outstanding from fiscal year 2008 to fiscal year 2009:

	September 27, 2008	September 29, 2007
Net Sales, for the last two fiscal months	\$13,517	\$12,010
Accounts Receivable, net	\$ 9,105	\$ 7,874
Days Sales Outstanding (based on 60 days)	40	39

Investing Activities: During the second quarter of fiscal year 2009, we used approximately \$4.6 million of cash to purchase Westcon. See Note 5 of our Consolidated Financial Statements in this report for more information on the acquisition. In addition, during the first six months of fiscal year 2009, approximately \$0.6 million of cash was used for the purchase of property and equipment primarily for the expansion of capacity and capabilities within our calibration laboratories.

Financing Activities: The \$4.1 million of cash provided by financing activities resulted primarily from borrowings to acquire Westcon of \$4.6 million, offset by repayments on the Revolving Credit Facility using cash provided by operating activities.

Debt. On August 14, 2008, we amended our Chase Credit Agreement. The amendment provides for an increase in the amount available under the Revolving Credit Facility from \$10 million to \$15 million, an extension of the maturity date from November 2009 to August 2011 and an increase in interest and commitment fees. All other terms were unchanged. As of September 27, 2008, \$4.3 million was outstanding and \$10.7 million was available under the Chase Credit Agreement.

See Note 2 of our Consolidated Financial Statements in this report for more information on our debt. See Item 3, Quantitative and Qualitative Disclosures About Market Risk, of this report for a discussion of interest rates on our debt.

OUTLOOK

As we enter what are typically our strongest sales quarters, we anticipate accelerated growth rates in both of our business segments. Our growth objectives are dependent on new product launches from our strategic partners, our direct marketing efforts including our annual Master Catalog, and investments in our sales personnel. However, we remain cautious due to the effects the economy and credit markets may have on our customers and their purchase decisions. We expect operating and pre-tax income to exceed prior fiscal year comparisons, with future net income comparisons negatively impacted by a \$0.8 million benefit from the reversal of a deferred tax asset valuation allowance in the third quarter of fiscal year 2008. As we

integrate Westcon into our business systems and processes, we believe it will expand our revenue growth opportunities during the remainder of fiscal year 2009.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

INTEREST RATES

Our exposure to changes in interest rates results from our borrowing activities. In the event interest rates were to move by 1%, our yearly interest expense would increase or decrease by less than \$0.1 million assuming our average-borrowing levels remained constant. On September 27, 2008 and September 29, 2007, we had no hedging arrangements in place to limit our exposure to upward movements in interest rates. As of September 27, 2008, \$4.3 million was outstanding and \$10.7 million was available under the Chase Credit Agreement.

Under our Chase Credit Agreement described in Note 2 of our Consolidated Financial Statements in this report, interest is adjusted on a quarterly basis based upon our calculated leverage ratio. Our interest rate for the first six months of fiscal year 2009 ranged from 3.0% to 4.6%.

FOREIGN CURRENCY

Approximately 90% of our total net revenues for the first six months of fiscal years 2009 and 2008 were denominated in United States dollars, with the remainder denominated in Canadian dollars. A 10% change in the value of the Canadian dollar to the United States dollar would impact our total net revenues by less than 1%. We monitor the relationship between the United States and Canadian currencies on a continuous basis and adjust sales prices for products and services sold in Canadian dollars as we believe to be appropriate.

We periodically enter into foreign exchange forward contracts to reduce the risk that our earnings would be adversely affected by changes in currency exchange rates. The contracts are accounted for in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. We do not apply hedge accounting and therefore, the change in the fair value of the contracts, which totaled less than \$0.1 million during the second quarter and the first six months of fiscal year 2009, was recognized in current earnings as a component of other expense in the Consolidated Statements of Operations and Comprehensive Income. The change in the fair value of the contracts is offset by the change in fair value on the underlying accounts receivable being hedged. On September 27, 2008, we had a foreign exchange forward contract, set to mature in October 2008, outstanding in the notional amount of \$0.3 million. We do not use hedging arrangements for speculative purposes.

ITEM 4. CONTROLS AND PROCEDURES

(a) **Evaluation of Disclosure Controls and Procedures.** Our principal executive officer and our principal financial officer evaluated our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this quarterly report. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of such date.

(b) **Changes in Internal Controls over Financial Reporting.** There has been no change in our internal control over financial reporting that occurred during the last fiscal quarter covered by this quarterly report (our second fiscal quarter) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. As disclosed in this report, we acquired Westcon, Inc. on August 14, 2008 and we are in the process of assessing a plan of integration for its operations.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

You should carefully consider the following risk factors in evaluating us and our business. These risks are not exclusive, and additional risks to which we are subject include, but are not limited to, the risks of our businesses described elsewhere in this report and in other documents we file with the SEC, including our Annual Report on Form 10-K for the fiscal year ended March 29, 2008. If any of the following risks occur, our business, financial condition and operating results could be materially adversely affected.

Our Acquisitions Or Future Acquisition Efforts, Which Are Important To Our Growth, May Not Be Successful, Which May Limit Our Growth Or Adversely Affect Our Results Of Operations And Financial Condition

Acquisitions have been an important part of our development to date. During our second quarter of fiscal year 2009, we acquired Westcon. As part of our business strategy, we may make additional acquisitions of companies that could complement or expand our business, augment our market coverage, provide us with important relationships or otherwise offer us growth opportunities. If we identify an appropriate acquisition candidate, we may not be able to negotiate successfully the terms of or finance the acquisition. In addition, we cannot assure you that we will be able to integrate the operations of our acquisitions, including Westcon, without encountering difficulties, including unanticipated costs, possible difficulty in retaining customers and supplier or manufacturing relationships, failure to retain key employees, the diversion of our management's attention or failure to integrate our information and accounting systems. As a result of our recent acquisition of Westcon and future acquisitions, we may not realize the revenues and cost savings that we expect to achieve or that would justify the acquisition investments, and we may incur costs in excess of what we anticipate. To effectively manage our expected future growth, we must continue to successfully manage our integration of the companies that we acquire and continue to improve our operational systems, internal procedures, accounts receivable and management, financial and operational controls. If we fail in any of these areas, our business growth and results of operations could be adversely affected.

Our Recently Completed Acquisition Of Westcon Makes Evaluating Our Operating Results Difficult Given The Significance To Our Operations, And Our Historical Results Do Not Give You An Accurate Indication Of How We Will Perform In The Future

Our historical results of operations do not give effect for a full fiscal year to our acquisition of Westcon. Accordingly, our historical financial information does not necessarily reflect what our financial position, operating results and cash flows will be in the future as a result of this acquisition, or give you an accurate indication of how we will perform in the future.

The Financing Of Any Future Acquisitions We Make May Result In Dilution To Your Stock Ownership And/Or Could Increase Our Leverage And Our Risk Of Defaulting On Our Bank Debt

Our business strategy includes expansion into new markets and enhancement of our position in existing markets, including through acquisitions. In order to successfully complete targeted acquisitions, we may issue additional equity securities that could dilute your stock ownership. We may also incur additional debt if we acquire another company, which could significantly increase our leverage and our risk of default under our existing credit facility. For example, in financing our recent Westcon acquisition we issued 150,000 shares of our common stock in a private placement to Westcon's sole stockholder and incurred approximately \$4.6 million of additional debt under our amended credit facility to fund a portion of the purchase price.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On August 19, 2008, our shareholders voted on the proposals set forth below at the annual meeting.

Proposal 1:

Richard J. Harrison, Harvey J. Palmer and John T. Smith were elected as directors of the Company, each to serve until the annual meeting of shareholders to be held in 2011. The number of shares that voted for the election of each director nominee and the number of shares that withheld authority to vote for each director nominee are as follows:

Nominees	Votes For	Votes Withheld
Richard J. Harrison	6,921,670	43,721
Harvey J. Palmer	6,919,670	45,721
John T. Smith	6,625,699	339,692

The other directors, whose terms of office continued after the meeting, are Francis R. Bradley, Charles P. Hadeed, Nancy D. Hessler, Paul D. Moore, Alan H. Resnick and Carl E. Sassano.

Proposal 2:

The proposal to fix the number of directors constituting the board of directors at nine was approved. The number of shares that voted for, against and abstained from voting on this proposal are as follows:

Votes For:	6,869,581
Votes Against:	73,261
Votes Abstained:	22,550
Broker Non-Votes	–

Proposal 3:

The amendment to Article II, Section 3 of the Company’s Code of Regulations to be consistent with Section 1701.58 of the Ohio Revised Code which provides in the context of a classified board that shareholders may only remove a director for cause, and to change the voting requirements for such removal, was defeated. The vote required for approval of this amendment was 75% of the issued and outstanding shares. The number of shares that voted for, against and abstained from voting on this proposal, and the number of broker non-votes are as follows:

Votes For:	4,623,661
Votes Against:	430,852
Votes Abstained:	16,552
Broker Non-Votes*	1,894,327

* Under the rules governing brokers who have record ownership of shares that they hold in “street name” for their clients—who are the beneficial owners of such shares—brokers have the discretion to vote such shares on routine matters, such as director elections and the ratification of the selection of an independent registered public accounting firm, but not on matters that may be deemed to be non-routine. A “broker non-vote” occurs when shares held by a broker are not voted on a non-routine proposal because the broker has not received voting instructions from the beneficial owner and the broker lacks discretionary authority to vote the shares in the absence of such instructions. Accordingly, a broker non-vote on this proposal had the same effect as a vote against the proposal because shares that were not voted did not count toward the 75% vote requirement.

Proposal 4:

The amendment to Article XI of the Company’s Code of Regulations to allow the board of directors to amend certain provisions of the Code of Regulations was approved. The number of shares that voted for, against and abstained from voting on this proposal are as follows:

Votes For:	6,753,385
Votes Against:	182,835
Votes Abstained:	29,170
Broker Non-Votes	–

Proposal 5:

The selection of BDO Seidman, LLP as the Company’s independent registered public accountants for the fiscal year ending March 28, 2009 was ratified. The number of shares that voted for, against and abstained from voting on this proposal are as follows:

Votes For:	6,925,429
Votes Against:	19,507
Votes Abstained:	20,456
Broker Non-Votes:	–

ITEM 5. OTHER INFORMATION

On June, 2, 2008, the Company entered into an agreement with Gallina Development Corporation to extend the operating lease for its facility in Rochester, New York through March 31, 2019 (the “Lease Addendum”). The Lease Addendum will become effective upon completion of an expansion of the existing facility, which is expected to occur during the Company's fiscal year ending March 28, 2009 and is being funded solely by Gallina Development Corporation. Pursuant to the Lease Addendum, the total minimum future rental payments will be approximately \$3.4 million.

This summary is qualified in its entirety by reference to the full text of the Lease Addendum, a copy of which is filed as Exhibit 10.3 to this report and incorporated herein by reference.

ITEM 6. EXHIBITS

See Index to Exhibits.

SIGNATURES

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

TRANSCAT, INC.

Date: November 12, 2008

/s/ Charles P. Haded

Charles P. Haded
Chief Executive Officer, President and Chief Operating Officer

Date: November 12, 2008

/s/ John J. Zimmer

John J. Zimmer
Vice President of Finance and Chief Financial Officer

INDEX TO EXHIBITS

- (3) Articles of Incorporation and Bylaws
 - 3.1 Code of Regulations, as amended
- (10) Material Contracts
 - 10.1 Amendment Number One to Credit Agreement dated as of August 14, 2008 between Transcat, Inc. and JPMorgan Chase Bank, N.A.
 - 10.2 Agreement and Plan of Merger by and among Transcat Acquisition Corp., Westcon, Inc. and David Goodhead dated as of August 14, 2008
 - 10.3 Lease Addendum between Gallina Development Corporation and Transcat, Inc. dated June 2, 2008
- (31) Rule 13a-14(a)/15d-14(a) Certifications
 - 31.1 Certification of Chief Executive Officer
 - 31.2 Certification of Chief Financial Officer
- (32) Section 1350 Certifications
 - 32.1 Section 1350 Certifications

CODE OF REGULATIONS
OF
TRANSCAT, INC.

(with all amendments through August 19, 2008)

ARTICLE I
MEETINGS OF SHAREHOLDERS

Section 1. Annual Meeting. The annual meeting of shareholders shall be held on the third Tuesday in August in each year (or, if that be a legal holiday, on the next succeeding business day), at such hour as may from time to time be designated by the Board of Directors and specified in the Notice of Meeting.

Section 2. Special Meetings. Special meetings of the shareholders for any purpose or purposes may be called by the President or by order of the Board of Directors and it shall be the duty of the Secretary to call such a meeting upon a request in writing therefor stating the purpose or purposes thereof delivered to the Secretary signed by the holders of record of not less than twenty-five percent (25%) of the shares outstanding and entitled to vote.

Section 3. Place of Meetings. Meetings of the shareholders may be held at such place within or without the State of Ohio, as the Board of Directors may from time to time determine.

Section 4. Notice of Meetings. Notice of the annual or of any special meeting of shareholders, stating the time, place and purposes thereof, shall be given to each shareholder of record entitled to vote at such meeting, by mailing the same to his address as the same appears on the records of the Corporation or of its Transfer Agent, or Agents, at least ten (10) and not more than fifty (50) days before any such meeting; provided, however, that no failure or irregularity of notice of any annual meeting shall invalidate the same or any proceeding thereat. All notices with respect to any shares to which persons are jointly entitled may be given to that one of such persons who is named first upon the books of the Corporation and notice so given shall be sufficient notice to all the holders of such shares. Any shareholder, or his attorney thereunto authorized, may waive notice of any meeting either before or after the meeting.

Section 5. Quorum. At all meetings of shareholders the holders of record of a majority of the issued and outstanding voting shares of the Corporation, present in person or by proxy, shall constitute a quorum for the transaction of business. In the absence of a quorum, the holders of a majority of the voting shares present or represented may adjourn the meeting by resolution to a date fixed therein, and no further notice thereof shall be required. At any such adjourned meeting at which a quorum may be present, any business may be transacted which might have been transacted at the meeting as originally called.

Section 6. Proxies. Any shareholder entitled to vote at a meeting of shareholders may be represented and vote thereat by proxy appointed by an instrument in writing, subscribed by such shareholder, or by his duly authorized attorney, and submitted to the Secretary at or before such meeting.

ARTICLE II
BOARD OF DIRECTORS

Section 1. Number. The number of directors shall be not less than three (3) nor more than twelve (12) as may be fixed, from time to time, by resolution duly adopted by a majority of the shares which are represented at any annual meeting or special meeting called for that purpose provided a quorum is present. No reduction in the number of directors shall have the effect of removing any director prior to the expiration of his term of office.

Section 2. Election and Classification. The election of directors shall be held at the annual meeting of the shareholders or at a special meeting called for that purpose. The directors shall be classified with respect to the terms for which they shall hold office by dividing them into three classes, each consisting of one-third of the whole number of the Board of Directors, or, if such number shall not be a multiple of three, then such division shall be as nearly equal as the total number of directors will permit. The term of office of the first class shall expire at the first annual meeting of the corporation subsequent to their election, the term of office of the second class shall expire at the second annual meeting subsequent to their election, and the term of office of the third class shall expire at the third annual meeting subsequent to their election. At the first annual meeting at which directors are classified, each person shall be nominated as a director to the first, second or third class and no person shall be nominated as a candidate for more than one class. At each annual meeting after the election of the classified Board, directors shall be elected for a term of three years to replace those whose terms expire. If, at any time the number of directors is increased or decreased, the increase or decrease shall be apportioned among the classes as to make all classes as nearly equal in number as possible. In the event of a decrease, one or more directors shall be reclassified by vote of a majority of the Board if such action is required to balance the classes of directors, even though this may have the effect of shortening the term of office to which such director was elected by the shareholders. Any vacancy created in the Board of Directors may be filled by the majority vote of the remaining directors. Any person so elected to fill a vacancy shall serve for the unexpired term of that director whose vacancy is being filled.

Section 3. Removal. All of the directors of a particular class, or any individual director may be removed from office without assigning any cause, by the vote of the holders of seventy-five percent (75%) of the outstanding shares entitled to vote thereon at any meeting of shareholders called for that purpose. In case of any such removal, a new director may be elected at the same meeting for the unexpired term of each director removed. Failure to elect a director to fill the unexpired term of any director removed shall be deemed to create a vacancy in the Board.

Section 4. Place of Meetings. The Board of Directors shall hold its meetings at such places within or without the State of Ohio as it may decide.

Section 5. Regular Meetings. The Board of Directors by resolution may establish regular periodic meetings and notice of such meetings need not be given.

Section 6. Special Meetings. Special Meetings of the Board of Directors shall be called by the Secretary or an Assistant Secretary whenever ordered by the Board of Directors or requested in writing by the President or any two other directors. Such meetings shall be held at the principal office of the Corporation except as otherwise specified in the notice. Notice of each Special Meeting shall be mailed to each director, addressed to his residence or usual place of business, at least two (2) days before the day on which the meeting is to be held, or shall be sent to such address by telegraph, or be given personally or by telephone, not later than one (1) day before the day on which the meeting is to be held.

Section 7. Quorum. A majority of the members of the Board of Directors then in office shall constitute a quorum at all meetings thereof. In the absence of a quorum of the Board of Directors, a majority of the members present may adjourn the meeting from time to time until a quorum be had, and no notice of any such adjournment need be given.

Section 8. Fees. The Board of Directors may from time to time, irrespective of any personal interest of any of them, establish reasonable compensation for services to the Corporation by directors and officers. The Board of Directors may reimburse directors for travel and other expenses incidental to their attendance at meetings of the Board, and, from time to time, may prescribe reasonable annual directors' fees or reasonable fees for their attendance at meetings of the Board. Members of either executive or special committees may be reimbursed, by resolution of the Board, for travel and other expense incidental to their attendance at meetings of such committees, and may be allowed such compensation as the Board of Directors may determine for attending such meetings.

ARTICLE III EXECUTIVE AND OTHER COMMITTEES

Section 1. How Constituted and the Powers Thereof. The Board of Directors by the vote of a majority of the entire Board, may designate three or more directors to constitute an Executive Committee, who shall serve at the pleasure of the Board of Directors. Except as otherwise provided by law, by these regulations or by resolution adopted by a majority of the entire Board of Directors, the Executive Committee shall possess and may exercise during the intervals between the meetings of the Board, all of the powers of the Board of Directors in the management of the business, affairs and property of the Corporation, including the power to cause the seal of the Corporation to be affixed to all papers that may require it.

Section 2. Organization, etc. The Executive Committee shall choose its own Chairman and its Secretary and may adopt rules for its procedure. The Committee shall keep a record of its acts and proceedings and report the same from time to time to the Board of Directors.

Section 3. Meetings. Meetings of the Executive Committee may be called by the Chairman of the Committee and shall be called by him at the request of any member of the Committee, or such meetings may be called by any member if there shall be no Chairman. Notice of each meeting of the Committee shall be sent to each member of the Committee by mail at least two days before the meeting is to be held, or given personally or by telegraph or

telephone at least one day before the day on which the meeting is to be held. Notice of any meeting may be waived before or after the meeting.

Section 4. Quorum and Manner of Acting. A majority of the Executive Committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at the meeting at which a quorum is present shall be the act of the Executive Committee.

Section 5. Removal. Any member of the Executive Committee may be removed, with or without cause, at any time, by the Board of Directors.

Section 6. Vacancies. Any vacancy in the Executive Committee shall be filled by the Board of Directors.

Section 7. Other Committees. The Board of Directors may by resolution provide for such other standing or special committees to consist of not less than three directors as it deems desirable, and discontinue the same at its pleasure. Each Committee shall have such powers and perform such duties, not inconsistent with law, as may be assigned to it by the Board of Directors.

ARTICLE IV OFFICES AND OFFICERS

Section 1. Officers – Number. The officers of the Corporation shall be a President, a Vice-President, a Secretary and a Treasurer. The Board of Directors may from time to time, in its discretion, appoint any or all of the following: a Chairman of the Board, one or more additional Vice-Presidents one of whom may be designated Executive Vice-President, a Controller, one or more Assistant Secretaries, one or more Assistant Treasurers and such other officers and assistant officers as may be deemed necessary. Any two or more offices may be held by the same person.

Section 2. Election and Term of Office. All officers of the Corporation shall be appointed annually by the Board of Directors at the first meeting of the Board of Directors in each year held next after the annual meeting of shareholders and each officer shall hold office until his successor shall have been duly chosen and shall have qualified, or until he shall resign or shall have been removed. At said first meeting, the Board of Directors shall also designate and appoint such subordinate officers and employees as it shall determine.

Section 3. Vacancies. If any vacancy shall occur in any office of the Corporation, such vacancy shall be filled by the Board of Directors.

ARTICLE V DUTIES OF OFFICERS

Section 1. Chairman of the Board. The Chairman of the Board, if one be appointed, shall preside at all meetings of the Board of Directors and shall have such other powers and duties as may be prescribed by the Board of Directors.

Section 2. President. The President shall be the chief executive officer of the Corporation and shall have general direction of its business, affairs and property and over its several officers. He shall preside at all meetings of the shareholders and, in the absence of the Chairman of the Board, or if the same shall not have been appointed, shall also preside at meetings of the Board of Directors. He shall see that all orders and resolutions of the Board of Directors are carried into effect, and he shall have the power to execute in the name of the Corporation all authorized deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall have been expressly delegated to some other officer or agent of the Corporation; and in general, he shall perform all duties incident to the office of a president of a corporation, and such other duties as from time to time may be assigned to him by the Board of Directors. He shall be ex officio a member of all committees. He shall from time to time report to the Board of Directors all matters within his knowledge which the interest of the Corporation may require to be brought to their notice.

Section 3. Vice-Presidents. The Vice-President or Vice-Presidents of the Corporation, under the direction of the President, shall have such powers and perform such duties as the Board of Directors or the President may from time to time prescribe, and shall perform such other duties as may be prescribed in these regulations. In case of the absence or inability of the President to act, then the Vice-Presidents, in the order designated therefor by the Board of Directors, shall have the powers and discharge the duties of the President.

Section 4. Secretary. The Secretary shall attend all meetings of the shareholders of the Corporation and of its Board of Directors and shall keep the minutes of all such meetings in a book or books kept by him for that purpose. He shall keep in safe custody the seal of the Corporation, and, when authorized by the Board of Directors, he shall affix such seal to any instrument requiring it. In the absence of a Transfer Agent or a Registrar, the Secretary shall have charge of the stock certificate books and the Secretary shall have charge of such other books and papers as the Board of Directors may direct. He shall also have such other powers and perform such other duties as pertain to his office, or as the Board of Directors or the President may from time to time prescribe.

Section 5. Assistant Secretaries. In the absence or disability of the Secretary, the Assistant Secretaries, in the order designated by the Board of Directors, shall perform the duties of the Secretary, and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Secretary. They shall also perform such other duties as from time to time may be assigned to them by the Board of Directors of the President.

Section 6. Treasurer. The Treasurer shall establish and execute programs for the provision of the capital required by the Corporation including negotiating the procurement of capital and maintaining the required financial arrangements. He shall maintain adequate sources for the Corporation's current borrowings from commercial banks and other lending institutions. He shall maintain banking arrangements to receive, have custody of and disburse the Corporation's monies and securities. He shall invest the Corporation's funds as required, establish and coordinate policies for investment in pension and other similar trusts, and provide insurance coverage as required. He shall direct the granting of credit and the collection of accounts due the Corporation, including the supervision of required special arrangements for

financing sales such as time payment and leasing plans. He shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 7. Assistant Treasurers. In the absence of or disability of the Treasurer, the Assistant Treasurers, in the order designated by the Board of Directors, shall perform the duties of the Treasurer, and, when so acting, shall have all the powers of, and be subject to all restrictions upon, the Treasurer. They shall also perform such other duties as from time to time may be assigned to them by the Board of Directors or the President.

Section 8. Controller. The Board of Directors may appoint a Controller. Subject to the control and supervision of the Board of Directors and the President, or such officer as the President may designate, the Controller shall establish, coordinate and administer an adequate plan for the control of operations. The plan shall include profit planning, programs for capital investing and for financing, sales forecasts, expense budgets and cost standards, together with the necessary procedures to effectuate the plan. The Controller shall compare performance with operating plans and standards and shall report and interpret the results of operations to all levels of management. This function includes the formulation of accounting policy, the coordination of systems and procedures, the preparation of operating data and of special reports as required. He shall establish and administer tax policies and procedures, supervise and coordinate the preparation of reports to government agencies, assure protection for the assets of the Corporation through internal control and auditing, and insurance coverage, and appraise economic and social forces and government influences and their effect upon the business. He shall consult with all segments of management responsible for policy or action concerning any phase of the operation of the company as it relates to the attainment of objectives and the effectiveness of policies, organization structure and procedures. He shall have such other powers and duties as may be prescribed by these regulations or by the Board of Directors and such usual powers and duties as pertain to this office.

ARTICLE VI INDEMNIFICATION

Section 1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or his testator or intestate (a) is or was a director or officer of the Corporation or (b) is or was a director or officer of the Corporation who serves or served, in any capacity, any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise at the request of the Corporation (hereinafter an "indemnitee"), shall be indemnified and held harmless by the Corporation to the fullest extent permitted by Ohio law against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith, and such indemnification shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section 3 of this Article VI with respect to proceedings to enforce rights to indemnification or to advancement of expenses, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by

the Board of Directors of the Corporation. The rights conferred by this Article VI shall be contract rights, which shall not be abrogated by any amendment or repeal of this Article VI with respect to events occurring prior to such amendment or repeal.

Section 2. Advancement of Expenses. The right to indemnification conferred by Section 1 of this Article VI shall include the right to be paid by the Corporation the expenses incurred in defending any proceeding as they are incurred in advance of final disposition of such proceeding (hereinafter an “advancement of expenses”); provided, however, that such advancement of expenses shall be made only upon delivery to the Corporation of the appropriate undertaking, if any, required by the General Corporation Law of Ohio (hereinafter an “undertaking”), made by or on behalf of such indemnitee, to repay such amounts; and provided further that a determination that the indemnitee must repay such amounts pursuant to the terms of an undertaking may be made only by final judicial decision from which there is no further right to appeal (hereinafter a “final adjudication”).

Section 3. Suit by Indemnitee to Enforce Rights to Indemnification or by the Corporation to Recover an Advancement of Expenses. If a claim under this Article VI is not paid in full by the Corporation within sixty days after a written demand therefor has been received by the Corporation (except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days), the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If he is successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In any suit brought by an indemnitee to enforce a right to indemnification hereunder (other than a suit brought by an indemnitee to enforce a right to an advancement of expenses) it shall be a defense that the indemnitee is not entitled to indemnification under Section 1 of this Article VI. In any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, pursuant to the terms of the undertaking, the indemnitee must repay such advancement of expenses. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or shareholders) to have made a determination prior to the commencement of such suit that the indemnitee is entitled to indemnification under Section 1 of this Article VI or that the indemnitee is not required to repay an advancement of expenses pursuant to the terms of an undertaking, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or shareholders) that the indemnitee is not entitled to indemnification under Section 1 of this Article VI or that the indemnitee must repay an advancement of expenses pursuant to the terms of an undertaking, shall (a) create a presumption that the indemnitee is not entitled to indemnification under Section 1 of this Article VI or that the indemnitee must repay an advancement of expenses pursuant to the terms of an undertaking, or (b) in the case of a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the indemnitee is not entitled to such indemnification or to such advancement of expenses, under this Article VI or otherwise, shall be on the Corporation. In any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee must repay such advancement of expenses pursuant to the terms of such undertaking shall be on the Corporation.

Section 4. Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred by this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Articles of Incorporation, these Regulations, any agreement, any vote of shareholders or of disinterested directors, or otherwise.

Section 5. Insurance. The Corporation may purchase and maintain insurance or furnish similar protection, including without limitation trust funds, letters of credit, or self-insurance, on behalf of or for any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation, domestic or foreign, non-profit or for profit, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under this Article VI or applicable law. Such insurance may be purchased or maintained with a person or entity in which the Corporation has a financial interest.

Section 6. Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors in the specific case, grant to any employee or agent of the Corporation rights to indemnification and advancement of expenses to such extent as the Board of Directors may so determine, up to and including the fullest extent of the provisions of this Article VI pertaining to indemnification of and advancement of expenses to directors and officers of the Corporation.

Section 7. Retroactive Application. This Article VI shall, to the fullest extent permitted by law, be applied retroactively to events occurring prior to the adoption of this Article VI.

ARTICLE VII INTERDEALING

No officer, director or shareholder of this Corporation shall be disqualified by his office, membership or stock ownership from dealing or contracting with the Corporation, whether as vendor, purchaser, employee, agent or in any other similar or dissimilar capacity, nor shall any transaction, contract or act of the Corporation be either void or voidable or in any other way affected or invalidated by reason of the fact that any such officer, director or shareholder of the Corporation, any firm of which he may be a member or any other corporation of which he may be an officer, director or shareholder is in any way interested in such transaction, contract or act, provided the interest of such officer, director or shareholder is disclosed to or known by the Board of Directors of this Corporation or such members thereof as shall be present at any meeting at which action is taken upon any such transaction, contract or act. Neither shall any such officer, director or shareholder be accountable or otherwise responsible to the Corporation for or in connection with any such act, contract or transaction or for any gains or profits realized by him by reason of the fact that he, any firm of which he is a member or any other corporation of which he is an officer, director or shareholder, is interested in such contract, transaction or act. Any such officer, director or shareholder, if he is a director, may be counted in determining the existence of a quorum at any meeting of the Board of Directors of the Corporation which shall

authorize or take action upon any such transaction, contract or act and he may vote at any such meeting to authorize, adopt, ratify or approve any such transaction, contract or act to the same extent as if he, any firm of which he is a member or any other corporation of which he is an officer, director or shareholder, were not interested in such transaction, contract or act.

ARTICLE VIII CHECKS, DRAFTS, ETC.

All checks, drafts or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents, person or persons, to whom the Board of Directors by resolution shall have delegated the power, but under such conditions and restrictions as in said resolution may be imposed. The signature of any officer upon any of the foregoing instruments may be a facsimile whenever authorized by the Board of Directors.

ARTICLE IX CERTIFICATES FOR SHARES

Section 1. Issue of Certificates. The shares of capital stock of the Corporation may be represented by certificates or they may be uncertificated. If the shares are to be represented by certificates, then the Board of directors shall provide for the issue and transfer of the certificates of capital stock of the Corporation, and shall prescribe the form of such certificates. Every owner of stock of the Corporation shall be entitled to a certificate of stock which shall be under the seal of the Corporation (which seal may be a facsimile, engraved or printed), specifying the number of shares owned by him, and which certificate shall be signed by the President or Vice-President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer of the Corporation. Said signatures may, wherever permitted by law, be facsimile, engraved or printed. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on any such certificate or certificates shall cease to be such officer or officers of the Corporation, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Corporation, such certificate or certificates shall have been delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures shall have been used thereon had not ceased to be such officer or officers of the Corporation. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificates representing shares of the same class and series shall be identical.

Section 2. Transfer Agents and Registrars. The Corporation may have one or more Transfer Agents and one or more Registrars of its stock, whose respective duties the Board of Directors may, from time to time, prescribe. If the Corporation shall have a Transfer Agent, no certificate of stock shall be valid until countersigned by such Transfer Agent, and if the Corporation shall have a Registrar, until registered by the Registrar. The duties of the Transfer Agent and Registrar may be combined.

Section 3. Transfer of Shares. The shares of the Corporation shall be transferable only upon its books and by the holders thereof in person or by their duly authorized attorneys or

legal representatives, and upon such transfer the old certificates shall be surrendered to the Corporation by the delivery thereof to the person in charge of the stock and transfer books and ledgers or to such other person as the Board of Directors may designate for such purpose, and new certificates shall thereupon be issued.

Section 4. Addresses of Shareholders. Every shareholder shall furnish the Transfer Agent, or in the absence of a Transfer Agent, the Registrar, or in the absence of a Transfer Agent and a Registrar, the Secretary, with an address at or to which notices of meetings and all other notices may be served upon or mailed to him, and in default thereof, notices may be addressed to him at the office of the Corporation.

Section 5. Closing of the Transfer Books; Record Date. The Board of Directors shall have power to close the stock transfer books of the Corporation for a period not exceeding fifty (50) days and not less than ten (10) days prior to the date of any meeting of shareholders; provided, however, that in lieu of closing the stock transfer books as aforesaid the Board of Directors may fix a date not exceeding fifty (50) days and not less than ten (10) days prior to the date of any such meeting as the time as of which shareholders entitled to notice of and to vote at such meeting shall be determined, and all persons who were holders of record of voting stock at such time and no other shall be entitled to notice of and to vote at such meeting.

The Board of Directors shall also have the power to close the stock transfer books of the Corporation for a period not exceeding fifty (50) days preceding the date fixed for the payment of any dividend or the making of any distribution or for the delivery of any evidence of right or evidence of interest; provided, however, that in lieu of closing the stock transfer books as aforesaid the Board of Directors may fix a date not exceeding fifty (50) days preceding the date fixed for the payment of any such dividend or the making of any such distribution or for the delivery of any such evidence of right or interest as a record time for the determination of the shareholders entitled to receive any such dividend, distribution or evidence of right or interest, and in such case only shareholders of record at the time so fixed shall be entitled to receive such dividend, distribution or evidence of right or interest.

In no event shall the Board of Directors fix a record date for any purpose which shall be a date earlier than the date on which the record date is fixed.

Section 6. Lost, Stolen and Destroyed Certificates. The Board of Directors may direct a new certificate or certificates of stock to be issued in the place of any certificate or certificates theretofore issued and alleged to have been lost, stolen or destroyed; but the Board of Directors when authorizing such issue of a new certificate or certificates, may in its discretion require the owner of the stock represented by the certificate so lost, stolen or destroyed or his legal representative to furnish proof by affidavit or otherwise to the satisfaction of the Board of Directors of the ownership of the stock represented by such certificate alleged to have been lost, stolen or destroyed and the facts which tend to prove its loss, theft or destruction. The Board of Directors may also require such person to execute and deliver to the Corporation a bond, with or without sureties, in such sum as the Board of Directors may direct, indemnifying the Corporation against any claim that may be made against it by reason of the issue of such new certificate. The Board of Directors, however, may in its discretion, refuse to issue any such new certificate, except pursuant to court order.

**ARTICLE X
SEAL**

The Corporate Seal of the Corporation shall be circular in form and shall contain the name of the Corporation, and the words "SEAL OHIO" or words of similar import. Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

**ARTICLE XI
AMENDMENTS**

This Code of Regulations may be amended, at any meeting of shareholders called for that purpose, by the affirmative votes of the holders of record of shares entitling them to exercise a majority of the voting power on such proposal, or, without a meeting, by the written consent of the holders of record of shares entitling them to exercise a majority of the voting power on such proposal, or by the board of directors, except that Article II, Sections 1, 2 and 3, and this Article XI may not be amended or repealed without the affirmative vote or consent in writing of the holders of record of shares entitling them to exercise seventy-five percent (75%) of the shares entitled to vote or consent to such proposal.

AMENDMENT NUMBER ONE TO CREDIT AGREEMENT

dated as of August 14, 2008

between

TRANSCAT, INC.

and

JPMORGAN CHASE BANK, N.A.

Upon request, Transcat, Inc. will furnish supplementally a copy of the amended Schedules to the Credit Agreement referenced in paragraph 2.G. of this Amendment Number One to Credit Agreement to the Securities and Exchange Commission.

AMENDMENT NUMBER ONE TO CREDIT AGREEMENT

This Amendment Number One to Credit Agreement (“Amendment”), dated as of August 14, 2008, is made by and between TRANSCAT, INC. (the “Borrower”) and JPMORGAN CHASE BANK, N.A. (the “Lender”).

Statement of the Premises

The Borrower and the Lender have previously entered into, among other agreements, a Credit Agreement, dated as of November 21, 2006 (the “Credit Agreement”). Borrower has advised the Lender that Borrower is in active negotiations regarding the acquisition by Borrower, through a newly formed wholly-owned subsidiary, Transcat Acquisition Corp. (the “Acquisition Sub”), of Westcon, Inc. (“Westcon”) for a purchase price of up to \$8,000,000.00, which may be paid by a combination of cash (which may include a holdback or earnout) and the common stock of the Borrower (the “Westcon Acquisition”). The Borrower and the Lender desire to amend the Credit Agreement in contemplation of such acquisition as referenced herein.

Statement of Consideration

Accordingly, in consideration of the premises and under the authority of Section 5-1103 of the New York General Obligations Law, the parties agree as follows:

Agreement

1. **Defined Terms**. The terms “this Agreement”, “hereunder” and similar references in the Credit Agreement shall be deemed to refer to the Credit Agreement as amended by this Amendment. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

2. **Amendment**. Effective upon the satisfaction of all conditions specified in Section 4 hereof, the Credit Agreement is hereby amended as follows:

A. The grid contained in the Definition of “Applicable Rate”, as set forth in Section 1.01 of the Credit Agreement, is hereby superseded and replaced in its entirety and amended to read as follows:

<u>Leverage Ratio</u>	<u>ABR Plus ABR Spread of</u>	<u>Eurodollar Plus Eurodollar Spread of</u>	<u>Commitment Fee Rate</u>
Category 1 ≥ 2.5 x	0	2.40%	.35%
Category 2 ≥ 2.0 x and < 2.5 x	0	2.15%	.35%
Category 3 ≥ 1.5 x and < 2.0 x	0	1.60%	.30%
Category 4 ≥ 1.0 x and < 1.5 x	0	1.25%	.20%
Category 5 Less than 1.0 x	-.45%	.90%	.20%

B. The Definition of “Commitment” as set forth in Section 1.01 of the Credit Agreement is hereby amended so that the figure “\$10,000,000” contained therein is superseded and replaced in its entirety with “\$15,000,000”.

C. The Definition of “Maturity Date” as set forth in Section 1.01 of the Credit Agreement is hereby amended so that the date “November 21, 2009” contained therein is superseded and replaced in its entirety with “August 14, 2011”.

D. The following Definitions are hereby added to Section 1.01 of the Credit Agreement in the appropriate alphabetical order:

“Amendment No. 1” means that certain Amendment Number One to Credit Agreement dated as of August 14, 2008 between Borrower and Lender.

“Westcon Acquisition” means the acquisition by Borrower, through its subsidiary, Transcat Acquisition Corp. (“Westcon Acquisition Sub”) of Westcon, Inc. for a purchase price of up to \$8,000,000, which may be paid in a combination of cash (which may include a holdback or earnout) and common stock of the Borrower pursuant to that certain Agreement and Plan of Merger dated as of August 14, 2008 by and among Westcon, Inc., the Borrower, Westcon Acquisition Sub and David Goodhead (the “Merger Agreement”).

E. Section 6.01 of the Credit Agreement, entitled “Indebtedness”, is hereby amended so that the following subsection (i) is added to the end thereof:

(i) Indebtedness of Borrower or Westcon Acquisition Sub consisting of Holdback Cash Payments or other adjustments to the Cash Merger Consideration pursuant to the terms of the Merger Agreement and/or earnout payments as set forth in that certain Earnout Agreement between Borrower and David Goodhead, all in connection with the Westcon Acquisition, provided such Indebtedness is fully subordinate to the Indebtedness owed to the Lender on terms satisfactory to the Lender.

F. Section 6.04 of the Credit Agreement, entitled “Investments, Loans, Advances, Guarantees and Acquisitions”, is hereby further amended so that the following subsection (m) is added to the end thereof:

(m) The Westcon Acquisition, subject to the terms, covenants and conditions of Amendment No. 1.

G. The Schedules to the Credit Agreement are hereby amended so that they are deleted and replaced in their entirety with the Schedules attached to this Amendment.

3. **Representations.** The Borrower hereby represents and warrants to the Lender that: (i) the covenants, representations and warranties set forth in the Credit Agreement are true and correct on and as of the date of execution hereof as if made on and as of said date and as if each reference therein to the Credit Agreement were a reference to the Credit Agreement as amended by this Amendment; (ii) no Default or Event of Default specified in the Credit Agreement has occurred and is continuing, (iii) since the date of the Credit Agreement, there has been no material adverse change in the financial condition or business operations of the Borrower which has not been disclosed to Lender; (iv) the making and performance by the Borrower of this Amendment have been duly authorized by all necessary corporate action, and do not, and will not, (a) contravene the Borrower’s certificate of incorporation or by-laws, (b) violate any law, including without limitation the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or any rule, regulation (including Regulations T, U or X of the Board

of Governors of the Federal Reserve System) order, writ, judgment, injunction, decree, determination or award, and (c) conflict with or result in the breach of, or constitute a default under, any material contract, loan agreement, indenture, note, mortgage, deed of trust or any other material instrument or agreement binding on the Borrower or any Subsidiary or any of their properties or result in or require the creation or imposition of any lien upon or with respect to any of their properties; (v) this Amendment has been duly executed and delivered by the Borrower and is the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms; (vi) no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for (a) the due execution, delivery or performance by the Borrower of this Amendment or any other agreement or document related hereto or contemplated hereby to which the Borrower is or is to be a party or otherwise bound except for required filings and approvals under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the rules and regulations thereunder, or (b) to the best of the Borrower's knowledge, the exercise by Lender of its rights under the Credit Agreement as modified by this Amendment; and (vii) the security interests and charges granted by the Borrower and its Subsidiary pursuant to the Security Agreements continue to constitute valid, binding and enforceable, first in priority Liens on the Collateral, subject only to Liens permitted under the terms of the Security Agreements and Credit Agreement.

4. **Conditions of Effectiveness.** The effectiveness of each and all of the modifications contained in the Amendment is subject to the satisfaction, in form and substance satisfactory to the Lender, of each of the following conditions precedent:

A. Lender shall have received 4 duplicate original counterparts of this Amendment executed by Borrower and Lender.

B. Lender shall have received 1 original Replacement Revolving Credit Note in form satisfactory to Lender.

C. Lender shall have received a secretarial certificate of the Borrower in a form reasonably acceptable to Lender, certifying as true and accurate, copies of the organizational documents and the incumbency of officers of the Borrower, and attaching authorizing resolutions for the Westcon Acquisition and the incurrence of additional indebtedness under the Credit Agreement.

D. Lender shall have received a true, correct and complete copy of the Merger Agreement covering the Westcon Acquisition and all Westcon Disclosure Schedules, which Merger Agreement shall be satisfactory to the Lender.

E. Lender shall have received an amendment to Borrower's pledge security agreement with respect to the stock of Westcon Acquisition Sub, together with the original stock certificate accompanied by an executed stock power in blank.

F. Lender shall have received appropriate UCC searches against Westcon.

G. Lender shall have received (i) a guaranty from Westcon Acquisition Sub, (ii) a security agreement from Westcon Acquisition Sub, and (iii) an officer's certificate from Westcon Acquisition Sub evidencing the authorization of the guaranty and security agreements, all in form satisfactory to Lender.

H. As of the effective date of this Amendment, no Default or Event of Default shall have occurred and be continuing.

I. The representation and warranties contained in Section 3 hereof and in the Credit Agreement shall be true, correct and complete as of the effective date of this Amendment as though made on such date.

J. The Lender shall have received such other approvals or documents as the Lender may reasonably request, and all legal matters incident to the foregoing shall be satisfactory to the Lender and its counsel.

5. Covenants.

A. Borrower covenants to deliver to Lender, promptly upon Lender's request, copies of any documents and agreements related to the Merger Agreement as Lender may reasonably request, upon the closing of the Westcon Acquisition.

B. Borrower hereby covenants and agrees to cooperate with Lender in any manner reasonably necessary in order to promptly continue, or in the case of after-acquired property, create a first lien in favor of Lender, in all personal property assets acquired by Borrower or its Subsidiaries in connection with the Westcon Acquisition, including without limitation, (i) delivering to Lender evidence of termination of any and all material liens (as determined by Lender in its sole discretion) on the assets to be acquired by Borrower or its Subsidiaries upon or prior to the date the Westcon Acquisition is closed; (ii) upon the closing of the Westcon Acquisition, causing the Selling Shareholder (as defined in the Merger Agreement) to execute and deliver to Lender a Subordination Agreement with respect to future payments owed under the Merger Agreement or Earnout Agreement, upon request of Lender; (iii) obtaining appropriate landlord waivers as requested by Lender within 30 days after the date the Westcon Acquisition is closed, or such later date as consented to by Lender; and (iv) upon the change of name of Westcon Acquisition Sub to Westcon, Inc., causing Westcon Acquisition Sub to deliver to Lender the Certificate of Name Change, UCC-3 name change amendments and any replacement stock certificates and stock powers with respect thereto as requested by Lender.

C. Borrower agrees to pay all out-of-pocket expenses and fees of Lender in connection with the negotiation, preparation and execution of this Amendment and any related document, including the reasonable fees and disbursements of counsel to Lender whether or not the Westcon Acquisition closes.

6. Reference to and Effect on Loan Documents.

A. Upon the effectiveness hereof, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof," "herein," or words of like import, and each reference in the other Loan Documents to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended hereby.

B. Except as specifically amended above, the Credit Agreement, and all other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed. By signing below, Borrower hereby acknowledges and reaffirms the execution and delivery of certain security and pledge documents in connection with the Credit Agreement (the "Security Agreements") and the granting of the security thereunder and acknowledges, reaffirms and agrees that the Security Agreements secure repayment of all existing and future indebtedness, liabilities and obligations of the Borrower to Lender, including without limitation, all indebtedness of the Borrower evidenced by the Replacement Revolving Credit Note.

C. The amendments set forth in Section 2 hereto are only applicable and shall only be effective in the specific instance and for the specific purpose for which made, are expressly limited to the facts and circumstances referred to herein, and shall not operate as (i) a waiver of, or consent to non-compliance with any other provision of the Credit Agreement or any other Loan Document, (ii) a waiver or modification of any right, power or remedy of Lender under the Credit Agreement or any Loan Document, or (iii) a waiver or modification of, or consent to, any Event of Default or Default under the Credit Agreement or any Loan Document.

7. **Governing Law.** This Amendment shall be governed and construed in accordance with the laws of the State of New York without regard to any conflicts-of-laws rules which would require the application of the laws of any other jurisdiction.

8. **Headings.** Section headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

9. **Execution in Counterparts.** This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all or which taken together shall constitute but one and the same instrument.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective representatives thereunto duly authorized as of the date first above written.

BORROWER:

TRANSCAT, INC.

By: /s/ Charles P. Hadeed

Charles P. Hadeed

President, Chief Executive Officer and Chief
Operating Officer

[Signature Page to Amendment Number One to Credit Agreement]

LENDER:

JPMORGAN CHASE BANK, N.A.

By: /s/ Thomas C. Strassenburgh

Thomas C. Strassenburgh

Vice President

[Signature Page to Amendment Number One to Credit Agreement]

AGREEMENT AND PLAN OF MERGER

by and among

TRANSCAT, INC.,

TRANSCAT ACQUISITION CORP.,

WESTCON, INC.

and

DAVID GOODHEAD

Dated as of August 14, 2008

Upon request, Transcat, Inc. will furnish supplementally a copy of any schedule or exhibit to this Agreement and Plan of Merger to the Securities and Exchange Commission.

AGREEMENT AND PLAN OF MERGER

This **AGREEMENT AND PLAN OF MERGER** (this "*Agreement*") has been made as of August 14, 2008, by and among **TRANSCAT, INC.**, an Ohio corporation ("*Transcat*"), **TRANSCAT ACQUISITION CORP.**, an Oregon corporation and a direct wholly-owned Subsidiary of Transcat ("*Merger Sub*"), **WESTCON, INC.**, an Oregon corporation ("*Westcon*") and David Goodhead (the "*Selling Shareholder*"). Transcat, Merger Sub, Westcon and Selling Shareholder are collectively referred to herein as the "*Parties*", and each is a "*Party*".

WHEREAS, the Board of Directors of Transcat, the respective boards of directors of Merger Sub and Westcon, and Transcat acting as the sole stockholder of Merger Sub, have approved the merger, pursuant and subject to the terms and conditions of this Agreement, of Westcon with and into Merger Sub (the "*Merger*"), whereby all of the issued and outstanding shares of the Westcon Common Stock (as defined below), will be converted into the right to receive, a combination of (i) a specified number of shares of the Common Stock, par value \$.50 per share, of Transcat (the "*Transcat Common Stock*"), and (ii) a specified amount of cash;

WHEREAS, the Boards of Directors of Transcat, Merger Sub and Westcon have each determined that it is the best interests of their respective corporations and stockholders that Transcat, Merger Sub and Westcon enter into a business combination transaction pursuant to the terms and conditions of this Agreement (and the ancillary agreements delivered in connection herewith); and

WHEREAS, the Selling Shareholder is the sole shareholder of Westcon and will benefit from the transactions contemplated herein;

NOW, THEREFORE, in consideration of the premises and the representations, warranties and covenants herein contained, the Parties agree to effect the Merger on the terms and subject to the conditions herein provided and further agree as follows:

ARTICLE 1. DEFINITIONS

1.1 Definitions.

In addition to the other definitions contained in this Agreement, the following terms will, when used in this Agreement, have the following respective meanings:

"*Actual Wind Energy Calibration Revenue*" means the actual calibration revenue generated from wind energy calibration customers for the 12 month period following the Closing, measured consistently with Fiscal 2008.

“Actual Wind Energy Equipment Gross Profit” means the actual equipment gross profit generated from wind energy customers for the 12 month period following the Closing, measured consistently with Fiscal 2008.

“Affiliate” means a Person which, directly or indirectly, controls, is controlled by, or is under common control with, the referenced party.

“Business” means the business conducted by Westcon as of the date hereof, that being principally the distribution, repair and calibration of test and measurement equipment.

“Capital Expenditure” means any expenditures by Westcon for the acquisition, lease, repair or improvement of fixed or capital assets, including any and all improvements or repairs to equipment.

“Certifying Officers” means: (a) in the case of Westcon, its President; and (b) in the case of Transcat, any one of its duly elected executive officers.

“Claim” means any contest, claim, demand, assessment, action, suit, cause of action, complaint, litigation, proceeding, hearing, arbitration, investigation or notice involving any Person.

“Closing” means the consummation of the Merger.

“Code” means the Internal Revenue Code of 1986, as amended, together with all rules and regulations promulgated thereunder.

“Competition Laws” means and includes the Sherman Act, as amended, the Clayton Act, as amended, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the Federal Trade Commission Act, as amended, national competition Laws, European Union competition Laws and all other U.S. or non-U.S. Laws that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade.

“Constituent Corporations” means Westcon and Merger Sub, as the constituent corporations of the Merger.

“Contracts” means and includes all contracts, subcontracts, agreements, leases, licenses, sublicenses, options, notes, bonds, mortgages, indentures, deeds of trust, collateral assignments, obligations, instruments, concessions, guarantees, franchises, purchase orders, arrangements, commitments, undertakings and understandings of any kind, whether written or oral.

“Encumbrances” means and includes all liens, charges, encumbrances, mortgages, pledges, security interests, options and any other restrictions or third party rights, including without limitation guarantees.

“Environmental Laws” means, collectively, all U.S. and non-U.S. federal, national, state and local statutes, regulations, ordinances, codes, published guidelines and policies, directives and orders (including all amendments thereto) pertaining to environmental matters (which includes air, water vapor, surface water, groundwater, soil, natural resources, chemical use,

health, safety and sanitation), including the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the Clean Air Act, the Federal Water Pollution Control Act, the Safe Water Drinking Act, the Toxic Substance Control Act and the Occupational Safety and Health Act.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended, together with all rules and regulations promulgated thereunder.

“**Estimated Net Working Capital**” means the Net Working Capital, as set forth on the Estimated Working Capital Schedule.

“**Estimated Working Capital Schedule**” means the draft schedule of the Net Working Capital as of the Closing Date, prepared and delivered by Westcon, Selling Shareholder and Transcat at the Closing.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, together with all rules and regulations promulgated thereunder.

“**Final Working Capital Schedule**” means the schedule of the Net Working Capital as of the Closing Date, which shall be in the same format as the Estimated Working Capital Schedule and include a calculation of the Net Working Capital, as finally determined by Transcat pursuant to Section 3.2(b), and the Working Capital Deficit or Working Capital Surplus, if any.

“**Fiscal 2008**” means Westcon’s fiscal year beginning on July 1, 2007 and ending on June 30, 2008.

“**GAAP**” means United States generally accepted accounting principles as in effect from time to time.

“**Governmental Entity**” means any U.S. or non-U.S. federal, national, state or local court, legislative body, governmental or quasi-governmental body, municipality, political subdivision, department, commission, board, bureau, tribunal, department, administration, council, agency, arbitrator, authority or other instrumentality.

“**Hazardous Substances**” means and includes: (a) any hazardous materials, hazardous wastes, hazardous substances and toxic substances as those or similar terms are defined under any Environmental Law; (b) any asbestos or any material that contains any hydrated mineral silicate, including chrysolite, amosite, crocidolite, tremolite, anthophyllite and/or actinolite, whether friable or non-friable; (c) any polychlorinated biphenyls or polychlorinated biphenyl-containing materials or fluids; (d) radon; (e) any other hazardous, radioactive, toxic or noxious substance, material, pollutant, contaminant or solid, liquid or gaseous waste; (f) any petroleum, petroleum hydrocarbons, petroleum products, crude oil or any fractions thereof, natural gas or synthetic gas; and (h) any substance that, whether by its nature or its use, is or becomes subject to regulation under any Environmental Laws or with respect to which any Environmental Laws or Governmental Entity requires or will require environmental investigation, monitoring or remediation.

“Improvements” means all buildings, structures, fixtures, building systems and equipment, and all components thereof, including the roof, foundation, load-bearing walls and other structural elements thereof, heating, ventilation, air conditioning, mechanical, electrical, plumbing and other building systems, environmental control, remediation and abatement systems, sewer, storm and waste water systems, irrigation and other water distribution systems, parking facilities, fire protection, security and surveillance systems, and telecommunications, computer, wiring and cable installations, included in any Leased Real Property (as defined below).

“Intellectual Property” means all of the following in any jurisdiction throughout the world: (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto, and all patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof; (b) all trademarks, service marks, trade dress, logos, slogans, trade names, corporate names, internet domain names, and rights in telephone numbers, together with all translations, adaptations, derivations, and combinations thereof and including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith; (c) all copyrightable works, all copyrights, and all applications, registrations, and renewals in connection therewith; (d) all mask works and all applications, registrations, and renewals in connection therewith; (e) all trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals); (f) all computer software (including source code, executable code, data, databases and related documentation); (g) all advertising and promotional materials; (h) all other proprietary rights; and (i) all copies and tangible embodiments thereof (in whatever form or medium).

“IRS” means the U.S. Internal Revenue Service.

“Laws” means, collectively, all U.S. and non-U.S. laws, statutes, rulings, rules, regulations, judgments, orders, decrees, awards, injunctions, writs, requirements, permits, certificates and ordinances of any Governmental Entity, as in effect from time to time.

“Leases” means all leases, subleases, licenses, concessions and other agreements (written or oral), including all amendments, extensions, renewals, guaranties and other agreements with respect thereto, pursuant to which Westcon holds any real property, including the right to all security deposits and other amounts and instruments deposited by or on behalf of Westcon thereunder.

“Liability” means any liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, and whether due or to become due), including any liability for Taxes.

“Loss” or **“Losses”** means any and all judgments, losses, Liabilities, amounts paid in settlement, damages, fees, fines, penalties, deficiencies, costs and expenses (including interest, court costs, reasonable fees and expenses of attorneys, accountants and other experts or other reasonable expenses of litigation or other proceedings or of any claim, default or assessment).

“**Market Price**” means the average of the closing sales price per share of the Transcat Common Stock as reported on the Nasdaq’s Web Site.

“**Material Adverse Effect**” or “**Material Adverse Change**” means, with respect to any entity any occurrence, incident, action, failure to act, event, change or effect that is or could reasonably be expected to be, materially adverse to the condition (financial or otherwise), properties, assets, liabilities, business, results of operations, or prospects of such entity and its subsidiaries in excess of \$35,000, taken as a whole, or to the enforcement of this Agreement and any agreement contemplated herein, except changes solely to the extent resulting from (a) the announcement or other disclosure of this Agreement, or (b) changes in general business conditions, hostilities involving the United States or in general financial market conditions.

“**Merger Consideration**” means collectively the Stock Merger Consideration and the Cash Merger Consideration.

“**Nasdaq**” means the Nasdaq Capital Market.

“**Net Working Capital**” means the current tangible assets less the current liabilities of Westcon as of the close of business on the Closing Date less debt paid as of the Closing Date, mutually agreed to by the parties and in accordance with GAAP consistently applied and the other terms and conditions set forth herein.

“**OPCL**” means the Oregon Private Corporations Law.

“**Ordinary Course of Business**” means, when used with respect to any Person, the ordinary course of business of such Person, consistent with past custom and practice of such Person (including with respect to quantity and frequency).

“**Pay-Off Letter**” has the meaning ascribed to such term in Section 8.2.

“**Permitted Encumbrance**” has the meaning set forth in Section 4.8.

“**Person**” means and includes any individual, partnership, corporation, trust, company, unincorporated organization, joint venture or other entity, and any Governmental Entity.

“**Projected Wind Energy Calibration Revenue**” means \$305,000 in calibration service revenue for the wind energy calibration customers for the 12 month period following the Closing, measured consistently with Fiscal 2008.

“**Projected Wind Energy Equipment Gross Profit**” means \$869,000 in equipment gross profit for the wind energy customers for the 12 month period following the Closing, measured consistently with Fiscal 2008.

“**Release**” has the same meaning as given it by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and the regulations promulgated thereunder.

“Representatives” means, when used with respect to any Person, such Person’s attorneys, accountants and other advisors.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, together with all rules and regulations promulgated thereunder.

“Shareholder Approval” means adoption of this Agreement by the Selling Shareholder.

“Stock Rights” means, collectively, options, warrants, calls, rights, Claims (asserted or threatened), commitments or Contracts to which Westcon is a party or by which any of them is bound obligating Westcon to issue, deliver or sell, or cause to be issued, delivered or sold, any shares of capital stock of Westcon, or obligating Westcon to grant, extend or enter into any such option, warrant, call, right or Contract. As used herein, “Stock Rights” includes stock appreciation rights and similar rights payable in cash but having reference to shares of capital stock of Westcon.

“Subsidiary” means, with respect to any Person, any corporation, partnership, joint venture, trust or other entity of which such Person, directly or indirectly through an Affiliate, owns an amount of voting securities, or possesses other ownership interests, having the power, direct or indirect, to elect a majority of the board of directors or other governing body thereof.

“Surviving Corporation” means Merger Sub, as the surviving corporation of the Merger.

“Target Working Capital” means an amount equal to zero.

“Taxes” means, collectively, U.S. and non-U.S. federal, national, state and local income, payroll, withholding, employment, excise, sales, use, real and personal property, use and occupancy, business and occupation, gross receipts, mercantile, real estate, capital stock and franchise or other taxes, duties or assessments of any nature whatsoever, including all penalties and interest thereon and estimated taxes.

“Trading Day” means any day on which Nasdaq is open for trading.

“U.S.” means the United States of America.

“Violation” means that the referenced fact or event: (a) conflicts with, or results in any violation of, or a default (with or without notice or lapse of time, or both) under, or gives rise to a right of termination, cancellation or acceleration of any obligation or the loss of a material benefit under, or the creation of an Encumbrance (other than a Permitted Encumbrance) on assets in connection with, the referenced Contract or other document; or (b) conflicts with, or results in any violation (with or without notice or lapse of time, or both) under, or gives rise to any damages, penalty or remedial action under, the referenced Law.

“Westcon Debt” means all indebtedness of Westcon on which interest accrues (including both the current and long-term portions of any long-term indebtedness), as identified on Schedule 1.1 of the Westcon Disclosure Schedules.

“**Westcon Disclosure Schedules**” means the disclosure schedules, in the form approved by Transcat and delivered by Westcon to Transcat concurrently with the execution and delivery of this Agreement, including subsequent amendments thereto contemplated and approved pursuant to Section 11.3 of this Agreement.

“**Working Capital Deficit**” means the amount, if any, by which the Net Working Capital reflected on the Final Working Capital Schedule is less than the Estimated Net Working Capital.

“**Working Capital Surplus**” means the amount, if any, by which the Net Working Capital reflected on the Final Working Capital Schedule is more than the Estimated Net Working Capital.

1.2 Interpretation.

In this Agreement, unless the express context otherwise requires:

(a) the words “**herein**,” “**hereof**” and “**hereunder**” and words of similar import refer to this Agreement as a whole and not to any particular provision of this Agreement;

(b) references to “**Article**” or “**Section**” are to the respective Articles and Sections of this Agreement, and references to “**Exhibit**” are to the respective Exhibits annexed hereto;

(c) references to a “**party**” means a party to this Agreement and include references to such party’s successors and permitted assigns;

(d) references to a “**third party**” means a Person that is neither a party to this Agreement nor an Affiliate thereof;

(e) the terms “**dollars**” and “**\$**” means U.S. dollars;

(f) the terms “**knowledge**” means those facts or things of which a party has actual information or those matters to which a reasonably diligent person would have a basis to discover with reasonable inquiry;

(g) terms defined in the singular have a comparable meaning when used in the plural, and vice versa;

(h) the masculine pronoun includes the feminine and the neuter, and vice versa, as appropriate in the context; and

(i) wherever the word “**include**,” “**includes**” or “**including**” is used in this Agreement, it will be deemed to be followed by the words “without limitation.”

ARTICLE 2.
THE MERGER

2.1 Effective Time of the Merger.

Subject to the provisions of this Agreement, the Merger will be consummated by the filing by the Secretary of State of the State of Oregon of a certificate of merger, in such form as required by, and signed and attested in accordance with, the relevant provisions of the OPCL (the time of such filing or such later time and date as is specified in such filing being the “*Effective Time*”). Transcat will deliver the Stock Merger Consideration to the Selling Shareholder in accordance with Section 3 below.

2.2 Closing.

The Closing will take place at 10:00 a.m., local time, on the earliest Trading Day practicable after all of the conditions set forth in Article 9 are satisfied or waived by the appropriate Party (the “*Closing Date*”), at the offices of Harter Secrest & Emery LLP, 1600 Bausch & Lomb Place, Rochester, New York 14604, unless another time, date or place is agreed to in writing by the parties.

2.3 General Effects of the Merger.

By virtue of the Merger and without the necessity of any action by or on behalf of the Constituent Corporations, or either of them:

(a) at the Effective Time, (i) the separate existence of Merger Sub and Westcon will cease and Westcon will be merged with and into Merger Sub, (ii) the articles of incorporation and bylaws of Merger Sub as in effect immediately prior to the Effective Time will be the articles of incorporation and bylaws of the Surviving Corporation until thereafter amended, and (iii) the directors and officers of Merger Sub in office immediately prior to the Effective Time will become the only directors and officers, respectively, of the Surviving Corporation; and

(b) at and after the Effective Time, the Surviving Corporation will possess all the rights, privileges, powers and franchises of a public as well as of a private nature, and be subject to all the restrictions and duties, of each of the Constituent Corporations; and all property, real, personal and mixed, and all debts due to either of the Constituent Corporations on whatever account, as all other things in action or belonging to each of the Constituent Corporations will be vested in the Surviving Corporation; and all property, rights, privileges, powers and franchises, and all and every other interest will be thereafter as effectually the property of the Surviving Corporation as they were of the respective Constituent Corporations, and the title to any real estate vested by deed or otherwise, in either of the Constituent Corporations, will not revert or be in any way impaired; but (except as otherwise provided herein) all rights of creditors and all Encumbrances upon any property of either of the Constituent Corporations will be preserved unimpaired, and all debts, liabilities and duties of the respective Constituent Corporations will thenceforth attach to the Surviving Corporation, and may be enforced against it to the same extent as if such debts, liabilities and duties had been incurred or contracted by it.

ARTICLE 3.

EFFECT OF MERGER ON CAPITAL STOCK

3.1 Effect of Merger on Company Common Stock; Merger Consideration.

(a) At the Effective Time (subject to provisions below), all 525 shares of common stock, no par value per share, of Westcon (the “*Exchanged Shares*”) being the only shares of capital stock of Westcon issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger, automatically without any action on the part of the Selling Shareholder, as the sole shareholder thereof, be converted, upon surrender of the certificates representing each such shares, into the right to receive 150,000 shares of Transcat Common Stock, which will be valued as the average closing price per share of the common stock over the thirty (30) trading days for the common stock ending on the second to last trading day prior to the Closing (the “*Stock Merger Consideration*”).

(b) At the Effective Time, all shares of Westcon Common Stock and certificate which previously represented any such share of Westcon Common Stock (each, a “*Westcon Certificate*” and, collectively, the “*Westcon Certificates*”) shall automatically be cancelled and shall cease to exist, and the Selling Shareholder shall cease to have any rights with respect thereto other than the right to receive the Merger Consideration which Selling Shareholder is entitled to receive pursuant to this Section 3.1, to be issued or paid in consideration therefore upon surrender of such certificate(s) in accordance with the procedures set forth below.

(c) At the Effective Time, all shares of Westcon Common Stock held by Westcon as treasury stock, if any, immediately prior to the Effective Time shall automatically be cancelled and shall cease to exist, and Westcon shall cease to have any rights with respect thereto.

(d) The Stock Merger Consideration shall be allocated to and distributed wholly to the Selling Shareholder as the sole shareholder of the Company. For the avoidance of doubt, and notwithstanding anything herein to the contrary, the securities issuable to the Selling Shareholder under this Agreement, including, without limitation, the Stock Merger Consideration, shall be unregistered shares of Transcat Common Stock issued in reliance upon the exemption from securities registration afforded by Section 4(2) of the Securities Act of 1933, as amended (the “*1933 Act*”) and bearing a restrictive legend in form set forth on Exhibit A (the “*Transcat Stock Restrictions*”).

(e) Subject to the post-Closing adjustments described below, the Selling Shareholder shall receive cash consideration in an amount equal to \$6,106,000 (the “*Cash Merger Consideration*”) which shall be distributed and paid in accordance with Section 3.2(a)(i), (ii) and (iii) below.

3.2 Payment of Cash Merger Consideration; Adjustments

(a) The Cash Merger Consideration shall be paid and distributed by Transcat in accordance with subsections (i), (ii) and (iii) below as follows:

- (i) On the Closing Date, Transcat will pay to the holder of the Westcon Debt an amount equal to the Westcon Debt contemplated to be paid in cash in accordance with the instructions set forth in the Pay-Off Letter;
- (ii) On the Closing Date, Transcat shall pay to the Selling Shareholder a cash payment in an amount equal to \$4,216,096.55, less the amount, if any, by which the Target Working Capital exceeds the Estimated Net Working Capital (the “**Initial Cash Payment**”); and
- (iii) Subject to adjustment, offset or acceleration as provided herein, Transcat will pay Selling Shareholder cash payments on October 1, 2009 unless Selling Shareholder has exercised the Holdback Audit Right as set forth in Section 3.2(d) below of (i) \$1,195,000 (“**Wind Energy Equipment Gross Profit Holdback Payment**”) and \$229,000 (“**Wind Energy Calibration Service Holdback Payment**”) and collectively with the Wind Energy Equipment Gross Profit Holdback Payment the “**Holdback Cash Payments**”).

(b) By way of illustration only, Section 3.2(b) of the Westcon Disclosure Schedules sets forth a hypothetical example of the payment of the Merger Consideration, including the issuance of the Stock Merger Consideration and the adjustment to and distribution of the Cash Merger Consideration.

(c) Transcat shall prepare and within seventy-five (75) days following the Closing deliver to Selling Shareholder the Final Working Capital Schedule. The Final Working Capital Schedule, as determined by Transcat, shall be conclusive, final and binding on the Parties for purposes of determining the Net Working Capital, Working Capital Surplus and Working Capital Deficit but shall not affect any of Transcat’s or Merger Sub’s rights under this Agreement, including without limitation under Article 10. To the extent there is a Working Capital Surplus, Transcat will pay Selling Shareholder an amount equal to such Working Capital Surplus within fifteen (15) days of delivery of the Final Working Capital Schedule.

(d) To the extent there is a Working Capital Deficit, within fifteen (15) days following the delivery of the Final Working Capital Schedule, the Selling Shareholder agrees to pay to Transcat in cash (by wire transfer of immediately available funds to an account designated by Transcat) the amount of the Working Capital Deficit. If such Working Capital Deficit is not paid within such fifteen (15) day period, then interest shall accrue and be due and payable from the Selling Shareholder on the Working Capital Deficit from and including the Closing through and including the date of payment at the rate of 5.0% per annum.

(e) Transcat shall prepare and within thirty (30) days following the first anniversary of the Closing deliver to Selling Shareholder a determination of the Actual Wind Energy Equipment Gross Profit and the Actual Wind Energy Calibration Revenue (which will include a calculation of the decrease in the Holdback Cash Payment, if applicable). In the absence of any objections from the Selling Shareholder, Transcat’s determination of the Actual Wind Energy Calibration Revenue and Actual Wind Energy Equipment Gross Profit shall be final and binding upon the parties for purposes thereof, and the Holdback Cash Payment shall,

immediately following the expiration of such thirty (30) day period, be paid to the Selling Shareholder entitled to receive it as provided above. If any objection is so made, the parties shall negotiate in good faith with a view to agreeing upon the matters in dispute. If such negotiations fail to resolve all disputed items within ten (10) days after such objections are made, the remaining disputed items shall be submitted for resolution to a nationally recognized firm of independent public accountants designated jointly by Selling Shareholder's Accountants and Transcat's Accountants. After affording each of the parties and their respective accountants the opportunity to present their positions as to such determination (which opportunity shall not extend for more than ten (10) days), the accounting firm so selected shall determine the disputed items and such determination shall be binding for purposes of the Holdback Payment (the "**Holdback Audit Right**"). The fees, costs and expenses of the accounting firm so selected shall be borne equally by Transcat and Selling Shareholder. To the extent that the Actual Wind Energy Equipment Gross Profit is less than the Projected Wind Energy Equipment Gross Profit, the Wind Energy Equipment Gross Profit Holdback Payment shall be reduced in a dollar amount equal to (i) the amount in which the Actual Wind Energy Equipment Gross Profit is less than the Projected Wind Energy Equipment Gross Profit, multiplied by (ii) 2.75. To the extent that the Actual Wind Energy Calibration Revenue is less than the Projected Wind Energy Calibration Revenue, the Wind Energy Equipment Calibration Revenue Holdback Payment shall be reduced in a dollar amount equal to (i) the amount in which the Actual Wind Energy Calibration Revenue is less than the Projected Wind Energy Calibration Revenue, multiplied by (ii) 1.50. To the extent the Holdback Cash Payments require reduction as determined herein, Transcat may immediately exercise its rights with respect to reimbursement of such amount as set forth in subsection (e) below. Notwithstanding anything herein to the contrary, if, prior to the first anniversary of the Closing, the Actual Wind Energy Equipment Gross Profit and the Actual Wind Energy Calibration Revenue exceed the Projected Wind Energy Equipment Gross Profit and the Projected Wind Energy Calibration Revenue (as determined by Transcat subject to the Holdback Audit Right), the payment date for the Holdback Cash Payments shall be accelerated and be payable within ten (10) days of such determination. The Holdback Cash Payments shall include (i) all accrued interest on such amount from the Closing through the date of payment at the rate of 4%, and (ii) an amount equal to the increase in capital gains tax liability realized by Selling Shareholder, if any, resulting directly from the payment of the Holdback Cash Payments after the Closing instead of at the Closing.

(f) Delivery of all payments required under this Section 3.1 or any provision hereof shall be made in cash by the wire transfer of immediately available funds to such bank account as designated in writing by the recipient. Westcon and Selling Shareholder acknowledge and agree that Transcat and Merger Sub may, in their sole discretion subject to the Holdback Audit Right, reimburse themselves from or otherwise offset against the Holdback Cash Payments (and/or any other future payments due and owing to Selling Shareholder) for amounts owing from Selling Shareholder and Westcon to Transcat and Merger Sub (including without limitation a payment for Working Capital Deficit) under this Agreement or any other documents or agreements delivered in connection with the Merger (and this Agreement) in accordance with Article 10.

3.3 Effect of Merger on Common Stock of Merger Sub.

At the Effective Time, each share of common stock of Merger Sub issued and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holders thereof, be converted into and become one share of validly issued, fully paid and non-assessable share of common stock of the Surviving Corporation.

3.4 Delivery of Certificates.

At and after the Effective Time and subject to the Transcat Stock Restrictions set forth on Exhibit A, Transcat will make available, and the Selling Shareholder shall be entitled to receive, (i) upon surrender to Transcat or its Representatives of the Westcon Certificate(s) for cancellation and an assignment separate from certificate in the form approved by Transcat (the "*Stock Power*"), the Stock Merger Consideration, and upon such surrender of the Westcon Certificate(s), and delivery by Transcat of the aggregate Stock Merger Consideration in exchange therefore, such shares shall be deemed cancelled. Until surrendered or delivered as contemplated by this Section, each Westcon Certificate will be deemed at any time after the Effective Time for all purposes to evidence only the right to receive upon such surrender the Stock Merger Consideration.

3.5 No Fractional Shares.

No certificate or scrip representing fractional shares of Transcat Common Stock shall be issued upon the surrender of Westcon Certificates for exchange, and such fractional share interests will not entitle the owner thereof to vote or to any other rights of a stockholder of Transcat.

3.6 Lost, Stolen or Destroyed Certificates.

In the event any Westcon Certificates are lost, stolen or destroyed, Transcat will issue in exchange for such lost, stolen or destroyed Westcon Certificate(s), upon the making of an affidavit of that fact by the Selling Shareholder and the other deliveries required above, the applicable Merger Consideration; provided, however, that the Surviving Corporation may, in its sole discretion and as a condition precedent to the issuance thereof, require the Selling Shareholder deliver an indemnity or bond in such sum as it may reasonably direct as indemnity against any claim that may be made against it with respect to the Westcon Certificate(s) alleged to have been lost, stolen or destroyed.

3.7 Taking of Necessary Action; Further Action.

Each of Transcat, Merger Sub, Westcon and Selling Shareholder will take all such reasonable lawful action as may be necessary or appropriate in order to effect the Merger in accordance with this Agreement as promptly as practicable. If, at any time after the Effective Time, any such further action is necessary or desirable to carry out the purposes of this Agreement and to vest

the Surviving Corporation with full right, title and possession to all the property, rights, privileges, power and franchises of Westcon and Merger Sub, the officers and directors of Westcon and Merger Sub immediately prior to the Effective Time are fully authorized in the name of their respective corporations or otherwise to take, and will take, all such lawful and necessary action.

3.8 Dividends and Distributions on Stock Merger Consideration.

In the case of the Stock Merger Consideration: (i) Selling Shareholder will not be entitled to dividends or other distributions with respect to Transcat Common Stock prior to the Effective Time; (ii) no dividends or other distributions with respect to Transcat Common Stock having a record date on or after the Effective Time will be paid to Selling Shareholder until surrender of such Westcon Certificates (or upon providing the affidavit and indemnity referred to above); and (iii) subject to the effect of applicable Laws, following surrender of any such Westcon Certificates (or provision of such affidavit and indemnity), there will be paid to Selling Shareholder shares of Transcat Common Stock issued in exchange therefor: (A) at the time of such surrender, the amount of any dividends or other distributions having a record date on or after the Effective Time theretofore paid with respect to such shares of Transcat Common Stock, without interest; and (B) at the appropriate payment date, the amount of any dividends or other distributions having a record date on or after the Effective Time but prior to surrender, and a payment date subsequent to surrender, payable with respect to such shares of Transcat Common Stock, without interest.

3.9 No Further Ownership Rights in Westcon Common Stock; Stock Transfer Books.

All Merger Consideration issued upon the surrender for exchange of shares of Westcon Common Stock in accordance with the terms hereof (including, in the case of the Stock Merger Consideration, any cash paid pursuant to Sections 3.1(c) or 3.1(d)) will be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Westcon Common Stock, and there will be no further registration of transfers of the shares of Westcon Common Stock after the Effective Time. If, after the Effective Time, Westcon Certificates are presented to the Surviving Corporation or its transfer agent for any reason, such Westcon Certificates will be cancelled.

3.10 No Liability.

Neither Transcat, Westcon nor the Surviving Corporation will be liable to any holder of shares of Westcon Common Stock or Transcat Common Stock, as the case may be, for the Merger Consideration (and, in the case of the Stock Merger Consideration, cash in lieu of fractional shares and dividends or distributions with respect thereto, if any) delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law.

ARTICLE 4.
**REPRESENTATIONS AND WARRANTIES OF WESTCON AND SELLING
SHAREHOLDER**

Westcon and Selling Shareholder jointly and severally represent and warrant to Transcat and Merger Sub that the statements contained in this Section are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Article), except as set forth in the Disclosure Schedules. Disclosure made in a specific section or subsection of the Westcon Disclosure Schedules shall not be deemed to have been disclosed with respect to any other section or subsection herein unless an explicit cross-reference appears to that effect.

4.1 Organization, Standing and Power.

(a) Westcon is a corporation duly organized, validly existing and in good standing under the Laws of the State of Oregon. Westcon has no Subsidiaries and does not own an equity interest in any Person. Westcon is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization. Westcon has all requisite power and authority to own, lease and operate its properties and to carry on its business as now being conducted and, except as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, is duly qualified and in good standing to do business in each other jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary. Westcon has heretofore made available to Transcat true, correct and complete copies of the certificate of incorporation and bylaws, as currently in effect, of Westcon and has made available to Transcat true, correct and complete minute books and stock records of Westcon. The stock records fairly and accurately reflect the ownership of all of outstanding shares of capital stock of Westcon. The minute books contain accurate records of the proceedings of all actions formally taken by the shareholders, the board of directors and each committee of the board of directors of Westcon. The other books and records of Westcon, including financial records and books of account, are complete and accurate in all material respects to fairly represent the operations of Westcon and have been maintained in accordance with reasonable business practices. Westcon is not in default under or in violation of any provision of its charter or bylaws.

4.2 Capital Structure.

(a) The authorized capital stock of Westcon consists entirely of 1,000 shares of no par value, common stock (the “*Westcon Common Stock*”).

(b) As of August 14, 2008, (i) 525 shares of Westcon Common Stock, are issued and outstanding; and (ii) no shares of Westcon Common Stock, are issued and held in the treasury of Westcon.

(c) All shares of Westcon Common Stock have been duly authorized, are validly issued, fully paid, and nonassessable. There are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or

commitments that could require Westcon to issue, sell, or otherwise cause to become outstanding any additional shares of the Westcon capital stock. There are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to Westcon. There are no voting trusts, proxies, or other agreements or understandings with respect to the voting of the capital stock of Westcon.

(d) The Selling Shareholder holds of record and beneficially owns all of the Westcon Common Stock, free and clear of any restrictions on transfer (other than any restrictions under the Securities Act and state securities laws), Taxes, Security Interests, options, warrants, purchase rights, contracts, commitments, equities, claims, and demands. The Selling Shareholder is not a party to any option, warrant, purchase right, or other agreement, contract or commitment involving the Westcon Common Stock, including any agreement, contract or commitment that would require the Selling Shareholder to sell, transfer, or otherwise dispose of any capital stock of Westcon (other than this Agreement). Selling Shareholder has full voting power over the Westcon Common Stock and is not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any shares of Westcon Common Stock. Other than this Agreement, there is no agreement between Selling Shareholder and any other Person with respect to the disposition of the Westcon Common Stock.

4.3 Authority; Binding Effect.

Westcon has all requisite corporate power and authority to enter into this Agreement and, subject to the approval of Selling Shareholder (which is evidenced by the execution and delivery of this Agreement), to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Westcon, including without limitation the approval of Selling Shareholder. The board of directors and Selling Shareholder of Westcon has, as of the date of this Agreement, duly adopted resolutions which unanimously approve and adopt this Agreement and the consummation of the Merger. This Agreement has been duly executed and delivered by Westcon and Selling Shareholder and, assuming the due execution and delivery hereof by Transcat and Merger Sub, constitutes the valid and binding obligation of Westcon and Selling Shareholder, enforceable against Westcon and Selling Shareholder in accordance with its terms, except as the enforceability hereof may be limited by (i) bankruptcy, insolvency or other Laws relating to or affecting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

4.4 No Conflict.

The execution and delivery of this Agreement by Westcon and Selling Shareholder does not, and the consummation of the transactions contemplated hereby and the fulfillment of its obligations and undertakings hereunder will not, result in any Violation (other than Violations, if any, arising solely out of the failure to obtain a Required Approval as described below and as set forth on the Westcon Disclosure Schedules) of any provision of: (a) the articles of incorporation or bylaws of Westcon; (b) any Contract applicable to Westcon, Selling Shareholder or any of their respective assets; or (c) any Law applicable to Westcon or any of their respective assets; except, in the case of Contracts and Laws, for Violations which could not reasonably be expected

to have, individually or in the aggregate, any adverse effect on the validity or enforceability of this Agreement or an Material Adverse Effect. Except as set forth in Section 4.4 of the Westcon Disclosure Schedules, to Westcon's and Selling Shareholder's knowledge no consent, approval, order or authorization of, or registration, declaration or filing with, or notice to, any Governmental Entity or other third party is required by or with respect to Westcon in connection with the execution and delivery of this Agreement by Westcon or the Selling Shareholder or the consummation by Westcon and Selling Shareholder of the transactions contemplated hereby (each, a "**Required Approval**"), except for: (i) filings and notices required under Competition Laws, as necessary; (ii) the filing by the Secretary of State of the State of Oregon contemplated by Section 2.1; and (iii) filings required under the Exchange Act.

4.5 Westcon Financial Statements; Internal Accounting Controls.

(a) Attached to the Westcon Disclosure Schedules are the unaudited balance sheets, statements of stockholders' equity, statements of income and statements of cash flows for Westcon as of and for the fiscal year ended June 30, 2008 and June 30, 2007 (the "**Financial Statements**"). The Financial Statements (including the notes thereto) are complete and accurate in all material respects and have been applied on a consistent basis throughout the periods covered thereby, and present fairly the financial condition of Westcon as of such dates and the results of operations and cash flows of Westcon for such periods, are correct and complete in all material respects.

(b) The books and records of Westcon accurately and fairly reflect their income, expenses, assets and liabilities and Westcon maintains internal accounting controls which provide reasonable assurances that: (A) transactions are executed in accordance with the general or specific authorization of their respective boards of directors and executive officers, and (B) transactions are recorded as necessary to permit preparation of such financial statements.

4.6 No Additional Material Liabilities.

Except as set forth in the Financial Statements or in Section 4.6 of the Westcon Disclosure Schedules: (a) Westcon has not had, as of August 14, 2008, any material liabilities or accrued expenses, whether accrued, absolute, contingent or otherwise, of a kind or character that would be required (in accordance with GAAP) to be reflected in the consolidated balance sheet of Westcon as of June 30, 2008; (b) since June 30, 2008, except for trade payables and accrued expenses incurred in the Ordinary Course of Business, Westcon has not incurred any such liabilities; and (c) since June 30, 2008, Westcon has not drawn down on any line of credit. All liabilities of Westcon incurred since June 30, 2008 have been properly recorded in their books and records. Schedule 1.1 of the Westcon Disclosure sets a complete and accurate list of all the Westcon Debt.

4.7 Westcon Permits; Compliance with Laws.

(a) Section 4.7(a) of the Westcon Disclosure Schedules contains a complete and accurate list, as of the date hereof, of all licenses, permits, certificates, registrations, accreditations, orders, franchises, authorizations, approvals, consents, variances and exemptions

of any Governmental Entity which are necessary for the operation of the Business as currently operated and which are held by Westcon (collectively, the “*Westcon Permits*”), including the respective termination dates thereof. Except as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect: (i) Westcon duly hold all Westcon Permits; (ii) all of the Westcon Permits are in full force and effect; (iii) Westcon is in compliance with the terms of each of the Westcon Permits; and (iv) no action is pending or threatened or recommended by any Governmental Entity to revoke, condition, withdraw or suspend any Westcon Permit.

(b) The businesses of Westcon is being, and since June 30, 2000 have been, conducted in compliance with all Laws, except for such Violations that could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. No investigation or review by any Governmental Entity with respect to Westcon is pending or threatened nor has any Governmental Entity indicated an intention to conduct the same.

(c) Westcon has delivered true, correct and complete copies of its calibration manuals used by Westcon which have been delivered to Transcat and Merger Sub prior to the date hereof. To Westcon’s and Selling Shareholder’s knowledge, Westcon has, at all times, performed all calibration services in accordance with such calibration manuals, Westcon’s books and records of all maintenance and calibration services performed, calibration certifications, in-process results and parameters, test results and other matters related to the services provided by Westcon are complete and accurate in all respects and have been maintained and retained in accordance with all applicable Laws. Westcon has, at all times, performed all services (including without limitation calibration services) in accordance with all applicable Laws.

4.8 Assets; Title; Absence of Liens and Encumbrances.

Except with respect to Intellectual Property (which is instead the subject of Section 4.10), Westcon owns or validly leases all properties and assets, real, personal and mixed, tangible and intangible, comprising and employed in the operation of or associated with the Business. Except for leased assets, Westcon has good and marketable title to any of their respective assets, including those reflected in the balance sheet of Westcon as of June 30, 2008, free and clear of all asserted and threatened title defects, Claims and Encumbrances except, with respect to all such assets, the following Encumbrances (collectively, “*Permitted Encumbrances*”): (a) Encumbrances securing debt reflected as liabilities in the Financial Statements, which Encumbrances are listed in Section 4.8 of the Westcon Disclosure Schedules; (b) mechanics’, carriers’, workers’, repairmen’s, statutory or common law liens being contested in good faith and by appropriate proceedings, which contested liens are listed in Section 4.8 of the Westcon Disclosure Schedules; (c) liens for current Taxes not yet due and payable which have been fully reserved against, or which, if due, are being contested in good faith and by appropriate proceedings, which contested liens are listed in Section 4.8 of the Westcon Disclosure Schedules; (d) such imperfections of title, easements and Encumbrances, if any, against the Real Property as are set forth in the Leases or which are not, individually or in the aggregate, substantial in character, amount or extent, and do not, individually or in the aggregate, materially detract from the value, or interfere with the present use of the Real Property or otherwise have an Material Adverse Effect; and (e) those additional Encumbrances listed in Section 4.8 of the Westcon Disclosure Schedules.

4.9 Real Property.

(a) Westcon does not own any real property. Section 4.9(a) of the Westcon Disclosure Schedules is a true, correct and complete list of all real property leased, operated or used by Westcon (collectively, the “*Leased Real Property*”). Westcon has delivered to Transcat a true and complete copy of each such Leases for the Leased Real Property.

(b) Except as set forth in Section 4.9(b) of the Disclosure Schedules, with respect to each of the Leases:

(i) assuming the due execution by lessor and enforceability against the lessor, such Lease is legal, valid, binding, enforceable and in full force and effect;

(ii) the transaction contemplated by this Agreement does not require the consent of any other party to such Lease, will not result in a breach of or default under such Lease, and will not otherwise cause such Lease to cease to be legal, valid, binding, enforceable and in full force and effect on identical terms following the Closing;

(iii) Westcon’s possession and quiet enjoyment of the Leased Real Property under such Lease has not been disturbed and there are no disputes with respect to such Lease;

(iv) neither Westcon or any other party to the Lease is in breach or default under such Lease, and no event has occurred or circumstance exists which, with the delivery of notice, the passage of time or both, would constitute such a breach or default, or permit the termination, modification or acceleration of rent under such Lease;

(v) the other party to such Lease is not an affiliate of, and otherwise does not have any economic interest in Westcon;

(vi) Westcon has not assigned, subleased, licensed or otherwise granted any Person the right to use or occupy such Leased Real Property or any portion thereof; and

(vii) Westcon has not assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any leasehold or subleasehold interest under any such Lease.

(viii) the Leased Real Property, comprise all of the real property used or intended to be used in, or otherwise related to the Business; and Westcon is not a party to any agreement or option to purchase any real property or interest therein.

(c) Except as set forth in Section 4.9(c) of the Westcon Disclosure Schedules, to Westcon’s and Selling Shareholder’s knowledge, all Improvements are in reasonably good condition and repair, have been appropriately and routinely maintained, and are sufficient for the operation of the Business. There are no structural deficiencies or latent defects affecting any of the Improvements and there are no facts or conditions affecting any of the Improvements which would, individually or in the aggregate, interfere in any respect with the use or occupancy of the Improvements or any portion thereof in the operation of the Business as currently conducted thereon.

(d) There is no written notice of a condemnation, expropriation or other proceeding in eminent domain, pending or threatened, affecting any parcel of Leased Real Property or any portion thereof or interest therein. There is no injunction, decree, order, writ or judgment outstanding, nor any claims, litigation, administrative actions or similar proceedings, pending or threatened, relating to the ownership, lease, use or occupancy of the Leased Real Property or any portion thereof, or the operation of the Business as currently conducted thereon.

(e) To Westcon's and Selling Shareholder's knowledge, the Leased Real Property is in compliance with all applicable building, zoning, subdivision, Environmental, Health and Safety Requirements and other land use laws, including The Americans with Disabilities Act of 1990, as amended, and all insurance requirements affecting the Leased Real Property (collectively, the "**Real Property Laws**"), and the current use and occupancy of the Leased Real Property and operation of the Business thereon does not violate any Real Property Laws. Westcon has not received any notice of violation of any Real Property Law and there is no basis for the issuance of any such notice or the taking of any action for such violation.

(f) None of the Improvements or any portion thereof is dependent for its access, use or operation on any land, building, improvement or other real property interest which is not included in the Leased Real Property.

(g) To Westcon's and Selling Shareholder's knowledge, all water, oil, gas, electrical, steam, compressed air, telecommunications, sewer, storm and waste water systems and other utility services or systems for the Leased Real Property have been installed and are operational and sufficient for the operation of the Business as currently conducted thereon.

(h) All certificates of occupancy, permits, licenses, franchises, approvals and authorizations (collectively, the "**Real Property Permits**") of all governmental authorities, board of fire underwriters, association or any other entity having jurisdiction over the Leased Real Property, which are required or appropriate to use or occupy the Leased Real Property or operate the Business as currently conducted thereon, have been issued and are in full force and effect. Section 4.9(h) of the Westcon Disclosure Schedules lists all Real Property Permits held by Westcon with respect to each parcel of Leased Real Property. Westcon has not received any notice from any governmental authority or other entity having jurisdiction over the Leased Real Property threatening a suspension, revocation, modification or cancellation of any Real Property Permit and there is no basis for the issuance of any such notice or the taking of any such action.

(i) The classification of each parcel of Leased Real Property under applicable zoning laws, ordinances and regulations permits the use and occupancy of such parcel and the operation of the Business as currently conducted thereon, and permits the Improvements located thereon as currently constructed, used and occupied. There are sufficient parking spaces, loading docks and other facilities at such parcel to comply with such zoning laws, ordinances and regulations.

(j) To Westcon's and Selling Shareholder's knowledge, the current use and occupancy of the Leased Real Property and the operation of the Business as currently conducted thereon do not violate any easement, covenant, condition, restriction or similar provision in any

instrument of record or other unrecorded agreement affecting such Leased Real Property. Neither of the Selling Shareholder or Westcon has received any notice of violation of any such documents, and there is no basis for the issuance of any such notice or the taking of any action for such violation.

(k) There are no taxes, assessments, fees, charges or similar costs or expenses imposed by any Governmental Authority, association or other entity having jurisdiction over the Leased Real Property with respect to any Leased Real Property or portion thereof which are delinquent.

(l) None of the Leased Real Property or any portion thereof is located in a flood hazard area (as defined by the Federal Emergency Management Agency).

(m) Westcon does not occupy or possess any real property pursuant to an oral lease.

4.10 Intellectual Property.

(a) “**Westcon Intellectual Property**” means all Intellectual Property used or held for use in, related to or which arise out of the Business or its products or services including, without limitation, the following:

(i) all trademarks, service marks, trade names, trade dress, product names, product configurations, slogans and logos, applications and registrations, including those listed in Section 4.10(a)(i) of the Westcon Disclosure Schedules, and corresponding foreign applications, registrations and rights thereto, whether or not registered (collectively, the “**Trademarks**”);

(ii) all source code, object code, design documentation and procedures for product generation and testing of all computer software and firmware, including the software and firmware listed in Section 4.10(a)(ii) of the Westcon Disclosure Schedules and including the software rules and algorithms, flowcharts, trade secrets, know-how, inventions, patents, copyrights, designs, technical processes, works of authorship and technical data included in or relating to the same (collectively, the “**Software**”); provided, however, that the terms “Software” and “Westcon Intellectual Property” do not include: (A) “shrink wrap” and “click wrap” software; (B) shareware and freeware software not incorporated in any of the Products or any of Westcon’s business systems; and (C) software and firmware that is owned by a third party and is the subject of a License to Westcon;

(iii) all product development projects planned as of the date of this Agreement, as listed in Section 4.10(a)(iv) of the Westcon Disclosure Schedules;

(iv) all Contracts by which: (i) Westcon uses Intellectual Property owned by a third party (other than (A) supply Contracts providing for the license solely of Intellectual Property not incorporated in any of the Products or any of Westcon’s business systems and (B) Contracts relating solely to “shrink wrap” or “click wrap” software); or (ii) a third party uses Intellectual Property owned by Westcon (other than Contracts relating solely to

“shrink wrap” or “click wrap” software); all as listed in Section 4.10(a)(v) of the Westcon Disclosure Schedules (collectively, the “*Licenses*”); and

(v) all internet, intranet and World Wide Web content, sites and pages, and all HTML and other code related thereto.

(b) Westcon does not own or license any patents or patent applications (or any division, continuation, continuation-in-part, continuing prosecution application, continued examination application, reinstatement, reexamination, revival, reissue, extension or substitution of any thereof) (collectively, the “*Patents*”). To Westcon’s and Selling Shareholder’s knowledge, Westcon owns or has the right to use (pursuant to written License) all of the Westcon Intellectual Property. Subject to the receipt or making of all Required Approvals specifically identified for this purpose in Section 4.4 of the Westcon Disclosure Schedules, each item of Westcon Intellectual Property will be owned or available for continued use by the Surviving Corporation immediately after the Effective Time, without the payment of any additional amounts to any third party (except as may be required subsequent to the Effective Time by the express terms of any License). Without making any representation or warranty as to the substantive patentability of the Intellectual Property, at the Effective Time and except as set forth in Section 4.10(b) of the Westcon Disclosure Schedules, all available Patent rights (other than Patents that are the subject of a License to Westcon) that may encompass any of the Software or any of the Products may be pursued exclusively by the Surviving Corporation, other than non-exclusive rights to third party software included within the Software or the Products.

(c) Westcon owns and the Surviving Corporation will continue to own immediately after the Effective Time, free and clear of all Encumbrances (other than Permitted Encumbrances), all Intellectual Property and other proprietary information, processes and formulae used in, related to or arising from the Business or otherwise necessary for the ownership, maintenance and use of the Products and the conduct of the Business, other than Intellectual Property that is owned by a third party and is the subject of a License to Westcon.

(d) To Westcon’s and Selling Shareholder’s knowledge, Westcon has not interfered with, infringed upon, misappropriated or otherwise violated (whether through the use of the Westcon Intellectual Property or otherwise) any Intellectual Property rights of any third party, and no Claim has been asserted (and is currently pending) or threatened by any Person as to the use of the Westcon Intellectual Property by Westcon or alleging any such interference, infringement, misappropriation or violation (including any such Claim that Westcon must license or refrain from using any Intellectual Property rights of any third party), and there is no valid basis for any such Claim, except for those Claims listed in Section 4.17 of the Westcon Disclosure Schedules. Except as set forth in Section 4.10(d) of the Westcon Disclosure Schedules, to Westcon’s and Selling Shareholder’s knowledge no third party has interfered with, infringed upon, misappropriated or otherwise violated any rights of Westcon with respect to the Westcon Intellectual Property. Westcon has made available to Transcat all infringement studies, including opinions of counsel, prepared by or on behalf of Westcon.

(e) Sections 4.10(a)(i) of the Westcon Disclosure Schedules identifies each trademark, service mark, trade name, trade dress, product name, slogan and logo currently used or held for use by Westcon in, related to or arising out of the Business. Westcon has made

available to Transcat correct and complete copies of all Trademarks, as amended to date, and correct and complete copies of all other written documentation evidencing ownership and prosecution (if applicable) of each Trademark. Except as set forth in Section 4.10(e) of the Westcon Disclosure Schedules, with respect to each Trademark:

(i) the item is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge nor is any of the foregoing threatened;

(ii) no Claim is pending or threatened which challenges the legality, validity, enforceability, use or ownership of the item;

(iii) except for standard terms and conditions contained in the ordinary course in Contracts with original equipment manufacturers, Westcon has not agreed to indemnify any Person for or against any interference, infringement, misappropriation or other violation with respect to the item; and

(iv) Westcon has not taken, or is aware of, any actions, including a sale or offer for sale, the disclosure of which could lead to the invalidity of any resulting Patent.

(f) Sections 4.10(a)(ii) and 4.10(a)(iv) of the Westcon Disclosure Schedules identifies all software, firmware (other than “shrink wrap” and “click wrap” software and shareware and freeware software not incorporated in any of the Products or any of Westcon’s business systems) and components thereof used or held for use by Westcon. Except as set forth in Section 4.10(f) of the Westcon Disclosure Schedules, with respect to each item of the Software:

(i) the item is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge nor is any of the foregoing threatened;

(ii) no Claim is pending or threatened in writing which challenges the legality, validity, enforceability, use or ownership of the item;

(iii) except for standard terms and conditions contained in the ordinary course in Contracts with original equipment manufacturers, Westcon has not agreed to indemnify any Person for or against any interference, infringement, misappropriation or other violation with respect to the item;

(iv) Westcon has, and the Surviving Corporation will continue to have, the full and exclusive right to claim all copyrights, trademarks and patent rights in the Software and to transfer all rights, title and interest thereto, including good will and the right to all damages and remedies for any past infringement;

(v) the Software as used by Westcon or its licensees does not infringe any copyright, patent, trademark, trade secret or other Intellectual Property rights of any third party; and there are no copyright, trademark, trade secret or patent Claims, asserted or threatened, by any third party, or any acts of Westcon upon the basis of which Westcon has any reason to believe that the Software will infringe any proprietary rights, including patent, copyright, trademark or trade secret of any third party;

(vi) no third party that is not duly authorized by Westcon is engaged in any activity which would constitute an infringement or misappropriation of any proprietary rights in the Software;

(vii) none of the Software contains any “back door,” “time bomb,” “Trojan Horse,” “worm,” “drop dead device,” “virus,” “trap” or other software routines designed to permit unauthorized access, to disable or erase software, hardware or data, or perform any other similar actions.

4.11 Tangible Assets.

(a) To Westcon’s and Selling Shareholder’s knowledge, all of the tangible assets owned or leased by Westcon (i) are free from defects (patent and latent), (ii) have been maintained in accordance with normal industry practice, is in good operating condition and repair, and (iii) are suitable for the purposes for which it presently is used and presently is proposed to be used.

(b) Section 4.11(b) of the Westcon Disclosure Schedules is a true, correct and complete listing of: (i) all material equipment, computer equipment and hardware, furniture, fixtures, vehicles, machinery, apparatus, media, tools, appliances, implements, supplies and other tangible personal property of Westcon as of June 30, 2008, together with the cost and depreciation recorded therefor; and (ii) all additions to and dispositions of the foregoing made between June 30, 2008 and the date hereof. Except as set forth in Section 4.11(b) of the Westcon Disclosure Schedules, to Westcon’s and Selling Shareholder’s knowledge, such assets are in a good state of repair and condition, ordinary wear and tear excepted.

(c) Section 4.11(c) of the Westcon Disclosure Schedules is a true, correct and complete listing as of the date hereof of all products of the Business, including all approved development projects (collectively, the “*Products*”).

4.12 Inventory.

(a) Westcon’s inventories consist of a quantity and quality historically useable or saleable in the Ordinary Course of Business. Westcon’s inventories in its balance sheet for the period ended June 30, 2008 and in its books and records are in material accordance with GAAP, with inventory recorded at a lower cost (determined on a first-in, first-out basis) or market.

(b) Westcon has provided to Transcat a list all suppliers, purchasing agents and third party manufacturers from or through whom Westcon has purchased inventory during the previous fiscal year and the current fiscal year. Westcon is not a party to any minimum purchase order arrangements with such suppliers, purchasing agents and third party manufacturers.

(c) Westcon has made available to Transcat a true and complete list of all purchase orders or commitments placed as of June 30, 2008 by it with suppliers, purchasing agents or manufacturers for the purchase of inventory and an accurate and complete breakdown and aging of Westcon’s accounts payable, in each case as of June 30, 2008.

(d) Neither Selling Shareholder nor Westcon has received notice that and neither Selling Shareholder nor Westcon have a basis for believing that any suppliers, purchasing agents or manufacturers listed in Section 4.12(d) of the Westcon Disclosure Schedules will or plans to terminate or cancel its relationship with Westcon at any time, including after the Closing.

(e) Section 4.12(e) of the Westcon Disclosure Schedules is a true, correct and complete listing, by category and volume level as of June 30, 2008, of all of Westcon's inventories of (i) Products and (ii) all other unused or reusable materials and supplies. All of such inventories have been properly costed and valued or properly reserved for, and properly presented in the Financial Statements, in all material respects. All of such inventories of Products, materials, stores and supplies are usable and fit for their intended purpose.

4.13 Environmental Matters.

Except as disclosed in Section 4.13 of the Westcon Disclosure Schedules, to Westcon's and Selling Shareholder's knowledge (a) none of the Real Property is in Violation of any Environmental Laws; (b) Westcon has not Released any Hazardous Substances in a manner that has resulted in a Violation of any Environmental Laws and there has been no such Release by any previous owner or operator of any of the Real Property; (c) none of the Real Property has (i) ever had any underground storage tanks, as defined in 42 U.S.C. section 6991(1)(A)(i), whether empty, filled or partially filled with any substance, or (ii) any asbestos or any material that contains any hydrated mineral silicate, including chrysolite, amosite, crocidolite, tremolite, anthophyllite and/or actinolite, whether friable or non-friable; (d) Westcon has not received any request for information, notice or order alleging that it may be a potentially responsible party under any Environmental Laws for the investigation or remediation of a Release or threatened Release of Hazardous Substances; (e) no event has occurred with respect to any of the Real Property which, with the passage of time or the giving of notice, or both, would constitute a Violation of or non-compliance with any applicable Environmental Law or Westcon Permit; (f) there is no Encumbrance (other than a Permitted Encumbrance), Claim or threat thereof relating to an alleged unauthorized Release of any Hazardous Substance on, about or beneath the Real Property (or any portion thereof), or the migration of any Hazardous Substance to or from property adjoining or in the vicinity of the Real Property, or alleging any obligation under Environmental Laws; and (g) Westcon holds all Westcon Permits required under any Environmental Law in connection with its use of the Real Property or the operation of the Business.

4.14 Employee Plans.

(a) Section 4.14(a) of the Westcon Disclosure Schedules lists: (i) all employment agreements, all employee benefit plans, and all other arrangements or understandings reduced to writing; and (ii) all employment agreements, all employee benefit plans, and all other arrangements or understandings explicit, implied or oral; in each case which Westcon has ever sponsored, maintained for the benefit of its employees, former employees, directors, officers, agents or, to which Westcon is a party or is or may be obligated to contribute, or by which Westcon is bound, including, without limitation: (A) all employee benefit plans within the meaning of section 3(3) of ERISA; (B) all profit sharing, deferred compensation,

bonus, stock option, stock purchase, stock incentive, stock appreciation rights, restricted stock, severance or incentive compensation plans, agreements or arrangements; (C) all plans, agreements or arrangements providing for “fringe benefits” or perquisites to employees, officers, directors or agents; and (D) all employment, consulting, termination or indemnification agreements (collectively, “*Employee Plans*”). Westcon has delivered to Transcat true, correct and complete copies of all Employee Plans, all related summary plan descriptions, the most recent determination letters received from the IRS, Form 5500 Annual Reports for the last five years (including all schedules and attachments thereto), all communications received from or sent to the IRS or the U.S. Department of Labor within the last five years (including any Forms 5330) with respect to any Employee Plan, the most recent financial reports and summary annual reports and, where applicable, summary descriptions of any Employee Plans not otherwise reduced to writing. Except as set forth in Section 4.14(a) of the Westcon Disclosure Schedules, there are no negotiations, demands or proposals that are pending or have been made since the respective dates of the Employee Plans which concern matters now covered, or that would be covered, by any Employee Plan. Westcon has maintained all employee data necessary to administer each Employee Plan, including all data required to be maintained under Sections 107 and 209 of ERISA, and such data are true and correct and are maintained in usable form.

(b) Except as set forth in Section 4.14(b) of the Westcon Disclosure Schedules, Westcon and each of the Employee Plans have complied and are in compliance in all respects with the applicable provisions of the Code, ERISA and all other applicable Laws. Westcon has performed in all respects all of their obligations under all of the Employee Plans, including the full payment when originally due of all amounts required to be made as contributions thereto or otherwise and the payment of all applicable Taxes.

(c) With respect to each Employee Plan that is an “employee benefit plan” within the meaning of section 3(3) of ERISA, or a “plan” within the meaning of section 4975(e)(1) of the Code, no transaction has occurred which is prohibited by section 406 of ERISA or which could give rise to liability under section 4975 of the Code or sections 502(i) or 409 of ERISA. None of the Employee Plans, nor any fiduciary thereof, has been the direct or indirect subject of an audit, investigation or examination by any Governmental Entity within the last five years. There are no Claims (other than routine undisputed Claims for benefits) pending or threatened against or arising out of any of the Employee Plans or the respective assets thereof and no facts exist which could give rise to any such Claims which could reasonably be expected to have, individually or in the aggregate, a material adverse effect on any Employee Plan, or a Material Adverse Effect.

(d) To Westcon’s and Selling Shareholder’s knowledge, each Employee Plan that is intended to qualify under section 401(a) of the Code is so qualified and has received a favorable determination letter from the IRS and such determination letter considers the Uruguay Round Agreements Act, the Small Business Job Protection Act of 1996, the Uniformed Services Employment and Reemployment Rights Act of 1994, the Taxpayer Relief Act of 1997, the Internal Revenue Service Restructuring and Reform Act of 1998, and the Community Renewal Tax Relief Act of 2000. Each Employee Plan that is intended to be qualified under Section 401(a) of the Code has been timely amended to reflect the provisions of

the Economic Growth & Tax Relief Reconciliation Act of 2001 and any other statutory or regulatory changes requiring amendments, and has been timely submitted for a determination letter regarding the provisions of the Economic Growth & Tax Relief Reconciliation Act of 2001 if the deadline for such submission has passed. No event has occurred that will or could give rise to the revocation of any applicable determination letter or the disqualification or loss of tax-exempt status of any such Employee Plan or trust under Sections 401(a) or 501(a) of the Code.

(e) Westcon does not maintain and has not at any time maintained, and does not and could not have any liability with respect to, any Employee Plan subject to Title IV of ERISA or Section 412 of the Code. No Employee Plan is or ever has been a “multiemployer plan” within the meaning of section 3(37) of ERISA. Westcon does not have or could have any liability with respect to a “multiemployer plan” as defined under section 3(37) of ERISA. No Employee Plan now holds or has heretofore held any stock or other securities issued by Westcon. Westcon has not established or contributed to, is required to contribute to or has or could have any liability with respect to any “voluntary employees’ beneficiary association” within the meaning of section 501(c)(9) of the Code, any “welfare benefit fund” within the meaning of section 419 of the Code, any “qualified asset account” within the meaning of section 419A of the Code, or any “multiple employer welfare arrangement” within the meaning of section 3(40) of ERISA.

(f) All group health plans of Westcon have been operated in compliance in all material respects with the group health plan continuation coverage requirements of sections 601 through 608 of ERISA and section 4980B of the Code, Title XXII of the Public Health Service Act, the Health Insurance Portability and Accountability Act of 1996, the Medicare Part D requirements of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 and the provisions of the Social Security Act, to the extent such requirements are applicable. Except to the extent required under section 4980B of the Code, Westcon does not provide health or welfare benefits (through the purchase of insurance or otherwise) for or to any retired employee, any former employee or any other individual who is not an employee, and there has been no communication to any employee, retired employee, former employee or other individual that could reasonably be expected to promise or guarantee any such benefits.

(g) Except with respect to statutory post-termination benefits arising under non-U.S. Laws and except as set forth in Section 4.14(g) of the Westcon Disclosure Schedules, no provision of any Employee Plan restricts the ability of Transcat or the Surviving Corporation to terminate the future accruals of obligations thereunder after the Effective Time; provided, however, that no such representation or warranty is made with respect to liabilities already accrued at the time of such termination.

(h) All reports, returns and similar documents with respect to each Employee Plan required to be filed with any Governmental Entity or distributed to any participant of any Employee Plan (including each Form 5500 required to be filed by Westcon) have been duly and timely filed or distributed in accordance with all applicable Laws.

(i) There has been no act or omission by Westcon with respect to any Employee Plan that has given rise or may give rise to fines, penalties, Taxes or related charges under the Code or ERISA or other applicable law, including but not limited to Sections 511, 4971, 4972, 4975, 4976, 4977, 4979, 4980B, 4980D, 4980E, 4980F or 6652 of the Code, or to any fine or civil penalty under Sections 502, 4069 or 4071 of ERISA.

(j) No condition exists as a result of which Westcon would have any liability, whether absolute or contingent, including any obligations under any Employee Plan, with respect to any misclassification of a Person performing services for Westcon as an independent contractor rather than as an employee.

(k) Except as described in Section 4.14(k) of the Westcon Disclosure Schedules, the consummation of the transactions contemplated by this Agreement will not entitle any Person to severance pay, and will not accelerate the time of payment or vesting, or increase the amount, of compensation due to any Person. Section 4.14(k) of the Westcon Disclosure Schedules lists all severance obligations of Westcon owed to any Person.

(l) Employee Plans which constitute “nonqualified deferred compensation plans” as defined by §409A of the Code have been administered in compliance with §409A or an exemption therefrom since January 1, 2005.

(m) Solely for purposes of this Section 4.14, all references to Westcon includes any Person which, together with Westcon, is considered an affiliated organization within the meaning of sections 414(b), 414(c), 414(m) or 414(o) of the Code or sections 3(5) or 4001(b)(1) of ERISA.

(n) Except as described in Section 4.14(n) of the Westcon Disclosure Schedules, Westcon does not provide to any of its non-U.S. employees any termination, severance, pension, healthcare or other benefits in excess of statutory requirements.

(o) Notwithstanding anything in this Agreement to the contrary, prior to Closing Westcon shall terminate the Westcon, Inc. 401(k) Profit Sharing Plan (the “**401(k) Plan**”) and any other Employee Plan intended to be qualified under Code Section 401(a) or 403(a).

4.15 Employment Matters.

Except as disclosed in Section 4.15 of the Westcon Disclosure Schedules, (a) Westcon is, and since June 30, 2000 has been, in compliance in all material respects with all Laws relating to affirmative action, employment, equal employment opportunity, nondiscrimination, immigration, wages, fringe benefits, wage supplements, hours or work, benefits, collective bargaining, the payment of social security and similar Taxes, occupational safety and health, employment termination, reductions in force or plant closings (collectively, “**Employment Laws**”) and with any contract or subcontract with any Governmental Entity or other Person; (b) Westcon has not experienced any strikes, grievances or asserted or threatened Claims of unfair labor practice; (c) Westcon has no knowledge of any organizational effort being made or threatened by or on behalf of any labor union with respect to any employees of Westcon; (d) there has not been, and there is not pending or existing or threatened, any strike, work stoppage, labor arbitration or proceeding in respect of the grievance of any employee, any application, complaint or unfair labor practice charge filed by an employee, union or works council with the National Labor Relations Board or any comparable Governmental Entity, organizational activity or other labor dispute against Westcon and the knowledge of Westcon and Goodhead, there is no basis for any such grievance, charge or complaint; (e) no application for certification of a

collective bargaining agent is pending or threatened; (f) there is no lockout of any employees by Westcon; (g) Westcon has withheld from the wages and salaries of its employees as is required by law and is not liable for any arrears of wages or any tax or penalty in connection therewith; (h) there are no Claims currently pending or to Westcon's and Selling Shareholder's knowledge threatened, against Westcon alleging the violation of any Employment Laws, or any other asserted or to Westcon's and Selling Shareholder's knowledge threatened Claim whatsoever, whether based in tort, contract or Law, arising out of or relating in any way to any Person's employment (actual or alleged), application for employment or termination of employment with Westcon and to the knowledge of Westcon, there is no basis for any such Claim; (i) no current or former employee of Westcon is owed by Westcon overtime pay (other than overtime pay for the current payroll period), wages or salary for any period other than the current payroll period, vacation, holiday or other time off or pay in lieu thereof (other than time off or pay in lieu thereof earned in respect to the current year); (j) Westcon is not, nor immediately after the Closing will be, liable for severance pay or any other payment of monies to any employee of Westcon as a result of the execution of this Agreement or Westcon's performance of its terms, or for any other reason in any way related to the consummation of the transactions contemplated hereby, including any change of ownership of Westcon; and (k) no Governmental Entity has found Westcon to be liable for the payment of Taxes, fines, penalties or other amounts, however designated, for failure to comply with any of Employment Laws.

4.16 Material Agreements.

(a) The term "**Material Agreements**" means all Contracts to which Westcon is a party which are, or contain provisions relating to, any of the following:

(i) any Contracts which are Leases of personal property to or from any Person;

(ii) any Contract (or group of related Contracts) for the purchase or sale of products, or other personal property, or for the furnishing or receipt of services, the performance of which will extend over a period of more than one year, result in a loss to any of Westcon, or involve consideration in excess of \$25,000 per annum;

(iii) any Contract concerning a partnership or joint venture;

(iv) any Contract (or group of related Contracts) under which it has created, incurred, assumed, or guaranteed any indebtedness for borrowed money, or any capitalized lease obligation, in excess of \$25,000 or under which it has imposed a Security Interest on any of its assets, tangible or intangible;

(v) any Contract with any officer or director of the Westcon and/or its Affiliates, or any entity in which any officer or director of Westcon, Selling Shareholder or any trustee or beneficiary of Selling Shareholder holds equity or any other economic interest;

(vi) any Contract concerning confidentiality or noncompetition;

(vii) collective bargaining agreements or other Contracts to or with any labor unions or other employee representatives, groups of employees, works councils or the like;

(viii) employment Contracts or other Contracts to or with individual current or prospective employees, consultants or agents (other than Contracts with Westcon's attorneys, accountants or advertising agencies that are cancelable without material penalty, cost or expense upon advance notice of 90 days or less);

(ix) the Leases;

(x) the Licenses;

(xi) Contracts by which Westcon indemnifies any Person;

(xii) Contracts by which Westcon warranties related to any Product;

(xiii) Contracts providing for the payment of royalties by Westcon based in any manner on the revenue or profits of Westcon;

(xiv) Contracts with obligations to supply parts or replacement parts for a period after termination of the Contract;

(xv) Contracts guaranteeing the debt of any third party;

(xvi) Contracts requiring the exclusive use of third party goods or services or containing a right of first refusal to a third party in the supply of goods or services;

(xvii) Contracts to acquire stock, merge or consolidate, or to create a joint venture;

(xviii) Contracts to borrow funds, except for trade payables incurred in the Ordinary Course of Business;

(xix) Contracts to lend to officers, employees or other third parties, except for accounts receivable incurred in the Ordinary Course of Business;

(xx) Contracts that require Westcon to maintain insurance; and

(xxi) other Contracts, if any: (A) the default of which could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect; or (B) which require consent or waiver in connection with consummation of the Merger, and the failure to obtain such consent or waiver could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) All of the Material Agreements are listed in the appropriate sections of the Westcon Disclosure Schedules. Except for the Material Agreements, Westcon is not a party to or bound by any Contract affecting in any material respect the operation of the Business. Without limiting the generality of the foregoing, Westcon is not a party to any Contract providing for guaranteed minimum payments in excess of \$10,000 for the 12-month period ending after the Effective Time which are not listed in the Westcon Disclosure Schedules.

(c) Westcon has made available to Transcat true and complete copies of each Material Agreement that is in written form (or, in the case of Material Agreements that are in standard form, true and complete samples of such standard forms), and true and complete written summaries of each Material Agreement that is oral, in each case as amended to date. To Westcon's and Selling Shareholder's knowledge, each of the Material Agreements constitutes the valid and legally binding obligation of Westcon and the other parties thereto, and is enforceable in accordance with its terms, except as the enforceability thereof may be limited by (i) bankruptcy, insolvency or other Laws relating to or affecting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Each of the Material Agreements constitutes the entire agreement of the respective parties thereto relating to the subject matter thereof. Except as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and except as set forth in Section 4.16(c) of the Westcon Disclosure Schedules, all obligations required to be performed under the terms of the Material Agreements have been performed, no act or omission has occurred or failed to occur which, with the giving of notice, the lapse of time or both would constitute a default under any of the Material Agreements or permit termination, modification or acceleration thereunder, and each of the Material Agreements is in full force and effect without default on the part of Westcon and any of the other parties thereto. Without limiting the generality of the foregoing, no written or oral notice of termination or default has been given or received by Westcon with respect to any Material Agreement.

(d) Except for the Required Approvals with respect to Material Agreements set forth in Section 4.4 of the Westcon Disclosure Schedules, no Contract to which Westcon is a party requires consent or waiver in connection with consummation of the Merger.

(e) With respect to each Lease: (i) there are no disputes, oral agreements or forbearance programs in effect; (ii) Westcon has not assigned, transferred, conveyed, mortgaged, deeded in trust or encumbered any interest in the leasehold represented by the Lease; and (iii) except as could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, Westcon has obtained all authorizations of Governmental Entities (including licenses and permits) required to be obtained in connection with their operation of the Business at the premises leased under the Lease, and have operated and maintained such premises in all material respects in accordance with applicable Laws.

(f) Section 4.16(f) of the Westcon Disclosure Schedules includes copies of the standard terms and conditions of sale or lease, purchase orders, contracts or agreements for Westcon (containing applicable guaranty, warranty, and indemnity provisions) (the "**Standard Westcon Contracts**"). All Standard Westcon Contracts are listed on Section 4.16(f) of the Westcon Disclosure Schedules. All Standard Westcon Contracts, in each case as amended to date, and, except as set forth in Section 4.16(f) of the Westcon Disclosure Schedules, the actual Standard Westcon Contracts do not, individually or in the aggregate, differ in any material respect from such samples with respect to limitations of liability, disclaimers of warranties and indemnities. Each of the Standard Westcon Contracts contains terms and conditions with respect to limitations of liability, disclaimers of warranties and indemnities which are standard and customary within the industry of the Business. To Westcon's and Selling Shareholder's knowledge, each of the Standard Westcon Contracts constitutes the valid and legally binding obligation of Westcon and the other parties thereto, and is enforceable in accordance with its

terms, except as the enforceability thereof may be limited by (i) bankruptcy, insolvency or other Laws relating to or affecting creditors' rights generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Each of the Standard Westcon Contracts constitutes the entire agreement of the respective parties thereto relating to the subject matter thereof. All material obligations required to be performed under the terms of the Standard Westcon Contracts have been performed, no act or omission has occurred or failed to occur which, with the giving of notice, the lapse of time or both would constitute a default under any of the Standard Westcon Contracts or permit termination, modification or acceleration thereunder, and each of the Standard Westcon Contracts is in full force and effect without default on the part of Westcon and any of the other parties thereto. Without limiting the generality of the foregoing, no written or oral notice of termination or default has been given or received by Westcon with respect to any Standard Westcon Contract.

4.17 Warranties.

All Products sold and services performed by the Business on or before the date hereof have been in conformity with written warranties and commitments and express and implied warranties of Westcon. As of June 30, 2008, the Business had no obligation or liability for replacement of any Products or other damages in connection therewith the result of which would have a Material Adverse Effect on the Business. As of the Closing Date, the Business will have no liability for replacement of any Products (or other damages in connection therewith) or for the performance of any services. No Product sold or services performed by the Business are subject to any contractual guaranty, warranty or other indemnity beyond the applicable standard terms and conditions of sale. Westcon has made available to Transcat copies of the standard terms and conditions of sale and for services performed used by the Business, which contain all applicable guaranty, warranty and indemnity provisions.

4.18 Litigation.

Except as set forth on Section 4.18 of the Westcon Disclosure Schedules, there is no Claim pending or threatened against or affecting Westcon (or any of their respective officers or directors in connection with the Business), which if adversely determined could reasonably be expected to have, individually or in the aggregate, an adverse effect on the consummation of the Merger, or a Material Adverse Effect, nor is there any judgment, injunction, decree, rule or order of any Governmental Entity outstanding against Westcon which could reasonably be expected to have, individually or in the aggregate, any such effect.

4.19 Tax Matters.

Except as set forth in Section 4.19 of the Westcon Disclosure Schedules:

(a) Westcon (or affiliated, unitary or combined group of which Westcon is or has been a member) has timely filed all federal, state, local and foreign income and franchise Tax returns, and all other material Tax returns that are required to be filed by it on or before the date hereof have been filed and all Taxes due shown on such returns have been paid; and the Financial Statements reflect an adequate accrual in accordance with GAAP, based on the facts

and circumstances existing as of the respective dates thereof, for all Taxes payable by Westcon through the respective dates thereof;

(b) as of the date hereof, there are no deficiencies for any Taxes proposed, asserted or assessed against Westcon, no requests for waivers of the time to assess any Taxes are pending;

(c) each of Westcon has complied with all Laws relating to the payment and withholding of Taxes and has withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor or other Person;

(d) to the extent that the Tax returns of Westcon has been examined by and settled with the IRS or other relevant taxing authority (or the applicable statute of limitations has expired), all assessments for Taxes due with respect to such completed and settled examinations or any concluded litigation have been fully paid;

(e) as of the date hereof, there are no Encumbrances for Taxes (other than for current Taxes not yet due and payable) on the assets of Westcon;

(f) Westcon is not bound by any Contract with any Person with respect to Taxes;

(g) Westcon has not constituted either a “distributing corporation” or a “controlled corporation” (within the meaning of section 355(a)(1) (A) of the Code) in a distribution of stock qualifying for tax-free treatment under section 355 of the Code (i) in the two years prior to the date of this Agreement or (ii) in a distribution which could otherwise constitute part of a “plan” or “series of related transactions” (within the meaning of section 355(e) of the Code) in conjunction with the Merger;

(h) Westcon has never been a member of an affiliated, unitary or combined group of corporations (within the meaning of section 1504 of the Code and any analogous provision of Law) other than an affiliated group in which Westcon was the common parent;

(i) Westcon has not filed a consent pursuant to the provisions of section 341(f) of the Code (or any corresponding provision of Law) or agreed to have section 341(f)(2) of the Code (or any corresponding provision of Law) apply to any disposition of any asset owned by it;

(j) Westcon has not agreed to make, or is required to make, any adjustment under section 481(a) of the Code or any similar provision of Law by reason of a change in accounting methods or otherwise;

(k) no property owned by Westcon is (i) property required to be treated as being owned by another Person pursuant to the provisions of section 168(f)(8) of the Internal Revenue Code of 1954, as amended, and in effect immediately prior to the enactment of the Tax Reform Act of 1986; (ii) “tax-exempt use property” within the meaning of section 168(h)(1) of the Code; (iii) “tax-exempt bond financed property” within the meaning of section 168(g) of the Code; or (iv) “limited use property” (as that term is used in Rev. Proc. 76-30);

(l) as of the date hereof, no audit or other administrative or court proceedings are pending with respect to Taxes of Westcon and no written notice thereof has been received; and no issue has been raised by any taxing authority in writing in any presently pending or prior audit, that could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect for any period after Closing;

(m) no asserted or threatened Claim has been made by a taxing authority in a jurisdiction where Westcon does not file Tax returns that Westcon is or may be subject to taxation in that jurisdiction;

(n) Westcon is not obligated under any Contract that provides for the payment of any amount which would not be deductible by reason of section 280G of the Code, nor will Westcon make any "excess golden parachute payment" under sections 280G or 4999 of the Code; and

(o) Westcon has delivered or made available to Transcat true and complete copies of (i) all income Tax returns of Westcon (or the portion of any affiliated, unitary or combined Tax return relating to Westcon) for the preceding three taxable years, and (ii) any audit report issued within the last three years (or otherwise with respect to any audit or proceeding in progress) relating to Taxes of Westcon.

4.20 Events Subsequent to June 30, 2008.

Except as disclosed in Section 4.20 of the Westcon Disclosure Schedules, Westcon has conducted their respective businesses only in the ordinary and usual course of business and no Material Adverse Effect has occurred with respect to Westcon. Without limiting the generality of the foregoing, except for as disclosed in Section 4.20 of the Westcon Disclosure Schedules, since June 30, 2008, Westcon has not:

(i) sold, leased, transferred, or assigned any of its assets, tangible or intangible, other than for a fair consideration in the Ordinary Course of Business;

(ii) entered into any Contract outside the Ordinary Course of Business;

(iii) accelerated, terminated, modified, or cancelled any Contract to which Westcon is a party or by which any of them is bound;

(iv) imposed any Security Interest upon any of its assets, tangible or intangible;

(v) made any Capital Expenditure (or series of related Capital Expenditures) more than \$10,000 in the aggregate;

(vi) made any capital investment in, any loan to, or any acquisition of the securities or assets of, any other Person (or series of related capital investments, loans, and acquisitions) more than \$10,000 in the aggregate;

- (vii) issued any note, bond, or other debt security or created, incurred, assumed, or guaranteed any indebtedness for borrowed money or capitalized lease obligation either involving more than \$5,000 singly or \$10,000 in the aggregate;
- (viii) delayed or postponed the payment of accounts payable or any other Liabilities;
- (ix) cancelled, compromised, waived, or released any right or claim (or series of related rights and claims) more than \$10,000 in the aggregate;
- (x) granted any license or sublicense of any rights under or with respect to any Intellectual Property;
- (xi) made or authorized any change in the charter or bylaws of Westcon;
- (xii) issued, sold, or otherwise disposed of any of its capital stock, or granted any options, warrants, or other rights to purchase or obtain (including upon conversion, exchange, or exercise) any of its capital stock;
- (xiii) declared, set aside, or paid any dividend or made any distribution with respect to its capital stock (whether in cash or in kind) or redeemed, purchased, or otherwise acquired any of its capital stock;
- (xiv) experienced any damage, destruction, or loss (whether or not covered by insurance) to its property more than \$10,000 in the aggregate;
- (xv) made any loan to, or entered into any other transaction with, Selling Shareholder, any Affiliate of Selling Shareholder or Westcon, or any of the directors, officers, or employees of Westcon or any of its Affiliates other than compensation in the Ordinary Course of Business;
- (xvi) entered into any employment contract or collective bargaining agreement, written or oral, or modified the terms of any existing such contract or agreement;
- (xvii) granted any increase in the base compensation of any of its directors, officers, and employees in excess of three percent (3%) per annum;
- (xviii) adopted, amended, modified, or terminated any bonus, profit sharing, incentive, severance, or other plan, contract, or commitment for the benefit of any of its directors, officers, and employees (or taken any such action with respect to any other Employee Benefit Plan);
- (xix) made any other change in employment terms for any of its directors, officers, and employees outside the Ordinary Course of Business;

(xx) made any change in its Tax or accounting principles, practices or methodologies (including, but not limited to, Tax or accounting elections);

(xxi) disclosed any material Confidential Information to any third party without appropriate legal protection;

(xxii) obtained new revolving loans or caused letters of credit to be issued, other than for the purchase of inventory or other working capital needs in the Ordinary Course of Business; and

(xxiii) committed to any of the foregoing.

4.21 Insurance.

Section 4.21 of the Westcon Disclosure Schedules sets forth the following information with respect to each insurance policy (including policies providing property, casualty, liability, and workers' compensation coverage and bond and surety arrangements) to which Westcon is a party, a named insured, or otherwise the beneficiary of coverage or under which Westcon has a pending claim or could make a claim:

(i) the name, address, and telephone number of the agent;

(ii) the name of the insurer, the name of the policyholder, and the name of each covered insured;

(iii) the policy number and the period of coverage; and

(iv) a description of any retroactive premium adjustments or other loss-sharing arrangements.

With respect to each such insurance policy in effect on the date hereof: (A) the policy is legal, valid, binding, enforceable, and in full force and effect; (B) nothing exists within the policy or has occurred that would preclude or interfere with the policy continuing after the consummation of the transactions contemplated hereby to be legal, valid, binding, enforceable, and in full force and effect on identical terms as exists after the consummation of the transactions contemplated hereby; (C) neither Westcon nor any other party to the policy is in breach or default (including with respect to the payment of premiums or the giving of notices), and no event has occurred which, with notice or the lapse of time, would constitute such a breach or default, or permit termination, modification, or acceleration, under the policy; and (D) no party to the policy has repudiated any provision thereof. Section 4.21 of the Westcon Disclosure Schedules describes any self-insurance arrangements affecting Westcon.

4.22 Notes Receivable and Accounts Receivable.

All notes receivable and accounts receivable of the Westcon are reflected properly on their books and records, are valid receivables, and are current and collectible. None of the notes receivables or accounts receivables of Westcon are subject to setoffs or counterclaim. No facts

exist which would entitle any Governmental Authority to exercise any rights of setoff or counterclaim against any notes receivable or accounts receivable of Westcon.

4.23 Customers; Suppliers; Accounts Payable.

(i) Westcon has made available to Transcat a listing backlog of all pending customer orders or commitments placed as of August 14, 2008 with Westcon.

(ii) Neither Westcon nor Selling Shareholder has any knowledge for believing any single sales representative, distributor, licensee, licensor, customer or any group of affiliated sales representatives, distributor, licensee, licensor or customers who represented five (5%) percent or more of the consolidated revenues of the Westcon during the twelve (12) months ended June 30, 2008, will or plans to terminate or cancel its relationship with Westcon. To Westcon's and Selling Shareholder's knowledge, there does not exist any condition, state of facts or circumstances that would cause any of such sales representatives, distributors, licensees, licensors or customers to terminate their relationships or for any prospective customers to refuse to consider a prospective relationship with Westcon. None of the business or prospective business of Westcon is in any manner dependent upon the making or receipt of any payments, discounts or other inducements to any officers, directors, employees, representatives or agents of any customer.

(iii) All accepted and unfulfilled orders for the sale of products entered into by Westcon and all outstanding contracts or commitments for the purchase of inventory, supplies and services by or from Westcon were made in bona fide transactions in the Ordinary Course of Business. There are no material claims against Westcon to return products as a result of alleged over-shipments, defective products or otherwise, or of products in the hands of customers, retailers, distributors or sales representative under an understanding that such products would be returnable. Section 4.23 of the Disclosure Schedules sets forth or references the terms of all product and service warranties and product return, sales credit, discount, warehouse allowance, advertising allowance, demo sales and credit policies of Westcon.

(iv) To Westcon's and Selling Shareholder's knowledge each product manufactured, sold, leased, or delivered by Westcon has been in conformity with all applicable contractual commitments and all express and implied warranties, and Westcon does not have any Liability for replacement or repair thereof or other damages in connection therewith except as disclosed on Section 4.23 of the Disclosure Schedules. No product manufactured, sold, leased, or delivered by Westcon is subject to any guaranty, warranty, or other indemnity beyond the applicable standard terms and conditions of sale or lease as set forth in the Standard Westcon Contracts.

(v) To Westcon's and Selling Shareholder's knowledge Westcon does not have any Liability arising out of or related to (i) any injury to individuals or property as a result of the ownership, possession, or use of any product manufactured, sold, leased, or delivered by Westcon, or (ii) returned products which were manufactured, sold, leased or delivered by Westcon.

4.24 Guaranties.

Except as set forth on Section 4.24 of the Westcon Disclosure Schedules, Westcon is not a guarantor or otherwise is liable for any Liability or obligation (including indebtedness) of any other Person.

4.25 Brokers or Finders.

No agent, broker, investment banker, financial advisor or other Person is or will be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement.

4.26 Investment Representations.

(i) Selling Shareholder is acquiring the Stock Merger Consideration for investment for his own account and not with a view to, or for resale in connection with, the distribution thereof in contravention of securities laws.

(ii) Selling Shareholder's knowledge and experience in financial and business matters are such that it is capable of evaluating the merits and risks of his acquisition of the Stock Merger Consideration. Transcat has made available to Selling Shareholder, their legal and tax counsel, and their advisors, prior to the date hereof, the opportunity to ask questions of, and to receive answers from, Transcat and its representatives, about Transcat and access to any information, documents, financial statements, records and books (1) relative to Transcat and its business and an investment in Transcat, and (2) necessary to verify the accuracy of any information furnished to Selling Shareholder, including, but not limited to, the risk factors set forth in Transcat's Annual Report on Form 10-K for the fiscal year ended March 29, 2008.

(iii) Selling Shareholder's financial condition is such that it can afford to bear the economic risk of holding the Stock Merger Consideration for an indefinite period of time and has adequate means for providing for its current needs and contingencies and to suffer a complete loss of his investment in the Stock Merger Consideration.

(iv) Selling Shareholder is an "accredited investor" as defined in Rule 501 under the Securities Act.

(v) Selling Shareholder has been advised that (A) the Stock Merger Consideration has not been registered under the Securities Act or other applicable securities laws, (B) the Selling Shareholder must continue to bear the economic risk of the investment in the Stock Merger Consideration unless they are subsequently registered under the Securities Act or an exemption from such registration is available, (C) when and if the Stock Merger

Consideration may be disposed of without registration in reliance on Rule 144 promulgated under the Securities Act, such disposition can be made only in limited amounts in accordance with the terms and conditions of such Rule, and (D) if the Rule 144 exemption is not available, public sale without registration will require compliance with an exemption under the Securities Act.

(vi) Selling Shareholder acknowledges that Transcat and its advisors will rely on the representations and warranties of Selling Shareholder contained in this Section for purposes of determining whether the issuance of the Stock Merger Consideration is exempt from registration under the Securities Act and other applicable securities laws.

(vii) Selling Shareholder is a resident of the State of Oregon.

4.27 Full Disclosure.

(i) All documents and other papers delivered by or on behalf of the Selling Shareholder or Westcon in connection with the transactions contemplated by this Agreement are accurate and complete in all material respects and are authentic. No representation or warranty of the Selling Shareholder or Westcon contained in this Agreement contains any untrue statement of a material fact or omits to state a fact necessary in order to make the statements in this Agreement, in light of the circumstances under which they were made, not misleading in any material respect.

(ii) All due diligence materials (“*Due Diligence*”) provided to Transcat by Selling Shareholder or Westcon were complete, truthful and accurate in all material respects. No representation or warranty of any Selling Shareholder or Westcon in the Due Diligence contains any material untrue statement or omits to state a material fact necessary in contained order to make the statements in this Agreement, in light of the circumstances under which they were made, not misleading.

(iii) Except as described in this Agreement, there is no fact known to the Selling Shareholder or Westcon (other than general economic or industry conditions) which Materially Adversely Affects or, so far as the Selling Shareholder or Westcon can reasonably foresee, materially threatens, the assets, business, prospects, financial condition or results of operations of Westcon as presently conducted.

ARTICLE 5.

REPRESENTATIONS AND WARRANTIES OF TRANSCAT

Transcat represents and warrants to Westcon as follows:

5.1 Organization, Standing and Power.

Transcat is a corporation duly organized, validly existing and in good standing under the Laws of the State of Ohio. Merger Sub is a corporation duly organized, validly existing and in good standing under the Laws of the State of Oregon. Each of Transcat and Merger Sub has all

requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted, and is duly qualified and in good standing to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its properties makes such qualification necessary, other than in such jurisdictions where the failure so to qualify could not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

5.2 Authority; Binding Effect.

Each of Transcat and Merger Sub has all requisite corporate power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of each of Transcat and Merger Sub. This Agreement has been duly executed and delivered by each of Transcat and Merger Sub and, assuming the due execution and delivery hereof by Westcon, constitutes the valid and binding obligation of each of Transcat and Merger Sub, enforceable against each of them in accordance with its terms, except as the enforceability hereof may be limited by (a) bankruptcy, insolvency or other Laws relating to or affecting creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). No vote of any security holder of Transcat is required in connection with the execution and delivery of this Agreement by Transcat or Merger Sub or the consummation of the transactions contemplated by this Agreement. Transcat has adopted this Agreement as the sole stockholder of Merger Sub.

5.3 No Conflict.

The execution and delivery of this Agreement by each of Transcat and Merger Sub does not, and the consummation of the transactions contemplated hereby and the fulfillment of the obligations and undertakings hereunder will not, result in any Violation of any provision of: (a) the certificate of incorporation or bylaws of Transcat or of Merger Sub; (b) any material Contract applicable to Transcat, Merger Sub or any of their respective assets; or (c) any Law applicable to Transcat, Merger Sub or any of their respective assets; except, in the case of Contracts and Laws, for Violations which could not reasonably be expected to have, individually or in the aggregate, any material adverse effect on the validity or enforceability of this Agreement or a Material Adverse Effect. No consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Entity is required by or with respect to Transcat or Merger Sub in connection with the execution and delivery of this Agreement by Transcat or Merger Sub or the consummation by each of Transcat and Merger Sub of the transactions contemplated hereby, except for: (i) filings and notices required under Competition Laws; (ii) the filing of such documents with, and the obtaining of such orders from, state authorities, including state securities authorities, that are required in connection with the transactions contemplated by this Agreement; (iii) the filing with Nasdaq (iii) the filing by the Secretary of State of the State of Oregon contemplated by Section 2.1; and (v) such consents, approvals, orders, authorizations or registrations the failure to obtain which could not reasonably be expected, individually or in the aggregate, to have any adverse effect on the validity or enforceability of this Agreement or a Material Adverse Effect.

5.4 Transcat SEC Documents.

Transcat has made available to Westcon a true, correct and complete copy of Transcat's Annual Report on Form 10-K for the year ended March 29, 2008, quarterly reports on Form 10-Q for the quarters ended December 27, 2007, September 29, 2007 and June 30, 2007, current reports on Form 8-K filed since March 31, 2007, and definitive proxy statement for the annual meeting of stockholders of Transcat held on August 21, 2007, in each case including all amendments thereof and all as filed by Transcat with the SEC (collectively, the "*Transcat SEC Documents*"). As of their respective dates, the Transcat SEC Documents complied in all material respects with the requirements of the Securities Act and the Exchange Act, and none of the Transcat SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The financial statements of Transcat included in the Transcat SEC Documents comply in all material respects with applicable accounting requirements and with the published rules and regulations of the SEC with respect thereto, have been prepared in accordance with GAAP (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as permitted by Form 10-Q of the SEC) and fairly present (subject, in the case of the unaudited statements, to normal, recurring audit adjustments), in all material respects, the consolidated financial position of Transcat and its consolidated Subsidiaries as at the dates thereof and the consolidated results of their operations and cash flows for the periods then ended.

5.5 Capital Structure, Merger Consideration.

(a) The authorized capital stock of Transcat consists of 30,000,000 shares of Transcat Common Stock.

(b) The Transcat Common Stock constituting the Stock Merger Consideration has been duly authorized and, if and when issued and delivered against receipt of the Exchanged Shares pursuant to this Agreement, will be duly authorized, validly issued, fully paid and non-assessable and not issued in Violation of any preemptive rights.

(c) Transcat will have at Closing sufficient cash equivalents to pay the Cash Merger Consideration and its costs related to this Agreement and the transactions contemplated hereby.

(d) Except as described in this Agreement or in the Transcat SEC Documents, there is no fact known to Transcat (other than general economic or industry conditions or other such conditions as may be outlined in the Transcat SEC Documents) which so far as Transcat can reasonably foresee, materially threatens, value of the Merger Consideration, the assets, business, prospects, financial condition or results of operations of Transcat as presently conducted.

5.6 Litigation.

Except as disclosed in the Transcat SEC Documents, there is no Claim pending or threatened against or affecting Transcat or any of its Subsidiaries (or any of their respective officers or directors in connection with the business of Transcat or any of its Subsidiaries), which

if adversely determined could reasonably be expected, individually or in the aggregate, to have an adverse effect on the consummation of the Merger or a Material Adverse Effect, nor is there any judgment, injunction, decree, rule or order of any Governmental Entity outstanding against Transcat or any of its Subsidiaries which could reasonably be expected, individually or in the aggregate, to have any such effect.

5.7 Brokers or Finders.

No agent, broker, investment banker, financial advisor or other Person is or will be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement.

ARTICLE 6.

COVENANTS OF TRANSCAT

6.1 Stock Exchange Listing.

In the event that the Merger Consideration is the Stock Merger Consideration, prior to the Closing Date, Transcat will use commercially reasonable efforts to cause the shares of Transcat Common Stock to be issued in the Merger, and those required to be reserved for issuance, to be listed on the Nasdaq.

ARTICLE 7.

ADDITIONAL COVENANTS OF EACH PARTY

7.1 Additional Agreements; Commercially Reasonable Efforts.

Subject to the terms and conditions of this Agreement, each of the parties agrees to use commercially reasonable efforts to take or cause to be taken all action, and to do or cause to be done all things necessary, proper or advisable under applicable Laws, to consummate and make effective the transactions contemplated by this Agreement, subject to Shareholder Approval, including cooperating fully with the other parties, providing information, making all necessary filings and giving all necessary notices in connection with, among other things, Competition Laws, the Securities Act, the Exchange Act and state securities Laws. Each of the parties will take or cause to be taken all reasonable actions necessary to obtain (and will cooperate with each other in obtaining) any consent, authorization, order or approval of, or any exemption by, any Governmental Entity or other public or private third party, required to be obtained or made by any of them in connection with the Merger or the taking of any action contemplated by this Agreement. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement or to vest the Surviving Corporation with full title to all properties, assets, rights, approvals, immunities and franchises of either of the Constituent Corporations, each party will reasonably cooperate to take all such necessary action.

7.2 Expenses.

Transcat and Westcon will each bear its respective legal, accounting and other expenses in connection with the transactions contemplated hereby, whether or not the Merger is consummated.

7.3 Other Actions.

Neither Westcon nor Transcat will, knowingly take any action that would or is reasonably likely to cause any of its representations and warranties set forth in this Agreement to be untrue as of the date made or any of the conditions to the Merger set forth in Article 8 not to be satisfied. Prior to the Effective Time, each of the parties will use commercially reasonable efforts to: (a) obtain the satisfaction of its conditions to Closing as set forth in Article 8 as soon as practicable; (b) facilitate contacts, negotiations and communications with any Persons reasonably necessary to insure a smooth transition of control of the Business; and (c) assist one another in obtaining any consents required or desirable from any Person to effect the consummation of the transactions contemplated hereby.

7.4 Confidentiality.

Transcat and Merger Sub (treated as one party for this purpose) and Westcon (each, the "**Receiving Party**") will, and will use commercially reasonable efforts to cause its Affiliates, employees, representatives and agents to, hold in strict confidence all Confidential Information of the other party (each, the "**Disclosing Party**"), unless compelled to disclose the same by judicial or administrative process or, in the opinion of counsel, by other Laws; provided, however, that in either such case the Receiving Party will provide the Disclosing Party with prompt prior notice thereof so that the Disclosing Party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Section. In the event that such protective order or other remedy is not obtained, or the Disclosing Party waives compliance with the provisions hereof, the Receiving Party will furnish only that portion of Confidential Information which, in the written advice of the Receiving Party's counsel, is required, and the Receiving Party will exercise commercially reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such of the disclosed Confidential Information as the Disclosing Party so designates. The Receiving Party will not otherwise disclose Confidential Information to any Person, except with the consent of the Disclosing Party. In the event that the Merger is not consummated, the Receiving Party will promptly return all Confidential Information to the Disclosing Party. For the purposes hereof, "**Confidential Information**" means all information of any kind concerning the Disclosing Party or any of its Affiliates, obtained directly or indirectly from the Disclosing Party or any of its Affiliates, employees, representatives or agents in connection with the transactions contemplated hereby, except information (a) ascertainable or obtained from public or published sources, (b) received from a third party not known by the Receiving Party to be under an obligation to keep such information confidential, (c) which is or becomes known to the public (other than through a breach of this Agreement), or (d) which was in the Receiving Party's possession prior to disclosure thereof to the Receiving Party and which was not subject to any obligation to keep such information confidential. The Receiving Party recognizes that any breach of the provisions of this Section would result in irreparable harm to the Disclosing Party and its Affiliates and, therefore, that the Disclosing Party will be entitled to an injunction to prohibit any such breach or

anticipated breach, without the necessity of posting a bond, cash or otherwise, in addition to all of its other legal and equitable remedies.

7.5 Publicity.

Neither Westcon nor Selling Shareholder shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of Transcat. In addition, Westcon and Selling Shareholder covenant and agree to cooperate with Transcat in connection with the preparation and making of any public disclosure by Transcat which Transcat elects to or is required to make by applicable Law or any listing or trading requirement concerning Transcat's publicly-traded securities.

7.6 Cooperation in Preparation of Audited Financial Statements and SEC Reports.

Westcon will cause its accounting firm to cooperate with Transcat and its independent public accounting firm in the preparation of audited financial statements required to be prepared and filed pursuant to the regulations promulgated under the Exchange Act. Westcon and Selling Shareholder agree to cooperate with Transcat in the preparation of all filings with the SEC in connection with this Agreement and the consummation of the Merger.

7.7 Restrictions on Certain Activities.

(a) Selling Shareholder shall not, during the period of time in which he is employed by Transcat or any Subsidiary of Transcat and for a period of five (5) years after the termination of his employment (for whatever reason), anywhere in the United States, Canada or Mexico, directly or indirectly, as a partner, joint venturer, investor, lender, manager, licensor, manufacturer, retailer or otherwise, engage in any business that engages in any activity which is competitive with the Business or the businesses operated by Transcat or its Subsidiaries, or own stock or otherwise have an ownership interest in any person, corporation, firm, partnership or other entity engaged in any such business.

(b) Selling Shareholder will not, during the period of time in which he is employed by Transcat or any Subsidiary of Transcat and for a period of five (5) years after the termination of his employment (for whatever reason), hire or offer to hire (as an employee, independent contractor or otherwise) any person who on the date hereof is a director, officer or employee of Transcat or any of its Subsidiaries, including Merger Sub.

(c) Selling Shareholder agrees that a violation of Section 7.7(a) or 7.7(b) will cause irreparable injury to Transcat and Merger Sub, and Transcat and Merger will be entitled, in addition to any other rights and remedies it may have at law or in equity, to apply for an injunction enjoining and restraining Selling Shareholder, as the case may be, from doing or continuing to do any such act and any other violations or threatened violations of Section 7.7 hereof without the necessity of posting a bond or undertaking.

(d) Selling Shareholder agrees that a violation of this Section 7.7 will cause irreparable injury to Transcat and Merger Sub, and Transcat and Merger Sub will be entitled, in addition to any other rights and remedies it may have at law or in equity, to apply for and have

issued an injunction enjoining and restraining Selling Shareholder from doing or continuing to do any such act and any other violations or threatened violations of this Section 7.7. Selling Shareholder acknowledges and agrees that the covenants set forth in this Section 7.7 are reasonable and valid in geographical and temporal scope and in all other respects. If any of such covenants are found to be invalid or unenforceable by a final determination of a court of competent jurisdiction (i) the remaining terms and provisions hereof shall be unimpaired and (ii) the invalid or unenforceable term or provision shall be deemed replaced by a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision. In the event that, notwithstanding the first sentence of this Section 7.7(d), any of the provisions of this Section 7.7 relating to the geographic or temporal scope of the covenants contained therein or the nature of the business restricted thereby shall be declared by a court of competent jurisdiction to exceed the maximum restrictiveness such court deems enforceable, such provision shall be deemed to be replaced herein by the maximum restriction deemed enforceable by such court.

(e) Notwithstanding any contrary provision contained in this Agreement, the restrictions set forth in this Section shall expire upon any failure of Transcat or Merger Sub to pay any undisputed amount under this Agreement or the Earn Out Agreement, which failure is not cured within fifteen (15) days after written notice of such non-payment by Selling Shareholder. Selling Shareholder acknowledges and agrees that exercise of Transcat's and Merger Sub's rights under Section 9.6 of this Agreement shall not be deemed a failure to make payment to Selling Shareholder and the terms of this Section shall not expire upon the exercise of such rights.

ARTICLE 8.

CONDITIONS PRECEDENT TO PARTIES' OBLIGATIONS

8.1 Conditions to Each Party's Obligation to Effect the Merger.

The respective obligations of Westcon, Transcat and Merger Sub to effect the Merger are subject to the satisfaction prior to the Closing Date of each of the following conditions:

(a) **Nasdaq Listing.** The shares of Transcat Common Stock issuable to Selling Shareholder in the Merger will have been authorized for listing on the Nasdaq upon official notice of issuance.

(b) **Governmental Approvals.** Other than the filing provided for by Section 2.1, all licenses, franchises, certificates, permits, accreditations, authorizations, consents, orders or approvals of, or registrations, declarations or filings with, or expirations of waiting periods imposed by, any Governmental Entity the failure to obtain which would materially delay, prevent or hinder the consummation of the Merger, will have occurred, been filed or been obtained, including any authorizations, filings or notices required under Competition Laws; and, in the event that the Merger Consideration is the Stock Merger Consideration, Transcat will have received all state securities or "Blue Sky" permits and other authorizations necessary to issue the Transcat Common Stock in exchange for the Westcon Common Stock and to consummate the Merger.

(c) **No Injunctions or Restraints.** No temporary restraining order, preliminary or permanent injunction or other order or Law issued by any court of competent jurisdiction or other Governmental Entity, or other legal restraint or prohibition, preventing the consummation of the Merger will be in effect.

8.2 Conditions to Obligations of Transcat and Merger Sub.

The obligations of Transcat and Merger Sub to effect the Merger are subject to the satisfaction of the following additional conditions, unless waived by Transcat:

(a) **Representations and Warranties.** The representations and warranties of Westcon set forth in this Agreement will be true and correct in all respects (without regard to any qualifications as to materiality or a Material Adverse Effect), in each case as of the date of this Agreement and as of the Closing Date, with the same force and effect as if made on and as of the Closing Date, in each case except for representations and warranties that speak only as of a specific date, which will have been true and correct as of such date (it being understood that for purposes of determining the accuracy of such representations or warranties, any updates or amendments to the Westcon Disclosure Schedules not made in accordance with the provisions of Section 11.3 will be disregarded); and Transcat will have received a certificate to such effect signed on behalf of Westcon by its Certifying Officers.

(b) **Performance of Obligations of Westcon.** Westcon will have performed in all respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date, and Transcat will have received a certificate to such effect signed on behalf of Westcon by its Certifying Officers.

(c) **No Material Adverse Effect.** Between the date hereof and the Closing Date, there will not have occurred or been discovered one or more events or conditions which have, or which may reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, and Transcat will have received a certificate to such effect signed on behalf of Westcon by its Certifying Officers.

(d) **No Amendments to Resolutions.** The board of directors of Westcon will not have amended, modified, rescinded or repealed the resolutions heretofore adopted by the board of directors which approve this Agreement, the consummation of the Merger and the performance of all of Westcon's and the board of directors' obligations hereunder, and will not have adopted any other resolutions in connection with this Agreement and the transactions contemplated hereby inconsistent with such resolutions, and Transcat will have received a certificate to such effect signed on behalf of Westcon by its Certifying Officers.

(e) **Certificates of Incorporation.** With respect to Westcon, Transcat will have received a copy, certified as of a date reasonably proximate to the Closing Date by the Secretary of State (or other appropriate Governmental Entity) of its jurisdiction of organization, of its complete certificate of incorporation (or similar organizational document), including all amendments to date.

(f) Consents Under Agreements. Westcon will have obtained the consent or approval of each Person whose consent or approval is required in order to permit the continuation or succession by the Surviving Corporation pursuant to the Merger to any obligation, right or interest of Westcon under any Intellectual Property or Contract.

(g) Termination of Existing Lease Agreement; New Lease Agreement. Selling Shareholder, Jan M. Goodhead and Westcon shall have executed and delivered a termination agreement for the Lease of the commercial real estate located at 14058 and 14050 S.W. Milton Court, Portland, Oregon among Westcon, Selling Shareholder and Jan. M. Goodhead dated March 1, 2006 in the form attached hereto as Exhibit B. In addition, Selling Shareholder, Jan M. Goodhead and Merger Sub shall have executed and delivered a lease agreement substantially in the form attached hereto as Exhibit C.

(h) Earn-Out Agreement. Transcat and Selling Shareholder will have executed and delivered the Earn-Out Agreement in substantially the same form as Exhibit D.

(i) Westcon Debt Payoff Letter. Westcon shall deliver to Transcat, no less than three (3) days prior to Closing, the Pay-Off Letter for all Westcon Debt in a form satisfactory to Transcat.

(j) Termination of Employee Plans and 401(k) Plan. Westcon shall have delivered resolutions of its Board of Directors terminating the 401(k) Plan and any other Employee Plan intended to be qualified under Code Section 401(a) or 403(a) and provide Transcat with written evidence of such termination in a form satisfactory to Transcat.

(k) Other Closing Deliveries. Transcat will have received the following:

(i) reasonable evidence of satisfaction of the covenants contained in Article 6;

(ii) duly executed resignations of all directors and officers of Westcon (in those capacities and not as employees), except to the extent the same is not permitted by non-U.S. Law or custom; and

(iii) certificates of good standing as of a date reasonably proximate to the Closing Date with respect to Westcon from the respective Secretaries of State (or other appropriate Governmental Entities) of its jurisdiction of organization and each other jurisdiction listed in Section 4.1 of the Westcon Disclosure Schedules.

8.3 Conditions to Obligations of Westcon.

The obligation of Westcon to effect the Merger is subject to the satisfaction of the following additional conditions, unless waived by Westcon:

(a) Representations and Warranties. The representations and warranties of Transcat set forth in this Agreement that are qualified as to materiality or a Material Adverse Effect will be true and correct, and those that are not so qualified will be true and correct in all material respects, in each case as of the date of this Agreement and as of the Closing Date, with

the same force and effect as if made on and as of the Closing Date, in each case except for representations and warranties that speak only as of a specific date, which will have been true and correct as of such date; and Westcon will have received a certificate to such effect signed on behalf of Transcat by its Certifying Officer.

(b) Performance of Obligations of Transcat and Merger Sub. Transcat and Merger Sub will have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Closing Date, and Westcon will have received a certificate to such effect signed on behalf of Transcat by its Certifying Officer.

ARTICLE 9. INDEMNIFICATION

9.1 Survival.

The representations and warranties in this Agreement (other than the representations and warranties contained in Sections 4.1 (Organization, Standing and Power), 4.2 (Capital Structure) (Authority; Binding Effect), 4.8 (Assets; Title; Absence of Liens and Encumbrances), 4.10 (Intellectual Property), 4.13 (Environmental Matters), 4.14 (Employee Plans), 4.15 (Employment Matters), 4.19 (Tax Matters), 4.27 (Investment Representations), 4.28 (Full Disclosure), 5.1 (Organization, Standing and Power) and 5.2 (Authority; Binding Effect) (collectively, the “Surviving Representations and Warranties”) which shall survive the Closing indefinitely) shall survive the Closing until the eighteen (18) month anniversary of the Closing, at which time they shall terminate; provided that a claim based on the Surviving Representations and Warranties, any claim based on fraud by Selling Shareholder or Westcon in connection with this Agreement or any other agreements delivered in connection herewith and any claim based on fraud by Transcat or Merger Sub in connection with this Agreement shall survive the Closing indefinitely, subject to any applicable statute of limitations. Notwithstanding the foregoing, if prior to the stated expiration of any representation and warranty there shall have been given notice of an indemnification claim by a Person, such Person shall continue to have the right to such indemnification with respect to such noticed claim notwithstanding such expiration.

9.2 Indemnification by Westcon and Selling Shareholder.

From and after the Closing Date, Westcon and Selling Shareholder shall jointly and severally indemnify, save and hold harmless Transcat and Merger Sub, and their respective directors, officers and stockholders and Representatives, or any of them (collectively, “*Transcat Indemnitees*”) from and against any and all Losses asserted against, resulting to, imposed on, sustained, incurred or suffered by any of them based upon, arising out of, related to or otherwise in respect of any of the following (including any action, suit or proceeding based upon, arising out of, related to or otherwise in respect of any thereof):

(a) the inaccuracy in or breach of any representation or warranty of Westcon or Selling Shareholder contained in Article 4 or any certificate delivered by Westcon or Selling Shareholder to Transcat and Merger Sub in connection with this Agreement;

(b) any failure to perform or observe or any breach of any covenant or agreement made by Westcon or Selling Shareholder or any of their respective Affiliates in this Agreement or any other agreement delivered by Westcon or Selling Shareholder; and

(c) any undisclosed Liability of Westcon or Selling Shareholder.

9.3 Indemnification by Transcat.

From and after the Closing Date, Transcat shall indemnify, save and hold harmless Selling Shareholder and his heirs and beneficiaries (collectively, "**Selling Shareholder Indemnitees**") from and against any and all Losses asserted against, resulting to, imposed on, sustained, incurred or suffered by any them based upon, arising out of, related to or otherwise in respect of any of the following (including any action, suit or proceeding based upon, arising out of, related to or otherwise in respect of any thereof):

(a) the inaccuracy in or breach of any representation or warranty by Transcat contained in Article 5 or any certificate delivered by Transcat in connection with this Agreement; and

(b) any failure to perform or observe or any breach of any covenant or agreement made by Transcat or Merger Sub or any of their respective Affiliates in this Agreement.

9.4 Notice of Claims.

Except as provided in Section 9.5, if any Transcat Indemnitee or Selling Shareholder Indemnitee (an "**Indemnified Party**") believes that it has suffered or incurred any Losses for which it is entitled to indemnification under this Article 9, such Indemnified Party shall so notify the Party from whom indemnification is being claimed (the "**Indemnifying Party**") with reasonable promptness and reasonable particularity in light of the circumstances then existing. If any claim is instituted by or against a third party with respect to which any Indemnified Party intends to claim indemnification under this Article 9, such Indemnified Party shall promptly notify the Indemnifying Party of such claim. The notice provided by the Indemnified Party to the Indemnifying Party shall describe the claim (the "**Asserted Liability**") in reasonable detail and shall indicate the amount (or an estimate) of the Losses that have been or may be suffered by the Indemnified Party. The failure of an Indemnified Party to give any notice required by this Section 9.4 shall not affect any of the Indemnified Party's rights under this Article 9 or otherwise except and to the extent that such failure is prejudicial to the rights or obligations of the Indemnifying Party.

9.5 Opportunity to Defend Third Party Claims.

(a) Any Indemnifying Party will have the right to defend the Indemnified Party against any third party claim for which it is entitled to indemnification from such Indemnifying Party under this Article 9 with counsel reasonably satisfactory to the Indemnified Party so long as (i) any of the Indemnifying Parties notifies the Indemnified Party in writing within twenty (20) days after the Indemnified Party has given notice of the third party claim that

all of the Indemnifying Parties will indemnify the Indemnified Party from and against the entirety of Losses the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of or caused by the third party claim, (ii) the Indemnifying Parties provide the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Parties will have the financial resources to defend against the third party claim and fulfill their indemnification obligations hereunder, (iii) the third party claim involves only money damages and does not seek an injunction or other equitable relief, (iv) settlement of, or an adverse judgment with respect to, the third party claim is not, in the good faith judgment of the Indemnified Party, likely to establish a precedential custom or practice materially adverse to the continuing business interests of the Indemnified Party, and (v) the Indemnifying Parties diligently conduct the defense of the third party claim.

(b) Notwithstanding the foregoing, without the prior consent of the Indemnified Party, the Indemnifying Parties shall not settle or compromise any third party claim or consent to the entry of a judgment in connection therewith that: (i) does not provide for the claimant to give an unconditional release to the Indemnified Party in respect of the Asserted Liability; (ii) involves relief other than monetary damages; (iii) places restrictions or conditions on the operation of the business of the Indemnified Party or any of its Affiliates; or (iv) involves any finding or admission of criminal liability or of any Laws.

(c) So long as the Indemnifying Party has undertaken to conduct the defense of the third party claim in accordance with Section 9.5(a), (i) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the third party claim, (ii) the Indemnified Party will not consent to the entry of any judgment or enter into any settlement with respect to the third party claim without the prior written consent of the Indemnifying Party, and (iii) the Indemnifying Party shall keep the Indemnified Party reasonably informed as to the status of the claim for which it is providing a defense. Notwithstanding the foregoing or Section 9.5(a), in the event that (w) any of the conditions in Section 9.5(a)(i) is or becomes unsatisfied or; (x) the Indemnifying Party shall not have employed counsel reasonably satisfactory to the Indemnified Party to defend such action within thirty (30) days after the Indemnifying Party notifies the Indemnified Party of its intent to defend against the Asserted Liability; (y) the Indemnified Party shall have reasonably concluded, based upon written advice of counsel, that it has defenses available to it that are different from or additional to those available to the Indemnifying Party (in which case the Indemnifying Party shall not have the right to direct the defense of such action on behalf of the Indemnified Party with respect to such different defenses); or (z) representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between such Indemnified Party and any other party represented by such counsel in such proceeding, then the Indemnified Party may defend against the third party claim in any manner it may deem appropriate and, the Indemnifying Parties will be responsible for the Indemnified Party's costs of defending against the third party claim (including reasonable attorneys' fees and expenses), and the Indemnifying Parties will remain responsible for the entirety of the Losses the Indemnified Party may suffer resulting from, arising out of or caused by the third party claim.

9.6 Recoupment From Cash Merger Consideration.

Any indemnification to which a Transcat Indemnified Party is entitled under this Agreement as a result of any Losses it may suffer shall first be made as a payment to such Transcat Indemnified Party from the next payment of Merger Cash Consideration to be made to the Selling Shareholder hereunder, which shall reduce such Merger Cash Consideration payments accordingly until such Losses are indemnified in full. To the extent that the aggregate amount of such indemnification exceeds the future Merger Cash Consideration payments to be received by the Selling Shareholder, the Transcat Indemnified Party(ies) may reduce the amount, if any due owing, to Selling Shareholder under the Earn-Out Agreement. To the extent that the aggregate amount of such indemnification exceeds both the future Merger Cash Consideration payments and the amounts under the Earn-Out Agreement, may recoup such unpaid Losses from the Selling Shareholder directly. Any indemnification payment or set-off against the Merger Consideration made pursuant to this Article 9 shall be treated, to the extent permitted or required by Laws, by all Parties as an adjustment to the Purchase Price.

ARTICLE 10. TERMINATION

10.1 Termination.

This Agreement may be terminated at any time prior to the Effective Time, whether before or after Shareholder Approval:

(a) by mutual consent of Selling Shareholder and Transcat;

(b) by Transcat, upon notice to Selling Shareholder, if (without any breach by Transcat of any of its obligations hereunder) compliance with any condition set forth in Sections 8.1 or 8.2 becomes impossible, and such failure of compliance is not waived by Transcat;

(c) by Westcon, upon notice to Transcat, if (without any breach by Westcon of any of its obligations hereunder) compliance with any condition set forth in Sections 8.1 or 8.3 becomes impossible, and such failure of compliance is not waived by Westcon;

(d) by Transcat or by Westcon, upon notice to the other, at any time after _____ if Closing has not occurred by that date (except that the right to terminate under this Section 10.1(d) will not be available to any party whose failure to perform its obligations hereunder has been the cause of the failure of Closing to occur by such date); or

(e) by Transcat, upon notice to Selling Shareholder in the event the Selling Shareholder or Westcon breaches any representation, warranty, or covenant contained in this Agreement in any respect, Transcat has notified the Selling Shareholder of the breach, and the breach has continued without cure for a period of thirty (30) days after the notice of breach.

10.2 Effect of Termination.

In the event of termination of this Agreement by any party, this Agreement will immediately become void and of no effect, and there will be no liability or obligation on the part of Transcat, Merger Sub, Westcon or any of their respective officers or directors to any other

party hereto, except (a) as otherwise provided by Section 9.3, and (b) in the case of willful material breach of this Agreement.

ARTICLE 11. IN GENERAL

11.1 Amendment; Waiver.

This Agreement may not be amended except by an instrument in writing signed by each of the parties. No waiver of compliance with any provision or condition hereof, and no consent provided for herein, will be effective unless evidenced by an instrument in writing duly executed by the party sought to be charged therewith. No failure on the part of any party to exercise, and no delay in exercising, any of its rights hereunder will operate as a waiver thereof, nor will any single or partial exercise by either party of any right preclude any other or future exercise thereof or the exercise of any other right.

11.2 Notices.

Each notice and other communication given hereunder will be in writing and will be deemed given when delivered personally, sent by telecopier (receipt of which is confirmed), or mailed, freight prepaid, by internationally recognized overnight courier (with receipt confirmed) to the party for which it is intended at the following address (or at such other address for a party as is specified by like notice):

(a) if to Westcon prior to the Effective Time, to:

Westcon, Inc.
14058 SW Milton Court
Portland, Oregon 97224
Attention: David Goodhead
Fax: 508-598-4545

with a copy (which will not constitute notice) to:

Kivel & Howard, LLP
111 SW Fifth Avenue, Suite 1775
Portland, Oregon 97204
Attention: Scott Howard
Fax: 503-802-4757

(b) if to Transcat or Merger Sub, or to the Surviving Corporation after the Effective Time, to:

c/o Transcat, Inc.
35 Vantage Point Drive
Rochester, New York 14624
Attention: Chief Executive Officer, President and Chief Operating Officer
Fax: 585-352-7788

and to:

Transcat, Inc.
35 Vantage Point Drive
Rochester, New York 14624
Attention: Chief Executive Officer
Fax: 585-352-7788

with a copy (which will not constitute notice) to:

Harter, Secrest & Emery LLP
1600 Bausch & Lomb Place
Rochester, New York 14604-2711
Attention: James M. Jenkins
Fax: (585) 232-2152

11.3 Westcon Disclosure Schedules and Other Instruments.

The Westcon Disclosure Schedules, each certificate provided hereunder and each written disclosure required hereby is incorporated by reference into this Agreement and will be considered a part hereof as if set forth herein in full; provided, however, that information set forth in the Westcon Disclosure Schedules or in any certification or written disclosure constitutes a representation and warranty of the party providing the same, and not the mutual agreement of the parties as to the facts therein stated. The Westcon Disclosure Schedules may not be amended or updated after the date of its delivery, except by the written agreement of Transcat.

11.4 Inferences.

Inasmuch as this Agreement is the result of negotiations between sophisticated parties of equal bargaining power represented by counsel, no inference in favor of or against any party will be drawn from the fact that any portion of this Agreement has been drafted by or on behalf of such party.

11.5 Governing Law; Jurisdiction and Venue.

This Agreement will be governed by and construed in accordance with the Laws of the State of New York without regard to its principles of conflicts of laws. The parties agree that the sole and exclusive forum for any Claim related to this Agreement, the interpretation or construction hereof and the transactions contemplated hereby will be the Supreme Court of and for the County of Monroe, State of New York. Each party unconditionally and irrevocably agrees not to bring any Claim in any other forum and not to plead or otherwise attempt to defeat the trial of such a matter in such court whether by asserting that such court is an inconvenient forum, lacks jurisdiction (personal or other) or otherwise. Each Party hereby waives the right to a trial by jury.

11.6 Assignment.

Neither this Agreement nor any of the rights, interests or obligations hereunder may be assigned by any of the parties (whether by operation of Law or otherwise) without the prior written consent of the other parties, except that Merger Sub may assign, in its sole discretion, any or all of its rights, interests and obligations hereunder to any direct wholly-owned Subsidiary of Transcat.

11.7 Benefit.

Subject to express provisions herein to the contrary, this Agreement will inure to the benefit of and be binding upon the parties hereto and their respective legal representatives, successors and permitted assigns.

11.8 Entire Agreement; Rights of Ownership.

This Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. The parties acknowledge that no party or other Person will have the right to acquire or will be deemed to have acquired shares of the capital stock of any other party pursuant to the Merger until the Effective Time.

11.9 Headings.

The heading references herein and the tables and indexes hereto are for convenience purposes only, do not constitute a part of this Agreement and will not be deemed to limit or affect any of the provisions hereof.

11.10 Counterparts.

This Agreement, and any document or instrument required or permitted hereunder, may be executed in counterparts, each of which will be deemed an original and all of which together will constitute but one and the same instrument.

11.11 Independent Counsel. The parties covenant and agree that they have carefully read this Agreement, know its contents, and freely and voluntarily agree to all of its terms and conditions. Each party acknowledges that it has had the opportunity to engage independent legal counsel of its choice throughout all the negotiations that preceded the execution of this Agreement, and each party acknowledges that it was given the opportunity to seek the consent and advice of independent legal counsel prior to the execution of this Agreement and consummation of the transactions contemplated herein. Each party shall bear its own legal fees incurred as a result of the preparation, review and negotiation of this Agreement.

11.12 Cooperation Following the Closing. Following the Closing, each party hereto shall deliver to the other parties hereto such further information and documents and shall execute and deliver to the other parties hereto such further instruments and agreements as any other party hereto shall reasonably request to consummate or confirm the transactions provided for in this

Agreement, to accomplish the purpose of this Agreement or to assure to any other party hereto the benefits of this Agreement.

[signature page follows]

In Witness Whereof, each of Transcat, Merger Sub, Westcon and Selling Shareholder have caused this Agreement and Plan of Merger to be duly executed and delivered as of the date first above written.

TRANSCAT, INC.

By: /s/ Charles P. Hadeed
Name: Charles P. Hadeed
Title: President, Chief Executive Officer and
Chief Operating Officer

TRANSCAT ACQUISITION CORP.

By: /s/ Charles P. Hadeed
Name: Charles P. Hadeed
Title: President, Chief Executive Officer and
Chief Operating Officer

WESTCON, INC.

By: /s/ David D. Goodhead
Name: David D. Goodhead
Title: President

/s/ David D. Goodhead
DAVID GOODHEAD,
Sole Shareholder of Westcon, Inc.



LEASE ADDENDUM

THE LEASE dated October 5, 1998 made by and between **Gallina Development Corporation**, 84 Humboldt Street, Rochester, New York 14609, (LESSOR), and **Transcat, Inc.**, formerly known as, Transmation, Inc., 35 Vantage Point Drive, Rochester, New York 14624, (LESSEE), effective April 1, 1999, amended March 5, 1999 and expiring on March 31, 2009 covering premises known and designated as

Being a parcel of land, with improvements, located on the south side of Vantage Point Drive, Lot R-1A of the Vantage Point Business Centre Resubdivision (the "Property"), together with the 27,250 square foot office and warehouse building thereon, being identified as 35 Vantage Point Drive.

Is hereby amended and will continue under the same terms and conditions in said LEASE with the following exceptions:

- 1) The term of the Lease shall be extended from April 1, 2009 thru and including March 31, 2019.
- 2) Effective on or about September 1, 2008, the Demised Premises shall be expanded by 10,000 sq. ft. of office/warehouse space (the "Building Addition"), to total 37,250 sq. ft., as shown on the attached Site Plan (Exhibit A). The Building Addition shall be built out in accordance with the attached Building Specifications (Exhibit B) and Floor Plan (Exhibit C). The Building Addition shall be constructed by LESSOR, at LESSOR'S sole cost.
- 3) Effective on or about December 1, 2008, LESSOR shall complete renovations to the original Demised Premises (the "Building Renovations"), in accordance with the attached Renovation Specifications (Exhibit D) and Floor Plan (Exhibit E). The Building Renovations shall be constructed by LESSOR, at LESSOR'S sole cost.
- 4) The annual rental rate for the period September 1, 2008 (or actual occupancy date of Building Addition, if later than September 1, 2008), thru and including March 31, 2010 shall be Three Hundred Eight Thousand Eight Hundred Twenty Seven and 54/100 Dollars (\$308,827.54), per annum, payable in equal monthly installments of Twenty Five Thousand Seven Hundred Thirty Five and 63/100 Dollars (\$25,735.63).
- 5) The annual rental rate for the period April 1, 2010 thru and including March 31, 2014 shall be Three Hundred Thirty-One Thousand Five Hundred Twenty Five and 00/100 Dollars (\$331,525.00), per annum, payable in equal monthly

84 HUMBOLDT STREET ROCHESTER, NEW YORK 14609 (585) 654-6650 FAX (585) 288-7646
WEBSITE: www.gallinadev.com E-MAIL: gallina@gallinadev.com

installments of Twenty Seven Thousand Six Hundred Twenty Seven and 08/100 Dollars (\$27,627.08).

- 6) The annual rental rate for the period April 1, 2014 thru and including March 31, 2019 shall be Three Hundred Forty Eight Thousand Two Hundred Eighty Seven and 50/100 Dollars (\$348,287.50), per annum, payable in equal monthly installments of Twenty Nine Thousand Twenty Three and 96/100 Dollars (\$29,023.96).
- 7) Section Five (5) of the Lease shall be deleted in its entirety and replaced with the following:

The LESSEE may, with the approval of LESSOR, which approval shall not be unreasonably withheld, extend this Lease, and all the terms and conditions, subject to Section 8 of this Lease Addendum, for two (2) successive period(s) of five (5) year(s), upon written notice to the LESSOR at no later than one hundred eighty (180) days prior to the expiration of the term or extension hereof. If any option as herein before provided, is not exercised by LESSEE, as herein before provided, this Lease shall terminate absolutely at the expiration date of the term, or the then current option period, without further notice by either party to the other.

Notwithstanding anything to the contrary, LESSEE may only exercise its right to extend the Lease, one (1) option period at a time.
- 8) Section 8 of the Lease shall be modified as follows: All notices to LESSEE shall be sent to: 35 Vantage Point Drive, Rochester, New York 14624.
- 9) Section Twenty Nine (29) of the Lease shall be deleted in its entirety and replaced with the following:

In the event that the LESSEE shall exercise its right of renewal option(s) as contained in Section 7 of this Lease Addendum, the new annual rental rate for each renewal term shall be calculated as follows: the annual rental rate for the then current lease term, shall be multiplied by the change in the United States Consumer Price Index, during the sixty (60) month period immediately preceding the notification date of LESSEE intent to exercise its option to extend the term of the Lease, the product of which will be added to the annual rental rate for the then current lease term. Each increase in the annual rental rate for an option period, shall have a floor of eight percent (8%) and a cap of sixteen percent (16%).
- 10) LESSOR agrees to allocate on behalf of LESSEE with a Tenant Improvement Allowance of up to One Hundred Thousand and 00/100 Dollars (\$100,000.00), to be used to cover a portion of the cost of additional renovations to the existing Building (the "Additional Renovations"). The Scope of Work for the Additional Renovations will be developed, jointly between LESSEE and LESSOR, with final cost approvals, agreed upon by both parties by July 1, 2008.

The Tenant Improvement Allowance for Additional Renovations will be allocated by LESSOR on a monthly basis, as cost are incurred for Additional Renovations and reported to LESSEE on a monthly basis.

Should the cost of the Additional Renovations exceed the Tenant Improvement Allowance, LESSEE agrees to reimburse LESSOR for actual renovation costs incurred in excess of the agreed Tenant Improvement Allowance, immediately (net 15 days) and in full, on a monthly basis, upon receipt of a invoice from LESSOR.

LESSOR and LESSEE will enter into a separate construction contract related to the Additional Renovations.

Renovation costs will include LESSOR'S reasonable project management fees.

- 11) (a) LESSEE acknowledges that it is receiving an enhanced real property tax abatement program commonly described as the "Jobs Plus Initiative" whereby it pays property taxes on the Property pursuant to a Payment-in-Lieu-of-Tax Agreement ("PILOT"), executed by LESSOR and the County of Monroe Industrial Development Agency (the "Agency"). In consideration for this enhanced PILOT, the LESSOR has leased the Demised Premises to the LESSEE who has agreed to create eleven (11) additional full-time jobs within a three (3) year period as defined in the PILOT and maintain those jobs throughout the term of the PILOT. The LESSEE agrees and understands that the Agency or its duly appointed agent may examine the LESSEE'S books and records during normal business hours and upon reasonable notice (a minimum of 48 hours) to determine the LESSEE'S compliance with the Jobs Plus Initiative

As long as the Property and Building is owned by the LESSOR and leased to the LESSEE, the LESSOR agrees to pay annually to the Taxing Jurisdictions as a payment in lieu of taxes, an amount equal to 100% of the taxes, service charges, special ad valorem levies, special assessments and improvements district charges or similar tax equivalents, less the percentages of exemption set forth on the schedule below, with respect to taxes and special ad valorem levies on the Building Addition within the description contained in paragraph 5 of Section 485-b (notwithstanding that the procedural steps to obtain an exemption may not have been complied with) levied upon or with respect to the Building Addition by the Taxing Jurisdictions, following next applicable tax status date:

<u>YEARS OF EXEMPTION</u>	<u>PERCENTAGE OF EXEMPTION</u>
1	90%
2	80%
3	70%
4	60%
5	50%
6	40%

<u>YEARS OF EXEMPTION</u>	<u>PERCENTAGE OF EXEMPTION</u>
7	30%
8	20%
9	10%
10	0%

Provided however, that the LESSOR need not comply with procedures to obtain such exemption as provided in the New York Real Property Tax Law, and provided further that the LESSOR, shall do all things necessary and shall make application and follow such procedures to obtain such exemption to the extent that the LESSOR shall determine necessary.

Further, provided that:

- (i) The LESSEE maintain its present job level as stated in the Application dated May 20, 2008 by LESSOR to Agency and creates eleven (11) new jobs in three (3) years and maintains those eleven (11) new jobs for the term of the PILOT . The three-year period commences when the earliest of the following occurs; (i) the Building Addition is completely constructed; (ii) the LESSOR receives a Certificate of Occupancy for the Building Addition; and (iii) the Building Addition is reassessed by Town of Ogden Assessor; and
- (ii) Monroe County residents be given preference for created jobs; and
- (iii) The LESSEE shall report its compliance with these provisions as requested by the LESSOR and the Agency; and
- (iv) If the eleven (11) new jobs are not created by the end of the three (3) year period or not continuously maintained for the term of the PILOT, the exemption schedule will revert back to Section 485-b of the New York Real Property Tax Law and the LESSEE agrees to pay in any year for which the job creation requirements are not met (the "Disqualifying Year"), as an additional payment in lieu of taxes, an amount equal to the difference between the tax benefits received in years one through the Disqualifying Year under the PILOT and the tax benefits which would have been received in years one through the Disqualifying Year under Section 485-b of the New York Real Property Tax Law. In the event the LESSEE abandons or otherwise vacates the County of Monroe, then the LESSEE shall pay back all benefits for all years as if the Building Addition was owned by it outright and absolutely with no tax abatement.
- (v) The payments required hereunder for any non-compliance shall be paid by the LESSEE to any and all affected taxing jurisdictions whether or not billed. However, if the LESSEE has made a good faith effort to achieve the job creation standard, it may apply in writing for relief from the obligation for repayment of taxes abated, based on a showing of unforeseen economic circumstances, fiscal hardship, or other good cause.

Application for relief from the repayment obligation shall be made to the Agency, which shall examine the application and make recommendations to the Legislature regarding the requested relief; the recommendations may include, but not be limited to, relief in whole or in part from the repayment obligation, or an alternate schedule for attaining the job creation standard.

- (vi) The tax benefits provided for herein shall be deemed to commence in the first year in which the LESSEE receives any tax benefits relative to the Building Addition, whether under this Lease, or any statutory exemption. In no event shall the LESSEE be entitled to receive tax benefits relative to the Building Addition for more than ten (10) consecutive years. The LESSEE agrees that it will not seek any tax exemption for the Building Addition which would provide benefits for more than ten (10) consecutive years.
- 11 (b) Special district charges, unless otherwise exempt, and Monroe County Pure Waters charges are to be paid in full in by LESSOR in accordance with normal billing practices and charged back to LESSEE as Additional Rent, per Sections 20 and 27 of the Lease.
- 11 (c) The LESSOR shall pay, within the applicable grace period and without penalty, the amounts set forth in Sections 10(a) and 10(b) hereof applicable to taxes, special ad valorem levies, special assessments or similar tax equivalents, less the percentages of exemption on similar property subject to taxation by the Taxing Jurisdictions, as appropriate.
- 11 (d) Notwithstanding anything contained herein to the contrary, upon the occurrence of (i) the closure of the Demised Premises, (ii) a significant unapproved change in use of the Demised Premises, (iii) a significant reduction in employment at the Demised Premises or (iv) a significant Event of Default under the PILOT, the Agency shall have the right to recapture all real property tax abatements provided hereunder pursuant to the following schedule:

Year of Recapture	Percent of Recapture
1	100%
2	100%
3	50%
4	50%
5	25%
6	25%
After year 6	At Agency's Discretion

The above-reference periods begin on the effective date of this Lease. Any such recapture is at the sole and exclusive discretion of the Agency. The Agency shall notify the LESSEE in writing within ninety (90) days of such Event of Default under the PILOT of its intent to recapture the PILOT benefits (or any portion

thereof); provided, however, that such period shall not commence to run until the Agency has been properly notified or ascertains any such Event of Default under the PILOT. For purposes of this Section only, a "significant reduction" shall mean more than twenty percent (20%) of the employment as stated in the application.

- 11 (e) In the event that the Demised Premises is transferred from the Agency to the LESSOR, and the LESSEE is ineligible for a continued tax exemption under some other tax incentive program, or the exemption is less than that described in Paragraph 10(a) herein, the LESSOR agrees to pay no later than the next tax lien date, (plus any applicable grace period) to each of the Taxing Jurisdictions, an amount equal to the taxes and assessments which would have been levied on the Building Addition if the Building Addition had been classified as fully taxable as of the date of transfer or loss of eligibility of all or a portion of the exemption described herein and the LESSEE agrees to reimburse LESSOR for the aforementioned payments, as Additional Rent.
- 11 (f) LESSEE agrees to execute any documents required by Agency to memorialize the aforementioned agreement, in association with the Jobs Plus Initiative.
- 12) In the event of a conflict in terms between the Lease, as amended and this Lease Addendum, the terms and conditions of the Lease Addendum shall prevail.
- 13) LESSOR and LESSEE agree to enter into a Demised Premises Acceptance And Lease Commencement Date Agreement, which will specify: the completion date of the Building Addition, the commencement date of the rent payment for the Building Addition and any other required amendments to the terms of the Lease.
- 14) Unless defined otherwise in this Lease Addendum, all capitalized terms used in this Lease Addendum shall have the same meaning and definition given them in the Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Lease Addendum on the 2nd day of June, 2008.

WITNESS:

/s/ Anna Marie Finnegan

Gallina Development Corporation

/s/ Andrew R. Gallina
Andrew R. Gallina, President

WITNESS:

Transcat, Inc.

/s/ John J. Zimmer
Name: John J. Zimmer
Title: VP Finance & CFO

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Charles P. Hadeed, Chief Executive Officer, President and Chief Operating Officer of Transcat, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Transcat, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2008

/s/ Charles P. Hadeed

Charles P. Hadeed

Chief Executive Officer, President and Chief Operating Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, John J. Zimmer, Vice President of Finance and Chief Financial Officer of Transcat, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Transcat, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2008

/s/ John J. Zimmer
John J. Zimmer
Vice President of Finance and Chief Financial Officer

SECTION 1350 CERTIFICATIONS

Charles P. Hadeed, the Chief Executive Officer of Transcat, Inc. and John J. Zimmer, the Chief Financial Officer of Transcat, Inc. certify that (i) the quarterly report on Form 10-Q for the second quarter ended September 27, 2008 fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the quarterly report on Form 10-Q for the second quarter ended September 27, 2008 fairly presents, in all material respects, the financial condition and results of operations of Transcat, Inc.

Date: November 12, 2008

/s/ Charles P. Hadeed
Charles P. Hadeed
Chief Executive Officer, President and Chief Operating Officer

Date: November 12, 2008

/s/ John J. Zimmer
John J. Zimmer
Vice President of Finance and Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Transcat, Inc. and will be retained by Transcat, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.